

DEPUTY GENERAL MANAGER
ALTERNATIVE INVESTMENT FUND AND FOREIGN PORTFOLIO INVESTOR DEPARTMENT
DIVISION OF POLICY AND DEVELOPMENT

AFD/PoD/OW/2025/18380
July 09, 2025

Shri. K. Rajagopal
Sundaram Alternate Assets Limited,
Sundaram Towers, 1st and 2nd floor
46, Whites Road, Royapettah,
Chennai, 600014

Dear Sir,

Sub: Request for Informal Guidance by way of interpretive letter under the provisions of Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 in connection with the provisions of Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 ("AIF Regulations")

Ref: Your letter dated April 23, 2025

1. In the context of your letter under reference, you have, *inter alia*, stated that Sundaram Alternate Assets Limited ('the Applicant') is a SEBI registered Portfolio Manager bearing registration no. INP000006271 and also the Investment Manager for Sundaram Alternative Investment Trust, a Category III Alternative Investment Fund ("AIF") having registration no. IN/AIF3/16-17/0291 and Sundaram Category II AIF having registration no. IN/AIF2/17-18/0340, and have sought an interpretive letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 ("Informal Guidance Scheme") from SEBI in respect of the following query –
 - i. *Please clarify whether during the extended period, the close-ended Alternative Investment Fund is permitted only to liquidate its existing portfolio investments or allowed to make investments in portfolio companies.*

2. **Our Comments:**

The submissions made in your letter have been considered and without necessarily agreeing with your analysis, our views on the issues raised in your letter are as under:

2.1. In terms of Regulation 13(5) of AIF Regulations, extension of the tenure of the close ended Alternative Investment Fund may be permitted up to two years subject to approval of two-thirds of the unit holders by value of their investment in the Alternative Investment Fund:

Provided that a large value fund for accredited investors may be permitted to extend its tenure up to five years subject to the approval of two-thirds of the unit holders by value of their investment in the large value fund for accredited investors:

Provided further that the extension in tenure of any existing scheme of a large value fund for accredited investors shall be subject to such conditions as may be specified by the Board from time to time.

2.2. In terms of Regulation 13 (6), in the absence of consent of unit holders under Regulation 13 (5) or upon expiry of the extended tenure, the Alternative Investment Fund or the scheme of the Alternative Investment Fund shall be wound up in accordance with Regulation 29 of these regulations.

2.3. Under the section 'Winding up', Regulations 29 (7), 29 (10), and 29B (4) of the AIF Regulations, prescribe the following:

Regulation 29 (7)

Within the liquidation period, the assets shall be liquidated, and the proceeds accruing to investors in the Alternative Investment Fund or the scheme of the Alternative Investment Fund shall be distributed to them after satisfying all liabilities.

[As Per Regulation 2 (pb) of SEBI AIF Regulations 2012, "liquidation period" means a period of one year following the expiry of tenure or extended tenure of the scheme of an Alternative Investment Fund.]

Regulation 29 (10)

If the scheme of an Alternative Investment Fund enters into a dissolution period as provided under regulation 29B and the unliquidated investments of the scheme are not sold by the expiry of the dissolution period, such investments shall be mandatorily distributed in-specie to the investors, in the manner as may be specified by the Board.

[As per Regulation 2 (ia) of SEBI AIF Regulations 2012, “dissolution period” means the period following the expiry of the liquidation period of the scheme for the purpose of liquidating the unliquidated investments of the scheme of the Alternative Investment Fund.

Regulation 29B (4)

The scheme of the Alternative Investment Fund shall not accept any fresh commitment from any investor and shall not make any new investment during the dissolution period.

- 2.4. In view of the aforesaid provisions under Regulation 29 providing for winding up of a scheme, it is construed that the AIF shall take steps to close down the existing investments, and shall distribute the proceeds to the investors or distribute the investment in-specie to the investors, as the case may be. The liquidation period and dissolution period form part of winding up of the scheme of an AIF. Thus, AIFs / Scheme of an AIF cannot make any fresh investments during liquidation period and dissolution period.
- 2.5. Further, AIF Regulations do not expressly prohibit an AIF from making investments in the extended tenure. As per Regulation 13 (6), the winding of a scheme is triggered upon the expiry of extended tenure. Therefore, the extended period is not part of the winding-up of the scheme of an AIF.
- 2.6. Accordingly, close-ended AIFs may make investments in the extended tenure subject to:
- i) No restriction has been stipulated in Private Placement Memorandum or any other fund document in this regard;
 - ii) Appropriate disclosures have been made to ensure informed decision making by investors while obtaining approval for the extension of tenure.
3. This above position is based on the information furnished in your letter under reference. Different facts or conditions might lead to a different interpretation. Further, this letter does not express the decision of the Board on the question referred through your letter.

4. You may note that the above views are expressed only with respect to the clarification sought in your letter under reference with respect to the AIF Regulations and circulars issued thereunder and do not affect the requirements or applicability of any provisions of law, including the Securities and Exchange Board of India Act, 1992, and the rules, regulations, guidelines or circulars framed thereunder that are administered by the Securities and Exchange Board of India; or of the laws administered by any other authority.

Yours faithfully,
Sanjay Singh Bhati