

THE SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

IN THE MATTER OF ENQUIRY AGAINST

M/S PUNJAB NATIONAL BANK IN THE MATTER OF

PUBLIC ISSUE OF M/S DHANALAXMI LEASE FINANCE LIMITED

1.0 M/s Punjab National Bank (hereinafter referred to as "the said bankers") have been registered with SEBI as a Banker to an Issue. The said bankers were the bankers to the public issue (hereinafter referred to as "the issue") of M/s Dhanalakshmi Lease Finance Limited (hereinafter referred to as "the company") of 31,00,000 equity shares at Rs.10/- per share. The issue opened on 21.11.1995 and closed on 24.11.1995. A complaint was received from The Tax Payers Protection Council, Ahmedabad, alleging that:

- a. Multiple/fictitious applications have been made in the public issue of the company and have been accepted by the said bankers even two weeks after the closure of issue**
- b. All the abovementioned applications do not contain information regarding the bank account of the applicants required for the purpose of despatching the refund order**
- c. The applications made by NRIs in the issue are suspicious and need investigation**
- d. The official address of the Managing Director of the company as stated in the prospectus is not correct.**

2.0 Based on the said complaint, SEBI conducted an investigation into the buying selling and dealing in the shares of the company. Subsequent to the investigation, since it was found necessary to do so in public interest, vide order dated 30.10.2002, an enquiry officer was appointed to enquire into the contraventions if any of the provisions of the SEBI (Bankers to an Issue) Regulations, 1994 (hereinafter referred to as "the said regulations") by the said bankers in the said issue.

3.0 The Enquiry Officer conducted Enquiry proceedings in accordance with Regulation 27 of the said regulations and submitted his report to SEBI on 27.5.2002, recommending that the certificate of registration granted to the said bankers be suspended for a period of three months. Consequent to the submission of report by the Enquiry Officer, notice dated 27.6.2002 was issued to the said bankers under sub-regulation (1) of Regulation 28 of the said regulations, advising them to show cause why action as recommended by the Enquiry Officer should not be taken against them. The said bankers submitted reply to the said notice vide their letter dated 11.7.2002. The said bankers also requested that they be heard personally and accordingly, an opportunity for the same was granted to them on 17.8.2002.

- 1. The said banker vide their letter dated August 24, 2002 have submitted their reply which was received by the dealing department of SEBI on 17.9.2002. In the said reply, it is observed that:**

1) The said banker while contesting the charges levied against them has submitted that:

- o The said branch did not receive the communication regarding the earliest closing of the issue on 24.11.1995 from the Registrars to the issue.**
- o It is unusual to issue 3300 cheques by United Bank of India to a single customer on a single day and that too on Saturday. Therefore, the said banker has submitted that placing reliance on discrepant records produced by United Bank of India and penalising the said banker would be injustice.**
- o The collection of cheques annexed to the applications on 8th and 9th, December, 1995 was due to snag in the computer agency processing the application.**

2) Regarding action against the company in support of their contention, the said banker has informed that they took up the matter with registrar M/s Compu Quick Datamations (India) Ltd for their failure to communicate the information regarding closure of the issue. The said banker has stated that the registrar has informed that it is not the responsibility of the registrar to send information of closure of the issue. In reply to that the said banker informed that they followed with the registrar and drawn their attention to paragraph 7 of the circular instructions at the time of Public Issue wherein controlling Branch/ Registrar was required to inform the branches about the closure of the issue. The said banker has informed that the Registrar has not replied to their letter.

3) Regarding action against the Branch and officials of the said banker, who were found responsible for lapses/ irregularities in the case, the said banker has informed that after the Chairman's hearing they have collected the copies of the records/papers delivered to CBI in 1998 and they are now looking into the matter afresh for initiation of Staff side action against the erring officials. Besides, on the basis of investigation reports, a note of caution was already issued by the Controlling Zonal Authority to the then Manager of the Branch on July 16, 1997 for giving contradictory statement in the process of internal investigations.

4) Regarding systemic checks and balance to prevent recurrence of such instances in future, the said banker has submitted as below:

- The bank is having a systematic set of guidelines for the branches to follow in respect of handling Bankers to an issue assignments and various circulars/ instructions have been issued by them from time to time for the guidance of their field staff.
- In addition, the bank has also organised training and seminars on the subject intermittently at the Zonal Training Centre as well as at their Central Staff Training College to improve and update the Knowledge and skills of their staff.
- Stern disciplinary action is taken against the erring officials wherever defaults are observed. In the case of Elvis India Ltd, the bank has dismissed one of the erring officials and has also downgraded the pay by 4 stages of another erring official. In another case, similar major penalty of dismissal was imposed against the erring official.
- Bank is very vigilant and concerned about the compliance of SEBI guidelines. Further, wherever, any default is observed immediate remedial action is initiated and followed up for ensuring compliance.

4.0 I have carefully considered the facts of the case, investigation reports, report of the Enquiry Officer and the submissions made by the said bankers in their reply and in the course of personal hearing and the written submissions made subsequent to the hearing.

4.1 In view of the above, I am of the opinion that suspension of certificate of registration for a period of 3 months as recommended by the Enquiry Officer is not called for and instead the Relief Road branch of the said bankers be debarred from carrying on activities in the nature of bankers to an issue for a period of 6 months.

5.0 Therefore, in exercise of the powers conferred on me under Regulation 28 (3) of the said regulations read with section 4 (3) of the Securities and Exchange Board of India Act, 1992, I hereby debar the branch of M/s Punjab National Bank situated at Relief Road, Ahmedabad from carrying on activity as Banker to an Issue for a period of 6 months

DATED : OCTOBER 18 ,2002
PLACE: MUMBAI

G.N.BAJPAI
CHAIRMAN
SECURITIES AND EXCHANGE BOARD OF INDIA