

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI
CONSENT ORDER

On the Application submitted by
M/s. Edelweiss Capital Limited
(PAN: AAACE1461E)

CO/MIRSD-2-HO/2153-2010/AO/SRP/JP /200/2011

1. The Securities and Exchange Board of India (SEBI) had initiated adjudication proceedings against M/s. Edelweiss Capital Ltd. (being a Merchant Banker) – SEBI Registration No. – INM0000010650 (hereinafter referred to as '**Noticee**') to inquire into and adjudge under section 15 HB of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act**'), for the alleged violations of the provisions of the SEBI (Merchant Bankers) Regulations, 1992 (hereinafter referred to as '**MB Regulations**'), the SEBI (Disclosure and Investor Protection) Guidelines, 2000 since repealed by the SEBI (Issue of capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred to as '**DIP Guidelines**'), the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (hereinafter referred to as '**SAST Regulations**') and Circular No. MRD/DoP/ Cir-05/2007 dated 27/04/2007 by the Noticee as observed during the inspection conducted by SEBI.
2. The inspection, prima facie, revealed that the Noticee allegedly failed to exercise due diligence while conducting its business as Merchant Banker i.e. not adopting the independent professional judgments in verifying the records/ visiting the places of the Issuer Companies, not providing the correct information or/and provided the misleading information in Draft Red Herring Prospectus (DRHP), not ensured the adequate disclosures in DRHP including the Risk Factors to the investors, failed to supervise the activities of Sub -Syndicate Member, failed to follow properly the aspect of due diligence in respect of Post Issue activities of several Issuer

Companies, failed to supervise the activities of the Bankers and Registrars to Issues and also non-adherence to SEBI directives/circulars in respect of public offer/announcement as specified under the SAST Regulations, etc.

3. Therefore, it was alleged that the Noticee has violated the following provisions of law:
 - a) Clause 4, 6, and 7 of the Code of Conduct as stipulated in Regulation 13 of the MB Regulations.
 - b) SEBI Circular MRD/DoP/Cir- 05/2007 dated April 27, 2007.
 - c) Clauses 5.1.1, 5.1.2, 5.4.3.1, 7.3.1, 7.4.1, 7.7.7 & 16.2.2.2 of the DIP Guidelines.
 - d) Regulation 18 (2) of the SAST Regulations.
4. In the matter, the undersigned was appointed as Adjudicating Officer vide order dated July 06, 2010 under section 15 I of the SEBI Act to inquire into and adjudge under section 15 HB of the SEBI Act, the aforesaid alleged violations against the Noticee. Consequently, a Show Cause Notice No. EAD-1/SRP/JP/19128/2010 dated September 08, 2010 was issued by the undersigned to the Noticee under rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as “**the Rules**”).
5. While the adjudication proceedings were in progress, the Noticee made an application dated October 26, 2010 along with an affidavit of “undertakings and waivers” in terms of SEBI Circular No. EFD/ Cir.-1/2007 dated 20th April, 2007 for settlement of the proceedings through Consent Order. Subsequently, the Noticee proposed revised consent terms vide letter dated December 23, 2010, without admitting or denying the guilt and subject to clauses of the undertakings and waivers, submitting that it is willing to pay a sum of ₹ 15,00,000/- (Rupees fifteen lakh only) towards settlement charges in the matter.
6. The revised consent terms as proposed by the Noticee were placed before the High Powered Advisory Committee (hereinafter referred to as ‘**HPAC**’) on March 14, 2011

and the HPAC after deliberations, recommended the case for settlement on the aforesaid revised consent terms proposed by the Noticee. The recommendations of HPAC were subsequently placed before the panel of Whole Time Members of SEBI.

7. The acceptance of consent proposal was communicated to the Noticee by SEBI vide letter dated April 19, 2011. In pursuance of the aforesaid consent terms, the Noticee has remitted a sum of ₹ 15,00, 000/- (Rupees fifteen lakh only), vide demand draft No. 016441 dated April 26, 2011 drawn on ICICI Bank Ltd., Mumbai, towards the terms of consent in the matter.
8. In view of above, it is hereby ordered that:
 - i) this consent order disposes of the said proceedings pending against the Noticee under SEBI Act
 - ii) passing of this order is without prejudice to the rights of SEBI to take enforcement actions including commencing/ reopening of the pending proceedings against the Noticee, if SEBI finds that:
 - a. any representation made by the Noticee in the consent proceedings is subsequently discovered to be untrue.
 - b. the Noticee has breached any of the clauses/ conditions of undertakings/waivers filed during the current consent proceedings.
9. This consent order is passed on the 11th day of May 2011 and shall come into force with immediate effect.

SATYA RANJAN PRASAD
ADJUDICATING OFFICER