

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
ADJUDICATION ORDER NO. Order/GG/VV/2021-22/ 18092**

**UNDER SECTION 15-I OF THE SECURITIES AND EXCHANGE BOARD OF INDIA
ACT, 1992 READ WITH RULE 5 OF THE SECURITIES AND EXCHANGE BOARD
OF INDIA (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES)
RULES, 1995**

In respect of:

S Rajagopal

(Pan No: ABLPR5509F)

in the matter of **Trinity Alternative Investment Mangers Ltd**

A. BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') has initiated adjudication proceedings against **Mr. S Rajagopal** (hereinafter referred to as "**Rajagopal /Noticee /You**") and 8 other Noticees; under Section 15HB of the SEBI Act, 1992 (hereinafter referred to as "**SEBI Act**"), for alleged violations of Regulations 2(1)(b), 21, 22, 24(e) and 11 of SEBI (Alternate Investment Funds) Regulations, 2012 (hereinafter referred to as "**AIF Regulations, 2012**") in the matter of Trinity Alternative Investment Managers Limited (hereinafter referred to as "**TAIML**" or "**the Company**" or "**Target Company**") (formerly known as SREI Alternative Investment Trust "**SREI AIT** ").
2. SEBI conducted inspection of TAIML, to look into the operations carried out by it as a manager of its Alternative Investment Fund (AIF). The inspection was carried out on March 25 and 26, 2019 and the period of inspection was from April 1, 2016 till the date of inspection. Consequently, certain instances of irregularities were pointed out in the inspection report. The Inspection report was forwarded to TAIML SREI on January 05, 2020 seeking comments, of the entity on the

aforesaid inspection observations. The reply of TAIML (formerly SREI) was received vide letter dated February 21, 2020.

3. Based on the reply/comments of TAIML (formerly SREI AIT) with regard to certain observations, the submissions by TAIML were accepted by SEBI. However, with regard to certain observations the submissions of TAIML were not accepted. SEBI has alleged that the following provisions of the AIF Regulations, 2012, have been violated by TAIML as the manager of its AIF:
 - a. By indirect repayment of loans to the company associated with the sponsor, TAIML as the manager of the AIF has violated the provisions of Regulation 2(1) (b) of AIF Regulations.
 - b. By not disclosing the objective (repayment of loans to SREI Equipment Finance Private Limited) to investment committee, the manager TAIML failed to produce and record complete due diligence before the IC and violated provision of Regulation 21, 22 and 24 (e) of AIF Regulations, 2012.
 - c. By not doing proper due diligence, the manager TAIML has failed to comply with the statements in the placement memorandum and has violated the provisions of Regulation 11 of AIF Regulations, 2012.
4. In this regard, to adjudicate upon the alleged violations as given above, SEBI initiated Adjudication proceedings in the matter against TAIML and its eight directors. The Noticee Mr. Rajagopal was held as one of the eight directors of TAIML.

B. APPOINTMENT OF ADJUDICATING OFFICER

5. SEBI, in exercise of powers under section 15-I of SEBI Act, 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by AO) Rules, 1995 (hereinafter referred to as "SEBI Rules, 1995") read with Section 19 of the SEBI Act, 1992 appointed me as the Adjudicating Officer (**AO**) vide order dated December 10, 2021 to inquire into and adjudge the alleged violations against the Noticee as stated in paragraph 1 above, in the matter of TAIML. The appointment of the AO was communicated vide Order dated December 15, 2021.

C. SHOW CAUSE NOTICE, REPLY AND HEARING

6. A Show Cause Notice dated May 04, 2022 (hereinafter referred to as “**SCN**”) was served upon the Noticee, vide Speed post with acknowledgement due (hereinafter referred to as ‘**SPAD**’) and by email, under Rule 4(1) of the SEBI Adjudication Rules, to show cause as to why an inquiry should not be initiated against the Noticees and thereafter penalty not be imposed against the Noticee under Section 15HB of the SEBI Act, 1992 for the alleged violations of the provisions of SEBI (Alternate Investment Funds) Regulations, 2012.
7. In the SCN issued to the Noticee, it was provided that TAIML (formerly SREI Alternative Investment Managers Limited) was established as a Category I- Infrastructure Fund, Alternate investment Fund bearing SEBI Registration Number IN/AIF1/12-13/0041 on March 15, 2013.
 - i. SREI Alternative Investment Managers Limited (hereinafter referred to as ‘**SREI AIML**’) is the Sponsor and Manager of the fund. Mr. Raghunath Ghose is the trustee of the fund. The Board of directors of the sponsor and manager is as following:

