

SECURITIES AND EXCHANGE BOARD OF INDIA
ORDER

Under Sections 11(1), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992 and Regulation 11 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003.

In the matter of Ricoh India Limited

In respect of:

Sr. No.	Noticees	PAN	DIN
1.	T. Takano	NA	03491442
2.	Manoj Kumar	AAAPK0467B	07112670
3.	A.T. Rajan	NA	07487969
4.	Arvind Singhal	AOAPS9993J	NA
5.	Anil Saini	AOZPS8143K	NA
6.	Bibek Chowdhury	NA	NA
7.	Amalendu Mukherjee	NA	03544485

BACKGROUND:

- Securities and Exchange Board of India (SEBI) passed an ad interim ex parte order cum show cause notice dated February 12, 2018 read with order dated March 06, 2018 (together referred to as 'the Interim Order') in the matter of Ricoh India Limited (Rico / the company) against Shri T. Takano, Shri Manoj Kumar, Shri A.T. Rajan, Shri Arvind Singhal, Shri Anil Saini, Shri Bibek Chowdhury and Shri Amalendu Mukherjee (collectively referred to as 'the Noticees') for the alleged violation of the provisions of Section 12A(a), 12A(b) & 12A(c) of the SEBI Act, 1992 read with regulations 3(b), 3(c), 3 (d), 4(1), 4(2)(e), 4(2)(k) and 4(2)(r) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 (PFUTP Regulations). Vide the Interim Order, the following directions were passed against the Noticees:

- i. The Noticee nos. 1 to 7, namely Shri T. Takano, Shri Manoj Kumar, Shri A.T. Rajan, Shri Arvind Singhal, Shri Anil Saini, Shri Bibek Chowdhury and Shri Amalendu Mukherjee, were restrained from accessing the securities market or buying, selling or otherwise dealing in the securities market in any manner whatsoever, either directly or indirectly;
- ii. BSE (Bombay Stock Exchange) shall appoint an independent auditor / audit firm for conducting a detailed forensic audit of the books of accounts of Ricoh for the financial year 2012-13 onwards till date and bear the expenses incurred in this connection.
- iii. Ricoh, its directors and the above named Noticees shall extend all necessary co-operation to the independent audit firm appointed by the stock exchange and shall furnish all information/documents sought from them from time to time.
- iv. The independent auditor / audit firm appointed by BSE shall submit a report to SEBI through BSE within six months from the date of Interim Order.

FACTS OF THE CASE:

2. The facts of the case, preceding the issuance of Interim Order, are reiterated below, in paras 3 to 17 of this order, for the convenience of recollection.
3. SEBI received a letter dated April 20, 2016 from Ricoh, a public listed company, wherein Ricoh, on the basis of preliminary findings of a forensic review of its books of accounts by Pricewaterhouse Coopers (PwC), an independent auditor appointed by it, *inter alia* stated that its financial statements for the quarters ended June 30, 2015 and September 30, 2015 did not reflect true and fair view of its state of affairs and requested SEBI to conduct an investigation *inter alia* in respect of possible violations of provisions of PFUTP Regulations pertaining to the said incorrect financial statements of Ricoh. It further submitted that it was investigating the extent of deviations from true and fair position and reasons for the same. Pending completion of the investigation, the Board of Directors of Ricoh instructed Shri Manoj Kumar (MD & CEO), Shri Arvind Singhal (CFO) and Shri Anil Saini (Sr. Vice President & COO) to proceed on leave with effect from March 30, 2016. Ricoh also constituted an independent Internal Investigation Team (IIT) *inter alia* to assist Ricoh in

preparing the financial statements for the year ended March 31, 2016 and assess the impact of falsification and/or misstatements. Subsequently, Ricoh disclosed a loss of Rs.1,118 crores in its financial statements for the year ended March 31, 2016 in its Annual Report for FY 2015-16.

4. The final report of the forensic review of the books and records by PwC dated November 17, 2016, submitted by Ricoh to SEBI, highlighted issues which indicated that financial statements of Ricoh were misstated. A summary of misstatements as provided in the report is as follows:
 - a) Unsupported out-of-books adjustments made to the net sales, expenses, assets and liabilities led to suppression of losses. Some of these adjustments were subsequently recorded through a series of journal entries.
 - b) Revenues from sale of goods were recorded based on invoicing irrespective of transfer of risks and rewards of ownership to the customers, contrary to Ricoh's accounting policy on revenue recognition.
 - c) Revenues from composite contracts involving multiple deliverables were recognized on invoicing similar to practice adopted for revenue recognition on sale of goods, instead of the percentage of completion method.
 - d) Revenues were inflated through channel stuffing, a mechanism whereby Ricoh's products were sold to select distributors in excess of what they were capable of selling in the secondary sales channels.
5. Various instances indicating misstatements in the books of accounts of Ricoh, as provided in the PwC Report, were as follows:
 - a) Unsupported out-of-books adjustments of Rs. 66.7 crore (net) made in the quarter ended June 30, 2015 resulted in converting a loss of Rs. 64.0 crore into a profit before tax of Rs. 2.7 crore. Further, unsupported journal entries were noted to have been recorded in the books of accounts of Ricoh during the quarter ended September 30, 2015 and subsequent periods up to March 31, 2016, some of it by way of backdated entries. These unsupported entries resulted in increasing the accumulated reserves of Ricoh by Rs. 267.5 crore of which Rs. 199.4 crore pertained to years ended March 31,

