

**SECURITIES AND EXCHANGE BOARD OF INDIA**  
**CONSENT ORDER**  
**ON CONSENT APPLICATION NO. 2527/2012**  
**FILED BY M/s SMALL IS BEAUTIFUL**  
**(PAN No. ABAFS3266R)**

1. M/s Small is Beautiful, vide letter dated February 23, 2012, filed an application for consent in terms of the SEBI Circular No. EFD/ED/Cir-1/2007 dated April 20, 2007, proposing the settlement of, through a consent order, show cause notice ref. no. EAD-6/BM/VRP/25381/2011 dated August 9, 2011 issued for violation of Regulations 12(c) and 12(d) (ii) of the Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996 (hereinafter referred to as “the Regulations”) during the period 2005-07.
2. The applicant company in its income tax returns filed for the Assessment Year 2007-08, in the status of Venture Capital Funds, had sought exemption under Section 10(23FB) amounting to Rs. 11,83,70,303/-. Upon conducting assessment proceedings, it was *inter alia* observed by the Additional Commissioner of Income Tax, Hyderabad that the applicant company had violated the investment guidelines issued by SEBI under the Regulations. In terms of the said Regulations, a Venture Capital Fund is restricted from making investment in its associated companies. However, it was noted that, during the period of 2005-07, the applicant company had made investment in its three associated companies namely M/s Arasmeta Captive Power Company Ltd., M/s Sai Regency Power Corporation Ltd. and M/s KVK Energy Infrastructure Ltd.
3. The said information was brought to the notice of SEBI by the Asst. Commissioner of Income Tax, Hyderabad vide letter dated March 14, 2011 along with the copy of the assessment order, whereupon SEBI initiated enquiry proceedings by the issuance of show cause notice dated August 9, 2011 into the affairs and dealings of the applicant company for alleged violation of Regulations 12(c) and 12(d) (ii) of the Regulations.
4. In view thereof, the applicant vide the aforementioned consent application, sought to settle the said enquiry proceedings. During the meeting held with the Internal Committee on April 18, 2012, the case was discussed whereupon the applicant submitted its revised terms of consent for Rs. 37,50,000/- (Thirty seven lakhs and fifty thousands) only.
5. The High Powered Advisory Committee considered the consent terms proposed by the applicant and recommended the case for settlement on payment of Rs. 37,50,000/- (Thirty Seven Lakhs and Fifty Thousands) only towards settlement

charges. The Panel of WTMs has accepted the said recommendations of the Committee which was communicated to the applicant, vide letter dated September 05, 2012.

6. Accordingly, the applicant vide its letter dated September 15, 2012, has forwarded four Demand Drafts (No. 761971, 761972, 761973, 761974) all dated September 13, 2012 drawn on Andhra Bank for total amount of Rs. 37,50,000/- (Thirty Seven Lakhs and Fifty Thousands) only towards the settlement charges.
7. In view of the above, enquiry proceedings initiated against the appellant for the alleged violation of aforesaid provisions of the Regulations, is settled on the earlier mentioned consent terms.
8. This order is without prejudice to the right of the Securities and Exchange Board of India to initiate enforcement actions against the applicant for the above discussed violations if:
  - a. any representation made by the applicant in this consent proceeding is subsequently discovered to be untrue; or
  - b. the applicant breaches any of the consent terms or undertakings filed in this consent proceeding.
9. This consent order is passed on this the 01 day of November, 2012 and shall come into force with immediate effect.

**RAJEEV KUMAR AGARWAL**  
**WHOLE TIME MEMBER**

**PRASHANT SARAN**  
**WHOLE TIME MEMBER**