QJA/GG/CFID/CFID-SEC4/29359/2023-24

SECURITIES AND EXCHANGE BOARD OF INDIA

FINAL ORDER

Under Sections 11(1), 11(4), 11(4A),11A, 11B (1) and 11B(2) of the Securities and Exchange Board of India Act, 1992 read with Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 and Sections 12A(1), 12A(2) and 23I of Securities Contracts (Regulations) Act, 1956 read with Rule 5 of the Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005.

Noticee No.	Name	PAN
1	Inspirisys Solutions Limited (formerly known as 'Accel Frontline Limited')	AAACA5622M
2	N. R. Panicker	AFVPP5431Q
3	S. V. Krishnan	AHZPK5984H
4	S. Chandrasekaran	ADPPC7130B
5	Maqbool Hassan	AENPP4392P
6	K. R. Chandrasekaran	AANPN6453D
7	S. Kalyanaraman	AEEPK4051K
8	Alok Sharma	ABAPS6567M
9	Sam Santhosh	BIVPS0762B
10	Ruchi Naithani	AACPN7934J
11	Ashok Dedhia	AACPD8028M

(Aforesaid entities are hereinafter individually referred to by their respective name or noticee number and collectively as "the Noticees".)

In the matter of Accel Frontline Limited

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") received complaints against Accel Frontline Ltd. (now known as "Inspirisys Solutions Limited") (hereinafter referred to as "**Accel**" /"**the Company**") alleging

duping of investors in Offer for Sale (hereinafter referred to as "**OFS**") by the ex-promoters of the Company due to mis-statements in the financial statements of Accel. The complainants, *inter alia*, alleged that they had invested in shares of the Company based on publicly available financial statements which were later proven to be fraudulent.

2. SEBI conducted an investigation in the matter to ascertain whether there was a manipulation in the books of accounts of Accel, in contravention of the provisions of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act**") read with the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations**"), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "**LODR Regulations**") and Securities Contracts (Regulation) Act, 1956 (hereinafter referred to as "**SCRA**") read with the Listing Agreement.

BACKGROUND

3. Accel is a company listed on BSE and NSE. On December 9, 2013, CAC Corporation, Japan (hereinafter referred to as "**CAC**"), pursuant to a public announcement dated December 09, 2013, had made an open offer for acquisition of 77,38,087 fully paid up equity shares of Accel, representing 26% of the voting rights/equity share capital of Accel. Pursuant to the said open offer, CAC acquired 75,00,000 shares representing 25.2% of equity share capital on January 18, 2014. CAC was thereafter classified as a promoter of Accel. While representatives of CAC were inducted in the board of directors of Accel during FY 2014-15, Mr. N. R. Panicker continued as MD & Chairman of Accel even after the open offer.

4. Due to the aforesaid open offer and subsequent classification of CAC as a promoter, Accel became non-compliant with minimum public shareholding (MPS) norms. Accordingly, in the year 2015, the promoters of Accel offered their equity shares in offers for sale (OFS) (multiple OFSs between February 2015 to August 2015) to bring down the non-public shareholding to 75% to meet the minimum

public shareholding norms. The promoter shareholding was lowered from 89.02% to 75%. (Ex-promoters sold 13.07% and new promoters sold 0.95%).

5. Thereafter, revelations were made by certain employees of Accel to the newly appointed CFO of the Company regarding mis-statements in financials. Subsequently, Accel engaged M/s Deloitte Touché Tohmatsu India LLP **("Deloitte")** as special auditors to examine the quality of bills receivables of the company for the three-year period ending March 31, 2015, which was subsequently extended to December 31, 2015.

6. On February 9, 2016, Accel made an announcement to the stock exchanges that Deloitte, in their preliminary interim finding had stated that there appeared to be bills receivables, which were not substantiated and other items to the tune of Rs.30-40 crores, which may not have been adequately provided for, in the books of the Company.

7. On March 16, 2016, Accel announced that Deloitte had submitted its final report (hereinafter referred to as the "**Deloitte Report**") on March 14, 2016 and that the impact on the Company appears to be in the range of what has been previously indicated in the earlier disclosure dated February 9, 2016 (i.e. around INR 30 to 40 crores). Subsequently, when Accel reported the audited financial statements few months later, i.e. in August 2016 to the stock exchanges, the actual impact (write-off) provided was much higher at INR 100.03 cr.

8. Certain investors complained to SEBI alleging that they had been duped in the OFS due to the mis-statement in financials by the ex-promoters of the company. Thereafter, SEBI appointed Ernst & Young LLP (hereinafter referred to as "**EY**" /"**Forensic Auditor**") to conduct a forensic audit of Accel with respect to the Financial Statements for financial years (FY) ending March 31, 2013, March 31, 2014, March 31, 2015 and March 31, 2016.

9. Based on a review of a sample of the underlying supporting documents related to various irregularities, EY in its report confirmed that there were certain financial irregularities which were identified and subsequently reflected in books by the

management of Accel. The aforesaid findings of EY were in line with the findings of the special audit performed by Deloitte.

10. Based on the above facts, investigation was carried out by SEBI. Thereafter, enforcement action was initiated against Noticee nos. 1-10 under Sections 11(1), 11(4), 11(4A), 11B(1) and 11B(2) read with Section 15HA and 15HB of the SEBI Act and Sections 12A(1) and 12A(2) read with Section 23H of the SCRA, 1956.As regards Noticee no.11, since it was found that he had furnished untrue information under oath, proceedings were initiated under Sections 11(1), 11(4), 11(4A), 11B(1) and 11B(2) read with Section 15A(a) of the SEBI Act, 1992.

11. Besides the Noticees herein, enforcement action was also initated against certain others, namely, Malcolm Mehta (MD), AP Parigi (Non-independent, Non-executive Director), R Ramaraj (Independent Director) and Bin Cheng (Non-executive Director) of Accel. I note from the settlement order no. SO/SM/EFD2/2022-23/6652 dated November 16, 2022 that the said entities have settled the actions initiated against them.

SHOW CAUSE NOTICE, HEARING AND REPLIES

12. The present order deals with two show cause notices (hereinafter collectively referred to as "**SCNs**") issued by Securities and Exchange Board of India (hereinafter referred to as "**SEBI**"), the details of which are as follows:
    (i) Show Cause Notice dated September 24, 2021 issued *inter alia* to Noticee nos. 1 to 10 (hereinafter referred to as "**SCN**"); and
    (ii) Show Cause Notice dated September 24, 2021 issued to Noticee No. 11 (hereinafter referred to as "**SCN-II**").

13. The SCN *inter alia* alleged that the books of accounts of Noticee no.1 (Accel) were manipulated fraudulently on the instruction of Noticee no.2 (NR Panicker). As per the SCN, Noticee no.2 (NR Panicker) gave oral instructions to certain employees including Noticee nos. 3 and 4 (SV Krishnan and S. Chandrasekaran), who carried out the said manipulations at his behest. Further, the SCN alleges that Noticee no. 5 (Maqbool Hassan) was aware of the fact that the books were being manipulated by his subordinate officers at the behest of

NR Panicker, but did not take any steps to stop or remedy the situation. Further, the ex-CFO (KR Chandrasekaran- Noticee no.6) and statutory auditor (Noticee no.7) along with independent directors (Noticee nos.8-10), who were part of the audit committee were negligent/failed to perform their duties in a satisfactory manner. Hence, the SCN alleged that: -

i. Noticee No. 1 violated provisions of Regulation 3(c), 3(d), 4(2)(f), 4(2)(k) of PFUTP Regulations, 2003 read with Section 12A(a), (b), (c) of SEBI Act, 1992 and Clause 41 of the Equity Listing Agreement read with Section 21 of SCRA, 1956 and Regulation 30 of LODR Regulations read with Section 21 of SCRA, 1956.
ii. Noticee No. 2-7 violated Regulations 3(c), 3(d), 4(2)(f), 4(2)(k) of PFUTP Regulations, 2003 read with Section 12A(a), (b), (c) of SEBI Act, 1992 and Clause 41 of the Equity Listing Agreement read with Section 21 of SCRA, 1956
iii. Noticee No. 8-10 violated Clause 49(III)(D) of Equity Listing Agreement read with Section 21 of SCRA, 1956.
iv. SCN-II alleges that Noticee no. 11, provided false statements on oath during SEBI's investigation in violation of Section 11C(2) read with 11C(3) and 11C(5) read with 11C(6) of the SEBI Act, 1992.

14. The SCNs were duly served on Noticees. In response to the SCNs, Noticee Nos. 9 and 11 viz., Mr. Sam Santhosh and Mr. Ashok Dedhia filed their replies dated October 28, 2021 and October 18, 2021 respectively. Noticee Nos. 6 and 8 (Mr. KR Chandrasekaran and Mr. Alok Sharma), sought extension of time and Noticee nos.1, 2, 3, 4, 5 and 10 sought inspection of documents/cross examination of witnesses. Noticee no. 8 (Alok Sharma) filed a reply dated December 4, 2021. Noticee nos.1, 2, 3, 4, 5 and 10 who had sought inspection were granted the same from November 25-30, 2021. Subsequent to the inspection of documents, these Noticees stated that all information was not provided to them and requested that they be provided certain additional documents. However, since all the documents that were 'relied upon' by SEBI were provided, the request of the Noticees was not acceded to. Thereafter, in line with the order of the Hon'ble Supreme Court in the matter of *T. Takano Vs. SEBI* (order dated February 18, 2022), certain additional 'relevant' documents

including the investigation report **("IR")** and its annexures were provided to the Noticees. With respect to the request for cross examination, the Noticees were advised that the request may be made before the quasi-judicial authority at the time of the hearing. However, despite the same, the Noticees did not file their replies and kept seeking additional documents. Thereafter, in order to proceed with the matter, a hearing was granted on September 9, 2022 by Shri Ananta Barua, the then WTM who was handling the matter as on that date. However, following an amendment in the DOP, the matter was reassigned to the undersigned for granting of hearing and passing of orders after consideration of the material available on record. Accordingly, an opportunity for personal hearing was scheduled on November 11, 2022. Mr. Sam Santhosh (Noticee No.9) requested for an adjournment and the same was granted. Noticee nos. 1, 3, 4, 5 and 10 filed replies dated November 9/10, 2022. Noticee no. 2 filed a reply dated November 11, 2022. On the scheduled date, the Authorized Representatives (AR) appearing for Noticee Nos. 1-10, appeared for the hearing and made submissions before me. Noticee nos. 1, 3, 4, 5 and 10 were represented by Mr. Shyam Mehta, Senior Counsel; Noticee no.2 was represented by Mr. Pesi Modi, Senior Counsel and Mr. Joby Mathew, Advocate; Noticee no.6 was represented by Mr. Ramesh Gogawat, Advocate; Noticee no.7 was represented by Mr. KS Naveen Kumar, Advocate and Mr. H R Shivaprasad, Advocate and Mr. S Kannan, and Noticee No.10 was represented by Ms. Faranaaz Karbhari, Advocate, Mr. Rahul Jain, Advocate and Ms. Mahafrin Mehta, Advocate. Noticee no.11 appeared in person for the hearing. Noticee nos.2 and 6 reiterated their requests for cross examination and were advised to file a reply on merit so that the relevance of granting cross examination could be examined. Noticee nos. 2 and 6 had requested for some more documents during the hearing. Certain documents which had been provided earlier were resent to Noticee nos. 2 and 6, with a view to go ahead with the proceedings. Further, legible copies of documents like the Deloitte Report were also provided. Thereafter, while Noticee no.2 filed a reply dated January 25, 2023 in this regard, no reply was received from Noticee no. 6. Reminder letters/emails were sent to Noticee no.6 but he did not file any further submissions, rather reiterated his demand for documents. It was also noted that the SCN did not rely on any statements of any persons to support the allegations against Noticee no.6 whereas the SCN relied on the

statements of Noticee nos.3-5 and Malcolm Mehta (MD of Accel) in respect of the allegations against Noticee no.2. Hence, an opportunity was granted to Noticee no.2 to cross examine Noticee nos.3-5 and Mr. Malcolm Mehta as their statements had been relied on in the SCN for framing of the allegations against Noticee no.2. Thereafter, the cross-examination was held on June 8-9, 2023, as mutually agreed between the parties. Opportunities of hearing were subsequently granted to Noticee nos.2-5 to make their submissions. The Noticee nos.2-5 also filed additional written submissions in the matter. I note that all the Noticees have filed replies in the matter. The submissions of the Noticees are not being reproduced for the sake of brevity and will be taken up in detail while considering the allegations against each one of them.

Relevant provisions

15. The relevant extract of provisions of law violation of which have been alleged in the SCN, are as follows:

SEBI Act, 1992

*"**Section 12A.** No person shall directly or indirectly—*
(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;
(b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;
(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognized stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;"

PFUTP Regulations:

Prohibition of certain dealings in securities
***Regulation 3**. No person shall directly or indirectly—*
(a) .....
(b) .....
(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;
(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a

recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

Prohibition of manipulative, fraudulent and unfair trade practices
Regulation 4.
(1)....
(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:
(f) publishing or causing to publish or reporting or causing to report by a person dealing in securities any information which is not true or which he does not believe to be true prior to or in the course of dealing in securities;
(k) an advertisement that is misleading or that contains information in a distorted manner and which may influence the decision of the investors.

LODR Regulation, 2015 w.e.f. November 30, 2015:
Regulation 30(1): *Every listed entity shall make disclosures of any events or information which, in the opinion of the board of directors of the listed company, is material*.

SCRA, 1956:
Condition of Listing.
Section 21: *Where securities are listed on the application of any person in any recognised stock exchange, such person shall comply with the conditions of the listing agreement with that stock exchange.*

Listing Agreement
41. The company agrees to comply with the following provisions:

I) Preparation and Submission of Financial Results
…

II) Manner of approval and authentication of the financial results

a. *The quarterly financial results submitted under sub-clause (I) shall be approved by the Board of Directors of the company or by a committee thereof, other than the audit committee.*

Provided that when the quarterly financial results are approved by the Committee they shall be placed before the Board at its next meeting:

Provided further than while placing the financial results before the Board, the Chief Executive Officer and Chief Financial Officer of the company, by whatever name called, shall certify that the financial results do not contain any false or misleading statement or figures and do not omit any material fact which may make the statements or figures contained therein misleading.

Clause 49(III)(D)(1) of Listing Agreement,

"The role of the audit committee shall include oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible".

Consideration of Preliminary Submissions

16. Before proceeding with the merit of the matter, it will be relevant to consider the preliminary submissions of the Noticees. Noticee no. 2 has stated that he has not been provided all relevant documents that have been relied on by SEBI while making the allegations. In this regard, I note that Noticee no.2 has specifically sought for certain documents, to which suitable response/documents were tendered as shown in the table below:

Table No.1

Sl. No.	Document Sought	Response of SEBI
1.	Exhibit 4 of the EY Report	Noticee no.2 was provided the documents provided by Accel to EY as available with SEBI.
2.	Legible copy of the Deloitte Report	Legible copy of the Deloitte SAR was obtained from Accel and provided to the Noticee no.2.
3.	Investigation report and Annexure 15 and 16 to the SCN	Though the same was already provided to Noticee no.2, the same was resent to him as per his request.
4.	Copy of minutes of the board meetings and audit committee meetings for FY 2012-13 to 2015-16	Noticee no.2 was informed that relevant minutes of the meetings are already part of Exhibit 1 of the EY Report and had been provided to him. The same was also resent to the noticee.
5.	Statements of employees recorded by EY/Deloitte	Noticee no.2 was informed that statements beyond those annexed to the EY/Deloitte Reports were not available with SEBI if not already provided.