Table 1: Board of director of sponsor / manager:

Name of Director	Designation
Mr. Susil Kumar Pal	Director of Sponsor and Manager
Mr. C.S. Samal	Director of Sponsor and Manager
Mr. Sanjeev Sancheti	Director of Sponsor and Manager
Mr. S.B Tiwari	Director of Sponsor and Manager

- ii. SREI has appointed Stock Holding Corporation of India Limited as a custodian of the AIF. SREI AIF has launched four schemes and the details of each scheme of SREI as on February 2, 2019 are as under:

Table No. 2 : The 4 schemes of SREI AIF

Name of scheme	No. of Investors	Spons or investment Rs. in crores	Corpu s as per PPM (Rs. in cores)	Total Commit ment (Rs. in cores)	Total Drawdown (Rs. in cores)	Amount of investme nts made (Rs . in cores)	Final closing date	Tenure (from final closing including extensions , if any)
Infrastructure Resurrection Fund (Scheme I)	5	1.1	300	157.9	43.8	39.85	31/12/2019	6+1+1
Bharat Nirman Fund (Scheme II)	7	1	300	76.7	37.4	32.52	31/12/2020	6+1+1
Infra Advantage Fund (Scheme III)	2	1	700	21.0	3.18	2.18	31/12/2025	6+1+1
Bharat Construction Fund (Scheme IV)	0	0	2000	0.0	0	0	31/03/2023	7+1+1

- iii. The investors of the Infrastructure Resurrection Fund (IRF) (relevant to the case) are GMR Corporate Affairs Private Limited, SREI Alternative Investment Managers Limited, SREI Infrastructure Finance Limited, Nikshepa infrastructure and Logistics Limited, Elevate Portfolio Management Private Limited and SREI Capital Markets Limited.

8. In the SCN issued to the Noticee, based on the facts of the case, it was alleged that:

- i. SREI Equipment Finance Private Ltd (SREI EFPL), is a company in the SREI group, that offers innovative financing solutions to equipment purchasers. SREI EFPL had lent money as loan to a company viz. AMR Hospitality Services Limited (AMR HSL), as per a Loan agreement dated September 08, 2013 between SREI EFPL and AMR HSL for an amount of around Rs.24 Crores. AMR HSL is a group entity in the AMR group of companies. Another group entity of the AMR group of companies viz. AMRL Hitech City Limited(AMRL HCL). One of the directors of AMRL Hitech City viz. Mr . A Mahesh Reddy and associates had provided personal guarantees for the loan taken by AMR Hospitality.
- ii. As AMR Hospitality, could not settle the loan amount to SREI EFPL, Arbitration Proceedings were initiated by SREI EFPL against AMR Hospitality and its personal guarantors. Subsequently, settlement orders were passed in the matter wherein both parties had agreed on a settlement amount to be paid. In order to settle the amount, the promoters of AMRL group were divesting their stake in AMRL HCL.
- iii. Further, from records it was observed that the IFR scheme of AIF of TAIML had a Investment Committee (IC) which decided on investment decisions for the IRF Fund. The AIF explored opportunities of investment for its IRF scheme in the infrastructure space.
- iv. It was observed that as AMRL HCL was an infrastructure company with growth prospects based on projects it had undertaken particularly with regard to developing a high tech industrial park under the SEZ scheme promoted by Government of Tamil Nadu. The AIF had discussions with Mahesh Reddy, one of the promoters of AMRL HCL for acquisition of equity shares of AMRL HCL, during which the AIF submitted that it came to know of the personal guarantee given by the promoter of AMRL HCL to the borrowing of AMRL Hospitality availed from SREI EFPL. The AIF submitted that AMRL group was over leveraged and to reduce their liability they were keen to divest their stake in AMRL HCL.

