

No: CO/EPD/94/MAY/2016.

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA**

**SETTLEMENT ORDER**

On the Application No. 3013 of 2015 and 3022 of 2015  
submitted by

1.	RBL Bank Limited	AABCT3335M
2.	Narayan Ramachandran	AJWPR4625B
3.	B.S. Dugge	AAKPD5381P
4.	S.M. Patravali	AFNPP3627A
5.	Vishwavir Ahuja	AAAPA0792P
6.	S.G. Kutte	ABDPK3695F
7.	Girish Vasant Godbole	AAZPG1533F
8.	V.S. Borgave	ABFPB8696M
9.	S.R. Parmaj	AFCPP7953G
10.	S.N. Minche	ABGPM8569D
11.	P.G. Kakodkar	AAIPK3667M
12.	K.J. Patil	ABPPP7855C
13.	Vimal Bhandari	ABJPB8612R
14.	M.A. Kalmani	ABLPK3133E
15.	A.A. Patil	ABPPP6269C
16.	B.D. Arwade	AAQPA8901J
17.	J.K. Ulagadde	AABPU5036B
18.	R.S. Naik	AAEPN1438R
19.	A.S. Chopade	AAUPC1927E

1. RBL Bank Limited (hereinafter referred to as 'the applicant') had filed an application on behalf of itself and the entities at serial nos. 2 to 18, vide letter dated November 27, 2015 in terms of the Securities and Exchange Board of India (Settlement of Administrative and Civil Proceedings) Regulations, 2014 proposing

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to settle, through a consent order, the proceedings under sections 11(1) and 11B of the Securities and Exchange Board of India Act, 1992 read with regulation 107 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 initiated vide show cause notice bearing no. EFD/DRA2/SPV/VJ/31372/2015/1 dated November 6, 2015 for the alleged violation of section 56, 60 and 73 of the Companies Act, 1956 and Clauses 2.1.1, 2.1.4, 2.2, 4.11, 4.14, 5.3.1, 5.4.1, 5.6A, 5.6.2, 6 to 6.15 and 8.8.1 of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 due to certain rights issue and preferential allotments of shares made by the applicant. Further, vide letter dated December 10, 2015 the applicant filed an application proposing to settle the aforesaid proceedings, with respect to the entity at serial no. 19. As per the Medical Certification of Cause of Death dated January 16, 2013, Mr. K.V. Krishnamurthy, an erstwhile director of the applicant, who had been a recipient of the aforesaid Show Cause Notice dated November 6, 2015, had expired.

2. It is noted from the aforesaid Show Cause Notice dated November 6, 2015 that the applicant had made four preferential allotments of 18.19 lakh shares to a total of 4892 investors raising Rs. 18.18 crore. Further, the applicant had also raised Rs. 601.12 crore from 12,285 investors through issuance of shares on rights basis in 5 instances. The number of investors in each of the rights issues were in excess of 49 (ranged from 160 to 5153).
3. It is noted that the violation in the present application falls under regulation 5(2)(g) of the Securities and Exchange Board of India (Settlement of Administrative and Civil Proceedings) Regulations, 2014. However, as per regulation 5(3) of the Securities and Exchange Board of India (Settlement of Administrative and Civil Proceedings) Regulations, 2014, notwithstanding anything contained in regulation 5(2), the settlement proceedings were considered in the interest of the investors and the development of and regulation of the securities market.





4. Pursuant to the Internal Committee meeting held on February 4, 2016, the applicant proposed the revised settlement terms to settle the aforesaid proceedings by offering to pay a sum of ₹ 47,60,000/- (Rupees Forty Seven Lakh Sixty Thousand only) towards monetary settlement terms. Further, the applicant submitted the following non-monetary terms:

- a. The applicant shall appoint one or more merchant bankers including its associates, to provide an exit opportunity to all investors who have participated in rights issues where there is renunciation of rights or allotment is made to public (other than shareholders), while ensuring that the shareholding of the individual investor does not exceed 5% as per the RBI regulations.
- b. Exit shall be offered at a price which is higher of:
  - i) Allotment price plus interest at the rate of 15% from the date of allotment
  - ii) Fair market value estimated by RBL of Rs.90/-, as certified by recognized chartered accountant firm and merchant banker as regularly used by the applicant.

Shareholders will be given a period of 21 days to decide, either to sell at the above mentioned price or to continue to hold such shares and stay invested in the shares of the applicant.