17. Noticee nos. 1, 3, 4, 5 and 10 have also stated that they have not been provided certain documents. These include complete back papers for preparing Exhibit 1 and 3 of the EY Report. I note that Exhibit 1 is the "Review of Minutes of Meetings" and contains Minutes of the AGMs/Board Meetings for the relevant period. Hence, it is not clear as to what particular back papers are being sought. Nor have these noticees alleged or pointed out any discrepancy in the same. Moreover, Noticee no.1, being the Company itself would have better access to the original minutes of

the AGM/Board Meetings. Similarly, Exhibit 3 to the EY Report is "Public Domain Background Searches" and contains a brief profile of Mr.NR Panicker and other directors of Accel. The public domain sources have not been annexed to the EY Report. Further, Noticee nos.1, 3, 4, 5 and 10 have not pointed out any discrepancies or made any submissions regarding the relevance of these public domain sources to the present proceedings. Hence, I am of the view that no prejudice has been caused to Noticee nos.1, 3, 4, 5 and 10 due to the same. Further, Noticee nos.1, 3, 4, 5 and 10 have stated that they have not been provided copies of emails of Mr.SV Krishnan as mentioned at page 12 of the EY Report. In this regard, I note that the above named noticees were informed that these emails formed annexures to the Deloitte Report, which has already been provided to them. Further, the request for the non-redacted version of the IR as sought by these Noticees is beyond the mandate set by the Hon'ble Supreme Court in the matter of T. Takano as the redacted parts pertained to the allegations against Ashok Dedhia which were not relevant for consideration of the allegations against Noticee nos. 1, 3, 4, 5 and 10 and also contained unrelated third party information. The Noticee nos. 1, 3, 4, 5 and 10 have also stated that Ashok Dedhia and his brother are not a reliable source of information. However, I note that the allegations against the Noticee nos. 1, 3, 4, 5 and 10 are on the basis on the FAR and the investigation by SEBI and not based on any unreliable information provided by Ashok Dedhia and his brother, as contended.

18. In view of the above, I am of the opinion that the Noticees have been provided all necessary documents that are relevant to the issuance of the SCN and for arriving at a finding in the matter. As noted above, Noticee no.2 was also provided an opportunity to cross examine the co-noticees as mentioned above at paragraph 14. Hence, I am of the view that the principles of natural justice have been duly complied with in the matter in this respect. Accordingly, the submission of the notices that all relevant documents have not been provided, is not tenable.

19. Noticee nos. 1, 3, 4, 5 and 10 have also contended that they have not been provided a copy of the appointment order of the Adjudicating Officer. However, I note that the submission of the notices seems to have arisen out of a confusion regarding the nature of the present proceedings, which are inter alia under

Section 11(4A) /11B(2) of the SEBI Act, 1992. The power to issue directions/orders under Sections 11, 11(4), 11(4A), 11B(1) and 11B(2) (where no interim, confirmatory or revocation order is envisaged in the matter) have been delegated under Section 19 of the SEBI Act, 1992 *inter alia* to Chief General Managers (CGMs) of SEBI vide SEBI (Delegation of Powers) Order, 2019 with effect from July 25, 2022. Hence, the instant set of proceedings is different and distinguishable from the manner of appointment of an Adjudicating Officer under Section 15I of the SEBI Act. Alongside the amendment of the SEBI Act, 1992 by the Finance Act, 2018 w.e.f. March 8, 2019, by which Sections 11(4A) and 11B(2) were inserted therein, the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 ("Adjudication Rules") were also amended to reflect the necessary changes. Thus, the insistence on the side of the Noticees that the Section 11B proceedings ought to have followed the procedure laid down in the Adjudication Rules for an Adjudicating Officer since, the SCN contains the provisions of Section 11(4A) and 11B(2) is misplaced and untenable. The Adjudication Rules are for the purpose of adjudication of cases by the Adjudicating Officers and the rules pertaining to issuance of notice(s) including SCNs, hearing notices etc., do not apply to the instant proceedings.

20. It is not out of place to mention in this context that the delegation of quasi-judicial functions by SEBI has also been upheld by the Hon'ble Kerala High Court in the matter of *BRD Securities Vs. Union of India* (Order dated May 25, 2023). Noticee nos. 1, 3, 4, 5 and 10 have also submitted that they were not given any reason for reassignment of the matter to the undersigned from the WTM. This is an objection which falls in the realm of the Board's Delegation of Powers and a jurisdictional issue and hence falls outside the purview of the present adjudication proceedings. Since, the Noticee(s) have participated in the hearing and sought an adjudication of the matter on merits, I am inclined to proceed to adjudicate the issues in this SCN based on the facts and material available on record.

21. The Noticees have also stated that there has been a tremendous delay in the matter, which has affected their ability to defend themselves in the matter. In this regard, I note that though the alleged manipulation of the books of accounts occurred from FY 2012-13 to 2015-16, they were made public only from March

2016 onwards when the Company made disclosures regarding the same. Complaints regarding the manipulations of books of accounts were received by SEBI only in 2018 and EY was appointed by SEBI on January 3, 2019 to conduct a Forensic Audit in the matter. EY submitted its report on September 3, 2019. Thereafter, SEBI conducted its investigation and the SCN was issued on September 24, 2021. Following the issuance of SCNs, the noticees placed various requests for documents, cross examination, applications for settlement, each of which were duly considered by the competent authorities. It is relevant to mention that, amongst other Noticee(s), Noticee No.1, Noticee Nos. 3,4 and 5 and Noticee No.10 had filed settlement applications during the period November/December 2021 and the said Noticee(s) had intimated that they do not wish to proceed with their settlement applications, after intimation of the settlement amount to be paid by each of the said Noticee(s) vide an intimation dated 13.10.2022. I note that adjudication of the instant proceedings has been delayed with respect to the said Noticee(s) by close to one year period as they initially chose to settle the matter but withdrew it subsequently. Moreover, all relevant documents and opportunities for inspection of documents and cross examination have also been provided to the Noticees and they have filed detailed replies in the matter. In view of the same, I do not feel that there has been substantial delay in the matter which would cause prejudice to the Noticees and vitiate the matter.

Overview of Evidence including evidence brought out during cross-examination

22. Before getting into the merits of the factual issues, I find it appropriate to give an overview of all the evidence available in the matter including the nature and quality of evidences, in the form of Forensic Audit Reports, witness statements adduced in cross- examination, e-mails and disclosures made to stock exchanges.

I. Deloitte Report (March 14, 2016)

23. The observations of the Deloitte Report contained in Part 3.1 are *inter alia* as given hereunder:

i. Based on verification of receivables (accounting entries, invoices and underlying supporting documents) and interviews/discussions with employees (finance and business process owners), it was noted that certain invoices were

recorded in the books of accounts without a corresponding business reason/underlying supporting documents. During the interviews with employees of the Company from finance and business operations divisions, we (Deloitte) were informed that these transactions were recorded in books from year 2012-2015 to inflate sales and are not recoverable;

ii. Certain transactions (sales invoices and debit memos) which were not outstanding seemed to have been recorded in the books without genuine business reasons/underlying supporting documents. These transactions were not outstanding as on December 2015 because of improper adjustments (receipts for genuine invoices applied to these transactions/reversal of these transactions in unrelated accounts);

iii. Independent balance confirmation from clients showed a significant variance;

iv. Some credit notes raised in CSMS, which was the divisional software of IT Infrastructure Management Services for the period April 2012 till December 2015 were not recorded in Accel's accounting software, viz., Oracle; and

v. Transactions were recorded by certain employees in the finance team from year 2012-2015 to potentially inflate sales, unbilled revenue, reduce purchases/expenses etc.

II. <u>EY Report (September 03, 2019)</u>

24. The observations of the EY Report in brief are given hereunder:

i. Misrepresentations were identified in areas of sales inflation, debtors, unbilled revenue, purchased and fixed assets;

ii. Review of underlying documentation of transactions that were written off/adjusted by Accel in 2015-16, revealed that these transactions did not have adequate underlying supporting documentation to confirm the veracity of these transactions; and

iii. EY was informed by the management of Accel that the irregularities noted were performed on the instructions of Mr. NR Panicker to employees to inflate revenue and not to record expenses.

III. <u>Statements and cross-examination</u>

25. It is noted from the SCN that Noticee nos.3 and 4, in their statements before SEBI have admitted to their role in the manipulation of the books of accounts of the

Company. They have further stated that the manipulations and mis-statements were done at the behest of Noticee no.2, the then MD, CEO and promoter, Noticee no.5 has stated that he was aware of the fact that Noticee no.2 had instructed Noticee nos. 3 and 4 to carry out the manipulations. The employees, namely, Noticee nos. 3, 4 and 5 have stated that the instructions from NR Panicker were received verbally and that they do not have any documentary evidence in this regard.

26. The SCN relied on the statements of Noticee nos. 3, 4, 5 and Malcolm Mehta (New MD of Accel), to support the allegations against Noticee no.2. Hence, the request for cross examination of these persons by Noticee no.2 was allowed. In this context, I also note that Noticee no.2 had sought cross-examination of certain other persons like Neelakanthan (CFO of Accel), Ravi (official of Accel), Sweena Nair (Ex Company Secretary of Accel), officials of Walker Chandiok & Co. LLP (Statutory Auditors of Accel) and officials of Grant Thornton (Internal Auditors of Accel). However, as the SCN did not rely on any recorded statements of the aforenamed persons, the request was not acceded. Furthermore, Noticee no.2 had also sought to examine the officials of the auditors, i.e. EY and Deloitte. However, no specific instance of any statement/finding made in the audit reports that were not supported by corroborating evidence which would require cross examination was brought out by Noticee no.2. Moreover, I note that after completion of the cross examination of Noticee nos. 3, 4, 5 and Malcolm Mehta, Noticee no.2 has not pressed the request for cross examination of the auditors.

27. I note that during the cross examination, Noticee no.2 through his Counsel, tried to demonstrate that Noticee nos.3, 4 and 5 had made allegations against him to garner favour with the new management of Accel. Noticee no.2 tried to show that the aforenamed co-noticees had been retained by the Company and in fact were rewarded with increments, promotions and bonuses. On the other hand, Noticee nos. 3, 4 and 5 remained firm on their statements that the manipulations and mis-statements were carried out on the instructions of Noticee no.2. They denied having benefitted from reporting the manipulations to the new management and said that they received no incentives for the same. In other words, the overall picture that emanated during the cross examination is one of Noticee Nos. 3 ,4

and 5 acting in unison and admitting to the falsification of accounts, but at the same time reiterating that each one of them had done the manipulation at the behest of NR Panicker, Noticee No.2. On the other hand, Noticee no.2 was trying to adduce evidence to the effect that Noticee nos.3, 4 and 5 were acting in cohorts with the new management. The idea of manipulation being stimulated by Noticee no.2 to reflect 'performance benchmarks' as per the conditions of CAC Corporation, Japan (CAC) acquisition was also brought up. Malcolm Mehta confirmed in his statement that were no 'performance benchmarks' conditional upon which the acquisition would become effective. During the cross examination, the question was posed to Noticee No.3 (Mr. S.V. Krishnan) as to whether he would stand by the statement that the manipulation was done for meeting the performance benchmarks, to which his statement was in the affirmative. However, I note that NR Panicker and Malcolm Mehta, who are privy to the conditions of Acquisition of Accel by CAC, have confirmed otherwise. After considering the statements on record and the cross examination, I am of the view that for the purpose of adjudication of the issues at hand, it is not necessary for me to arbitrate the differences between the two groups, i.e. the group of employees of Accel, who in the past reported to NR Panicker and are now part of the new CAC management on the one hand, and NR Panicker on the other. Rather, the allegations levelled in the SCN against the Noticees, compel me to limit the consideration of issues to ascertain whether there was falsification of books of accounts of the Noticee No.1, as alleged, and, if yes, who are all responsible for the same, without getting diverted to the other interpersonal issues between the two factions. Besides the statements and depositions adduced during cross examination, I am also inclined to consider other evidence available on record, to ascertain the liability of the Noticees, with respect to the manipulations in the books of accounts of Accel as brought out by the Deloitte Report and EY Report.

IV. <u>Emails</u>

28. In order to examine whether Mr. NR Panicker (Noticee no.2) directly supervised the accounts of Accel, it is necessary to examine the emails attached to the Deloitte Report. A few such emails are discussed below:

i. Email dated 4/12/2015 from NR Panicker <nrpanicker@accel@india.com> to rganesh <rganesh@accelfrontline.in> and CC to krishnan@accelfrontline.in- The email has the subject *"WMS performance in the last 3 years"*(WMS refers to Warranty Management System), NR Panicker has written that he was reviewing the WMS divisional performance of last 3 years *as we are finalising the accounts* (emphasis added).

ii. Email dated 4/4/2013 from Krishnan <krishnan@transmaticsystems.com> to NR Panicker <nrpanicker@accel-india.com> with the subject *Re: BR Updation*- Mr.NR Panicker is being given details of billing updates including updates on accounting in the Enterprise Resource Planning (ERP). It is also stated that *"The removal of BR>180 days considered bad and parking in temporary account is in progress…."*

iii. Email dated 1/31/2013 from Krishnan <krishnan@transmaticsystems.com> to nrpanicker <nrpanicker@accelindia.com> wherein Krishnan is giving updates to Mr. NR Panicker regarding profitability of WMS, purchase accounting and also accounting of operating expenses. It is stated in the email that *"Opex provision made (based on actual MIS) in this statement notionally for the unaccounted 5 outstanding expenses as at 31.12.12 is INR 85 lakhs (this is kept outside oracle)"*

iv. Email dated October 17, 2013 from rganesh<rganesh@accelfrontline.in> to Krishnan <krishnan@transmaticsystems.com>also marked to nrpanicker <nrpanicker@accel-india.com>which states that *"As advised by our chairman, we request you to use the funds of Seagate in the following manner…"*

29. Further, along with additional written submissions dated June 22, 2023, Mr.SV Krishnan provided copies of the following emails. I note that the same were also provided to Noticee no.2

i. Email dated March 21, 2013 from NRPanicker,nrpanicker@accel-india.com. to several persons including Krishnan and Maqbool regarding "HO Functions", which inter alia states that KRC will continue to be associated with us (i.e. Accel) as adviser to Noticee No.2 and Senior Consultant. KRC would advise RG and Krishnan on financial and operational matters of warranty management solutions, reporting to NR Panicker directly.

ii. Email dated April 1, 2013 from NR Panicker, <nrpanicker@accel-india.com> to several persons including Krishnan and Maqbool which inter alia stated "Ananth will report to me on day to day matters in Finance and Accounts."

V. Stock Exchange Disclosures

30. The relevant disclosures are as follows:

i. On February 9, 2016, AFL made an announcement on stock exchanges that special auditors Deloitte have, *"in their preliminary interim finding (which is tentative, inconclusive and subject to further verification and confirmation) informed the Company that based on the current preliminary investigation till date (which was not conclusive), there appears to be at this stage, bills receivable which may not be adequately substantiated, and other items to the tune of Rs. 30 to 40 crores (Rupees thirty to forty crores), which may not have been adequately provided for in the books of the Company"*.

ii. On March 14, 2016, AFL announced on stock exchanges that *"the special audit (review) (*Deloitte*) engaged by us suomoto has submitted their final report to the Board of Directors on 14. 03. 2016 and the Board is taking necessary steps in regard to the report. As on date, in the view of the management, the financial impact on the Company appears to be in the range of what has been previously indicated in the earlier disclosure dated 9th February, 2016 by the Company"* (i.e. around Rs. 30 to 40 crores).

iii. On March 20, 2016, AFL announced on stock exchanges that *"the Board of Directors of the Company at their meeting held today have, based on discussions on the Special Audit (Review) Report (Deloitte), suspended Mr. N. R. Panicker from his position as Executive Chairman of the Company with immediate effect. He will continue as Director of the Company till his term ends on 31st March 2016. The Board of the Company has constituted a sub-committee comprising of 3 independent directors, the Executive Director and CFO to look into the Special Audit (Review) report and recommend to the Board further steps/actions to be taken"*.

iv. On August 01, 2016 at 23:14:10 at NSE and on August 02, 2016 at 08:28:28 at

BSE, AFL discloses the audited financial statement for FY 2015-16. From the said audited financial statements of FY 2015-16 of AFL, it is noted that the actual impact (write-off) was Rs. 100.03 crores i.e. much higher from the earlier disclosed amount of around Rs. 30 to 40 crores.