2015 or prior. A whistleblower complaint dated April 6, 2016 made to the Audit Committee of Ricoh by an employee from the finance team of Ricoh also quantified a similar amount as unsupported out-of-books adjustments.

- b) In many email conversations, the issue of billed but not dispatched ('BBND') items had been noted. For instance, on November 6, 2015, Arvind Singhal (then-CFO) wrote to certain employees of Ricoh including Anil Saini (then-COO) that *"the Finance team has been dealing with the new auditors for the H1 financial limited review audit. Since their audit working is different from the earlier auditors the extent of their auditing is way beyond the previous ones, due to which the finance team has been struggling to comply with their requirements"* and *"...Since they have categorically denied to sign, until their documentation was completed. For your reference, in this we had some PP machines and LP (Global) invoices (BBND) for which they had asked for customer acknowledgement and POD's, which had to be arranged."* This email seems to suggest that customer acknowledgements were being arranged owing to the audit requirements.
- c) Multiple instances were noted where revenues appeared to have been recorded without completion of projects. The net impact of misstatement on profits / losses with respect to composite contracts, as computed by the IIT, was Rs.35.1 crore for year ended March 31, 2015 or prior and Rs.94.3 crore for the year ended March 31, 2016.
- d) Another whistleblower complaint dated April 19, 2016 from a member of the sales team of Ricoh highlighted various concerns about the way Ricoh was conducting business with Global Infonet Distribution Private Limited ('Global Infonet'), an authorized distributor of Ricoh, such as dumping of materials in excess of its sales capability and extension of special credit terms.
- e) In view of the various misstatements of financial information, the inventories had to be written down by Rs. 118 crore and accounts receivables were reduced by Rs. 446.4 crore including certain provisions made in other assets heads, in the FY 2015-16.

- f) Based on the review of the Information Technology Services ('ITS') sales transactions during the half-year ended September 30, 2015, suspect sales amounting to Rs. 590.8 crore and their corresponding purchases aggregating to Rs. 493.7 crore were noted. The suspect sales constituted 71% of the ITS revenue during the half-year (Rs. 828.5 crore). These suspect transactions involved a select group of 18 parties wherein Ricoh procured products or services from one of these parties and sold it to another of these parties and these transactions were in the nature of back to back transactions.
- g) Various suspect transactions raised significant doubts regarding the genuineness of the revenues of Rs. 590.8 crore recorded during the half-year. The analysis of the suspect transactions indicated that the same may have been recorded to meet the revenue budgets and forecasts. Some of the key issues identified included the following:
- i. There appeared to be an absence of any pre-sales efforts by Ricoh to procure the customer orders and communications with the customers relating to these transactions. All communications relating to these suspect transactions generally seemed to be have been exchanged between select employees of Ricoh and two individuals representing two of the select parties.
 - ii. The Head of ITS business and the sales account managers denied having knowledge of either the select parties or the suspect transactions. Zia Khan, the Head of ITS business, stated that he sent his estimates of ITS revenues on a monthly basis to Anil Saini (then-COO), but noted a huge gap between the revenues that he had estimated and the final estimate of ITS revenues that was internally reported.
 - iii. Several of the supporting documents appear to have been created post-facto for audit purposes. Further, multiple inconsistencies were noted in the format of Purchase Orders ('PO'). For example, instances were noted where PO formats of two or more customers were similar and in certain cases, there were differences in PO formats raised by the same customer.

- iv. Certain business addresses where the products were said to have been delivered did not exist and multiple inconsistencies were noted in either the business addresses or the email addresses for certain select parties. Suspect sales amounting to Rs. 418 crore were delivered to 16 non-existent/non-traceable addresses of 13 select parties during the half-year ended September 30, 2015. Further, some of these parties appeared to be *prima facie* inter-related to each other based on common directorships/relationships identified between the various select parties.
 - v. Majority of the suspect transactions were recorded post the end of the month, but dated the last day of the month indicating backdated recording of revenues. The backdated revenues contributed significantly in enabling Ricoh's ITS business to meet its monthly revenue forecast and budgets.
 - vi. Prime facie while it appeared that Ricoh earned a margin of 18% from these suspect transactions, in reality it appeared that Ricoh might have incurred a loss owing to either non-collections of receivables relating to some of these transactions or on account of payment for procuring certain services from the select parties which were found to be unsupported.
- h) In most instances, the customers' POs were received through an email by Smriti Pandey, Senior Executive – ITS Operations from Amalendu Mukherjee, MD of Fourth Dimension Solutions Limited ('FDSL') or AS Jindal, Director, Jindal Infra Solutions Limited; and not directly from the respective customers. Similarly, the corresponding invoices from Ricoh were sent by Smriti Pandey to Amalendu Mukherjee or AS Jindal and not to the customers. It was not clear as to why Smriti Pandey was the focal point of most of the communication with respect to the suspect transactions since she was not in a role which required interaction with customers and vendors.