- v. The IC of the IRF scheme held a meeting to decide on the acquisition of equity shares of AMRL HCL. In the minutes of the IC meeting dated May 14, 2014, it was recorded that investment may be made in AMRL HCL due to its growth prospects including its SEZ approval for developing infrastructure facilities. The IRF scheme of AIF of TAIML had decided to acquire 3.5 crores shares of AMRL HCL for an amount of 35 crores. The payment for such acquisition was made by IRF to Mr. A Mahesh Reddy and SREI Equipment Finance Ltd (SREI EFPL) in terms of share purchase agreements dated 29.08.2014, 20.08.2014, 22.08.2014 executed between IRF and the erstwhile shareholders of AMRL Hitech and the arbitration/ settlement award of 28.02.2014. Through an Arbitration award dated February 28, 2014, it was agreed to sell the shares of AMRL HCL to IRF to also clear the dues of SREI EFPL, where the IRF scheme appears as the purchaser of the shares sold by AMRL HCL. It was observed that from the IRF funds, the AIF of TAIML had paid Rs. 24 Cr to SREI EFPL directly and 11 crores to Mahesh Reddy of AMRL HCL to acquire the 3.5 crore shares of AMRL HCL.
- vi. SEBI construed from the payments made by IRF to SREI EFPL that the funds collected from investors of IRF were indirectly utilised to repay the loans given by SREI EFPL to AMR Hospitality. SEBI observed that an AIF is privately pooled investment vehicle which collects funds from investors, whether Indian or foreign, for investing it in accordance with a defined investment objective for the benefit of its investors. Lending or repayment of loans has not been envisaged as such in the regulations. It was therefore alleged that the manager of SREI by indirectly repaying the loans given by SREI EFPL using IRF funds has violated the provisions of Regulation 2(1) (b) of AIF Regulations.
- vii. SEBI observed from the minutes of IC meeting dated May 14, 2014 that details regarding arbitration proceedings, promoters of AMRL group being over leveraged and that investment amount aggregating to Rs. 24 crores

would be paid to SREI EFPL directly etc, were not disclosed to the investors. This indicates that the said details were not disclosed to the investors of the IRF while taking the decision for investment in AMRL HCL. Therefore, SEBI observed that the manager failed to produce and record complete due diligence before the IC and violated provision of Regulation 21, 22, 24(e), of SEBI AIF Regulations, 2012.

- viii. SEBI observed that by not doing proper due diligence the manager of SREI has failed to comply with the statements in the placement memorandum and has violated the provisions of Regulation 11 of AIF Regulations.
9. In view of the above, it is alleged that the Noticee along with the other 8 Noticees, were in violation of Regulations 2(1)(b), 11, 21, 22, 24(e), of SEBI AIF Regulations, 2012. The specific provisions of the regulations alleged to be violated are extracted hereunder, for ease of reference:

SECURITIES AND EXCHANGE BOARD OF INDIA
(ALTERNATIVE INVESTMENT FUNDS) REGULATIONS, 2012

CHAPTER –I

PRELIMINARY

Definitions.

“2.(1) In these regulations, unless the context otherwise requires, the terms defined herein shall bear the meanings assigned to them below, and their cognate expressions and variations shall be construed accordingly,

(b) “Alternative Investment Fund” means any fund established or incorporated in India in the form of a trust or a company or a limited liability partnership or a body corporate which,-

- (i) is a privately pooled investment vehicle which collects funds from investors, whether Indian or foreign, for investing it in accordance with a defined investment policy for the benefit of its investors; and***
- (ii) is not covered under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, Securities and Exchange Board of India (Collective Investment Schemes) Regulations, 1999 or any other Regulations of the Board to regulate fund management activities:***

Provided that the following shall not be considered as Alternative Investment Fund for the purpose of these Regulations,-

- (i) family trusts set up for the benefit of 'relatives' as defined under Companies Act, 2013;*
- (ii) ESOP Trusts set up under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 or as permitted under Companies Act, 2013.*
- (iii) employee welfare trusts or gratuity trusts set up for the benefit of employees;*
- (iv) 'holding companies' as defined under sub section 46 of section 2 of Companies Act, 2013;*
- (v) other special purpose vehicles not established by fund managers, including securitization trusts, regulated under a specific regulatory framework;*
- (vi) funds managed by securitisation company or reconstruction company which is registered with the Reserve Bank of India under Section 3 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002; and*
- (vii) any such pool of funds which is directly regulated by any other regulator in India;”*

Placement Memorandum.