Thus, to sum up, what is available as material for consideration are mainly the findings in two Audit reports, the statements recorded by SEBI during investigation including the admissions, the evidence adduced during cross examination, the email correspondence exchanged between employees of Noticee No.1 and Noticee No.2 and the disclosures made by the company to the Stock Exchange.

Consideration on Merits

31. I have considered the allegations in the SCNs, replies received, submissions made by the Noticees during the personal hearings granted to them and the written submissions filed by them. Moving on to the consideration of the allegations, I note from the SCN that as per the EY Forensic Audit Report ("FAR"/"EY Report") dated September 3, 2019 as submitted to SEBI, the following observations are relevant:

i. Irregularities to an extent of Rs. 100.03 crore in books of account of Accel were identified during the investigation period. The same were rectified/restated as on March 31, 2016, i.e. a total amount of Rs. 100.03 crore was written off for FY 2015-16 by Accel. The write off was based on Deloitte Report and management's review.

ii. Misrepresentations identified were in areas of sales inflation, debtors, unbilled revenue, purchases and fixed assets.

iii. As on March 31, 2016, approximately **Rs. 74 crores** was written off against prior period and exceptional items. The total amount written off, comprised of the following:

Table No.2

Particulars	Amount (INR Cr.)
Sales inflation/bad debts	33.02
Advances paid for future transactions	7.95
Fixed assets	10.82
Supplier advances for stock in trade	10.79
Unbilled revenue	11.36
Total	**73.94**

iv. Based on management's review, an additional amount of approximately **Rs. 26 crores** was also written off against prior period and exceptional items. . The total amount written off, comprised of the following:

a. Inventory adjustments
b. Sales inflation/bad debts
c. Subcontracting charges and Rates and Taxes
d. Fixed Assets
e. Investments

v. Based on a review of underlying documentation of transactions that were written off/adjusted by Accel during FY 2015-16, it was noted that these transactions did not have adequate underlying supporting documentation to confirm the veracity of these transactions.

vi. The above irregularities were also identified by the management of Accel, *inter alia* through the Special Audit performed by Deloitte (around December 2015) and subsequent internal management reviews.

vii. The irregularities noted above were performed on the instructions of erstwhile Managing Director and CEO [Mr. N. R. Panicker (Noticee No.2)]. Instructions were given by Mr. N. R. Panicker to his employees to inflate revenue (by booking fictitious sales, by recording fictitious unbilled revenue, etc.), non-recording of expenses, etc.

viii. Based on a review of sample underlying supporting documentation of various irregularities, it appears that there existed financial irregularities which were identified and subsequently reflected in books by Accel management in the accounts as on March 31, 2016.

The aforesaid findings of EY were in line with the findings of the Special Audit performed by Deloitte.

32. In view of the above findings in the EY Report, SEBI sought further details from Accel regarding the write-offs. The details provided by Accel vide email dated January 24, 2020 are given as under:

Table No.3

Note: Amount in Rs. Crore

Sl. No.	Transaction Details	Amount Written Off (W/off)	Relevant financial year for the transaction						Transaction Identified by	Subsequent Recovery Amount
			Prior to FY 2012-13	2012-13	2013-14	2014-15	Could not be allocated to any Specific Financial Year, Identified in 2015-16	2015-16		
Prior Period Items										
1	Bad Debts W/off	33.02	4.12	0.82	4.77	22.84	-	0.47	Deloitte Report	0.79
2	Unbilled Revenue W/Off	11.36	-	-	-	11.36	-	-	Deloitte Report (INR4.13 crores) /Statutory Auditors (INR 7.23 crores)	**Nil**
3	Fixed Assets written off	10.82	-	-	3.27	7.55	-	-	Deloitte Report. Physical verification was undertaken by internal auditors and reconfirmed	**Nil**
4	Sub Contracting Charges	6.18	-	-	0.61	5.56	-	-	Management & Statutory Auditors	**Nil**
5	Purchase of Stock in Trade	11.33	-	10.35	0.24	0.75	-	-0.02	Deloitte Report	**Nil**
6	Advance Written off	7.19	-	5.44	1.75	-	-	-	Deloitte Report	**Nil**
7	Rates & Taxes	0.82	0.04	0.33	0.44	-	-	-	Management & Statutory Auditors	**Nil**
Total		80.71	4.17	16.94	11.09	48.06	-	0.45		**0.79**
Exceptional Items										
8	Bad Debts W/o	1.54	-	-	-	-	-	1.54	Deloitte Report	Nil
9	Provision for Inventory	9.80	-	-	-	-	9.80	-	Statutory Auditors (INR7.50 crores) and Internal Auditors (INR 2.29 crores)	**Nil**

Sl. No.	Transaction Details	Amount Written Off (W/off)	Relevant financial year for the transaction						Transaction Identified by	Subsequent Recovery Amount
			Prior to FY 2012-13	2012-13	2013-14	2014-15	Could not be allocated to any Specific Financial Year, Identified in 2015-16	2015-16		
10	Purchase of Stock in Trade	2.91	-	-	-	-	2.91	-	Management & Statutory Auditors	0.67
11	provision for Investment	2.41	-	-	-	-	-	2.41	Management & Statutory Auditors	**Nil**
12	Impairment of Intangible assets	1.10	-	-	-	-	1.10	-	Management & Statutory Auditors	Nil
13	Tangible Assets Written off	0.81	-	-	-	-	0.81	-	Management & Statutory Auditors	Nil
14	Advances Written off	0.76	-	-	-	-	0.76	-	Deloitte Report	Nil
Total		**19.32**	**-**	**-**	**-**	**-**	**15.37**	**3.95**		**0.67**
Grand Total		**100.03**	**4.17**	**16.94**	**11.09**	**48.06**	**15.37**	**4.40**		**1.46**

33. Thus, from the above details as submitted by Accel, it was noted that books of accounts of Accel for the period during FY 2012-13 to FY 2014-15 were mis-stated to the extent of approximately Rs. 100.03 crore. These were rectified as prior period mis-statement by way of write-off to the tune of approximately Rs. 100.03 crore in the financial results/statement by Accel in FY 2015-16, as noted above.

Allegations against Noticee No.1

34. I note from the SCN that the allegations against the Company, i.e. Noticee no.1, is two fold:

i. Misrepresentation of Financials/Manipulation in books of accounts during the period FY 2012-13 to FY 2014-15; and

ii. Misleading corporate announcement.

I proceed to deal with the allegations in the following paragraphs.

Misrepresentation of Financials /Manipulation in books of accounts during the period FY 2012-13 to FY 2014-15

35. At the outset, I note that Noticee no.1 has not denied the manipulation of the books of account, but has stated that the responsibility for the same lies on the erstwhile CMD. I further note that Noticee No.1 has submitted that the allegation of 'fraud' cannot be sustained as there was no '*dealing in securities'* or '*inducement'.* The Noticee has also cited the SEBI's orders in the matter of Tatia Global Venture Ltd. (order dated May 28, 2021), JMD Ventures (order dated September 14, 2021) and Hit Kit Global Solutions Ltd. (order dated February 28, 2022) in support of its submissions. The aforesaid cases cited by Noticee No.1 relate to shell company matters that were investigated by SEBI on the basis of a reference received from MCA. The allegations of violations of PFUTP Regulations could not be made out in this category of cases, from the facts available on record including the Forensic Audit Reports as the Reports failed to bring out the impact of financial mis-statements on the securities market or upon the persons dealing in securities of the company. Thereafter, the IR has also made observation regarding the contravention of PFUTP Regulations.

36. The expression 'dealing in securities' cannot be restricted to an act of buying, selling or subscribing to the shares of the company by Noticee No.1. In my opinion, 'dealing in securities' can and should be interpreted in a broad manner so as to include an act of buying, selling or subscribing to the shares of the company by the investors' as well whose decisions either to buy or sell or continue to hold the shares of the company are based on the financial results of the company. Financials of a company undoubtedly forms an important part of the investors' decision while investing or divesting in the company. Having said this, I proceed to analyse the market impact of falsification of financials in the instant case.

Market Impact of Alleged Falsification:

I- Sequence of events

37. In the instant case, the falsification of accounts resulted in complaints that the investors were duped in the OFS made by the ex-promoters to comply with the MPS requirement, when they were fully cognizant of the fact of falsification of accounts which came to light

much later. The sequence of events in the instant case show that the detailed statement for open offer for the acquisition of 77,38,087 equity shares (representing 26% of voting rights) was made by CAC on December 16, 2013. Pursuant to the said open offer, CAC acquired 75,00,000 shares representing 25.2% of equity share capital on January 18, 2014. Thereafter, CAC was classified as promoter of AFL in the exchange disclosures. CAC became the co-promoter and its representatives were inducted in the board of directors of AFL during 2014-15. Mr. N.R. Panicker, Noticee No.2 continued as MD & Chairman of AFL till March 20, 2016.

38. In the year 2015, the promoters of AFL had offered their equity shares in OFS (multiple OFSs between February 2015 to August 2015) to bring down the non-public shareholding to 75% to meet minimum public share (MPS) norms. The promoter shareholding was lowered from 89.02 % to 75% (ex-promoters sold 13.07 % and new promoters sold 0.95%). The participants/subscribers of OFS purchased the shares unaware of the mis-statements in the financials of the company. This would go to show that the mis-statements had direct link with the subscriber's interest in the company and it also had induced the retail investors to participate in the OFS at the falsely escalated prices.

39. In December 2015, AFL engaged Deloitte as special auditors to examine the quality of bills receivable of AFL for the financial year 2012-2013, 2013-2014, 2014-2015, and the period of audit was subsequently extended to December 31, 2015. On February 09, 2016, AFL made announcement on the stock exchange(s) that special auditors Deloitte have, in their preliminary interim findings, informed the company that there appears to be bills receivable which may not be adequately substantiated and other items to the tune of Rs. 30 to 40 crore, which may not have been adequately provided in the books of the company. In August 2016, when AFL reported the audited financial statements, the actual impact (write-off) provided was found to be much higher at Rs.100 .03 Cr.

40. From June 2018 onwards, SEBI started receiving several complaints against AFL from some investors, inter-alia, alleging that they had invested in shares of AFL based on publicly available financial statements which were later proven to be

fraudulent. Further, it was alleged that the new promoters and ex-promoters have settled amongst themselves by transferring 15% shareholding from ex-promoters to new promoters as compensation but the public investors have been made to suffer as the share price declined significantly. The complainants also stated that 15% shareholding held by the ex-promoter companies (Accel Limited as well as Accel Systems Group Inc.) in AFL were transferred/sold/alienated by them pursuant to the settlement and release agreement without complying with the applicable provisions of SAST Regulations.

41. Considering the importance of true and fair disclosures in financial statements of listed securities and with the intent of securing the investor's interest, SEBI appointed Ernst & Young LLP ('E&Y') as forensic auditor to examine books of accounts of AFL on January 03, 2019. E&Y submitted its report dated September 3, 2019 containing findings of irregularities in books of accounts of AFL to an extent of Rs.100.03 Cr and the same were rectified/restated as on March 31, 2016 by writing off prior period and exceptional items. Misrepresentations identified by E&Y were in the areas of sales inflation, debtors, unbilled revenue, purchases and fixed assets. The said Rs.100.03 Cr. included Rs.74 Crores written off against prior period and exceptional items and Rs.26 Cr. written off under the same heads based on management`s review.

II- <u>Turnover/Profit analysis (Source:- Annual Reports)</u>

42. At this juncture, it is relevant to analyse the profits/turnover made by Accel over the years FY 2012 to 2016.

Table No.4

Particulars	Year Ended				
	March 31, 2012	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016
Revenue from operation	417.06	326.07	296.80	340.17	322.49
Other Income	6.46	3.15	2.34	1.92	.98
Total Revenue	423.52	329.22	299.14	342.09	323.47
Operating Profit/(Loss)	11.38	4.24	2.95	(11.06)	(136.98)
Net Profit /(Loss)	9.39	2.80	2.45	(7.45)	(137.59)

43. It is seen from the above table that the net profit of the company was reducing in each of the consecutive year subsequent to the years since FY 2011-12 and FY

2015-16, more particularly in the years 2015 and 2016, the company started showing losses. As per the Annual Report of Noticee No.1, the main reason behind the huge losses of Rs. 137.59 crores in FY 2015-16 is shown as prior period items worth Rs. 80.71 crores and exceptional items worth Rs. 19.32 crores which adds upto Rs. 100.03 crores of write-offs.

III- Impact on share price after announcement on Feb 09, 2016 (at 9:34 A.M.):

44. It is noted that on February 09, 2016, the day on which the company first disclosed about the accounting issues, the share price went down by more than 19% (Rs. 66.2 to Rs. 53.25) and on the next day by more than 12% (Rs. 53.25 to Rs. 46.60).

Table No.5

Date	Number of shares held by public shareholders	Closing Price (Rs.)	Total market value of holding (Rs.)	Fall in Value (Rs.)
February 08, 2016	74,40,469	Rs. 66.20	492,559,047 (A)	-
February 09, 2016	74,40,469	Rs. 53.25	396,204,974	96,354,072
February 10, 2016	74,40,469	Rs. 46.60	346,725,855	49,479,118
February 11, 2016	74,40,469	Rs. 43.95	327,008,612	19,717,242
February 12, 2016	74,40,469	Rs. 42.60	316,963,979	10,044,633
February 15, 2016	74,40,469	Rs. 43.25	321,800,284	4,836,305 Rise
February 16, 2016	74,40,469	Rs. 39.30	292,410,431 (B)	29,389,853
Total loss from February 08, 2016 to February 16, 2016 (A-B)				**200,148,616**

45. Hence, the corporate announcement dated February 09, 2016 led to a fall in the share price of the company to the extent of 19% and 12% on the day of announcement and the next day. Between February 8, 2016 and February 16, 2016, straddling the disclosure on February 09, 2016, the share price fell from Rs.66.50 to Rs.39.70, or by over 40%, which is a substantial decline. I note that total value of public shareholding sustained a loss of 40% between 08th to 16th of February 2016. As on February 09, 2016, the number of publicly held shares of Noticee No.1 was 74,40,469. Roughly, the impact on wealth of public shareholders can be estimated to be a sum of more than Rs.20 Cr. The above analysis establishes that the announcement made by AFL following the Special audit by Deloitte, caused a serious dent in the share price of the scrip and thus affected the market.

46. Further, from Table No.3 in Para 32 above, it is seen that a sum of Rs. 80.71 Cr was written off towards the prior period items which means for the period 2012-13, 2013-14 and 2014-15, under various heads such as bad debts; unbilled revenue written off; fixed assets written off; subcontracting charges; purchase of stock in trade; advance written off and Rates and taxes. It is also seen from Table No.4 that even prior to 2012-13, bad debts to an extent of Rs. 4.12 Cr and Rates and taxes to an extent of Rs. 0.04 Cr. was written off. Further the exceptional items were written off to the tune of 19.32. A sum of Rs.15.37 Cr could not be allocated to any specific Financial year but the amount to be written off was identified in 2015-16. Thus, the mis-statement of financials stand established.