- i) There was no documentation of the basis of assessment of the creditworthiness of the customers to whom the credit was being extended. In one instance, Redhex IT Solutions Private Limited ('Redhex'), a company incorporated in January 2015, was granted a credit limit of Rs. 50 crore for a period of 270 days in April 2015. The IIT had noted that it had defaulted in payment of its dues totaling to approximately Rs. 80 crore.
- j) Review of tax returns filed by FDSL and Redhex indicated that Redhex's total purchases during the half-year ended September 30, 2015 was Rs. 197 crore out of which Rs. 196.59 crore (99.7%) was purchased from Ricoh. It was observed that all sales made by Ricoh to Redhex were back to back trades as the purchases with respect to these sales were made from FDSL for an aggregate of Rs. 169 crore. FDSL in turn purchased goods amounting to Rs. 79 crore from Redhex during the half-year ended September 30, 2015. It indicated that substantial portion of sales by Redhex had originated from FDSL, part of which appeared to have been sold back to FDSL, thereby indicating that these transactions were likely to be circuitous in nature.
- k) Ritu Malhotra, a former employee of Ricoh who was responsible for preparing and circulating MIS including the forecast and flash reports during the half-year ended September 30, 2015, mentioned in her written statement dated September 28, 2016 that:
 - i. Unlike in the case of non-ITS business where she received inputs relating to forecasts and actual revenues from the regions, in the case of ITS business, similar information was either not received from regions or even where received not considered by Anil Saini.
 - ii. ITS forecasts and actual revenues were provided by either Manoj Kumar or Anil Saini (verbally and not through email or any other written form) based on which she prepared and circulated the forecasts and the flash reports.
- l) It was found that the spouses of Arvind Singhal and Anil Saini were directors and shareholders in an entity, RNM IT Solutions Private Limited ('RNM IT Solutions') in

which Amalendu Mukherjee, MD of FDSL (a vendor and customer of Ricoh) and his wife were also directors and shareholders. The spouses of Arvind Singhal and Anil Saini ceased to be its directors on November 12, 2015, around the time the statutory auditors of Ricoh raised concerns relating to certain transactions with its vendors and customers.

- m) Several personal favours were extended to Arvind Singhal and Anil Saini by Amalendu Mukherjee and FDSL such as payment of tuition fees of foreign education of Anil Saini's daughter and sponsoring of several trips and hotel bookings of their families in India and abroad.
- n) 5 instances were noted where payments had been made to the select parties (Redhex, Vedavaag and New Code) for purchases despite amounts outstanding from them for sales made to them. Ricoh made a provision for its receivables of approx. Rs. 72.3 crore and Rs. 58.1 crore in respect of Redhex and Vedavaag, as at March 31, 2016.

Persons involved in the suspect transactions

- o) The PwC Report indicated that the communication noted in respect of select parties and suspect transactions was largely confined to Ms. Smriti Pandey, Mr. Rajeev Magotra, Mr. Anil Saini, Mr. Arvind Singhal and certain other members of the finance team. The report further indicated that in most instances, customer POs and invoices were exchanged between Ms. Smriti Pandey and Mr. Amalendu Mukherjee, MD of FDSL or Mr. AS Jindal, Director in Jindal Infra and not directly through customers.
- p) The domain IDs of Newcode (newcode.co.in) and Rudra Enterprise (rudraent.in) were registered in the name of Mr. Amalendu Mukherjee. Both the domain IDs were registered on January 2, 2016 and email ID of Newcode was shared with Ms. Smriti Pandey on the same day. These email addresses were not created for business purposes but only to portray their existence when inquiries were being conducted.

