

SECURITIES AND EXCHANGE BOARD OF INDIA
SETTLEMENT ORDER
IN RESPECT OF

Settlement Application No.	Applicant	PAN
8177/2024	HDFC Capital Advisors Limited	AADCH6113R
8176/2024	HDFC Capital Affordable Real Estate Fund - I	AABTH4466Q

IN THE MATTER OF HDFC CAPITAL AFFORDABLE REAL ESTATE FUND - I

1. HDFC Capital Advisors Limited (hereinafter referred to as “**Applicant no. 1**”) and HDFC Capital Affordable Real Estate Fund – I (hereinafter referred to as “**Applicant no. 2**”) (hereinafter collectively referred to as “**Applicants**”) filed *suo-motu* settlement applications under 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 them for the following violations:

- a. Applicant no. 1: Regulations 21(2), 24(d) of the SEBI (Alternative Investment Funds) Regulations, 2012 (hereinafter “AIF Regulations”) and clauses 2(C)(c)(i) and (ii) of SEBI Circular CIR/IMD/DF/7/2015 dated October 01, 2015 and clause 4(a) of SEBI Circular CIR/IMD/DF/14/2014 dated June 19, 2014 read with paras 5 and 6 along with clauses 13.3.2.i, 13.3.2.ii and 15.2.1 of SEBI Master Circular for AIFs dated May 07, 2024.
- b. Applicant no. 2: Clauses 2(C)(c)(i) and (ii) of the SEBI Circular CIR/IMD/DF/7/2015 dated October 01, 2015 read with paras 5 and 6 along with clauses 13.3.2.i and 13.3.2.ii under Chapter 13 of SEBI Master Circular for AIFs dated May 07, 2024.

2. Brief facts leading to the alleged violations are as follows:
- (a) Applicant no. 2 is a Category II AIF while Applicant no. 1 is the Investment Manager of Applicant no. 2.
 - (b) Applicant no. 2 had invested Rs. 200 crore in Non-Convertible Debentures (hereinafter referred to as “**NCDs**”) of Acme Realities Pvt. Ltd. (hereinafter referred to as “**ARPL**”) on September 8, 2016, while Rs. 99 crore was further invested in NCDs issued by Ascent Construction Private Limited (hereinafter referred to as “**ACPL**”) to ARPL.
 - (c) ACPL and ARPL are related companies and subsidiaries of Acme Housing (India) Pvt. Ltd. (hereinafter referred to as “**AHIPL**”). HDFC Ltd. (now known as HDFC Bank Ltd.), which was a sponsor of Applicant no. 2, was an existing senior lender to ARPL and ACPL at the time of investment of Applicant no. 2 in ARPL. The amount invested by Applicant no. 2 in the NCDs of ARPL, was in turn transferred by ARPL and AHIPL into their respective Lines of Credit accounts in HDFC. Such amounts were utilized not only for construction costs/project expenses but also for interest and debt repayments.
 - (d) The NCDs issued by ACPL to ARPL for Rs. 99 crores were pledged in favour of Applicant no. 2 and a separate security cover was created in favour of Applicant no. 2. It was also observed that the investments of Applicant no. 2 in NCDs of ARPL was secured by a charge created on certain areas/projects which were earlier under charge with HDFC Ltd. As per the Debenture Trust Deed, HDFC Ltd provided its NOC on September 19, 2016 releasing its charge on the aforesaid areas/projects, before a charge on the said areas/projects was created in favour of Applicant no. 2.
 - (e) The Investment Advisory Board (hereinafter referred to as “**IAB**”) of Applicant no. 2 that approved its investments at the relevant period of time comprised entirely of senior personnel of HDFC Ltd. In the presentation made to the IAB, Rs. 60 crore and Rs. 55 crore out of the investment of Applicant no. 2 in Acme group was stated to be meant for payment of existing creditors and repayment of short term borrowings respectively.