47. In connection with financial mis-statements, I would like to place reliance on the observations of the Hon`ble Supreme Court in the matter of N Narayanan Vs. SEBI, decided on April 06, 2013, wherein, it upheld the invocation of PFUTP Regulations in the context of misleading disclosures made by the company. The Hon`ble Supreme Court held as follows: -

> *"28. We notice in this case that the directors of the company had clearly violated provisions of 12 A of SEBI Act read with Regulations 3 and 4 of 2003 Regulations. Companies whose securities are traded on a public market, disclosure of information about the company is crucial for the accurate pricing of the company`s securities and also for the efficient operation of the market."*

48. I also note that Noticee no.1 has filed additional submissions dated June 29, 2023 wherein it has been contended that according to the doctrine of "alter ego", only the natural persons of a company will be responsible for the misrepresentation. Towards substantiating this, certain orders of the Hon'ble SAT in the matters of Tata Steel Vs. SEBI (Appeal No.238 of 2020) and Monnet Ispat & Energy Ltd. Vs. SEBI (Appeal no.238 of 2020). However, I note that these orders pertain to companies that had gone into liquidation/resolution under the Insolvency and Bankruptcy Code, 2016 and hence do not apply to the matter at hand. The Company has also stated natural persons responsible for a misrepresentation would be liable for the violations. However, this cannot preclude the Company's liability. The Noticee has also stated that the doctrine of proportionality would apply as the Company has already lost Rs.100 crore in the write off.

49. The doctrine of ‘alter ego’ relied upon by the Noticee No.1 is not available, as it is sought to be applied in its reverse, to bail out the company on the ground that it is the MD and CEO who has committed the offence and that it cannot be attributed to the company. There is a fallacy in this contention. The Supreme Court in Maksud Saiyed Vs. State of Gujarat, 2008 (5) SCC 668, held that: -

“No doubt, a corporate entity is an artificial person which acts through its officers, directors, managing director, chairman etc. If such a company commits an offence involving mens rea, it would normally be the intent and action of that individual who would act on behalf of the company. It would be more so, when the criminal act is that of conspiracy. However, at the same time, it is the cardinal principle of criminal jurisprudence that there is no vicarious liability unless the statute specifically provides so."

50. The Hon`ble Supreme Court in the case of Iridium India Telecom Ltd. vs. Motorola Incorporated and Ors, AIR 2011 SC 20, held that: -

"the criminal intent of the "alter ego" of the company/body corporate i.e. the person or group of persons that guide the business of the company, would be imputed to the corporation."

Hence, I find it difficult to accept the ‘alter ego’ proposition and let off the company.

51. The act of manipulation of the books of accounts misleads the investors and prevents them from getting a true and fair view of the company’s financials. I reiterate that the influence on the market price of the shares of the Company and the grievance of the investors pursuant to the OFS made by the promoters also brings the manipulation within the ambit of the PFUTP Regulations. Hence, I do not find merit in the submission of Noticee No.1 that their actions would not be covered under the ambit of the PFUTP Regulations.

52. Noticee no.1 has submitted that CAC made an investment in the Company at the rate of Rs.45 per share. Thereafter, in the OFS (multiple OFS between February 2015 to August 2015) shares were sold at Rs.75 per share by Mr. NR Panicker. Noticee no.1 has stated that Mr. NR Panicker sold 38,88,497 shares in the said OFS and enriched himself. Noticee no.1 has also stated that its employees had carried out the manipulations based on the instructions of Noticee no.2 (Mr. NR

Panicker). It is further stated that the Company has already suffered due to the write off of Rs.100 crore and that Noticee no.1 should not be penalized any further.

53. The write off being for the prior period, is indicative of the fact that right from the year 2012 itself the company would have actually run into losses. Undoubtedly any manipulation of financials has an impact on the trades. The impact becomes obvious when the true and correct statements are brought to light. Noticee No.1 has certainly engaged in an act or practice or course of business which operated as a fraud or deceit upon investors dealing in the scrip of Accel. Section 12A (c) of the SEBI Act read with Regulation 3(d) of PFUTP Regulations, 2003 prohibit a person from engaging in any act or practice or course of business which operates as a fraud or deceit on the investors. It cannot be stated to be a "device or contrivance or scheme" which is covered in Section 12A (a), (b) of SEBI Act and Regulation 3(c) of PFUTP Regulations and hence I am inclined to drop the allegations against Noticee No.1 under these provisions.

54. I note that Noticee no.1 has stated that the IR and FAR have found that the entire contravention as alleged was undertaken by Noticee no.2. It is stated that Noticee no.2 was in charge of the affairs of the Company and the person behind the manipulation should alone be held liable. The Company has submitted that after the new management took over the affairs of Accel, they have cleaned up the accounting mis-statements. In this regard, I note that though a company is a separate legal entity from its CMD and/or its employees, the responsibility to make correct disclosures of material events and information is on the Company itself under the LODR Regulations. As such, the obligations of the company and the CMD run concurrently. The obligations fastened on the company in law cannot be passed on to the CMD on the ground that the Company is an inanimate corporate entity. As long as the fact remains that accounts/financials of the Company have been mis-stated, the Company has to be held liable inevitably. Hence, the Company cannot escape its liability for the mis-statements in the financials by stating that the same was done by the CMD. Accel published mis-stated financial results and annual reports, which kept investors from getting a true picture of the actual financial situation of the Company. Regulation 4(2) (f) of PFUTP

Regulations provides that dealing in securities shall be deemed to be fraudulent or unfair trade practice if it involves publishing or reporting of any information which is not true. Further, Regulation 4(2)(k) provides that disseminating information or advice through any media which the disseminator knows to be false or misleading and which is designed to influence the decision of investors dealing in securities is also deemed to be fraudulent and unfair trade practice. I note that Clause 41 of the Equity Listing Agreement provides that the financial results filed and published in compliance with this clause shall be prepared on the basis of accrual accounting policy and in accordance with uniform accounting practices adopted for all the periods. Noticee No.1 failed to follow the uniform practice w.r.t writing off of sales inflation/bad debts; advances paid for future transactions; fixed assets; supplier advances for stock in trade; unbilled revenue.

55. In view of the above, I find that Noticee No.1 has violated Regulation 3(d), 4(2)(f), 4(2)(k) of PFUTP Regulations, 2003 read with Section 12A(c) of SEBI Act, 1992 and Clause 41 of the Equity Listing Agreement read with Section 21 of SCRA, 1956 and hence is liable for appropriate directions under Section 11B(1) of the SEBI Act, 1992 and Section 12A(1) of SCRA, 1956 and penalty under Section 15HA and 15HB of SEBI Act, 1992.

56. The Company has stated that the new management has stepped in and taken remedial measures, including the write off of Rs.100 crores and that it would not be in the interest of shareholders of the Company to penalize the Company any further. I note that when a new management takes over a Company, they are aware that any rights/liabilities of such company do not simply abate on coming in of the new management. However, considering the peculiar situation of the case at hand, I will bear in mind the instant submission of the Noticee no.1 while issuing directions against it.

Misleading corporate announcements:

57. The second part of the allegation against the Company is that it made misleading announcements regarding financial impact of the accounting irregularities as brought out in the Deloitte Report. I note that vide corporate announcement dated

March 14, 2016, the Company had informed the stock exchanges that the financial impact on the Company appear to be in the range of what has been mentioned in the corporate announcement dated February 09, 2016, which in turn had stated that the Bills Receivable and other items to the tune of Rs. 30 to 40 crores may not have been adequately provided/substantiated for in the books of the Company.

58. However, during investigations it was noted that Accel had actually written off an amount of Rs.68.78 crores as prior period mis-statement for the period 2012-13 to FY 2014-15, the details of which are as follows:

Table No.6

Note: Amount in Rs. Crore

Sl. No.	Transaction Details	Amount Written Off (W/off)	Relevant financial year for the transaction					
			Prior to FY 2012-13	2012-13	2013-14	2014-15	Could not be allocated to any Specific Financial Year, Identified in 2015-16	2015-16
Prior Period Items								
1	Bad Debts W/off	33.02	4.12	0.82	4.77	22.84	-	0.47
2	Unbilled Revenue W/Off	4.13	-	-	-	4.13	-	-
3	Fixed Assets written off	10.82	-	-	3.27	7.55	-	-
4	Purchase of Stock in Trade	11.32	-	10.35	0.24	0.75	-	-0.02
5	Advance Written off	7.19	-	5.44	1.75	-	-	-
Total		**66.48**	**4.12**	**16.61**	**10.03**	**35.27**	**-**	**0.45**
Exceptional Items								
6	Bad Debts W/o	1.54	-	-	-	-	-	1.54
7	Advances Written off	0.76	-	-	-	-	0.76	-
Total		**2.3**	**-**	**-**	**-**	**-**	**0.76**	**1.54**
Grand Total		**68.78**	**4.12**	**16.61**	**10.03**	**35.27**	**0.76**	**1.99**

59. The SCN notes that the Deloitte Report is dated March 14, 2016, which means that the abovementioned details were available with Accel, which showed that the irregularities amounted to Rs.68.78 crore and not Rs.30-40 crores. The SCN has stated that Regulation 30(1) of LODR Regulations requires that "*Every listed entity shall make disclosures of any events or information which, in the opinion of the*

board of directors of the listed company, is material." Hence, it is alleged in the SCN that the aforesaid announcement was related to a material event. Since the actual impact was withheld in the announcement made on March 14, 2016, it is alleged that Noticee no.1 violated Regulation 30 of the LODR Regulations, 2015 read with Section 21 of SCRA, 1956.

60. In this regard, Noticee No.1 has stated that the Deloitte Report had brought out a potential impact of Rs.74.69 crore on the financials of the Company. However, the same had to be 'firmed up' which was carried out by the Statutory Auditors of the Company. The Company has stated that due to the same the Annual Accounts closure was delayed and it had sought extension from the RoC in this regard (FY 2015-16). Further, it is submitted that from the potential impact of Rs.74.69 crore mentioned in the Deloitte Report an amount of Rs. 25.07 crores was already provisioned towards doubtful debt. Further Rs.12.78 crores pertained to potentially fictitious assets but since physical verification of the assets was required, the Company could not have disclosed the same. Hence, after deducting these amounts, the Company had disclosed that the potential impact of the mis-statements was in the range of Rs.30-40 crores. The Company has also stated that these details were discussed at length in the Board Meetings dated February 9, 2016 and March 14, 2016.

61. I note from the Board Minutes of February 9, 2016 that the "update received from Deloitte" mentioned that the company had made significant provision of Rs.24.5 crore and the additional impact would be of Rs.30-40 crore. However, undisputedly, the potential impact of Rs.74.69 crore is a piece of financial information that is "material" in terms of the LODR Regulations. The explanation of having made provisions of Rs. 24.07 crore and the pendency of physical verification of potentially fictitious assets to the tune of Rs.12.78 crores are also information that should have been disclosed. Appointment of Deloitte for special audit in itself being a material information, the impact as per the special audit was also relevant for the investors. Disclosing a lesser figure that actually assessed amount of writing off is misleading. Hence, I do not find the submission of Noticee no.1 that it did not make misleading corporate announcement regarding the financial impact of the accounting irregularities as brought out in the Deloitte

Report tenable. In view of the same, I find that Noticee no.1 violated Regulation 30 of the LODR Regulations read with Section 21 of SCRA, 1956 and is liable for directions under Section 11B(1) of SEBI Act, 1992 and Section 12A(1) of SCRA, 1956 and penalty under Section 15HB of SEBI Act, 1992 and Section 23E of SCRA, 1956.

Role of Noticee Nos. 3, 4 and 5 - Employees:

62. From Deloitte SAR and E&Y FAR, it is noted that certain employees of Accel, S. V. Krishnan (Manager, MIS) (Noticee No. 3), S. Chandrasekaran (General Manager, Sales Operations) (Noticee No. 4) and Maqbool Hassan (President, Practice and Delivery) (Noticee No. 5) were involved in aforesaid accounting manipulation. Therefore, during the investigation, the statements of Noticee No. 3, 4 and 5 were recorded, which in brief are as under:

62.1 S. V. Krishnan (Noticee No. 3):

62.1.1 S. V. Krishnan, Manager, MIS at Accel vide written statement dated December 09, 2019 *inter alia* stated as under:

"Mr. Panicker (Noticee No.2) *was the key person behind AFL till September 2015. He was involved in day to day operations of the company and was closely associated with the finance function of the company. He took all the major decisions and ran the company. He had directly given instructions to me as well as other employees of the company in connection with the inflating the revenues, boosting the profits and other irregular recording of transactions. In my opinion, he ran the company like a proprietary firm driven solely by the proprietor. We were compelled to obey his instructions as continuity of our job was dependent on his discretion."*

"During 2011-13 AFL business was suffering downturn and several employees of the company left. The company also lost various customers which strained the financial position of the company during the period. In 2013, definitive agreement was signed with CAC [CAC Holdings Ltd, Japan (CAC) (new promoters)] *which envisaged that CAC would infuse funds into the company subject to the company meeting pre-agreed performance benchmarks. Thus, with weakened business environment, it became difficult for Mr. Panicker to meet the agreed performance benchmarks. In order to not default on meeting the performance benchmarks, Mr. Panicker resorted to manipulation of books of accounts. Some of the manners in which books of accounts were manipulated are as under:*

- *The unbilled revenue which were supposed to be reversed to revenue account (upon invoicing the customer) were instead reversed to the cash and bank balance account leading to artificial*

inflation of the revenues of the AFL. In one of the instance, the amount involved was around INR 4.48 crores.

- *The unbilled revenues were billed to wholly owned Dubai subsidiary, Accel Frontline DMCC which in turn capitalized the same. Due to this accounting treatment, only the impairment cost were booked in the books of accounts instead of reversing the entire unbilled revenue. In one of the instance, the amount involved was around INR 2.96 crores.*

During my job in accounts division, I came across various discrepancies in the books of accounts and mismatching of bank statement entries with company records. Upon bringing the aforesaid discrepancies to the attention of Mr. N. R. Panicker, he informed that he is already aware of the same and no corrections are required to be made in this regard at this point of time."

"I sent instructions to Mr. S. Chandrasekaran from Commercial Team to manipulate the records in CSMS systems based on the oral instructions from Mr. Panicker. This information was orally communicated by Mr. Panicker to commercial team that I would be sending the list of contracts to be manipulated. The email communication was sent by me to Mr. S. Chandrasekaran under intimation to Mr. Maqbool Hassan who was the operational head of the company."

62.1.2 Thus, from the above statement, it was alleged that Mr. S. V. Krishnan (Noticee No. 3) has admitted to his role in the manipulation of the books of accounts/misrepresentation of financials of Accel. He has also indicated involvement of Mr. S. Chandrasekaran, Mr. Maqbool Hassan and Mr. N. R. Panicker in the accounting manipulation.

62.2 S. Chandrasekaran (Noticee No. 4)

62.2.1 S. Chandrasekaran, General Manager, Sales Operations at Accel, vide written statement dated December 09, 2019 *inter alia* stated as under:

"*I was involved in some of the alleged transactions around October 2014 wherein I entered into the system certain contracts as "renewed" which were not actually renewed. I also created fraudulent documents to back up the aforesaid fraudulent entries. I also entered certain multiple year contracts as a single year contracts to inflate revenues. The same was done under the instructions of Mr. Panicker, Mr. Maqbool Hassan and Mr. Krishnan. Considering that my job was dependent on the discretion of Mr. Panicker, I was compelled to record fraudulent transactions in the CSMS tool (Customer Support Management System which handles contract management). The aforesaid transactions were billed in March 2015 (the transactions were carried as unbilled between October 2014 to February 2015).*

I was generally advised to carry out the aforesaid fraudulent transactions by Mr. Panicker, instructed to carry out the aforesaid fraudulent transactions by Mr. Maqbool Hassan (immediate reporting officer) and specific instructions (micro level) were issued by Mr. Krishnan."