- q) Further, Mr. Amalendu Mukherjee and his spouse were shareholders and acting as directors in FDSL, Rudra & Newcode and Mr. Bibekananda Mukherjee, brother of Mr. Amalendu Mukherjee, was a shareholder and director in FDSL and Redhex.
6. SEBI initiated investigation in the matter to examine the role of entities and key managerial persons (KMPs) responsible for misstatements in the books of accounts of Ricoh. During the course of the investigation, summons were issued by SEBI to Shri Manoj Kumar (then-MD & CEO), Shri Arvind Singhal (then-CFO) and Shri Anil Saini (then-Sr. Vice President & COO) to appear before the Investigating Authority and record their statements. The said persons appeared before the Investigating Authority and their statements were recorded. Shri Manoj Kumar and Shri Arvind Singhal also made written submissions to SEBI. Further, summons was also issued to Ricoh to provide relevant details of the misstatements, in response to which Ricoh vide letters dated February 09, 2017 and February 14, 2017 provided various information to SEBI. It was observed from Ricoh's submissions that the transactions relating to the misstatements in the books of accounts of Ricoh were spread across FY 2012-13, FY 2013-14, FY 2014-15 and FY 2015-16. Further, it was observed from the provisions / write-offs made in the Annual Report of the company for FY 2015-16, as provided below, that the company suffered a loss owing to non-recovery of debtors, non-existence of inventory, etc.:

Table-1

Particulars	Rs. in crore
Bad debts that relate to fictitious sales where the Company is pursuing legal recovery	176
Other doubtful debts	61
Unsupported adjustments that have inflated profits	268
Inappropriate revenue recognition and profit recognition	(31)
Balance sheet items for which inadequate accounting or controls or falsification has resulted in irrecoverable balances	118
Inventory provisions and adjustments	73
Other	18
Total	683

7. During the investigation, in order to understand the impact of misstatements, the share price variation vis-à-vis misstated revenue and profit disclosed by the Company during the period from 2012 to 2016 was examined. The share price movement and the revenue and profits disclosed by Ricoh during the said period were as follows:

Table-2

Date	02/04/12	01/04/13	01/04/14	01/04/15	04/08/15	01/04/16	12/12/16
Share Price (Rs.)	33	34	131	564	1,030	413	193

Table-3

Financial Year	Revenue (Rs. in crore)	Net Profit / (loss) after Tax (Rs. in crore)
2012-13	633.12	(1.32)
2013-14	1048.65	17.23
2014-15	1637.82	33.90
2015-16	998.24	(1117.73)

8. From the above, it was observed that the share price of Ricoh had fallen drastically from a high of around Rs. 1,000 in August 2015 to around Rs. 200 in December 2016. The price of the scrip started falling during the time Ricoh failed to disclose its September 2015 quarterly results on time within the prescribed due date and news of corporate governance issues within the Company started making rounds in the media. The share price of the scrip had more or less moved in tandem with the figures of revenue and net profit disclosed in its past results. It was thus clear that shareholders had relied on the misstated results published by the Company to base their investment decisions and as a result lost significant wealth.
9. During the course of the investigation, the organization structure of the company was examined to ascertain the role of various KMPs of the company in the misstatements in the books of accounts. The company vide letter dated June 08, 2016 to SEBI had *inter alia* submitted that it had suspected three KMPs, namely Shri Manoj Kumar, Shri Arvind Singhal and Shri Anil Saini, to have been involved in the fraud pertaining to misstatements

in the financial statements. However, the investigation by SEBI revealed *prima facie* involvement of three other KMPs also, namely Shri T. Takano, Shri A.T. Rajan and Shri Bibek Chowdhury. Investigation revealed that the following six KMPs of Ricoh were *prima facie* responsible for facilitating the misstatements in the financial statements of the company:

Table-4

Sr. No.	Persons	Designation and role in Ricoh at the time of violation
1.	T. Takano	MD & CEO for FY 2012-13, FY 2013-14 & FY 2014-15
2.	Manoj Kumar	- CFO in 2012-13 & FY 2013-14 - EVP & CEO in FY 2014-15 - MD & CEO in FY 2015-16
3.	A. T. Rajan	SCM & Marketing Head for FY 2014-15 & FY 2015-16
4.	Arvind Singhal	CFO for FY 2014-15 & FY 2015-16
5.	Anil Saini	- ITS business head for FY 2013-14 & FY 2014-15 - SVP & COO for FY 2015-16
6.	Bibek Chowdhury	Operations Audit Group (Internal Audit) Head for FY 2015-16

10. The roles of the all the above-mentioned six KMPs are mentioned below:

- a) Manoj Kumar - The Company stated that Manoj Kumar was CFO from December 1, 2011 & was also responsible for functioning of the strategic business group. He was promoted as EVP on April 1, 2014 and was reporting directly to the MD & CEO, Mr. T. Takano. In his new role, Manoj Kumar assumed responsibility for all functions of the Company. Subsequently, on April 1, 2015, he was appointed MD & CEO of the Company.
- b) Arvind Singhal - He was appointed as CFO on April 1, 2014 and as the CFO, he was responsible for the preparation of financial statements of the company.
- c) Anil Saini - From April 1, 2014, he was responsible for the ITS business. He was appointed as SVP and COO from April 1, 2015 and took responsibility for the Business Management Centre under which the ITS business was clustered.

