

**BEFORE THE ADJUDICATING OFFICER  
SECURITIES AND EXCHANGE BOARD OF INDIA  
SETTLEMENT ORDER NO. SO/AK/BS/2022-23/6965-69**

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**On the application submitted by**

<b>Sr.no.</b>	<b>Name of Applicant</b>	<b>Settlement Application No.</b>
1	L&T Investment Management Limited	6965/2022
2	Kailash Kulkarni	6966/2022
3	Shriram Ramanathan	6967/2022
4	Vikas Garg	6968/2022
5	Jalpan Shah	6969/2022

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**In the matter of Thematic inspection of L&T Mutual Fund**

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1. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) conducted an examination on Inter-Scheme Transfers of L&T Mutual Fund for the period of April 01, 2017 to June 30, 2018. Based on the examination, following observations were made:
  - 1.1. L&T Investment Management Limited (Applicant no. 1) failed to avoid conflicts of interest in managing the affairs of the schemes and to keep the interest of all unitholders paramount in all matters; failed to carry out the business and invest in accordance with the investment objectives stated in the offer documents and take investment decisions solely in the interest of unitholders; and failed to render at all times high standards of service, exercise due diligence, ensure proper care and exercise independent professional judgment;
  - 1.2. Applicant no. 1 failed to ensure that the transfers of investments from one scheme to another scheme were allowed only if such transfers were done at the prevailing market price for quoted instruments on spot basis, and that the securities so transferred should be in conformity with the investment objective of the scheme to which such transfer had been made;

- 1.3. Applicant no. 1 failed to ensure that valuation of its investments must allow fair treatment to all investors including existing investors as well as investors seeking to purchase or redeem units of mutual funds in all schemes at all points of time; the valuation of investments should be based on the principles of fair valuation i.e. valuation should be reflective of the realizable value of the securities/assets; the valuation should be done in good faith and in true and fair manner through appropriate valuation policies and procedures; the valuation policies and procedures approved by the Board of asset management company should seek to address conflict of interest; and there should be policies and procedures to detect and prevent incorrect valuation.
- 1.4. It was observed that Kailash Kulkarni (Applicant no. 2), as the CEO of the AMC, failed to ensure that the Mutual Fund complied with all the provisions of MF Regulations and the guidelines or circular issued in relation therein and that the investments made by the fund manager(s) are in the interest of the unit holders.
- 1.5. It was observed that Shriram Ramanathan, Vikas Garg and Jalpan Shah (Applicant no: 3, 4 & 5) failed to ensure that the funds of the schemes were invested to achieve the objectives of the schemes and in the interest of the unit holders.
2. SEBI appointed Ms. Geetha G. as the Adjudicating Officer (hereinafter referred to as '**AO**') vide order dated December 29, 2021 under section 15-I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the **SEBI Act**) read with (r/w) rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as **Adjudication Rules, 1995**), to inquire into and adjudge under section 15D (b), 15E and 15HB of the SEBI Act, the alleged violation of following provisions of regulation:
- 2.1. Clause 4, 6 and 9 of the Fifth Schedule under Regulation 25(16) of SEBI (Mutual Funds) Regulations, 1996 (hereinafter referred to as "**MF Regulations**"), Clause 3(a) and 3(b) of the Seventh Schedule under Regulation 44(1), Clause (a), (e) and (h) of Investment Valuation Norms as

specified in Eighth Schedule under Regulation 25(19) and 47 of MF Regulations by Applicant 1.

2.2. Regulation 25(6A) of MF Regulations by Applicant no. 2.

2.3. Regulation 25(6B)(a) of MF Regulations by Applicant no.s 3, 4 & 5.

3. Pursuant to transfer of Ms. Geetha G., the undersigned was appointed as AO by the Competent Authority, vide order dated August 29, 2022.
4. A Show Cause Notice ref. EAD-6/GG/AS/24596/2021 dated June 14, 2022 (hereafter referred to as SCN) was issued to the Noticees (Applicant nos. 1, 2, 3, 4, & 5, hereinafter referred to as "**Applicants**"), in terms of the provisions of rule 4 of the Adjudication Rules, 1995 requiring to show cause as to why an inquiry should not be held against them and why penalty, if any, should not be imposed under section 15D (b), 15E and 15HB of the SEBI Act, for the alleged violations, mentioned in paragraph 2 above.
5. Pending Adjudication Proceedings, the Applicants proposed to settle the instant proceedings initiated against them, without admitting or denying the findings of fact and conclusions of law, and filed settlement applications with SEBI having ref. nos. 6965-69/2022 dated August 12, 2022, in terms of the provisions of SEBI (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as '**Settlement Regulations**').
6. The meeting of Internal Committee of SEBI was held on November 29, 2022 wherein Settlement terms were deliberated. Authorized Representative of applicants, vide letter dated December 08, 2022, proposed revised settlement terms. The High Powered Advisory Committee (hereinafter referred to as '**HPAC**') in its meeting held on December 27, 2022, considered the settlement terms proposed and recommended that the case may be settled upon payment of following settlement amount towards the settlement terms:

<b>Applicant No.</b>	<b>Amount</b>
Applicant 1	Rs. 57,03,750/- (Fifty seven Lakh Three Thousand Seven Hundred Fifty Rupees)
Applicant 2	Rs.14,62,500/- (Fourteen Lakh Sixty Two Thousand Five Hundred Rupees)
Applicant 3	Rs.14,62,500/- (Fourteen Lakh Sixty Two Thousand Five Hundred Rupees)
Applicant 4	Rs.14,62,500/- (Fourteen Lakh Sixty Two Thousand Five Hundred Rupees)
Applicant 5	Rs.14,62,500/- (Fourteen Lakh Sixty Two Thousand Five Hundred Rupees)

7. The Panel of Whole Time Members of SEBI approved the said recommendation of the HPAC on January 20, 2023. Subsequently, 'Notices of Demand' were issued to the applicants, vide emails dated January 30, 2023. Subsequently, the applicants, vide email dated February 09/10, 2023 informed about the remittance of the settlement amount.
8. Therefore, in view of the acceptance of the settlement terms and the receipt of settlement amount as above by SEBI, the instant Adjudication Proceeding initiated against L&T Investment Management Limited, Kailash Kulkarni, Shriram Ramanathan, Vikas Garg and Jalpan Shah, vide SCN, dated June 14, 2022, is being disposed of, in terms of Section 15JB of the SEBI Act read with regulation 23(1) of the Settlement Regulations, on the basis of the settlement terms.
9. This order is without prejudice to the right of SEBI to take enforcement actions, in terms of Regulation 28 of the Settlement Regulations, including restoring or initiating the proceedings in respect to which the settlement order was passed against the applicant, if:
  - i. any representations made by the applicant in the settlement proceedings is subsequently found to be untrue; or

- ii. the applicant breaches any of the clauses/ conditions of undertakings/ waivers filed during the current settlement proceedings.

10. This settlement order is passed on the **February 17, 2023** and shall come into force with immediate effect.

11. In terms of Regulation 25 of the Settlement Regulations, copy of this order is being sent to the applicants viz. L&T Investment Management Limited, Kailash Kulkarni, Shriram Ramanathan, Vikas Garg and Jalpan Shah and is also being published on the website of SEBI.

**Place: Mumbai**

**Date: February 17, 2023**

**Amit Kapoor**

**Adjudicating Officer**