

**Proposed Amalgamation of the Nedungadi Bank Ltd. with
Punjab National Bank: Information for the Public**

In view of the press reports regarding the movement of share prices of Nedungadi Bank Ltd., the Reserve Bank of India has invited public attention to a clause (clause 7(1) of Chapter IV) in the draft scheme of amalgamation of Nedungadi Bank Ltd. with Punjab National Bank which prescribes that the entire amount of the paid up capital and reserves of the Nedungadi Bank Ltd. would be treated as provision for bad and doubtful debts and depreciation and other assets of the bank.

The Reserve Bank has also clarified that as per the draft scheme, Punjab National bank will first evaluate the assets and determine the liabilities of Nedungadi Bank. (Section 5, Chapter II). Once Punjab National Bank completes the evaluation of assets and liabilities of Nedungadi Bank Ltd., for their take over and Punjab National Bank will pay the depositors and creditors to the extent of their balances. (clause 6, Chapter III) Further, the shareholders of the bank will be entitled for payment of pro rata value of shares only if any surplus remains after paying off the depositors and creditors. (clause 8, Chapter IV) Importantly, the draft scheme of amalgamation does not envisage allotment of shares of Punjab National Bank to the shareholders of Nedungadi Bank Ltd.

It may be recalled that the Reserve Bank of India notified the draft scheme of amalgamation of Nedungadi Bank with Punjab National Bank on November 13, 2002. The draft scheme of amalgamation is available on the RBI website at www.rbi.org.in

**Alpana Killawala
General Manager**

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