- d) T. Takano - On examination of the Organization Structure of Ricoh for past years, it was noted that T. Takano was the MD & CEO of the Company till March 31, 2015. It was also noted that the mandate for PwC investigation was restricted to the half-year ended September 30, 2015 and not extended to all the years when the misstatements occurred. If Manoj Kumar, who was MD & CEO in FY 2015-16 was held responsible for the fraud, it was only logical that T. Takano as the previous MD & CEO (during whose tenure the fraud actually started) was also responsible for the misstatements. It appeared that by restricting the investigation period mandated to PwC, the Company intended to restrain PwC from examining the transactions of the previous years and thereby ring-fence the earlier MD & CEO, T. Takano.
- e) A. T. Rajan - It was also observed that A. T. Rajan (the current CEO) was the Sr. Vice President & Chief Strategy Officer of Ricoh till April 12, 2016 (on the same level of hierarchy as COO & CFO and reporting to CEO) and looked after various supply chain management (SCM) and marketing functions of the Company. The PwC Report highlighted that goods were delivered to non-existent addresses of the customers in various instances. The logistics function is generally looked after by the SCM team in most companies. It was unlikely that such misappropriation of goods could have happened without the involvement of the SCM & Marketing Head, A. T. Rajan. This raised suspicion that A. T. Rajan was also involved in the fraud which resulted in losses to the Company. Strangely, rather than investigating the role of A. T. Rajan in the instant fraud, the Company had promoted him to the position of MD & CEO.
- f) Bibek Chowdhury - The Operations Audit Group ('OAG'), which was responsible for carrying out Internal Audit of the Company and detection of deficiencies in internal controls of the Company, was headed by Bibek Chowdhury during the half-year ended September 30, 2015 who was directly reporting to Manoj Kumar, then-MD & CEO. The Company, vide letter dated February 14, 2017, had admitted that its financial controls and processes were inadequate. It is hard to believe that such blatant violations of the Company's policies would not have come to the notice of the Internal Auditors,

in this case, OAG. ITS being the fastest growing business arm of the company with increasing performance indicators should have been subject to professional skepticism by the internal audit team. However, no issues were highlighted by Internal Audit team. Therefore, it appeared that Bibek Chowdhury might have been aware of the fraud in the Company and might have deliberately ignored to highlight the same during internal audit of the Company. Moreover, even after his failure to detect lapses in internal controls, Bibek Chowdhury was elevated to the position of CFO subsequent to removal of Arvind Singhal from the position. This also raised suspicion on the intent of the Company to improve its internal controls.

11. During the course of the investigation, the details of provisions made by Ricoh pursuant to the misstatements were sought vide summons dated October 13, 2017. From the replies submitted by the company, it was observed that a major write-off involved an account of FDSL to the tune of Rs. 268 crore. Even after the write-off, the amount receivable from FDSL as reflected in the books of accounts of Ricoh was Rs. 339.67 crore. To examine further, the details of purchase/ sale and payment/ receipt transactions were sought from Ricoh. It was noted that during FYs 2012-13 to 2016-17, Ricoh's total purchases from and sales to FDSL amounted to Rs.1410.47 Crores and Rs.384.46 Crores respectively. A summary of the fund flows vis-à-vis Ricoh's purchase /sale transactions with FDSL from FYs 2012-13 to 2016-17 is tabulated below:

Table-5

Transactions with FDSL (FYs 2012-13 to 2016-17)	Amount (Rs. in cr)
Purchases	1,410.47
Less: Sales	(384.46)
Net amount payable to FDSL	1,026.01
Payments made to FDSL	(1,743.35)
Payments received from FDSL	379.37
Amount payable to / (receivable) from FDSL as on date	(337.97)

12. The aforesaid receivable amount of Rs.337.97 crore, derived on the basis of purchase/ sales and payments/ receipts, approximately equalled the amount receivable from FDSL as shown in the books of Ricoh i.e. Rs. 339.67 crore. However, it is observed from the Limited Review Report of Ricoh for the quarter ended June 30, 2017, that FDSL has

disputed the amount claimed by Ricoh and has given a counter-claim stating that Rs. 428.41 crore is receivable by FDSL from Ricoh.

13. In order to further examine the matter, bank account details of FDSL were sought from Ricoh and the bank statements of the said bank accounts were sought from the respective banks. These bank statements were analysed and observations made with regard to fund flow are detailed below:

- a) FDSL's Axis Bank account - 913020027032566: It was observed that at the end of 2015, there were many back to back receipts from Ricoh. Most of these receipts were immediately transferred to another account of FDSL and from that account, the money was transferred to other entities. For instance, it was noted that the funds had been transferred to Jatalia Global, New Code IT Services (where Amalendu Mukherjee was a shareholder and Director) and RNM IT Solutions (where Amalendu Mukherjee, his spouse, spouses of Arvind Singhal & Anil Saini were directors and shareholders).
- b) On examining the bank accounts of FDSL, it was observed that multiple transactions were carried out with RNM IT Solutions, The net transfers from FDSL to RNM IT Solutions between FY 2014-15 and FY 2015-16 were found to be to the tune of Rs. 6.03 crore. This indicated that there existed a conflict of interest for Arvind Singhal and Anil Saini, as their spouses were directors and shareholders in RNM IT Solutions along with Amalendu Mukherjee and his relatives.

