

## BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

## SETTLEMENT ORDER

## Settlement application filed in the matter of PNB Housing Finance Limited

6698/2021	PNB Housing Finance Limited	AAACP3682N
6736/2022	Mr. Rajneesh Karnatak	AAEPK7502P
6732/2022	Mr. Sunil Kaul	AABPK1037E
6731/2022	Mr. Neeraj Vyas	ABDPV1345B
6722/2022	Mr. CH S S Mallikarjuna Rao	AEWPM2516H
6725/2022	Mr. Chandrasekaran Ramakrishnan	AABPC6055C
6726/2022	Ms. Gita Nayyar	ACBPN4600J
6728/2022	Mr. Sudarshan Sen	AALPS2024B
6727/2022	Mr. Nilesh S Vikamsey	AABPV3680Q
6729/2022	Mr. Tejendra Mohan Bhasin	AADPB4947Q
6723/2022	Mr. Hardayal Prasad	ABEPP9257D
6724/2022	Mr. Ashwani Kumar Gupta	ACDPG9749B
6730/2022	Mr. Kapil Modi	AQUPM9805H

1. PNB Housing Finance Limited, along with its directors as of May 31, 2021, viz. Mr. Rajneesh Karnatak, Mr. Sunil Kaul, Mr. Neeraj Vyas, Mr. CH SS Mallikarjuna Rao, Mr. Chandrasekaran Ramakrishnan, Ms. Gita Nayyar, Mr. Sudarshan Sen, Mr. Nilesh S Vikamsey, Mr. Tejendra Mohan Bhasin, Mr. Hardayal Prasad, Mr. Ashwani Kumar Gupta and Mr. Kapil Modi (hereinafter referred to as “**applicants**”), filed a Settlement Application in terms of the SEBI (Settlement Proceedings) Regulations, 2018 (“**Settlement Regulations**”) proposing to settle, without admitting or denying the findings of fact and conclusions of law, through a Settlement Order, the proceedings that may be initiated against them, for the alleged violation of:

- i. Regulation 4(2)(f)(iii)(3), (6) and (7) of the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 (“LODR Regulations”)
  - ii. Regulations 4(1)(d), 4(1)(h), 4(2)(b), 4(2)(e)(i), 4(2)(e)(ii) and 30(12) of the LODR Regulations.
2. The facts in brief are as follows:
  - i. PNB Housing Finance Limited (“**Company**”/ “**PHFL**”) had made a corporate announcement through BSE and NSE that the Board of Directors of the Company in their meeting held on May 31, 2021 had *inter alia* approved preferential issue of shares and warrants to entities belonging to the Carlyle Group. SEBI vide letter dated June 18, 2021, *inter alia*, advised the Company that the resolution of EGM Notice dated May 31, 2021 is *ultra vires* the Articles of Association (“**AoA**”) of the Company, and cannot be implemented until the Company undertakes the valuation of shares as provided under Article 19(2) of the AoA.
  - ii. The Company challenged the letter issued by SEBI dated June 18, 2021 before the Securities Appellate Tribunal (“**SAT**”), pursuant to which SAT passed an interim Order on June 21, 2021 *inter alia* directing that the result of the voting on the issue of preferential allotment not be declared and held in a sealed cover. Furthermore, on the application filed by the Company before it, the SAT vide order dated August 09, 2021 announced a split verdict in the matter, whereby the Ld. Presiding Officer of SAT directed the Company to declare the results of voting on the issue of preferential allotment, while the Ld. Judicial Member upheld the letter dated June 18, 2021 issued by SEBI. In view of the difference of opinion between the Members of the Bench, SAT directed that the interim order dated June 21, 2021 was to continue till further orders.

- iii. SEBI filed an appeal before the Hon'ble Supreme Court inter alia challenging the order of the Presiding Member of the SAT. Thereafter, the Company vide email dated October 16, 2021 informed SEBI that vide letter dated October 14, 2021 the Company had disclosed to the stock exchanges that their Board had decided not to proceed with the Preferential Issue.
- iv. Taking these developments into consideration, the Hon'ble Supreme Court passed an order on October 20, 2021 declaring the appeal pending in the matter as infructuous and dismissed the appeal. The Company also filed a Miscellaneous Application before SAT on October 19 2021, requesting for permission to withdraw their appeal, based on which the SAT passed an Order on November 16, 2021 permitting the Company to withdraw the Appeal.
- v. While examining the extent of compliance of the provisions of the LODR Regulations, SEBI noted that the applicants had allegedly failed to obtain a registered valuer's report in accordance with Article 19(2) of the AoA of the Company, thereby violating Regulations 4(2)(f)(iii)(3), (6) and (7) of the LODR Regulations; that the applicants had allegedly failed to take into account the interests of all the stakeholder by not accounting for control premium in the pricing of the preferential issue, thereby violating Regulations 4(2)(f)(iii)(3), (6) and (7) of the LODR Regulations; and further that, the applicants had allegedly failed to make adequate and timely disclosure to the stock exchanges of material information, thereby allegedly violating Regulations 4(1)(d), 4(1)(h), 4(2)(b), 4(2)(e)(i), 4(2)(e)(ii) and 30(12) of the LODR Regulations.
- vi. Hence, SEBI, vide separate letters dated June 25, 2021, called upon the applicants to explain as to why it should not be construed that the directors have failed to discharge the responsibility cast upon them under law, including the statutory responsibility towards minority shareholders, and consequently why appropriate actions in terms of

law be not considered for such failure. In response thereto, the applicant filed the present settlement application.

3. Pursuant to the receipt of the settlement application on January 17, 2022, the authorized representatives of the applicants attended a meeting with the Internal Committee of SEBI on March 28, 2022 and deliberated on the terms of settlement. Thereafter, the applicants vide letter dated April 5, 2022, proposed Revised Settlement Terms (RST).
4. The High Powered Advisory Committee (“**HPAC**”) in its meeting held on May 10, 2022, considered the settlement terms proposed by the applicants and recommended the case for settlement upon payment of ₹72,76,533/- (Rupees Seventy-two lakh seventy-six thousand five hundred thirty-three only) which includes ₹44,26,533/- (Rupees Forty-four lakh twenty-six thousand five hundred thirty-three only) as legal costs, payable jointly and severally by the applicants.
5. The settlement amount was subsequently remitted by the applicants on June 15, 2022 and the credit of the same to SEBI has been confirmed.
6. In view of the above, in exercise of the powers conferred under Section 15JB read with Section 19 of the SEBI Act, 1992 and in terms of Regulation 23 read with Regulation 28 of the Settlement Regulations, it is hereby ordered that the proceedings that may have been initiated for the alleged defaults as mentioned at paragraphs 1(i) and 1(ii) above, are settled *qua* the applicants on the following terms:
  - i. this Order disposes of any proceedings that may be initiated by SEBI for the defaults as mentioned earlier in respect of the applicants;
  - ii. passing of this Order is without prejudice to the right of SEBI under Regulation 28 of the Settlement Regulations to take enforcement

actions including continuing proceedings 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) there was a discrepancy while arriving at the settlement terms.

- 7. This Settlement Order is passed on this 18th day of July, 2022 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 applicants and also be published on the website of SEBI.

**ANANTA BARUA**  
**WHOLE TIME MEMBER**

**ASHWANI BHATIA**  
**WHOLE TIME MEMBER**