- (f) The Investment Procedure Manual of Applicant no. 2 as on June 2016 provides for the Investment Memorandum to be *inter-alia* sent to HDFC Ltd. within 5 business days upon entering into a non-binding term sheet for a proposed investment.
- (g) As per the details of sources and utilization of amounts released from the Line of Credit accounts of ARPL and AHIPL, Rs. 61 crore was used towards repayment of an ICD facility availed from HDFC Ltd and Rs, 91 crore mentioned as 'Interest costs' also included interest payments to HDFC Ltd.
- (h) HDFC Ltd., which is also a sponsor of Applicant no. 2, is stated to have released the charge in favour of Applicant no. 2 since ARPL and ACPL repaid part of their loan from HDFC Ltd using the investment made by Applicant no. 2 and also to enable ARPL and ACPL to raise additional funds to complete mortgaged projects which would help them in repaying their loan obligations to HDFC Ltd.
- (i) Thus, HDFC Ltd. was alleged to have significant influence on the decision making process of the investment of Applicant no. 2 in ARPL and ACPL while simultaneously being a senior lender and having outstanding loans with ARPL and ACPL.
- (j) The investment of Applicant no. 2 in ARPL and ACPL was not referred to the Conflict Resolution Committee as per the terms of Conflict of Interest Policy applicable at that time, even though the preliminary and final Information Memorandum (containing debt profile of Acme group including outstanding debt position of HDFC Ltd.), summary of due diligence findings, Debenture Trust Deed etc. were shared with investors.
- (k) In the Compliance Test Report (hereinafter referred to as "CTR") for FY 2016-17 submitted by Applicant no. 1 to the trustee, it was *inter-alia* mentioned that no conflict of interest arose during the year ended March 31, 2017. Yet, there appears to be a conflict of interest in the decision making process by Applicant no. 2 for investment in ARPL and ACPL.
- (l) In view of the same, Applicant no. 1 is alleged to have submitted inaccurate information in its CTR for the FY 2016-17.

3. In view of the aforesaid, the Applicants were alleged to have failed to exercise independent professional judgment and act in the interest of investors, having placed the interest of the Sponsor of Applicant no. 2 above the interest of its investors. Further, Applicant no. 1 was alleged to have failed to implement policies and procedures to appropriately mitigate conflict of interest throughout the scope of its business.

4. The Applicants have filed the present settlement applications for the purpose of settling the enforcement proceedings that may be initiated against them for the aforesaid alleged violations.

5. Pursuant to the receipt of the settlement application, the Internal Committee of SEBI (hereinafter referred to as “**IC**”) held a meeting with the authorized representatives of the Applicants on December 13, 2024 wherein the details of the case were deliberated along with the terms of the settlement.

6. The High Powered Advisory Committee (hereinafter referred to as “**HPAC**”) in its meeting held on January 29, 2025, considered the settlement terms proposed by the Applicant and recommended that the case may be settled upon payment of ₹36,00,000/- (Rupees Thirty Six Lakh only) as settlement amount by Applicant no. 1 on behalf of both the Applicants. Vide email dated March 3, 2025, the applicants filed their Revised Settlement Terms proposing to pay ₹36,00,000/- (Rupees Thirty Six Lakh only) as the settlement amount payable by Applicant no. 1 on behalf of both the Applicants.

7. The recommendation of the HPAC was approved by the Panel of Whole Time Members of SEBI on March 18, 2025. Subsequently, Notice of Demand for the said amount was issued to the Applicant on March 25, 2025. The Applicant no. 1, vide email dated April 5, 2025, informed about the remittance of the aforesaid settlement amount on behalf of both the Applicants and SEBI has confirmed credit of the same.

8. On the basis of the facts stated above, in exercise of the powers conferred under Section 15JB read with Section 19 of the SEBI Act and in terms of Regulation 23 of the Settlement Regulations, it is hereby ordered that any proceedings that may be initiated for the violations as mentioned at paragraph 1 above, are settled in respect of the Applicants on the following terms:

- i. SEBI shall not initiate any enforcement action against the Applicants for the said violations, and
- ii. Passing of this Order is without prejudice to the right of SEBI under Regulation 28 and Regulation 31 of the Settlement Regulations to initiate appropriate action against the Applicants, if SEBI finds that:
 - (a) any representation made by the Applicants in the present settlement proceedings is subsequently found to be untrue;
 - (b) the Applicants have breached any of the clauses/ conditions of undertakings/ waivers filed during the present settlement proceedings; and
 - (c) the Applicants have failed to pay the difference due to any discrepancy while arriving at the settlement terms.

9. This Settlement Order is passed on this 6th day of May , 2025 and shall come into force with immediate effect.

10. In terms of Regulation 25 of the Settlement Regulations, a copy of this Order shall be sent to the Applicants and shall also be hosted on the website of SEBI.

AMARJEET SINGH
WHOLE TIME MEMBER

KAMLESH C VARSHNEY
WHOLE TIME MEMBER