14. Out of the total write-off of Rs. 683 crore, some major write-offs by Ricoh in its books of accounts during FY 2015-16 are as follows:

Table-6

Entities	Amount (Rs.in crore)
FDSL (unsupported adjustments)	268.00
Redhex IT Solutions Pvt Ltd	72.30
Vedavaag Systems Limited	58.38
Total	398.68

15. From the above, it is observed that Ricoh had written-off amounts of Rs.72.30 crore and Rs.58.38 in respect of Redhex and Vedavaag, respectively. Investigation has revealed that

Redhex was a connected entity with FDSL as Mr. Bibekananda Mukherjee, brother of Amalendu Mukherjee was one of the directors and shareholders of Redhex till March 27, 2015. In case of Vedavaag, it was observed that since some of the invoices were being handled by Amalendu Mukherjee and as one of the addresses of Vedavaag which was sent by Amalendu Mukherjee to Smriti Pandey was that of FDSL, it appeared that the name of Vedavaag was used as a front and the ultimate beneficiary of the transactions was actually Mr. Amalendu Mukherjee. It was observed that approx. 58% of the write-offs were made with respect to transactions wherein Amalendu Mukherjee and his connected entities were involved.

16. From the above observations and findings, it appeared that the six KMPs of Ricoh, mentioned in the Table-4 above, had not diligently performed the role entrusted upon them and thus, have *prima facie* violated Section 12A(a), 12A(b) & 12A(c) of SEBI Act, 1992 read with regulations 3(b), 3(c), 3(d), 4(1), 4(2)(e), 4(2)(k) and 4(2)(r) of the PFUTP Regulations.
17. Further, from the above observations and findings, it *prima facie* appeared that Amalendu Mukherjee, using his controlled entities, was instrumental in facilitating the fraud by colluding with the KMPs of Ricoh. By acting in the aforesaid manner, Amalendu Mukherjee appeared to have adversely affected the interests of shareholders of Ricoh and had benefitted the entities controlled by him from write-offs by Ricoh. Amalendu Mukherjee had, therefore, *prima facie* violated Section 12A(a), 12A(b) and 12A(c) of SEBI Act, 1992 read with regulations 3(b), 3(c), 3(d), 4(1), 4(2)(e), 4(2)(k) and 4(2)(r) of PFUTP Regulations.
18. The preliminary findings contained in the Interim Order were made on the basis of information submitted by the company and the investigation carried out by SEBI. Vide the Interim Order, the Noticees were called upon to show cause, within 21 days of the receipt of the Interim Order, as to why suitable directions/prohibitions under Sections 11, 11(4), and 11B of the SEBI Act, including the directions restraining / prohibiting them from accessing the securities market and buying, selling or otherwise dealing in securities

in any manner whatsoever, directly or indirectly, for a specified period, should not be imposed against them.

REPLIES AND PERSONAL HEARINGS:

19. The Noticees have submitted their respective replies in respect of the Interim Order to SEBI. The Noticees were granted an opportunity of personal hearing. The same were held on May 07, 2018 and June 11, 2018. The submissions of each of the Noticees are summarized below:
20. Shri Manoj Kumar vide his letter dated February 22, 2018 and email dated May 09, 2018 has submitted *inter alia* the following:
 - a) He became the MD & CEO of Ricoh on 1st April 2015. Prior to that, he was neither on the Board of the company nor at the helm of affairs. He had been the MD & CEO for a mere six months when the company's statutory auditors indicated towards the alleged irregularities. It was just not possible for him to have carried out any significant changes in the policies, processes or functioning of the company in such a short time.
 - b) Mr. T. Takano, his predecessor, had been the MD & CEO of the company for four years before him, during which he was in full control and charge of the functioning of the company. It was during his leadership that the company had embraced the concept of business transformation by adding new revenue streams, including IT Services.
 - c) As the MD & CEO of the company and even in previous positions, it was never his job to check the customer orders or to establish the veracity of any such customers. In fact, he had never heard of the names of the customers, which are mentioned in the PWC Report, until the statutory auditors expressed their apprehension about the company's business dealings with them in the meeting of the Audit Committee in Nov'15 in which he was present.
 - d) Neither the Audit Committee or the company's internal auditor or the company's statutory auditors or even the internal audit team from Ricoh Asia Pacific Region that conducted the company audits, ever pointed out towards any discrepancies in

the functioning of the company which could have provided him an opportunity to take any prompt corrective control measures. Even the independent directors who were members of the Audit Committee and had unrestricted access to company's records never reported these discrepancies.