"I agree with the statement that Mr. N. R. Panicker, ex-MD and Chairman of AFL, played an active role in accounting irregularities in the financial statements of AFL during FY 2012-13 to FY 2015-16."

62.2.2 Thus, from the above statement, it was alleged in the SCN that Mr. S. Chandrasekaran (Noticee No. 4) has admitted to his role in the manipulation of the books of accounts/misrepresentation of financials of Accel. He has also indicated involvement of Mr. S. V. Krishnan, Mr. Maqbool Hassan and Mr. N. R. Panicker in the accounting manipulation.

62.3 **Maqbool Hassan (Noticee No. 5)**

62.3.1 Maqbool Hassan, President, Practice and Delivery at Accel, vide written statement dated December 09, 2019 *inter alia* stated as under:

"I came across certain instances of irregularities in the books of accounts. Some of the instances observed by me are as under:

- *The sales which were irrecoverable by the sales team were continued to be shown in books of accounts as receivables.*
- *Some invoices were raised on the customers whose contract validity was over and were no longer billable (service contracts as well as sales contracts)."*

"The company had a process of reconciliation of the records of the accounts team by the sales team. I had observed irregularities and certain discrepancies in the records of the accounts team since 2012. However, when the magnitude of the discrepancies started rising, the same were brought to the notice of Mr. Panicker (year 2014). The irregularities viz. bills receivables were brought to the notice of Mr. Panicker verbally in year 2014 and fake invoices in March 2015. W.r.t. bills receivable, he assured me that the same will be written off in subsequent periods and w.r.t. fraudulent invoices, he informed that the same will be reversed in the next quarter. Thus, Mr. Panicker was

aware of the irregularities. I, however, do not have any documentary evidence in this regard."

"My reportee officials Mr. Shekar and Mr. Ravi informed me that they have been asked by Mr. Panicker to provide supporting documents for the fraudulent invoices raised in the books of accounts. Subsequently, fake documentary records were shared with K. S. Aiyar & Co. and Grant Thornton to back up the fake records as instructed by Mr. Panicker."

62.3.2 Thus, from the above statement, it was alleged in the SCN that, Mr. Maqbool Hassan (Noticee No. 5) has admitted to his role in the manipulation of the books of accounts/misrepresentation of financials of Accel. He has also indicated involvement of Mr. N. R. Panicker in the accounting manipulation.

63. I note that Noticee nos.3, 4 and 5 have stated that the irregularities were attributable to Noticee no.2. Both Noticee nos.3 and 4 have stated that the irregularities/manipulations were carried out by them at the behest of Noticee no.2 and that they had not acted voluntarily but rather out of fear for their jobs. Noticee no.5 has stated that he was aware of the fact that Mr. Panicker had given instructions to falsify records and had spoken to him about it. Noticee no.5 has also stated that he had orally communicated the irregularities to Noticee no.2, who had assured him that he would take steps to rectify the same. These Noticees have stated the Mr.NR Panicker was solely responsible for manipulation.

64. The employees have willingly and knowingly been a part of falsification of accounts of a listed company. The employees i.e., Noticee Nos. 3, 4 and 5 were employees at the managerial and supervisory levels who were directly under the line of instructions from the BoD or the MD & CEO. However, I am unable to accept the submissions of the above named Noticees. They have admitted their active (Noticee no.3 and 4) and passive/acquiescing (Noticee no.5) role in the manipulation. Having done so, they cannot now claim that they were merely executing instructions of Noticee no. 2. The conduct of Noticee Nos. 3, 4 and 5 has led to inflation of the books of a listed company to the tune of Rs.100 crores.

Noticee nos. 3 and 4 have stated that they did not derive any personal benefit and did the same only to secure their jobs. Hence, admittedly these Noticees manipulated the books of accounts of Noticee no.1 to secure their job and it benefitted them. Noticee no.5, despite being an experienced employee maintained silence even after being informed of the manipulations. Hence, he cannot, at this juncture, shrug off the role played by him in enabling the falsification of the books of the Company.

65. Noticee nos.3, 4 and 5 have also submitted that the allegation of 'fraud' cannot be sustained as there was no '*dealing in securities'* or '*inducement'.* Noticee nos.3, 4 and 5 have also cited the SEBI's orders in the matter of Tatia Global Venture Ltd. (order dated May 28, 2021), JMD Ventures (order dated September 14, 2021) and Hit Kit Global Solutions Ltd. (order dated February 28, 2022) in support of their submissions. This issue has already been addressed at Para No. 35 above in the context of Noticee No.1 and hence not repeated. I note that in the present matter, the scope of work of the FAR (E &Y Report) included examination of possible violations of the PFUTP Regulations and the statements of Noticee nos.3, 4 and 5 admitting to manipulation the books of accounts/having knowledge of the same is available on record.

66. The act of manipulation of the books of accounts, even if the same is upon instructions of the CMD of a company is certainly manipulative and misleads the investors, as noted above. Hence, I do not find merit in the submission of the aforenamed Noticees that their actions would not be covered under the ambit of the PFUTP Regulations.

67. Next, I note that Noticee nos. 3, 4 and 5 have stated that at the relevant time Section 27 of the SEBI Act and Section 24 of the SCRA pertained to 'offences' and since the matter at hand is civil in nature, the same would not apply to them. I note that Section 27 of the SEBI Act and Section 24 of the SCRA provide for the vicarious liability of certain persons who were in charge of and was responsible to the company where an offence is committed by a company. In this regard, I am of the view that the violations alleged against Noticees nos. 3, 4 and 5 are in respect of their direct actions and are not in the nature of vicarious liability for the acts of

the Company. The violations alleged against them are not in their capacity as officers of the Company but because of specific acts attributed to them as individual employees of a listed company. The acts/omissions of Noticee nos. 3,4 and 5, which they have admitted, have directly led to the misrepresentation in the accounts of the listed Company.

68. In view of the above, I find that Noticee nos.3,4 and 5 (i.e. Mr. S. V. Krishnan, Mr. S. Chandrasekaran and Mr. Maqbool Hassan) have violated Regulation 3(d) of PFUTP Regulations, 2003 read with Section 12A(c) of SEBI Act, 1992. Regulation 4(2)(f) and 4(2)(k) of the PFUTP Regulations, 2003 will not be attracted in the case of employees as they have not engaged in publishing/reporting of any information relating to the company. Likewise, Section 21 of SCRA deals with non-compliance with listing conditions as applicable to a listed entity and hence does not apply to Noticee nos. 3, 4 and 5. Clause 41 of the Equity Listing Agreement also casts an obligation on the Company and the same would not be applicable to Noticee nos. 3,4 and 5.

Role of Noticee no.2

69. I note from the SCN that Noticee no.2 (Mr. NR Panicker) was the Chairman and Managing Director (CMD) of Accel from June 08, 1995 to March 20, 2016. The details of his directorship are given below:

Table No.7

S. No.	Noticee No.	Name of the Director	Designation	Appointment Date	Cessation Date
1	2	Mr. N R Panicker	Chairman & Managing Director	08-06-1995	20-03-2016
			Director	21-03-2016	31-03-2016

70. The SCN states that Mr. N. R. Panicker (Noticee No.2) (ex-promoter, ex-MD & Chairman) was in control of Accel up to FY 2014-15 and was managing the day-to-day affairs of Accel. The SCN further states that he had a statutory duty towards Accel to act diligently and that he was responsible for the operations of Accel. The SCN alleges that Noticee No. 2, as the CMD of Accel, had not acted diligently and had failed in his duty of CMD of Accel. Further, the SCN also alleges that Mr.NR Panicker was actively involved in the accounting manipulation of Accel

as discussed in the preceding paragraphs and attributes the actions of Accel up to FY 2014-15 to Mr. N. R. Panicker (Noticee No.2). Hence it alleges that Mr. N. R. Panicker as CMD of Accel, is responsible for the accounting irregularities in the books of accounts of Accel for FY 2012-13, FY 2013-14 and FY 2014-15. It is also alleged that Mr. N. R. Panicker used listed company Accel for implementation of dubious plan, device and artifice to manipulate the books of accounts and defraud the shareholders. Further, it is alleged that Mr. N. R. Panicker, being MD & Chairman of Accel, is responsible for mis-stated financial results and corporate announcements made by Accel. Hence, it is alleged that Mr. N. R. Panicker (Noticee No. 2) have violated Regulation 3(c), 3(d), 4(2)(f), 4(2)(k) of PFUTP Regulations, 2003 read with Section 12A(a),(b),(c) of SEBI Act, 1992 and Clause 41 of the Equity Listing Agreement read with Section 21 of SCRA, 1956.

71. In his replies before me, Noticee no. 2 has stated that he was unaware of any irregularities relating to financial statements or disclosures made by Accel. In this regard, I note that the Noticee has stated that the forensic audit by EY was based on the documents provided by the new management of Accel, which may not have been complete. The EY forensic audit did not interact with key managerial personnel of the Company including Mr. NR Panicker. However, I note that Noticee no. 2 has not pointed out any specific instance where there is a discrepancy in the findings of EY or Deloitte resulting from such incomplete documentation. As a result, I do not find merit in this submission of the Noticee.

72. The Noticee has also stated that the write off was not irregular in any way. Rather, after CAC changed the auditors pursuant to taking over the management of the Company, it started following Japanese accounting practices. He has stated that this does not mean that the practice followed by Accel in FY 2012-13 to 2015-16 was irregular. I note that findings of the EY Report were in line with the findings of the Deloitte Report. Noticee no.2 has not been able to punch a hole in the forensic audit reports other than contending that the new management resorted to write off rather than putting in efforts to recover dues.

73. As per the submissions of Noticee no.2, I note that Accel had dues from various government and public companies, which required substantial follow up for

recovery. However, the statements of Noticee no.2 have not been supported by any specific examples. Mr.NR Panicker has made general sweeping statements and claims and not shown even one specific instance of a receivable which should not have been written off. On the other hand, the Deloitte Report states that several receivables/invoices were recorded in the books of account without a corresponding business reason/underlying supporting documents. Further, Annexures 6/7 of the Deloitte Report sets out the parameters used by them to identify these dues as potentially non-recoverable as they were without corresponding business reason/underlying supporting documents. In addition to the above, I note from the table 3 above that out of the write-off of Rs. 100.03 cr., recovery of only Rs. 1.46 cr. had been made around 4 years after the write-off. In other words, these were fictitious entries. Hence, there can be no question of recovery of these amounts and the submission of Noticee no.2 is therefore devoid of merit and bonafides.

74. Furthermore, the statements on record of Noticee Nos.3, 4 and 5 show that they admitted to their role in the manipulation of the books of account of the Company. As noted above, Noticee no.3 (SV Krishnan) stated that he would send the list of contracts to be manipulated to the commercial team. Noticee No.3 has stated that he would send instructions to the commercial team to manipulate the CSMS (Customer Support Management System) which handles contract management. Noticee no. 3 has stated that he sent these instructions based on oral instructions received from Mr. Panicker.

75. Noticee No.2, in his submissions dated June 13, 2023, which were filed by him after the cross examination as detailed above, has submitted that the statement of Mr. SV Krishnan (Noticee no.3) that Noticee no.2 did not have access to the Enterprise Resource Planning (“ERP”) systems relating to finance and accounts contradicts his statement that Noticee no.2 looked after Finance and Accounts functions of the Company at the relevant time. Moreover, it is stated by Noticee no.2 that Mr. SV Krishnan (Noticee no.3) had confused administrative reporting with functional reporting and erroneously stated that Noticee no.2 looked after the finance and accounts functions of Accel at the relevant time. Noticee no.2 has stated that at the relevant time the Company had a CFO to whom Mr. SV Krishnan

(Noticee no.3) reported functionally. In this regard, I note that during the cross examination, Noticee no.2 had asked Mr. SV Krishnan to elaborate how he would functionally report to the CFO and administratively report to the Chairman (i.e. Noticee no.2). In response to the same, Mr. SV Krishnan had stated that "*The day to day functions in terms of finance and accounts of the company were directly monitored by Mr. N. R. Panicker, and I was reporting to him administratively on finance and accounts activities. There were also certain banking activities which were to be monitored and addressed on a daily basis which was done by me under the guidance of Mr. K. R. Chandrasekaran. I was also guided by Mr. K. R. Chandrasekaran in terms of compliance part and auditing aspects. Mr. K R Chandrasekaran was updated on a daily basis about the banking finance activities of the company."* Mr. SV Krishnan also stated that accounts and finance were under the direct supervision of Mr. NR Panicker (Noticee no.2) and that Mr. NR Panicker was directly handling accounts and finance on a day to day basis. From the statement of Mr. SV Krishnan, it appears that there was a system of dual reporting for him during the relevant period in Accel. Hence, I do not find any confusion or contradiction in the statement of Noticee no.3 (Mr. SV Krishnan) in this regard. Mr. SV Kirishnan, in his additional submissions dated June 22, 2023 has also provided copies of two emails dated March 21, 2013 and April 1, 2013, which purportedly show that he was directly reporting to NR Panicker. From the said email dated April 1, 2013 I note that NR Panicker has stated that "*Ananth will report to me on day to day matters in Finance and Accounts".* These emails undoubtedly show that Noticee no.2 had a day-to-day oversight on finance and accounts. Further, in order to examine whether the statement of Noticee no.3 that Mr. NR Panicker (Noticee no.2) directly supervised the accounts of Accel, it is necessary to examine the emails attached to the Deloitte Report. A few of such emails are discussed below:

i. Email dated 4/12/2015 from NR Panicker <nrpanicker@accel@india.com> to rganesh <rganesh@accelfrontline.in> and CC to krishnan@accelfrontline.in- The email has the subject *"WMS performance in the last 3 years"*(WMS refers to Warranty Management System), Mr. NR Panicker has written that he was reviewing the WMS divisional performance of last 3 years *as we are finalising the accounts* (emphasis added by underlining).

ii. Email dated 4/4/2013 from Krishnan <krishnan@transmaticsystems.com> to NRPanicker <nrpanicker@accel-india.com> with the subject *Re: BR Updation*- Mr.NR Panicker is being given details of billing updates including updates on accounting in the ERP.

iii. Email dated 1/31/2013 from Krishnan <krishnan@transmaticsystems.com>to nrpanicker <nrpanicker@accelindia.com> wherein Krishnan is giving updates to Mr. NR Panicker regarding profitability of WMS, purchase accounting and also accounting of operating expenses.

76. I note from the above instances that there was often direct communication between Mr. NR Panicker (Noticee no.2) and Mr. SV Krishnan (Noticee no.3) on email regarding updates of accounts of Accel. I also note that there were several instances where the CFO was not marked/CC'd on such emails. Hence, I am of the view that the emails show that there indeed was some form of direct reporting of Noticee no.3 to Noticee no.2 on some issues pertaining to finance and accounts. The above instances also show that Noticee no.2 was involved in finalization of accounts and had direct supervision over the same. Further, though Noticee no.2 may not have had direct access to the ERP system, he was getting updates regarding the same. I note that it has been clarified by Mr. SV Krishnan that *"Independent access means he didn't have an individual login rights, instead by way of oral communication to accounting staff and other departmental staff he had access to the ERP systems."*This is corroborated by the emails cited at para 75 (ii) above.