“11(1) *Alternative Investment Fund shall raise funds through private placement by issue of information memorandum or placement memorandum, by whatever name called.*

- (2) Such information or placement memorandum as specified in sub-regulation (1) shall contain all material information about the Alternative Investment Fund and the Manager, background of key investment team of the Manager, targeted investors, fees and all other expenses proposed to be charged, tenure of the Alternative Investment Fund or scheme, conditions or limits on redemption, investment strategy, risk management tools and parameters employed, key service providers, terms of reference of the committee constituted for approving the decisions of the Alternative Investment Fund, conflict of interest and procedures to identify and address them, disciplinary history, the terms and conditions on which the Manager offers investment services, its affiliations with other intermediaries, manner of winding up of the Alternative Investment Fund or the scheme and such other information as may be necessary for the investor to take an informed decision on whether to invest in the Alternative Investment Fund.”*

CHAPTER – IV

GENERAL OBLIGATIONS AND RESPONSIBILITIES AND TRANSPERANCY

Conflict of Interest.

- “21.(1)** *The sponsor and manager of the Alternative Investment Fund shall act in a fiduciary capacity towards its investors and shall disclose to the investors, all conflicts of interests as and when they arise or seem likely to arise.*
- (2) *Manager shall establish and implement written policies and procedures to identify, monitor and appropriately mitigate conflict of interest throughout the scope of business.*
- (3) *Manager and sponsor shall abide by high level principles on avoidance of conflicts of interest with associated persons, as may be specified by the Board from time to time.”*

Transparency.

- “22.** *All Alternative Investment Funds shall ensure transparency and disclosure of information to investors on the following:*
- (a) *financial, risk management, operational, portfolio, and transactional information regarding fund investments shall be disclosed periodically to the investors;*
- (b) *any fees ascribed to the Manager or Sponsor; and any fees charged to the Alternative Investment Fund or any investee company by an associate of the Manager or Sponsor shall be disclosed periodically to the investors;*
- (c) *any inquiries/legal actions by legal or regulatory bodies in any jurisdiction, as and when occurred;*
- (d) *any material liability arising during the Alternative Investment Fund’s tenure shall be disclosed, as and when occurred;*
- (e) *any breach of a provision of the placement memorandum or agreement made with the investor or any other fund documents, if any, as and when occurred;*
- (f) *change in control of the Sponsor or Manager or Investee Company.*
- (g) *Alternative Investment Fund shall provide at least on an annual basis, within 180 days from the year end, reports to investors including the following information, as may be applicable to the Alternative Investment Fund:-*
- A. *financial information of investee companies.*
- B. *material risks and how they are managed which may include:*
- (i) *concentration risk at fund level;*
- (ii) *foreign exchange risk at fund level;*
- (iii) *leverage risk at fund and investee company levels;*
- (iv) *realization risk (i.e. change in exit environment) at fund and investee company levels;*
- (v) *strategy risk (i.e. change in or divergence from business strategy) at investee company level;*
- (vi) *reputation risk at investee company level;*
- (vii) *extra-financial risks, including environmental, social and corporate governance risks, at fund and investee company level.*
- (h) *Category III Alternative Investment Fund shall provide quarterly reports to investors in respect of clause (g) within 60 days of end of the quarter;*
- (i) *any significant change in the key investment team shall be intimated to all investors;*

(j) alternative Investment Funds shall provide, when required by the Board, information for systemic risk purposes (including the identification, analysis and mitigation of systemic risks).”

Obligation of Manager.

“24. The Manager shall be obliged to:

- (a)
- (e) ensure transparency and disclosure as specified in the regulations.”

10. The Noticee was the independent director of TAIML AIF during the period 13/06/2005 to 31/12/2014. The aforesaid alleged violations, are being adjudicated to determine whether the Noticee is liable for monetary penalty under Section 15HB of the SEBI Act, 1992, which is given below for reference: -

Penalty for contravention where no separate penalty has been provided.

15HB. Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be ¹⁰⁴[liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.]

11. The Noticee had submitted the reply to the aforesaid SCN vide email and letter dated May 18, 2022. The Noticee made the following submissions with regard to the allegations levelled in the SCN:

In deference to the directions contained therein (SCN), I submit my responses as under:

- a) *The conduct, monitoring and operations of the Fund and the alleged irregularities pointed out by SEBI being operational in nature, the undersigned did not have any say in its compliance or breach thereof and as such I may kindly be precluded from the allegation as I am to state that I was not a part of the team in the "Sponsor or Managers' Board of Directors".*
- b) *I am to further state that I was not involved in the process of such solicitations, decisions/placements and as such my name may kindly be expunged from the said contravention, in as much as I was neither a part of the "Sponsor or Managers' Board of Directors", nor was I a member of the Investment Committee.*
- c) *As regards non-disclosure / part disclosure of all material information about the Alternative Investment Fund and the Manager, background of key investment team of the Manager, targeted investors, etc., these funds being raised on tap, the same were not being flagged and further, as I was not a member in the IC or the "Director of Sponsor and Manager", I may kindly be permitted to draw your kind reference to Annexure-2 and Annexure-3, wherein you would very well appreciate that I was not a party in the meeting dated 14th May, 2014 which deliberated upon the investment of AMRL Hitech City Ltd., and as such, any purported non-compliances are beyond my knowledge for which I seek expunging my name for contraventions, if any.*

- d) *As regards inadequate / concealment of certain material information in the minutes of the IC dated May 14, 2014, I submit that I was not a part of the Investment Committee and deficiencies/ defects if any, is beyond my realm and solicit your forbearance and exclusion of my name as I was only a Non-Executive (NXD) and Non-Whole time Director (NWTN). The members present being Shri. P.K.Bhattacharjee; Shri Madhusudhan Dutta; and Ms. Shilpa Lohia Modi.*
- e) *I may kindly be permitted to submit that being a non-Executive and non-Whole time Director (and **not** being an Executive or Whole Time Director) on the Board, my role was confined to the Papers / notes / information placed before and as such I was not involved in the day-to-day operational and or granular decisions of recurring nature. It is also to be submitted that I ceased to be a non-Executive Director and non-Whole Time Director of the Trinity Alternative Investment Managers Limited as from 31st December, 2014.*

To sum up, I may please be permitted to submit that:

As a non-Executive Director/non-Whole time director, I was not aware of any wrong doing nor involved in day to day affairs or functioning of the company. As per Clause 49 of SEBI Listing Agreement Independent Directors/NXD do not have any material or pecuniary relationship or transactions with the company, its promoters, its directors, senior management or holding company, subsidiary or associates. Independent directors/NXD are not even allowed to operate Bank accounts nor are they involved in day to day management and control of the company provided that they acted diligently in good faith. As regards exercise of diligence, subsection 12 of Sec. 149 of Companies Act 2013 protects the role of Independent and Non-Executive Director not being a promoter or key managerial personnel. He shall be held liable only in respect of omission or commission by company which he had with his knowledge attributable through board process with his consent connivance or he had not acted diligently. The fact that non-Executive directors are not involved in day today affairs, I was not a party to any resolution or advice and was not a member of investment Committee and hence no violation of provisions of Companies Act and/or SEBI regulations. Govt of India Ministry of Corporate Affairs vide notification dated 25th March 2011 has clarified to ROC that independent directors (NXD) shall not be held liable for act of omission or commission which occurred without his knowledge attributable to Board process and without his consent. Taking due cognizance of the above submissions, I request you to expunge my name from the Show Cause Notice (SCN) and ongoing Inspection and oblige. The above contents are true to the best of my knowledge and belief.

12. The Noticee was granted an opportunity of personal hearing on June 13, 2022 vide Hearing Notice dated June 03, 2022, sent through email and by SPAD. The Noticee replied to the Hearing Notice vide email and letter dated June 08, 2022, confirming his attendance to the hearing and interalia based reliance on the order dated June 20, 2017 passed by the Whole Time Member of SEBI in Zylog Systems Ltd., exonerating the Noticee of the allegations based on the finding that, as an Independent director the Noticee did not have a role in the day to day management of the company.

13. The Noticee attended the hearing along with his Advocate Mr. B.B. Prasad, on June 13, 2022 held via video conferencing. The Noticee along with his Advocate had relied on and reiterated the submissions made in his reply dated May 18, 2022 and also submitted that the following during the hearing:

- a) The Noticee submitted that he served the company TAIML as a Non - Executive Director from 13/06/2005 and 31/12/2014 after which he ceased to be a Non - Executive director of the company.*
- b) The Noticee and his lawyer submitted that the Noticee was not aware of the investment made by the company in the matter as the same was done by an Investment Committee and was not taken to the Board.*
- c) The Noticee submitted that he would like to make additional submissions in the matter and was granted time to make the same on or before June 20, 2022.*

14. The Noticee subsequently had made additional submissions vide email and letter dated June 14, 2022. The relevant submissions made by the Noticee in verbatim are as follows:

- a) In furtherance to my submissions, I wish to make the following supplementary points. The submissions made herein clearly indicate of my having exercised due diligence in my functioning as a non-executive director/ non whole time Director of the Board in matters which were in the Boards' processes.*
- b) I am to submit that I am noticee no: 3, S.Rajagopal. I was on the Board of the captioned company as from 13th June, 2005 to 31st December, 2014. Extract of the Composition of the Board of Directors wherein I was on the company's board during the above said period enclosed.*
- c) Periodical confirmations in the form of certification of statutory compliances were reported to the notice of the Board which fact was taken note of by the Board. Copy of the minutes dated 20th January, 2014 vide item (5) Page 426 enclosed for your perusal.*
- d) While noting the review of operations and briefing the Board of the operational aspects, under (S.Rajagopal) vide item no: 20 under Review of Operations opined and recorded as : " Mr.S.Rajagopal thereafter, enquired about the investments made by the Company and suggested that a note be circulated on the value of investment made by the Company vis-à-vis market value of the said investment (Page No: 431).*
- e) Noting of resignation of the undersigned being reported and noted vide Agenda Item No: 3 of the minutes of the meeting dated 19th January, 2015 wherein I ceased to be a Director as from December 31, 2014.*
- f) Approval for acquisition of 56,98,505 equity shares @ Rs.10/- per share of AMRL Hitech City Limited for consideration of Rs.5,69,85,050 and Share Purchase*

Agreement to be entered in this regard, vide item no: 7(2) of the minutes of the meeting dated 19th January, 2015.

- g) Noting of minutes of the Investment Committee of the various funds managed by the Company, wherein as a foot note at the end of the item has been recorded as: "The Board took note of the same passed a word of appreciation to all Top Management and Executives of the Company for their hard work in realisation of money from the KFA. Board further suggested that any significant event occurring in the Company should be intimated to the Directors immediately either by Phone or email. The above observations indicate the fact of supervisory oversight on the issues presented before the Board.*
- h) Reconstitution of Investment Committee of the various funds managed by Company and terms of reference thereof wherein, the existing and revised constitution of the Investment Committee together with the terms of reference of the Investment Committee is spelt out vide item 22 (Page 463) enclosed.*
- i) Noting of minutes of Investment Committee of the company where the funds managed by the company was placed before the Board for its perusal and noted thereof (Page 456 and 457) enclosed.*
- j) Confirmation regarding significant statutory updates for the quarter ended on 30th June, 2014 which was apprised to the Board for the quarter ended 30th June, 2014, wherein periodical on the various statutory requirements, like, SEBI, RBI, MCA, DIPP, etc., as applicable were placed, vide item No: 17 (Page 459 & 460).*
- k) Adverse developments affecting the operations and / or investments made brought to the notice of the Board was duly dealt with and directions as deemed fit and necessary were being raised and recorded. E.g: item No: 16 (Page 438 of Minutes Book) regarding investments made by the Company in VACA.*
- l) Authorisations empowering Investment Committee for taking various investment decisions which has been delegated to the Committee for compliance vide items 30 (a) to 30 (3) and 31 (Page 399 to 401) enclosed.*
- m) Update on the activities of Violet Arch Capital Advisors Pvt Ltd., (VACA), wherein on hearing the developments from the legal team, the Board raised concern on the investment made by the Company in VACA and recovery of amount from VACA, vide item 472 of the Minute Book.*
- n) Setting up of a trust in the name of SREI Alternative Investment Trust (SAIT) and authorization and delegation of powers, vide item no: 17 (Pages 361 to 363) of the Minutes of the Board Meeting dated 28th April, 2012.*
- o) Periodical review of operations covering inter alia the Structure and portfolio of funds, together with the suggestion by the Board for formalizing and finalizing a Standard Operating Procedure (SOP) of the Company together with a panel of reputed auditors to be appointed for auditing Investee companies-w4ereinaudit is necessary, vide item no: 19 (Page 365) of the Minutes book.*
- p) Periodical compliances detailing and confirming having complied with the requisite compliances were being made by the Executives of the Company within the*

stipulated time, vide item no: 7 (Page no: 368) which were being taken note of by the Board.