- e) Having worked in the company for 21 years with meritorious performance, the company abruptly sent him on leave on March 29, 2016, without waiting for the conclusion of the then ongoing forensic audit by PWC and without any evidence and without being heard. He was suspended from service on June 08, 2016 while he was still on leave, without any notice or evidence. There appears to be a deep rooted conspiracy between the company and its parent body, Ricoh Company Ltd., Japan, in choosing him as the scapegoat to shield some persons. An ex-employee had filed a complaint against the company officials alleging he was threatened into naming others for the wrongdoings in the company.
- f) He resigned from the services of the company on April 02, 2016 in protest against the manner in which he was sent on leave. He never attended office since then and was relieved from the services in Oct. 2016 while still being on leave. The company never settled his dues, citing findings of PWC Report which was never shared with him.
- g) The company made two unsuccessful attempts at delisting in the past and the need for funds had been felt in the company for long. It seems the company sensed an opportunity in the current crisis to get the parent company to infuse funds by directly petitioning Hon'ble NCLT by reporting huge losses pertaining to previous years. PWC/IIT may therefore have been under pressure to report losses to justify the company petition before Hon'ble NCLT, and therefore the company and PWC may have been high handed in forcing company employees in making statements conducive for such objectives. Apart from the complaint by ex-employee, the company auditors have also issued disclaimer against these losses reported by the company.
- h) An extract of the PWC Report as reproduced on page 7 of the Interim Order mentions him as providing IT business revenue forecast to Ms. Ritu Malhotra for preparing Flash Report. However, as per practice, all sales forecasts were provided

in the Business Meetings by respective business unit heads and then consolidated by Ms. Ritu Malhotra. He had no basis for providing any sales forecast for any business unit other than what was communicated by the business unit heads in these meetings. Further, Flash Report was just an internal Sales Forecast Report for use within organization and was never used for any statutory reporting of the company's results to any external stakeholder at any time.

- i) The company has incurred huge losses in the last two years even after his exit and the parent company has withdrawn financial support leading to the company filing for insolvency. As per press statement of Ricoh, Japan, the parent company would have to make additional write off provisions for several hundred crores on account of continuing losses incurred by Ricoh in the current year. This is in spite of the fact that the company had claimed to have cleaned up its losses up to March'16 as per its statutory disclosures. This indicates that the operational issues of the company were not managed properly in last two years in spite of massive fund infusion by parent company in 2016. The same needs to be investigated. As such, holding him accountable for alleged discrepancies in the past is tantamount to deflecting attention from main issues and making him a scapegoat.
- j) In the Annual Report for 2016-17, it is stated in Point 4(x) of the Directors Report on page 37 that the accounts for the year ended March 31, 2016 were drawn on the basis of assumptions and estimates, whereas the amounts identified in the subsequent year differ from those assumptions, estimates and judgments. The Directors' Report further goes on to state that it is not possible to segregate without making further significant assumptions the split between error and change in estimate. It is thus evident from the same that the loss reported by the company for year ended March 31, 2016 is unreliable as per the admission of its own directors. The Statutory Auditors too had issued a Disclaimer to the reported financials of the company. This strengthens the theory that company reported loss with the sole objective its request before Hon'ble NCLT to infuse funds by parent company.

- k) The failure of the Independent Directors, who were also members of the Audit Committee, to ensure correct reporting of the financials and proper management of its financial affairs needs to be looked into.
 - l) The company has constantly victimized him in the last two years which has caused irreparable damage of his personal and professional life.
21. Shri Anil Saini, vide his letters dated February 28, 2018 and May 07, 2018 has submitted inter alia the following:
- a) He was hired in Ricoh on January 16, 2008 as a Senior Manager for taking care of Internal IT. All his professional life before Ricoh, he worked as a Technical resource in software development, data care support and BPO industry. He kept on working as a technical manager for 4 years and was promoted as the internal IT Head and then the CIO of the company. In 2011, when the company expanded into IT services business under Mr. Takano's leadership, the company told him to help in this cause. The company acquired an IT Services company and two directors of the acquired company worked for about one and half years to operate the IT services business. They left the company in 2012 and instead of hiring a business leader, he was told to take care of IT services business as he was a good technical resource. The company started expanding its portfolio and started doing a lot of business in Govt. and commercial space both directly and indirectly through dealers and distributors. The budget guidelines used to come from Ricoh Japan and Singapore and Ricoh India was supposed to achieve it.
 - b) The broad roles and responsibilities of his designated position in the company as a COO were planning and controlling change management in product and services, managing quality assurance programmes, researching new technologies and alternative methods of efficiency & building core business of printers and MFPs with system integration opportunities & reviewing budgets with CEO and Marketing. He was also heading sales and his job was to manage sales, presales & technology teams to get opportunities to sell products & services.
 - c) Finance and procurement was never a part of my roles and responsibility and it was taken care of by the concerned Finance and SCM (Supply Chain / Purchase)