77. Noticee no.2 has also stated that while Mr. SV Krishnan has stated that Noticee no.2 instructed him to inflate revenues to meet the performance benchmarks set by CAC, Mr. Malcolm Mehta, representative of CAC Corporation, as well as Mr. K R Chandrasekaran, the CFO of Accel, in their statements recorded before SEBI have confirmed that there were no such benchmarks. I have noted the submission made by Noticee no.2. Since both, the ex-CFO and the CAC representative have stated that there were no set performance benchmarks, I am inclined to accept the contention of Noticee No.2 that there were no 'performance benchmarks' preceding the acquisition. However, I note from the statement of Mr.SV Krishnan annexed to the Deloitte Report that he has stated that Mr.NR Panicker had given

projections on the revenue and profitability of Accel to CAC. It appears from the table of turnover and profits (Table no.4) that if the falsification were not done, the company would have shown losses much before FY 2014-15. I note that even with the mis-statements, the company only had a profit of Rs. 2.14 crores as at the end of March, 2014. Thus, the attempts were to project the company as a saleable unit and cover up the actual write ups.

78. Further, with respect to the statement of Noticee no.3, Mr. NR Panicker has also stated that while Mr. SV Krishnan had stated that he had come across the discrepancies during his job in the accounts division, during the cross examination he has stated that these were discovered by him during the due diligence (conducted by CAC before the acquisition). Noticee no. 2 has implied that this is a discrepancy. In addition to the same, Noticee no.2 has also raised a doubt as to how Noticee no.3, who joined the accounts department of Accel in January 2013 could have come across the discrepancies which related to an earlier period. However, I note that during the cross examination, Mr. SV Krishnan had stated that he was *working and assisting the due diligence audit performed by CAC Corporation through their appointed agents*. It is evident that Noticee no.3 assisted CAC in the due diligence as a part of his job at Accel. Hence, it cannot be said that the two statements are contradictory. Moreover, in any due diligence exercise, prior records of the acquiree company are examined and thus the discrepancy brought out by Noticee no.2 is not significant for consideration.

79. Noticee no.2 has also submitted that the statement of Mr. SV Krishnan, that Mr. NR Panicker had asked him not to involve him any emails is evidently false as can be seen from Exhibits 11-15 of the Deloitte Reports, which are the emails sent by Mr. SV Krishnan to Noticee no.2. In this regard, I note from the reply of Mr.SV Krishnan, during the cross examination, that Noticee no.2 was alluding to those emails, by which he had sent instructions to Mr. S Chandrasekaran and others that were not copied to Mr. Panicker. As noted from the answer to question no.26, the word '*instructions'* refers to *instructions to other departments for raising additional invoices and manipulate records for increasing the revenue.*Hence, it comes out that what was said by Noticee no.3 was that Mr.NR Panicker had

asked him not to mark him on emails where he sent instructions relating to manipulation of accounts.

80. Lastly, regarding the statement of Mr. SV Krishnan, Noticee no.2 has contended that Mr.SV Krishnan waited for 7 quarters rather than bringing the discrepancies to the notice of the then CFO to curry favor with the new management. Noticee no.2 has submitted the reply of Noticee no.3 to the query in this regard in the cross examination, wherein he stated that this was his '*first best opportunity'* to do so, is evidence of the same. However, I note that in the statement of Mr. SV Krishnan which is a part of the Deloitte Report, he has stated that he had brought the discrepancies to the attention of Mr. NR Panicker immediately on noticing the same. As noted above, Mr. SV Krishnan has also stated that Mr. NR Panicker oversaw the finance and accounts team of the Company and that Noticee no.3 reported to him for the same. In view of the above reporting arrangement, it is possible that he approached Noticee no.2 rather than the CFO when he noticed the discrepancies. Having seen that the CMD was himself involved in the misrepresentation, the best opportunity according to Noticee No.3 arose after the takeover of the Company by CAC.

81. Further, I note that Mr. S. Chandrasekaran (Noticee no.4) in his statement before SEBI, as recorded on December 09, 2019 referred to above has admitted that he had inflated revenue. Noticee no.5 has *inter alia* stated that he did the same under the instructions of Mr. Panicker. Noticee no.2, pursuant to the cross examination has submitted that the suggestion that he had issued instructions to Mr. S. Chandrasekaran to manipulate books of account is absurd as they did not even work in the same premises and met for weekly reviews in the presence of several others. Noticee no.2 has asserted that he was not copied on any email regarding any manipulation. However, this argument is not convincing because normally such instructions are oral and the requirement to be in the same premises is immaterial or irrelevant.

82. Moving on, I note that Noticee no. 5 (Mr. Maqbool Hassan) has, in his statement dated December 09, 2019 recorded during investigation, submitted that he had noticed certain irregularities in the books of accounts and had brought the same to

the knowledge of Noticee no.2 in 2014/2015, and so Mr. NR Panicker was aware of the same. I also note that Noticee no.6 has stated that his reportees (Mr.S. Chandrasekaran and Mr. Ravi) had informed him that they had been asked by Mr. Panicker to provide fake documentary evidence in respect of fake records and share them with the internal auditor.

83. With regard to the statement of Noticee no.5, Mr. NR Panicker has stated that the assertions made therein are self-contradictory, baseless and false as Mr. Chandrasekaran has not stated anything regarding providing supporting documents for fraudulent invoices in his statement. Mr.NR Panicker has submitted that Mr. Maqbool Hassan has also stated that he sought confirmation from him regarding the alleged instructions issued to his subordinates and that Noticee no.2 (Mr.NR Panicker) had allegedly confirmed the same. It has been submitted that since the alleged instructions issued by the Noticee vary, the said statement of Mr. Hassan is evidently erroneous and false.

84. I note that Noticee no.2 is referring to answers of Mr. SV Krishnan (Noticee no.3) which were in reply to specific questions. Each and every instance of manipulation may not be specifically mentioned therein. Moreover, even the statement of Mr.SV Krishnan which is a part of the Deloitte Report and more detailed, refers to the invoices raised. Hence, I do not find any grave contradiction in the statements of Noticee nos. 3 and 5 in this regard. I rather find that Noticee no.2 tried hard to bring out inconsistencies between the versions of the employee-witnesses; but such attempts were successful only w.r.t. insignificant issues.

85. Noticee no.2 has further stated that the statement of Mr. Maqbool Hassan (Noticee no.5) that he had not authorized the sharing of the false data and records by his subordinates is evidently erroneous. However, I note that Maqbool Hassan has admitted that he had knowledge of the same. Since Mr. Hassan had spoken to the CMD (Noticee no.2) and had been told that he had authorized the same, he let the same be submitted to the auditors.

86. Mr. NR Panicker has stated that while Mr. Hassan knew about the manipulations since 2012, he did not do anything about the same till 2014. I note from the above paragraphs that Noticee no.5 has been independently complicit in the

manipulation by giving a passive accord or acquiescence to the manipulations that were perpetrated by his subordinates. However, the same does not absolve Noticee no.2 in any way.

87. Noticee no.2 has stated that Noticee nos. 3 and 5 stood to benefit most by the changes to the CSMS and by the accounting practices pointed out by SV Krishnan, since they would not have met targets set by the Noticee/Board of Accel in the absence of the fraudulent manipulation of the records of the Company. Noticee no.2 has submitted that despite admission of their role in the manipulation of the books of account of Accel, they have been retained by the company and given promotions. Noticee no. 2 has also stated that even the internal auditors who supposedly failed to detect the manipulations were appointed as statutory auditors by the Company. Most of these submissions are digressing from the context of ascertaining whether there was falsification of accounts and who were all responsible for the same.

88. Noticee no.2 has stated that though Mr.SV Krishnan attended the audit committee meetings but never raised the issue of accounting manipulations. I note that it has already been established that Mr.SV Krishnan was complicit in the accounting manipulation himself. Hence it is not a surprise that he did not raise the issue before the audit committee in its meetings.

89. From the discussions in the above paragraphs, I note that Noticee nos..3 and 4 have admitted to their role in the manipulation of the books of account and have stated that they did so at the behest of the CMD of the Company, Mr. NR Panicker (Noticee no.2). Maqbool Hassan, Noticee no. 5 has stated that he was aware that his subordinates were indulging in such manipulation but did not raise an alarm after he had oral confirmation from Noticee no.2 that the same was being done on his instructions. I note that the submissions made by Noticee no.2 subsequent to the cross examination has not brought out any significant contradiction in the statements of Noticee nos.3-5. As noted above, contrary to the assertion made by the CMD, the emails on record show that he in fact had oversight on the finance and accounts of the Company and was involved in the preparation and finalization of the same.

90. Further, Noticee no. 2 has submitted that the EY Report has not independently validated any information or statement given by the new management of Accel, and hence should not be relied on. Noticee no.2 has also stated that the newly appointed CFO (after the CAC acquisition) was a disgruntled former employee of Accel and that he was working at the behest of Mr. Malcolm Mehta to remove Noticee no.2 from the post of Chairman and invoke the indemnity given by Accel Ltd. and him to CAC during the acquisition. In the light of the brazen admissions of Noticee Nos. 3 to 5, both in statements recorded by SEBI and during the cross, coupled with email exchanges analyzed in para No. 76 above, the circumstances point towards strong probability that these manipulations could not have happened without NR Panicker's knowledge. Being the founder promoter and the Chairman and MD of Accel, it is impossible and unbelievable that a few of the employees could have cooked up the story of manipulation of account of the company even risking theirown reputation, and blame it on him. Noticee No.2 has further submitted that he settled the whole issue with CAC by parting with 15% of holding of Accel.

91. Noticee no.2 has stated that he cannot comment on the authenticity of the write offs as he does not have access to the relevant documents. In this regard, I note the Deloitte Report was submitted when the Noticee was very much a part of the Company. Though the Noticee has stated that the audit was without involving him, he has stated that he was confronted with the Deloitte Report after it was prepared. If there were such glaring and serious shortcomings in the Deloitte Report he ought to have brought out the same at the relevant time. I note that even now, Noticee No.2 is unable to put forth the circumstances/basis of the so-called genuine transactions underlying the entries of Bills Receivables.

92. Noticee no.2 has chosen to remain silent with respect to the contents of the emails mentioned in paragraph 12.4.1 of the SCN other than stating that he was not marked on any of these emails. I note that the aforesaid paragraph of the SCN brings out 3 emails as given below:

"…Some of the statements mentioned in those emails are as under:

- *"The removal of BR>180 days considered bad and parking in temporary account is in progress…."*

- *"Opex provision made (based on actual MIS) in this statement nationally for the unaccounted 5 outstanding expenses as at 31.12.12 is INR 85 lakhs (this is kept outside oracle)"*
- *"As advised by our chairman, we request you to use the funds of Seagate in the following manner…"*

However, I note that the first two emails were sent by Mr.SV Krishnan (Noticee no.3) addressing the same to Mr. NR Panicker while the third email was sent by Mr.R. Ganesh to Mr.SV Krishnan and Mr.NR Panicker was copied on the same. Hence, the submission of Noticee no.2 that he was not marked on these emails is not tenable.

93. Noticee no.2 has asserted that at the relevant time he had no reason to suspect that the books of accounts were manipulated. There is a peculiar scenario where on the one hand, a set of Noticees is admitting that they manipulated the books of account, on the other hand Noticee no.2 is contending that there was nothing wrong in the books. However, I do not find any merit in the submission of Noticee no.2 that the books were in order, since Noticee nos.3 and 4 have already admitted their role in the manipulation. Both audit reports (Deloitte and EY) have also found discrepancies in line with the statements of Noticee nos. 3 and 4, and their statements are further corroborated by the statement of Noticee no.5. Moreover, Noticee no.2 has not brought out any specific instance to show that the findings in the audit reports are erroneous. Hence, in my view, the only issue that has to be determined is whether Noticee no.2 was aware of the manipulation and if it was he who actually gave the instructions regarding the same. I note from the statements of Noticee no.3-5 that they had brought the same to the attention of the CMD (Noticee no.2). I note that while Noticee nos.3 and 4 have admitted their role in the manipulation of the books of account, Noticee no.5 has stated that he had knowledge of the same. All three, i.e. Noticee nos.3-5 have stated that this was being done at the behest of Noticee no.2.

94. I note that Noticee no. 2 signed the CEO/CFO certificate contained in the Annual Reports of the Company for FY 2012-13 and FY 2013-14 stating *inter-alia* that *"These statements together present a true and fair view of the state of affairs of the Company and are in compliance with the existing Accounting Standards, applicable laws and regulations"* and *"no transactions entered into by the*

Company during the year which are fraudulent, illegal or violative of the Company's code of conduct". I note from the emails cited above and the fact that Noticee no.2 signed the abovementioned certification, that he was in-charge of the accounts of the Company.

95. As noted in the SCN, the CFO of the company resigned in July, 2014. Noticee no.2 has stated that this does not imply that he was solely responsible for the accounts and finance functions of Accel after the same. However, I note that from the Annual Reports of 2012-13 and 2013-14 that Mr. Panicker had signed the CEO/CFO certification along with the then CFO, for the financial year 2014-15 also. I note that the CEO/CFO Certification for the said period was signed solely by Noticee No.2. Hence, I note that Mr. Panicker was directly responsible for finance function as the CMD of Accel during the relevant period. Moreover, despite recommendations of the audit committee and internal auditors for formulating accounting policy for provisioning of bad debts, Noticee no.2 failed to ensure that it is put in place. Moreover, the irregularities have occurred in more than one division of the Company and the same continued for multiple years. On this count, I find the assertion in the SCN that multiple divisions of Accel could not have acted in concert without involvement of a superior authority, to hold merit.

96. I further note that as on December 31, 2012 (i.e. just prior to the acquisition by CAC), Noticee no.2 held 10,72,500 shares of Accel, which amounted to 4.42% of the total shareholding of the Company. Noticee no.2 was a promoter and the chairman and managing director of the Company. The Annual Report dated 2013-14 shows Noticee no.2 as the executive chairman, while the Annual Report dated 2012-13 shows that Noticee no.2 was the Chairman and Managing Director. Hence, Noticee no.2 had an executive role in the Company. Further, as noted above, Noticee no.2 had set up the Company and was the CMD since 1995. Being a promoter, a substantial shareholder and the Chairman having an executive role, Noticee no.2 cannot argue that he had no knowledge of the affairs of the Company in respect of the accounts. In any case, as noted above, the emails cited above make it evident that Noticee no.2 had oversight on the accounts and its preparation. Besides this, since Noticee no.2 was the promoter (founder) and CMD/CEO of the company and as the employees (Noticee no.3-5) were

hierarchically below him, it is but natural that they have done the manipulations at his behest. Noticee no.2 was himself privy to the acquisition of the company by CAC. There is no reason why the employees on their own would do such manipulation. The MD appears to have instructed the employees without going on record in this regard.

97. In view of the above, I find that Noticee no.2 was involved in the manipulation of the books of accounts of Accel and hence has violated Regulation 3(d) of PFUTP Regulations read with Section 12A(c) of SEBI Act, 1992. As he has done the CEO/CFO certification and the same were published in Annual Reports, he is also liable for breach of Regulation 4(2)(f), 4(2)(k) of PFUTP Regulations, 2003. However, Section 21 of SCRA deals with non-compliance with listing conditions which is applicable only to a listed entity and hence does not apply to Noticee No.2.

