

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
SETTLEMENT ORDER
(Application No. 6554/2021)**

On the application submitted by

Nalanda India Equity Fund Limited

Settlement Order No.: SO/PM/GD/2021-22/6554

1. Securities and Exchange Board of India (hereinafter referred to as **SEBI**) conducted an examination on breach of investment limits by Nalanda India Equity Fund Limited ('NIEFL/ Noticee No. 1') and Nalanda India Fund Limited (NIFL/ Noticee No. 2') (hereinafter together referred to as "the Noticees"). NIEFL and NIFL were registered as a Foreign Institutional Investor (FII) on July 02, 2008 and June 02, 2011, respectively. The registrations were renewed later on and since June 01, 2014, they are deemed Foreign Portfolio Investors (FPIs) in terms of SEBI circular dated March 28, 2014. During examination, SEBI observed that the Kotak Mahindra Bank Limited, being a Designated Depository Participant, (DDP) and also Custodian of the aforesaid FPIs, vide email dated May 17, 2019 requested National Securities Depository Limited (NSDL) to club the aforesaid two FPIs. Accordingly, NSDL clubbed the two FPIs and formed the investor group 'Nalanda India Limited' (NIL). It was observed that, the aggregate holdings of the aforementioned FPIs belong to the same investor group and they have breached the investment limit of 10% of the paid up capital in respect of few scrips of the Companies.
2. SEBI appointed Shri Amit Pradhan as the Adjudicating Officer (AO) vide order dated October 27, 2020 under section 15-I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the **SEBI Act, 1992**) read with (r/w) rule 3 of the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as

Adjudication Rules, 1995) to inquire into and adjudicate under section 15HB of the SEBI Act, 1992, for the alleged violation of provisions of regulation 22(1)(a), 21(1)(b), 21(1)(c), 21(1)(g), 22(3), 22(5) of the FPI Regulations, 2019 r/w regulation 23(1)(a), 23(1)(b), 23(1)(c), 23(1)(g), 23(3), 23(5) of the FPI Regulations, 2019. Subsequently, the undersigned was appointed as AO by the Competent Authority vide order dated June 18, 2021 and the same was conveyed vide communication order dated June 21, 2021.

3. The Noticees being a FPI is required to abide by the code of conduct as specified in the third schedule of the FPI Regulations and also to maintain an appropriate level of knowledge and competency and abide by the provisions of the Act, regulations made thereunder and the circulars and guidelines, which may be applicable and relevant to the activities carried on by it. It was observed that the Noticees have suppressed the fact that they belong to same investor group and only after NSDL informed about the breach of the prescribed investment limit of 10 % of the paid up capitals by them. They requested to reclassify their investment from FPI to Foreign Direct Investment (FDI). Therefore, in view of the above, it is alleged that the Noticee have submitted incorrect submission of grouping details and had violated the provisions of clauses (1), (2), (5) and (6) of Third Schedule read with regulation 23 of the FPI Regulations, 2019 read with clauses (1), (2), (5) and (6) of Third Schedule read with regulation 24 of FPI Regulations, 2014, and Annexure B (Form A- D&U) of Operational Guidelines for FPIs, DDPs and EFIs issued vide SEBI Circular dated November 05, 2019 read with Operational Guidelines for DDPs issued vide SEBI circular dated January 08, 2014.
4. A Show Cause Notice ref. SEBI/EAD-2/AP/VS/8299/1-2/2021 dated April 06, 2021 (hereafter referred to as SCN) was issued to the Noticee in terms of the provisions of rule 4 of the Adjudication Rules, 1995 requiring the Noticee to show cause as to why an inquiry should not be held against it and why penalty, if any, should not be imposed on it under section 15HB of the SEBI Act, 1992,

for the alleged violations provisions of regulation 22(1)(a), 22(1)(b), 22(1)(c), 22(1)(g), 22(3) and 22(5) of the FPI Regulations, 2019 read with 20(7), 21(7), 23(1)(a), 23(1)(b), 23(1)(c), 23(1)(g), 23(3) and 23(5) of the FPI Regulations, 2019 and clause 15(iii) of Part A of Operational Guidelines for FPIs, DDPs and EFIs issued vide SEBI Circular dated November 05, 2019 read with Operational Guidelines for DDPs issued vide SEBI circular dated January 08, 2014.

5. Pending Adjudication Proceedings, the Noticee 1 (hereinafter referred to as applicant) proposed to settle the instant proceedings initiated against it, without admitting or denying the findings of fact and conclusions of law, through a settlement order and filed a settlement application with SEBI having ref. 6554/2021 dated August 31, 2021, in terms of the provisions of SEBI (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as '**Settlement Regulations**').
6. After attending meeting with the Internal Committee of SEBI on December 16, 2021 in terms of the Settlement Regulations, the applicant vide email dated December 17, 2021, proposed revised settlement terms. The High Powered Advisory Committee (hereinafter referred to as 'HPAC') in its meeting held on December 29, 2021, considered the settlement terms proposed and recommended that the case may be settled upon payment of 73,95,000/- (Rupees Seventy Three Lakh Ninety Five Thousand only) as settlement amount jointly for Nalanda India Fund Limited and Nalanda India Equity Fund Limited towards the settlement terms.
7. The Panel of Whole Time Members of SEBI approved the said recommendation of the HPAC on January 13, 2022 and the same was communicated by SEBI to applicant on January 18, 2022. Subsequently, the applicant vide email dated February 01, 2022 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 proceedings initiated against Nalanda India Equity Fund Limited vide SCN dated April 06, 2021 are 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 25, 2022** and shall come into force with immediate effect.
11. In terms of Regulation 25 of the Settlement Regulations, copies of this order are being sent to the applicant viz. Nalanda India Equity Fund Limited and also to the Securities and Exchange Board of India.

Place: Mumbai

Date: February 25, 2022

Prasanta Mahapatra

Adjudicating Officer