- c. The merchant banker providing the exit opportunity shall offer the shares so acquired for sale in the IPO of the applicant and profit, if any, after deducting the administrative costs and applicable taxes, shall be deposited to the Securities and Exchange Board of India Investor Protection and Education Fund.

The necessary exemptions from the requirements of the provisions of Regulation 26 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and the provisions of Regulation 21A of the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992 will be granted to the applicants.

Further, resultant changes in the capital structure and issue structure will be



permitted to be incorporated in the RHP without impacting the validity of the filing of the DRHP.

- d. The applicant shall make a compounding application before MCA for compounding of violation of provisions of Companies Act, 1956, prior to the launch of the IPO.
5. The High Powered Advisory Committee (HPAC) noted that the violations, *prima facie*, fall under regulation 5(2)(g) of the Securities and Exchange Board of India (Settlement of Administrative and Civil Proceedings) Regulations, 2014. The Committee further noted that:
  - a. The applicant is regulated by the Reserve Bank of India (RBI) and there are no outstanding regulatory concerns from RBI in this regard,
  - b. The alleged violations occurred due to the relevant equity share allotments which were made by the applicant to comply with the minimum capital/net worth level requirements of RBI,
  - c. The applicant has disclosed violations voluntarily to SEBI,
  - d. There is no complaint from the regulators or from any investor (even after the disclosure of the alleged violations in the Draft Red Herring Prospectus), unlike in other cases.
  - e. The investors in the present case are identifiable.
  - f. The applicants are willing to grant an exit opportunity to the investors.
6. The Committee, therefore, considered the monetary and non-monetary settlement terms proposed by the applicant and recommended the case for settlement upon fulfillment of the non-monetary terms as provided above and on payment of ₹ 47,60,000/- (Rupees Forty Seven Lakh Sixty Thousand only) towards monetary settlement terms and the same was approved by the Panel of Whole Time Members. Thereafter, the same was communicated to the applicant, vide letter dated March 17, 2016.
7. Accordingly, the applicant has, vide Demand Draft No. 214878 dated March 28,





2016 drawn on Ratnakar Bank Limited, remitted a sum of ₹ 47,60,000/- (Rupees Forty Seven Lakh Sixty Thousand only) towards monetary settlement charges. Vide letter dated May 3, 2016, the applicant has forwarded the copy of the exit offer provided to the impacted shareholders on April 6, 2016, wherein, the exit was offered either at the Fair Market Value of Rs. 90/- or at the allotment price plus the interest at the rate of 15% from the date of the allotment, whichever is higher. Applicant has also submitted a letter dated April 28, 2016, from the Registrar and Transfer Agent (RTA) of the applicant, wherein it is confirmed that the shareholders to whom the aforesaid exit offer was required to be made, were identified and the offer letters were dispatched to the said shareholders in accordance with the Settlement terms as intimated to the applicant vide letter dated March 17, 2016. It was further confirmed that the shareholders were provided twenty one days' notice to submit their response and that no response has been received from the identified shareholders. The applicant has submitted a copy of the letter dated April 9, 2016 wherein the Application for Compounding of offence committed under section 67(3), 56, 60, 60B, 64, 68B and 72 of the Companies Act, 1956 has been made on behalf of the applicant.

8. In view of the above, in terms of regulation 15(2) of the Securities and Exchange Board of India (Settlement of Administrative and Civil Proceedings) Regulations, 2014, it is hereby ordered that this settlement order disposes of the proceedings under sections 11(1) and 11B of the Securities and Exchange Board of India Act, 1992 read with regulation 107 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, initiated against the Applicants vide the common show cause notice dated November 6, 2015.
9. This order is without prejudice to the right of SEBI to take enforcement actions including commencing/ reopening of the pending proceedings against the Applicants, if SEBI finds that:
  - i. any representations made by the Applicants in the settlement proceedings

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are subsequently discovered to be untrue.

- ii. the Applicants have breached any of the clauses/conditions of undertakings/waivers filed during the current settlement proceedings.

10. This settlement order passed on this the 30<sup>th</sup> day of May, 2016 shall come into force with immediate effect.

11. In terms of Regulation 17 of Settlement Regulations, a copy of this order shall be sent to the Applicants and shall be published on the website of SEBI.



**RAJEEV KUMAR AGARWAL**  
**WHOLE TIME MEMBER**



**PRASHANT SARAN**  
**WHOLE TIME MEMBER**