98. I note that Clause 41 of the Equity Listing Agreement mandated that the chief executive officer and the chief financial officer shall certify that the financial results do not contain any false or misleading statement or figures and do not omit any material fact which may make the statements or figures contained therein misleading. As noted above, the CEO/CFO certificate signed by Noticee no.2 in the Annual Reports of the Company for the relevant period *inter-alia* stated that *"These statements together present a true and fair view of the state of affairs of the Company and are in compliance with the existing Accounting Standards, applicable laws and regulations"* and *"no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct".*As the financial of Accel were misrepresented, as discussed above, Noticee no.2, who certified the financial results of Accel for the relevant period is in violation of Clause 41 of the Equity Listing Agreement read with Section 21 of SCRA, 1956. Accordingly, Noticee No.2 is liable for directions under Section 11B of the SEBI, 1992 and Section 12A of SCRA, 1956 and penalty under Section 15HA and 15HB of SEBI Act, 1992 and Section 23H of SCRA, 1956.

Role of Noticee no.6 (KR Chandrasekaran)

99. From the SCN, I note that Noticee no. 6 (Mr. KR Chadrasekaran) is the ex-CFO of the Company. Noticee no.6 was the CFO of Accel during the investigation period, till his resignation on July 1, 2014. I note that Mr. K.R. Chandrasekaran claimed that he was a caretaker (and not full-time) CFO between 2011 and 2013-14 and he was unaware of the accounting manipulation. I note that the SCN states that no disclosure regarding Noticee no.6not being a full time CFO was made to the exchanges. It is alleged that since Noticee no.6 certified the financial statements of Accel as CFO during the said period, the accounting irregularities that occurred in Accel was with his knowledge and approval. The SCN also alleges that Noticee no.6 failed to formulate an accounting policy despite recommendations of the audit committee and internal auditors, and that the same points towards his active involvement in the fraud. It is also alleged that Noticee no.6 failed in his duty as a CFO. Hence, it is alleged that Noticee no.6 violated Regulation 3(c), 3(d), 4(2)(f), 4(2)(k) of PFUTP Regulations, 2003 read with Section 12A(a),(b),(c) of SEBI Act, 1992 and Clause 41 of the Equity Listing Agreement read with Section 21 of SCRA, 1956.

100. In his submissions before me, Noticee no.6 has reiterated that he had joined the Board of Accel in 2004. However, in 2005 he met with a personal tragedy when his son met with an accident, and still after 17 years has not recovered from the same. He resigned from the Board in 2011 due to the personal difficulty but continued as a caretaker on the Board's suggestion. The errors, if any, that occurred were without his knowledge and he was not involved in book keeping. He had no role in OFS and no employee has alleged that Noticee no.6 was involved in the misrepresentation of financials. He had no reason to be part of any manipulation and has submitted a list of grievances he held against the Company on retirement. Noticee no.6 has also stated that the auditors never contacted him for his opinion.

101. I note that neither of the noticees who have admitted to manipulating the books of accounts/being aware of the same i.e. Noticee nos. 3, 4 and 5 have alleged anything regarding the involvement of Noticee no.6. Infact, I note that it had been the submission of Noticee no.3 that he received instructions directly from Noticee

no.2 (Mr. NR Panicker). I also do not find any material available on record which would indicate that Noticee no.6 was actively involved in the fraud. In view of the same, I am of the opinion that the allegations regarding contravention of the PFUTP Regulations against Noticee no.6 do not stand established.

102. At the same time, I note that Noticee No. 6 has been named as the CFO of Accel for a substantial part of the investigation period. He has signed the CEO/CFO certificate for FY 2012 -13 and 2013-14 also. Hence, I do not find the submission of the Noticee that he was only a caretaker/part-time CFO to be convincing. It is unlikely that despite being an experienced person in the employment of the Company, the Noticee was not aware that he was being named as the CFO without any caveat/qualification of being a part-time/caretaker CFO of the Company in its Annual Reports (which are public documents), for several years.

103. I note that Clause 41 of the Equity Listing Agreement (as applicable at the relevant time) mandated that the Chief Executive Officer and the Chief Financial Officer shall certify that the financial results do not contain any false or misleading statement or figures and do not omit any material fact which may make the statements or figures contained therein misleading. As noted above, the CEO/CFO certificate signed by Noticee no.7 in the Annual Reports of the Company for FY 2012-13 and FY 2013-14 stated *inter-alia* that *"These statements together present a true and fair view of the state of affairs of the Company and are in compliance with the existing Accounting Standards, applicable laws and regulations"* and *"no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct".* The financials of Accel contained figures that were misrepresentations as discussed above. I find that Noticee No.6 has mechanically affixed his signature to the statements without substantially ensuring that the Financial Statements actually presented a true and fair view of the state of affairs of the Company, and therefore is liable to that extent. I find that he has certified the financial results of Accel for the financial years 2012-13 and 2013-14, as the CFO and has thereby violated Clause 41 of the Equity Listing Agreement read with Section 21 of the SCRA, 1956. Accordingly, Noticee No.6 is liable for directions under Section 12A of SCRA, 1956 and monetary penalty under Section 23H of SCRA, 1956.

Role of independent Directors who were part of Audit Committee

104. The SCN alleges that Noticees nos. 8, 9 and 10 i.e., Mr. Alok Sharma, Mr. Sam Santhosh and Ms. Ruchi Naithani respectively, were part of audit committee of Accel at various points of time during the period FY 2013-14 to FY 2015-16. The SCN notes that the audit committee had, in its meeting dated May 29, 2013, recommended that an accounting policy for provisioning of bad debts to be put in place in 15 days in view of the high receivables. Further, in its meeting dated February 6, 2015, the audit committee had recommended that the policy on provision of doubtful debts, write off of bad debts and charging to expenses the liquidated damages levied by the clients to be put in place. However, Accel failed to put in place any such policy over the period of accounting irregularities.

105. Following members of audit committee were present in at least one audit committee meeting during the period May 29, 2013 to November 27, 2015 (date on which audit committee initiated steps to remedy accounting irregularities by recommending special audit):

Table No.8

Noticee No.	Director	Dates of Audit Committee Meeting												
		2013-14				2014-15					2015-16			
		29-May-13	12-Aug-13	12-Nov-13	14-Feb-14	7-May-14	13-Aug-14	4-Nov-14	5-Dec-14	6-Feb-15	5-May-15	9-Jun-15	4-Aug-15	2-Nov-15
8	Alok Sharma	No	No	No	No	No	**Yes**	No	No	No	No	No	No	No
9	Sam Santhosh	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	No	No	No	No	No	No	No	No
10	Ruchi Naithani	No	No	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes

106. The SCN states that from May 29, 2013 onwards, the audit committee had initiated steps to remedy accounting irregularities by recommending special audit and having an accounting policy for provisioning of bad debts etc. The SCN notes that Noticee Nos. 8 to 10 were present in at least one audit committee meeting during May 29, 2013 to November 27, 2015. The SCN alleges that the audit committee contented itself by merely making the recommendation and failed to ensure that its recommendations were suitably implemented by the management

of Accel. It is stated in the SCN that had the audit committee actively followed up on the recommendation by holding the management accountable for non-implementation, the accounting irregularities may have been detected earlier and appropriate remedial action could have been taken before the scale of the irregularities became so large. Thus, it is alleged that the members of the audit committee have failed in their responsibility and which has resulted in reporting fraudulent financial statements to the shareholders and public.

107. Thus, it is alleged that the Audit Committee of Accel failed in its role and the members of audit committee (Noticee No. 8 to 10) Accel failed in their responsibility of oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible as required under Clause 49(III)(D)(1) of Listing Agreement, which provided as under:

"The role of the audit committee shall include oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible".

108. Thus, it is alleged in the SCN that Noticee Nos. 8 to 10 namely Mr.Alok Sharma, Mr. Sam Santhosh and Ms. Ruchi Naithani failed to comply with Clause 49(III)(D) of Equity Listing Agreement read with Section 21 of SCRA, 1956.

109. I note that each of the above named noticees (i.e. Noticees 8-10) have filed separate representations to show that they were not in violation of the requirements of Clause 49(III)(D) of Equity Listing Agreement read with Section 21 of SCRA, 1956. The submission of each of Noticee nos.8-10 and their role are taken up one by one hereunder.

i. <u>Alok Sharma (Noticee no.8)</u>

110. Noticee no.8 has stated that he resigned from the Company with effect from September 6, 2014. He was appointed as a member of the audit committee prior to the meeting held on August 13, 2014 to fulfill quorum requirements. Hence, during the relevant period, Noticee no.8 had attended only one meeting of the audit committee. From the minutes of the single audit committee meeting that he

attended, it is clear that only regular events were discussed. Noticee no.8 has also submitted that he was not aware of any misrepresentations and had always discharged his duties as an independent director with utmost care. Noticee no.8 has also cited the Circular dated January 16, 2020 of the Ministry of Corporate Affairs (MCA) which makes it incumbent on the Registrar of Companies to exercise due care to ensure that proceedings are not unnecessarily initiated against independent directors in light of Section 149(12) of the Companies Act, 2013. Noticee no.8 has submitted that in view of the provisions of Section 149(12) of the Companies Act, 2013 and Regulation 25 of the LODR Regulations, an independent director can only be held liable for a default if he had knowledge of the same through Board processes, it occurs with his consent or connivance or if he had not acted diligently. Noticee no.8 has relied on a number of judgments to state that no liability was attributable to him in the present matter for his role as an independent director.

111. I have noted the submissions of Noticee no.8. As seen from the above table, Alok Sharma (Noticee no.8) attended only a single meeting of the audit committee on August 13, 2014. The allegation against Noticee no.8 in the SCN is that he failed to comply with Clause 49(III)(D) of Equity Listing Agreement as the audit committee contented itself by merely making the recommendation and failed to ensure that its recommendations were suitably implemented by the management of Accel. As the Noticee had participated only in one single audit committee meeting during the relevant period, I am of the view that he cannot be held liable for any lapse in following up for implementation of the recommendations regarding provisioning of bad debts and so on. Hence, I am of the view that the allegation against Alok Sharma (Noticee no.8) does not stand established.

ii. <u>Noticee no.9 (Sam Santhosh)</u>

112. In his submissions before me, Mr. Sam Santhosh has stated that he was an independent director in the Company and not in charge of the day to day affairs of the Company. He resigned from the Company on August 13, 2014 and since then has had no association with the Company. Hence he cannot be grouped with the other independent directors. Noticee no.9 has stated that while he was in the audit committee he has noticed a slight increase in the age of the receivables and

requested the Auditors to classify them in a structured way and make provisions for bad debts. Mr. Sam Santhosh has stated that it should be considered that a slight increase in the age of receivables typically points to the nature of business and a tough operating environment. The noticee has also pointed out that even in subsequent meetings of the audit committee, i.e. on February 14, 2014 and May 7, 2014 there was a follow up regarding the bad debts, as evident from the minutes thereof. Noticee no. 9 has also stated that he was not aware of any accounting irregularities in the books of the Company at the relevant time and there was nothing for him to suspect the same. Further, it has been stated that as an independent director he failed in his duty of oversight.

113. From the submissions of the Noticee no. 9 and the material available on record, I note that during the relevant period, he had attended five meetings of the audit committee, details of which are given below along with relevant comments regarding bringing the issue of provisioning for bad debts or follow up therefor:

Table No.9

Sl. No.	**Date of Audit Committee Meeting attended by Noticee no.9**	**Minutes regarding bad debt provisioning**
1.	29-May-13	Accounting policy for provisioning of bad debts to be put in place in 15 days in view of the higher receivables.
2.	12-Aug-13	
3.	12-Nov-13	
4.	14-Feb-14	Debt exceeding 180 days was at 27 crores
5.	7-May-14	Details regarding outstanding receivables.

114. From the above table, I note that the audit committee meetings that Mr. Sam Santhosh was part of, consistently brought up the issue of bad debts and the need for provisioning thereof. The issue of high long term receivables was evidently brought up, discussed and minuted on a number of occasions. It appears that higher receivables and non-provisioning was a concern that the Audit Committee members including the Noticee no.9 had expressed from May, 2013 onwards. The duty to comply with Audit committee instructions is on the company and its management. Moreover, there is no allegation in the SCN regarding complicity of the audit committee members in the mis-statements of financials. The broad

allegation is that they did not follow up on their recommendation regarding outstanding receivables which may have helped in uncovering the fraud in the Company sooner. However, as noted earlier, the audit committee meetings that Mr. Sam Santhosh attended appears to have raised the issue repeatedly. In view of the observations made by him from an 'oversight' perspective during the meetings, I am of the view that Noticee No.9 cannot be held liable.

iii. <u>Noticee No.10 (Ms. Ruchi Naithani)</u>

115. Ms. Ruchi Naithani, in her written submissions before me has *inter alia* stated that she was an independent director in the Company and should not be held liable for acts/omissions that occurred without her knowledge. Noticee no.10 has stated that she joined the Company only after the acquisition by Accel and hence was in no way aware or responsible for operations in the Company before her appointment. Noticee no.2 attended her first meeting of the audit committee on November 4, 2014. Hence, she had no role to play regarding the earlier minutes of May 29, 2013 which is stated in the SCN. Noticee no.10 has also cited the MCA circular and Section 149(12) of the Companies Act, 2013 as noted above. On receipt of the interim findings from Deloitte, Noticee no.10 supported the making of the disclosure to the stock exchanges as evidenced from the minutes of the Board Meeting held on February 9, 2016. Further, the whole allegation in the SCN is that Mr. Panicker along with certain employees who reported to him, had perpetrated the fraud. Noticee no.10 had been brought in with the new management. Further, Noticee no.10 has submitted that she was one of the persons who led the discovery of the fraud and it would be against the principles of the LODR Regulation to penalize her.

116. I have noted the submissions of Ms. Ruchi Naithani. From the date of her appointment in the Company, i.e. September 11, 2014, I find that her appointment was much after the change in management of the Company on January 18, 2014. Hence, her submission in this regard that she could not have been complicit in the fraud perpetrated by misrepresentation of the books of account, has merit. However, the SCN alleges that the audit committee, of which Noticee no.10 was a member after her appointment on September 11, 2014, had not followed up on implementation of its recommendations which could have helped unearth the

misrepresentations sooner. In this regard, the claim of Noticee no.10 that she was among those who helped unearth the fraud has to examined. The details of the audit committee meetings and the minuted observations regarding receivable or follow up regarding provisioning are detailed below:

Table No.10

Sl. No.	Dates of Audit Committee Meetings attended by Ms. Ruchi Naithani	Action/Minutes regarding bad debt/provisioning
1.	4-Nov-14	That the statutory auditors wanted the Company to have a policy in respect of provisioning and write off of receivables and liquidated damages.
2.	5-Dec-14	-
3.	6-Feb-15	The Board accepted the suggestions of the auditors and have started to streamline the revenue over contract period. All adjustments prior to October 1, 2014 will be carried out in the fourth quarter ending March 31, 2015.
4.	5-May-15	The Company stated that a draft policy was ready and would be circulated to the Audit Committee.
5.	9-Jun-15	-
6.	4-Aug-15	Chairman of audit committee instructed internal auditors to review debtors line by line instead of a sample review. Accounting policy would be prepared and circulated by mid-September.
7.	2-Nov-15	-

117. In view of the regular developments in this regard, minuted as shown above, I note that the audit committee, during the tenure of Ms. Ruchi Naithani was following up regarding the provisioning of bad debts/receivables and an accounting policy therefor. Hence, I am of the view that the allegation against Noticee no.10 that she did not follow up on the implementation of the recommendations of the auditors/audit committee does not stand established. I conclude with the observation that the mandate in Clause 49(III)(D) of Equity Listing Agreement is too broad and generic which cannot cover the member such as Noticee No.10. Merely being a member of Audit Committee during the relevant period or being a

member to have expressed concern over a head of account, cannot make her liable under the relevant provision.