- q) Confirmation regarding compliances under SEBI (VCF) Regulations, 1996 and SEBI (AIF), Regulations, 2012 for the quarter ending 31" March, 2014 which confirms having complied with requisite compliances by the Executives within the stipulated time which was duly taken note of by the Board, vide item no: 7, Page 434.*
- r) Reconstitution of investment Committee for various functions of the company vide item no: 34, (Page 450) of the minutes book. I further submit that adequate diligence was exercised and adequate discussions were held on issues / items placed before the board which are duly recorded.*
- s) I may be permitted to quote (Para 12 (6) (c) of Sec. 149 of The Company's Act 2013) "who has or had no (pecuniary relationship, other than remuneration as such director or having transaction not exceeding ten per cent, of his total income or such amount as may be prescribe.) with the company, its holding, subsidiary or associate companys' their promoters, or directors, during the two immediately preceding financial years or during the current financial year;)". As explained to you that a non-Executive Director of the Company not being/not involved in the day-to-day operations of the company.*
- t) This is in addition to what I have stated Para 4 of my letter dated 8th June 2022".*

CONSIDERATION OF ISSUES

15. I have taken into consideration the facts of the case, the replies submitted by the Noticee and the material available on record. I note that TAIML and five of its directors have filed settlement application before SEBI and therefore the issue of whether TAIML and its directors are in violation of the allegations issued in the SCN, are kept outside the purview of this order. I would like to confine the adjudication in this Order to the role played by the Noticee as an independent director in the AIF without getting into the merits of the alleged violations against the Manager of AIF. I note that the Noticee is 82 years old and is the former Chairman and Managing Director of Bank of India and Indian Bank. I do not find it appropriate in the circumstances to keep the adjudication proceedings against this Noticee pending, till the proceedings against other Noticees get concluded.
16. Accordingly, based on the evidence submitted by the Noticee and which are otherwise available on record, I now proceed to consider the issues that arise in

this case. In my opinion, the only issue that arises for consideration is whether the Noticee as an independent director in the AIF of TAIML, can be held liable for the allegations against TAIML.

17. I note that the allegations made in the SCN was that TAIML and its directors had violated various provisions of the SEBI AIF Regulations, 2012. The Noticee was included in the SCN as he was an independent director of TAIML during the relevant time. The role of the Noticee, as an independent director, in the investment of IRF in AMRL HCL in 2014 is being examined in this Order, in a limited sense, only to determine the role of the Noticee and the liability arising thereof.
18. I have perused the minutes of the IC meeting held on May 14, 2014, which has been submitted by TAIML in response to the Inspection Report. From the minutes I see that three members who formed part of the IC, had taken the decision to invest in 3,53,58,298 equity shares of AMRL HCL at Rs. 10/- per share for consideration of Rs.35.35 crores from the funds of the IRF Scheme. In the said meeting, a resolution was passed authorizing three persons named therein to execute the agreements and other necessary documents and to do such other matters and things as may be required on behalf of the Fund in this regard. As the final resolution for the acquisition of AMRL HCL was taken in the IC meeting itself, I do not find that there is any involvement or knowledge of the Noticee, in the investment decision.
19. The Noticee herein having officiated as an independent director of TAIML during 13/06/2005 to 31/12/2014, has appeared and argued before me about his role and his association with TAIML. The Noticee has made out a case, that being an independent director, his role was limited to a broad oversight over the affairs of TAIML and that he had no involvement in the decisions/resolutions of the IC. Further periodical confirmations in the form of certification of statutory compliances were reported to the notice of the Board which fact was taken note of by the Board, as seen in the minutes book dated 20th January, 2014. The Noticee was not involved in the day to day management of the company and the

investment decisions were concluded at the IC level. The IC decision was placed before the Board, which was noted by the Board. The Board used to deal with adverse developments affecting the operations and investments brought to its notice and interventions at Board level were appropriately made. I am cognizant of the fact that the Noticee resigned from the Board in December 2014. In my view, it is an unreasonable expectation from an independent director to have knowledge of the basis of each investment decision and the details contained in each Private Placement Memorandum. Further, there is no proof to support the involvement of the Noticee in the specific investment decision, alleged in the SCN.

20. In view of the above facts and in the absence of any role specifically attributed to the Noticee, I am inclined to accept the Noticee's contentions and drop the allegations in the SCN.

ORDER

21. Therefore, considering the facts and circumstances of the case as given above, I hereby dispose of the SCN dated May 04, 2022 issued to the Noticee.
22. In terms of Rule 6 of the SEBI Adjudication Rules, copies of this order are sent to the Noticee and also to SEBI.

Date: August 30, 2022

Place: Mumbai

**GEETHA G
ADJUDICATING OFFICER**