

SECURITIES AND EXCHANGE BOARD OF INDIA
SETTLEMENT ORDER
[Settlement Order No. SO/AS/EFD2/2024-25/7794]

Settlement Application No.	Applicant	PAN No.
7794/2024	East Lane Capital LLP	AAIFE2914K

IN THE MATTER OF ASTRAL INDIAN EQUITIES FUND

1. East Lane Capital LLP (hereinafter referred to as “**applicant**”) filed a *suo- motu* settlement application in terms of the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as “**Settlement Regulations**”), proposing to settle by neither admitting nor denying the findings of fact and conclusions of law, the enforcement proceedings that may be initiated against it for the violation of Regulation 15(1)(d) of the SEBI (Alternative Investment Funds) Regulations, 2012 (hereinafter referred to as “**AIF Regulations**”) and Clause 3.1 of SEBI Circular No. SEBI/HO/AFD/PoD1/CIR/2023/96 dated June 21, 2023 read with SEBI Circular No. SEBI/HO/AFD/PoD1/CIR/2023/186 dated December 11, 2023.
2. Brief facts of the case are as follows:

Breach of concentration limit

- 2.1. It is noted that Astral Indian Equities Fund (hereinafter referred to as “**the Fund**”) was registered with SEBI on September 21, 2022 as a Category III AIF. The corpus of the Fund is Rs. 810.34 crore and the investable funds of the Fund is Rs. 808.585 crore. The applicant is the Investment Manager of the Fund. The Fund received its initial commitment amounting to Rs. 93.1 crore on February 15, 2023 and started its

investment activities. During the month of February 2023, the Fund has made below investments:

Transaction Date	Scrip name	Amount invested	%Holding
17-02-2023	HDFC Bank Limited	1,65,885.72	0.02
20-02-2023	HDFC Bank Limited	11,13,40,043.13	11.96
20-02-2023	ICICI Bank Limited	11,11,75,717.04	11.94
20-02-2023	Axis Bank Limited	11,14,28,049.13	11.97
20-02-2023	ICICI Lombard	11,19,18,793.30	12.02

- 2.2. Subsequently, the Fund received additional commitment amounting to Rs. 163.66 crore on April 25, 2023 and made additional investments in the month of April 2023. Pursuant to this, the percentage of investment to the total NAV for each scrip held by the Fund were as below:

Holding as of April 30, 2023

Scrip name	%Holding
HDFC Bank Limited	4.42
ICICI Bank Limited	10.03
Axis Bank Limited	4.36
ICICI Lombard	10.11
Avenue Limited	5.01

- 2.3. It is noted from the above, that the said additional contributions received by the Fund had resulted in dilution of the investments made in HDFC Bank Limited and Axis Bank Limited. Accordingly, the investments in the said scrips were then falling within the limit of 10% of NAV in terms of Regulation 15(1)(d) of the AIF Regulations. However, a breach of the 10% limit continued in the scrips of ICICI Bank Limited (10.03%) and ICICI Lombard (10.11%).

- 2.4. At the end of June 2023, the holding of the Fund along with percentage of its investments to NAV was as below:

Scrip name	%Holding
HDFC Bank Limited	9.71
ICICI Bank Limited	9.86
Axis Bank Limited	4.83
ICICI Lombard	12.20
Avenue Limited	5.36
Hindustan Unilever Limited	4.93
ICICI Prudential Life	4.91

- 2.5. It is noted from the above, that a breach of the 10% limit continued in the scrip of ICICI Lombard till June 2023.
- 2.6. The relevant provision of Regulation 15(1)(d) of the AIF Regulations is reproduced below:

“15.(1) Investments by all categories of Alternative Investment Funds shall be subject to the following conditions:-

(d) Category III Alternative Investment Funds shall invest not more than ten per cent of the investable funds in an Investee Company, directly or through investment in units of other Alternative Investment Funds and the large value funds for accredited investors of Category III Alternative Investment Funds may invest up to twenty per cent of the investable funds in an Investee Company, directly or through investment in units of other Alternative Investment Funds”

Delay of Dematerialization of Units

- 2.7. It is further noted that SEBI, through a Circular No. SEBI/HO/AFD/PoD1/CIR/2023/96 dated June 21, 2023 read with Circular no. SEBI/HO/AFD/PoD1/CIR/2023/186 dated December 11,

2023, had issued directions to all AIFs regarding issuance of units of all schemes of AIFs in dematerialized form. The extended deadline for the same was January 31, 2024, in case of funds which has a corpus greater than Rs. 500 crore.