118. To conclude, as the allegations contained in the SCN against the members of the Audit Committee are not substantiated, I am inclined to dispose of the SCN issued to Noticee No.8 to 10, without issuing any direction under Section 12 A of the SCRA, 1956 or monetary penalty under Section 11B(2) and 11(4A) of the SEBI Act, 1992 or Section 12 A(2) read with Section 23H of SCRA, 1956 and I am inclined to dispose of the SCN without any directions or monetary penalty.

iv. <u>Role of Noticee no.7 (S. Kalyanaraman)</u>

119. I note that Noticee No. 7, being the statutory auditor (as part of M/s K. S. Aiyar & Co.) of Accel during investigation period, has also been issued the SCN, alleging that the statutory auditor has been negligent in performance of its duties and certified untrue books of accounts of Accel for FY 2011-12 to FY 2013-14, thereby, violating provisions of regulations 3(c), 3(d), 4(2)(f) and 4(2)(k) of SEBI (PFUTP) Regulations, 2003 read with Section 12A(a),(b),(c) of SEBI Act, 1992 and Clause 41 of the Equity Listing Agreement read with Section 21 of SCRA, 1956. At the outset, the detailed examination of the role and flaws of the statutory auditors or the audit exercise is not available before me for consideration. Noticee no.7 has placed reliance on a number of decisions of various courts to state that if the auditor had exercised due care and he himself had been deceived then he cannot be said to have failed in his duties. In the instant case, I find that the detailed examination of the Auditor's failure in the alleged violation is absent in the IR. The SCN or IR has not ascertained whether the Auditor could have, in fact, found out the falsification in the accounts while conducting the audit. It has to be shown that the case pertains to an auditor who in connivance and in collusion with the officers or directors of a company has concocted false accounts. I note that in the present matter the SCN, as issued to Noticee No. 7 only alleges that the statutory auditor was not diligent enough in the issuance of audit certifications for the financial statements of Accel. The SCN does not bring out any specific fact that the lapses on the side of the statutory auditor so as to bring out an element of 'fraud'. Invocation of Clause 41 of Listing Agreement does not appear to fit the role of a

statutory auditor. Therefore, the allegations made in SCN against Noticee No. 7, are not made out.

v. <u>Noticee No. 11 (Ashok Dedhia)</u>

120. As noted above, in addition to the SCN issued to Noticee nos.1-10, a separate show cause notice dated September 24, 2021 was issued to Ashok Dedhia (referred to as Noticee no.11 in the present order for ease), brother of one of the complainants in the matter. During the investigation, Mr. Ashok Dedhia was summoned for personal appearance and his statements were recorded.

121. I note from the SCN that Mr. Ashok Dedhia (Noticee no.11) had, in his statement under oath dated January 28, 2020, stated that he has never acted as agent/consultant/representative of Mr. N. R. Panicker or Accel. However, it was observed from the bank transaction statement of M/s Sun Arc Capital (sole proprietorship of Mr. Ashok Dedhia) that it had received Rs. 1 crore around the period when the OFS as mentioned above took place, from Accel/Accel Limited (a company promoted by Mr. N. R. Panicker). Accordingly, vide summons dated March 3, 2020, Noticee no.11 was advised to submit his response in this regard. In his reply email dated March 6, 2020, Noticee no.11 stated that the "Sun Arc Capital had provided financial consultancy /advisory services offer toward OFS of Accel Frontline Ltd for subscription- participation in OFS for his client as requested by Mr. N. R. Panicker, Accel Ltd. (promoted by NR Panicker) to subscribe the OFS".

122. In view of the above, it was alleged that Mr. Ashok Dedhia (Noticee no.11) had made incorrect submission under oath on January 28, 2020 by falsely stating that he has never acted as an agent/consultant/representative of Mr. N. R. Panicker or Accel, as Sun Arc Capital was his proprietorship firm. It was alleged that by making a false statement under oath to SEBI during the investigation, Noticee no.11 violated Sections 11C(2) read with 11C(3) and 11C(5), which are reproduced below:

Section 11C:
(1) .....
(2) Without prejudice to the provisions of sections 235 to 241 of the Companies

Act, 1956 (1 of 1956), it shall be the duty of every manager, managing director, officer and other employee of the company and every intermediary referred to in section 12 or every person associated with the securities market to preserve and to produce to the Investigating Authority or any person authorized by it in this behalf, all the books, registers, other documents and record of, or relating to, the company or, as the case may be, of or relating to, the intermediary or such person, which are in their custody or power.

(3) The Investigating Authority may require any intermediary or any person associated with securities market in any manner to furnish such information to, or produce such books, or registers, or other documents, or record before him or any person authorized by it in this behalf as it may consider necessary if the furnishing of such information or the production of such books, or registers, or other documents, or record is relevant or necessary for the purposes of its investigation.

(4) .....

(5) Any person, directed to make an investigation under sub-section (1), may examine on oath, any manager, managing director, officer and other employee of any intermediary or any person associated with securities market in any manner, in relation to the affairs of his business and may administer an oath accordingly and for that purpose may require any of those persons to appear before it personally.

Section 15A(a):*If any person, who is required under this Act or any rules or regulations made thereunder, to furnish any document, return or report to the Board, fails to furnish the same or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents, he shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees.*

123. In reply to the SCN, Noticee no.11 has stated that he had voluntarily offered to produce evidence of manipulation of the books of accounts of Accel during the investigation. He has stated that his proprietorship firm was engaged in the business of providing financial advice and consultancy services to retail and HNI clients as per their requirements. Noticee no.11 has stated that he had provided advice to Mr.NR Panicker in his individual capacity and that the advice was not binding on him in any way. Noticee no.11 has stated that his relationship was professional in nature and not in the nature of a principal-agent. Noticee no.11 has further stated that his reply that he had not participated in the OFS was borne out of a misunderstanding that the question meant whether he had subscribed to the OFS. He had provided all details like his bank statements on being asked to do so by SEBI and he never had any intention to conceal information, rather his lack of proficiency in English led to him misunderstanding the question addressed to him.

124. I note from the documents available on record that the question posed to Mr. Ashok Dedhia did not ask merely about his principal-agent relationship with Accel/Mr. Panicker. Rather, the question was wide in its import and Mr. Ashok Dedhia was in fact asked whether he has ever acted as agent/consultant/representative to Accel/Mr. Panicker. In his reply to the SCN, Noticee no.11 has specifically stated that he offered consultancy services and advice. He has stated that he had also provided advice to Mr. Panicker. Hence, his submissions under oath were blatantly false. Noticee no.11's submission that he was not well versed in English does not seem correct. By giving false statements under oath, Noticee no.11 may have derailed the investigation or concealed some important facts. Hence, I am of the view that Mr. Ashok Dedhia is liable for violation of Sections 11C(2) read with 11C(3) and 11C(5). As he has furnished wrong information to the investigation team, he has breached provision contained in Section 11C(2) of SEBI Act and is liable for suitable penalty.

125. In view of the aforesaid violations committed by Noticee nos.1, 2, 3, 4, 5, 6 and 11, I find that appropriate directions under Sections 11(1), 11(4), 11A and 11B of the SEBI Act, 1992 and Section 12A of SCRA, 1956, need to be issued.

126. SCN in the matter, also calls upon the Noticees to explain as to why appropriate penalty be not imposed upon them under Section 15HA and 15HB of SEBI Act, 1992 and Section 23E and 23H of SCRA, 1956, for the violations alleged in the SCN. Extract of these penalty provisions, as existing at the relevant time is as under:

Extract of Section 15HA and 15HB of SEBI Act, 1992:

"Penalty for fraudulent and unfair trade practices.
15HA.If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher

Penalty for contravention where no separate penalty has been provided.
15HB. Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall

not be less than one lakh rupees but which may extend to one crore rupees……..”

Extract of Sections 23E of SCRA, 1956:

“Penalty for failure to comply with provision of listing conditions or delisting conditions or grounds.
23E. If a company or any person managing collective investment scheme or mutual fund, fails to comply with the listing conditions or delisting conditions or grounds or commits a breach thereof, it or he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees……”

Penalty for contravention where no separate penalty has been provided.

23H. *Whoever fails to comply with any provision of this Act, the rules or articles or bye- laws or the regulations of the recognised stock exchange or directions issued by the Securities and Exchange Board of India for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.*

127. From the analysis of the aforesaid penalty provisions, I note that Section 15HA of the SEBI Act, 1992 provides for imposition of penalty in case of fraudulent and unfair trade practices committed by any person. I find that penalty under Section 15HA of the SEBI Act, 1992 is attracted for the violations of the PFUTP Regulations by Noticee nos. 1, 2, 3, 4 and 5. I also note that Section 23E of SCRA, 1956 provides for penalty for failure to comply with, *inter alia*, listing conditions by “a company or any person managing collective investment scheme or mutual fund”. In the present case, it has been found that Noticee Nos.1, 2 and 6 are in violation of Clause 41 of Listing Agreement read with Section 21 of SCRA, 1956. Section 23H of the SCRA, 1956 provides for penalty for failure to comply with any provision of SCRA, 1956, the rules or articles or bye-laws or the regulations of the recognized stock exchange or directions issued by SEBI, for which no separate penalty has been provided. I find that penalty under Section 23H of SCRA, 1956 is attracted in the case of Noticee No. 2- the MD/CEO and Noticee No.6- the CFO, in respect of their certification obligations.

128. I find that for the false statement under oath, as found above, Noticee no.11 is liable for imposition of penalty under Section 15A(a) of the SEBI Act, 1992 which provides penalty for failure to furnish information, inter alia, sought by SEBI under

the provisions of SEBI Act, 1992. For the violation of LODR Regulations, Accel is liable for imposition of penalty under Section 15HB of the SEBI Act, 1992 which provides for penalty for failure to comply with any provision of SEBI Act, 1992, the rules or the regulations made or directions issued by SEBI for which no separate penalty has been provided. Since, LODR Regulations are framed under SEBI Act, 1992 also and penalty provisions under SEBI Act, 1992 (i.e. 15A to 15HA) does not separately provide for any penalty for violation of LODR Regulations, penalty under Section 15HB is attracted against Accel.

129. For imposition of penalty under the provisions of the SEBI Act, 1992, Section 15J of the SEBI Act,1992 provides as follows:

> "**Factors to be taken into account while adjudging quantum of penalty.**
> **15J.** While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely: —
> (a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;
> (b) the amount of loss caused to an investor or group of investors as a result of the default;
> (c) the repetitive nature of the default.
>
> Explanation. —For the removal of doubts, it is clarified that the power to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section."

130. I find that allegations made in the SCN does not mention the amount of disproportionate gain or unfair advantage made as a result of the default. I find that allegations made in the SCN do not indicate the amount of specific loss caused to investors or group of investors as a result of the default by Noticee No. 1 to 7. However, I note that a write off of Rs.100 crore was made pursuant to the mis-statements in the financials of the Company. But, the overall market impact, on a rough estimate related to the fall in price, during the first announcement of write offs in February 2016 was to an extent of around Rs.20 Cr.

131. I take note of the fact that Noticee No.1 is a small cap company. The falsification of accounts has happened over a period of 4-5 years. The Noticee No.1 has been

acquired by CAC corporation and is under new management since January 18, 2014. SEBI has initiated enforcement action against the individuals who had a role to play in the falsification of accounts. I am also reminded of the fact that the company has already written off a sum of Rs.100 Cr., causing an adverse effect on the investors. On an evaluation of the said facts, I am not inclined to impose penalty on the Noticee No.1 for the violation of PFUTP Regulations, as alleged in the SCN, even though the same is established. However, I find that the Noticee No.1 is in breach of terms of LODR Regulations as it indulged in misleading corporate announcement. Accordingly, I am inclined to impose a suitable penalty on Noticee No.1 in respect of violation of Clause 41 of the Equity Listing Agreement read with Section 21 of SCRA, 1956 and Regulation 30 of LODR Regulations read with Section 21 of SCRA, 1956.

Directions and quantification of monetary penalties:

132. In view of the aforesaid findings and having regard to the facts and circumstances of the case, I, in exercise of the powers conferred upon me under Sections 11(1), 11(4), 11(4A), 11A and 11B(1), 11B(2) of SEBI Act, 1992 and Section 12A(1) and 12A(2) of SCRA, 1956 read with Section 19 and Section 11(2)(j) of SEBI Act, 1992, Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 and Rule 5 of the SC(R) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005, and in the interest of interest, direct as under:

(i) Noticee No.1 is hereby cautioned to exercise due care and not to indulge in any kind of mis-statements of accounts and be constantly vigilant of the accuracy of disclosures made on the stock exchanges from time to time ;

(ii) Noticee No. 2 is, hereby, restrained from occupying any position in the board of any listed company, for a period of one year from the date of coming into force of this order;

(iii) Noticee No.2 is, hereby, restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, for a period of two years, from the date of coming into force of this order;

(iv) Noticee Nos.3, 4 and 5 are, hereby, restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, for a period of 6 months, from the date of coming into force of this order;

(v) Noticee No.6 is hereby cautioned to exercise due diligence and abundant care while issuing certifications related to financial statements henceforth;

(vi) Noticee No.6 is, hereby, restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, for a period of 6 months, from the date of coming into force of this order;

(vii) The SCN issued to Noticee Nos. 7 to 10 stand disposed off without any directions or imposition of penalty;

(viii) Noticee No.11 is hereby restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, whatsoever, for a period of 6 months, from the date of coming into force of this order;

(ix) The Noticee Nos. 1, 2, 3, 4, 5, 6 and 11, are hereby imposed with, the monetary penalties, as specified hereunder:

Noticee No.	**Name of Noticees**	**Provisions under which penalty imposed**	**Penalty Amount**
1	Inspirisys Solutions Limited (Formerly known as Accel Frontline Limited)	Section 15HB of SEBI Act, 1992 and 23E of SCRA, 1956	Rs.10,00,000/- (Rupees Ten Lakh Only)
2	N.R. Panicker	Section 15HA, 15HB of SEBI Act, 1992 and 23H of SCRA, 1956	Rs.1,00,00,000/- (Rupees One Crore Only)
3	S.V. Krishnan	Section 15HA of SEBI Act, 1992	Rs.18,00,000/- (Joint and Several) (Rupees Eighteen Lakh Only)
4	S. Chandrasekaran		
5	Maqbool Hassan		

6	K.R. Chandrasekaran	Section 23H of SCRA, 1956	Rs.15,00,000/- (Rupees Fifteen Lakh Only)
11	Ashok Dedhia	Section 15A(a) of the SEBI Act, 1992	Rs.2,00,000/- (Rupees Two Lakh Only)

(x) Noticees shall remit /pay the said amount of penalties within 45 days from the date of receipt of this order. Noticees shall remit /pay the said amount of penalties through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link: ENFORCEMENT -> Orders -> Orders of ED/CGM -> PAY NOW. In case of any difficulties in online payment of penalties, the said Noticees may contact the support at portalhelp@sebi.gov.in.

133. The obligation of Noticees, restrained/prohibited by paragraph 132 of this Order, in respect of settlement of securities, if any, purchased or sold in the cash segment of the recognized stock exchange(s), as existing on the date of this Order, are allowed to be discharged irrespective of the restraint/prohibition imposed by this Order. Further, all open positions, if any, of the Noticees, restrained/prohibited in the present Order, in the F & O segment of the recognized stock exchange(s), are permitted to be squared off, irrespective of the restraint/prohibition imposed by this Order.

134. This Order comes into force with immediate effect.

135. This Order shall be served on all Noticees, Recognized Stock Exchanges, Depositories and Registrar and Share Transfer Agents of mutual funds to ensure necessary compliance.

GEETHA G.

Date: September 20, 2023 **CHIEF GENERAL MANAGER**

Place: Mumbai **SECURITIES AND EXCHANGE BOARD OF INDIA**