2.8. It is noted that the Fund, in the present matter, has a corpus of approximately Rs. 800 crore. Accordingly, the Fund was required to comply with the directions of the aforesaid Circulars, latest by January 31, 2024. However, it is noted from available records that the compliance was delayed by over one month. Further, it is noted that the dematerialized units of the Scheme of AIF was credited to the demat accounts of the investors only on March 16, 2024.

2.9. The text of the relevant Clause 3.1 of SEBI Circular No. SEBI/HO/AFD/PoD1/CIR/2023/96 dated June 21, 2023 is reproduced below:

“All schemes of AIFs shall dematerialise their units in the following time frame:

Particulars	Schemes of AIFs with corpus $\geq$ Rs 500 Crore	Schemes of AIFs with corpus $<$ Rs 500 Crore
<i>Dematerialisation of all the units issued</i>	<i>Latest by October 31, 2023</i>	<i>Latest by April 30, 2024</i>
<i>Issuance of units only in dematerialised form</i>	<i>November 01, 2023 onwards</i>	<i>May 01, 2024 onwards”</i>

2.10. The text of the relevant Clause 6 of SEBI Circular No. SEBI/HO/AFD/PoD1/CIR/2023/186 dated December 11, 2023 is reproduced below:

“Schemes of AIFs with corpus $\geq$ INR 500 Crore shall credit units already issued to existing investors (on-boarded prior to November 01, 2023)

who have not provided their demat account details, into Aggregate Escrow Demat Account latest by January 31, 2024. Units already issued by such schemes to existing investors who have provided demat account details shall be credited to respective investors' demat accounts at the earliest, but not later than January 31, 2024."

3. In view of the aforesaid facts, the applicant filed the present application for the purpose of settling the proceedings that may be initiated against it for the aforesaid violations.
4. Pursuant to the receipt of the application, the authorized representatives of the applicant had a meeting with the Internal Committee (hereinafter referred to as "IC") of SEBI on August 13, 2024, wherein the issues detailed above were deliberated along with the terms of the settlement. IC had stipulated to the applicant that the settlement amount proposed to be paid by the applicant should not be paid out of the investors' funds. Thereafter, vide email dated August 20, 2024, the applicant proposed revised settlement terms to settle any enforcement proceedings that may be initiated against it for the violation as stated above at paragraph 1.
5. The High Powered Advisory Committee (hereinafter referred to as "**HPAC**") in its meeting held on August 28, 2024, considered the revised settlement terms proposed by the applicant and recommended the case for settlement upon payment of ₹23,40,000/- (Rupees Twenty-three lakh forty thousand only). The HPAC had also agreed with the recommendation made by IC that the aforesaid settlement amount should not be paid from the corpus of the investors' funds. The recommendation of the HPAC was accepted by the Panel of Whole Time Members of SEBI on October 8, 2024. Subsequently, a Notice of Demand for the said amount was issued to the applicant on October 11, 2024. The applicant informed about the remittance of the aforesaid settlement amount on October 16, 2024 and SEBI has confirmed credit of the same. Further, the applicant vide email dated October 18, 2024 confirmed that the payment of the settlement amount has not been made from the corpus of the investors' funds.

6. On the basis of the facts stated above, in exercise of the powers conferred under Section 15JB read with Section 19 of the Securities and Exchange Board of India Act, 1992 and in terms of Regulation 23 of the Settlement Regulations, it is hereby ordered that any proceedings that may be initiated for the violation mentioned at paragraph 1 above, are settled in respect of the applicant on the following terms:
- i. SEBI shall not initiate any enforcement action against the applicant for the said violations, and
 - ii. Passing of this Order is without prejudice to the right of SEBI under Regulation 28 of the Settlement Regulations to initiate appropriate action against the applicant, if SEBI finds that:
 - (a) any representation made by the applicant in the present settlement proceedings is subsequently found to be untrue;
 - (b) the applicant have breached any of the clauses/ conditions of undertakings/ waivers filed during the present settlement proceedings; and
 - (c) there was a discrepancy while arriving at the settlement terms.
7. This Settlement Order is passed on this day of 25th October, 2024 and shall come into force with immediate effect.
8. In terms of Regulation 25 of the Settlement Regulations, a copy of this Order shall be sent to the applicant and shall also be published on the website of SEBI.

Sd/

KAMLESH C. VARSHNEY
WHOLE TIME MEMBER

Sd/

AMARJEET SINGH
WHOLE TIME MEMBER