departments of Ricoh India. His role was not related to financial reporting and financial books of statements. The company had an MD, CEO, CFO, SCM Head, Audit Head, CS and others who handled their respective work areas. Revenue recognition, billing, procurement, purchase, delivery and audit were handled by the SCMs & Finance teams which were headed by same rank or senior persons to him, and were different business entities with the company with their well-defined KRA and KPI's as per company's policies. They were independent gate keepers to take care of all necessary compliances for billing, procurement of goods & services and deliveries and no such red flags were raised by them during the processing of the orders. Also, Credit Control, Payments & other financial processes were handled by the Finance team and they worked as per their processes to give credit & payments to various customers and vendors.

- d) The budget guidelines used to come from Ricoh Japan and Singapore and Ricoh India was supposed to achieve it. These guidelines were divided by direct and indirect channel and were sacrosanct. These budget guidelines were worked on by the Marketing and various sales teams along with the Finance team to be deployed amongst the various regions, business units and verticals. KRA for individuals at all levels were defined according to this budget. The organization had a matrix structure where there were five verticals and five business units. Each of these units had separate COO or head and each region had a Regional Head.
- e) Sales teams used to pick up orders from customers either directly or through channel partner. After necessary approvals for margin, these order were sent for credit clearance to credit team after which they were processed by the supply chain team for procurement and delivery. Invoicing was done by the Finance team and collections were followed up by the collection team.
- f) As per his understanding, Internal Audit Team was headed by Mr. Bibek Chaudhury and this team used to conduct audits of various business operations units from time to time in branches, regions and Head office. All processes of the company were prepared and passed byu this team for implementation. Internal Audit and Finance team used to work with external auditors for getting this activity

done. The Noticee was categorically told by the Internal Audit, Finance & the MD to focus on sales and not worry about anything in Audit.

- g) As head business, he used to make efforts to meet customers from time to time in various sales calls and events organized by Ricoh. The company had more than 300 dealer partners and he used to meet them wherever possible to maintain good relations and to promote the products and services of the company.
- h) About 70-80 % of the sales was done through vendors and business units Vertical unit heads used to interact closely with these vendors and partners.
- i) As regards his role in Financial Reporting and review, at the end of every month, Finance team used to create reports for all the regions, business and vertical units. The sales teams used to then review them through various sales review meetings on monthly and quarterly basis. He had no role in making these reports. He had no role or insight into any alleged inflation of sales or decrease in expenses or any out of book adjustments.
- j) As regards his relationship with FDSL, FDSL was a Ricoh ITS Titanium partner and was both vendor and customer. As a major partner of Ricoh, he knew the director of the company and had good relationship with him. FDSL had delivered more than 80 projects for the company and it had sales teams across India.
- k) As regards his relationship with Redhex, this company was a Ricoh partner and one of a major customer for Ricoh which has given a lot of business to Ricoh. According to his knowledge, the credit facility was given to the company based on the orders that they had brought for Ricoh and the Finance team and SCM had taken all care to process these orders.
- l) On Amalendu Mukherjee paying his daughter's tuition fees, it was done as the Noticee did not have the required telegraphic transfer facility in his bank account. This was a simple loan agreement and it was later returned to him.
- m) As per the Interim Order, Zia Khan and Ritu Malhotra have been quoted about his involvement in sales estimates. However, all estimates were always discussed with everybody including the MD of the company and based on instructions of the seniors, various teams worked on betterment of the estimates. Moreover, Zia Khan and he also reworked on the estimates as per feedback from their

management. The sales teams which consisted of a matrix structure consisting of 4 Regional Managers, 5 BU Heads & 5 Vertical Heads worked to get the orders and ITS was one of the BUs which worked alongside to get the orders. Regarding the discrepancies in the order processing like difference in PO formats etc., he would like to clarify that order processing and internal audit was not part of his duties. It was also not his role to take care of procurement and purchase, which was taken care of by the concerned SCM Team which independently took care of all necessary compliances in this regard. No such red flags were raised by the concerned SCN or Finance team during the processing of the orders. All processes were followed by the Finance & SCM team to record the sales as per the norms. However, as an ongoing effort, he had always encouraged the sales teams to get the orders as soon as possible in the month. He wrote multiple emails and spoke about this issue in meeting after meeting. He was sent on leave from the 31st of March 2016 and subsequently released from the company in November 2016.

- n) Regarding references made about potential conflict of interest in the report with Mr. Amalendu Mukherjee, he is surprised that the same has been blown out of proportion. His wife had friendly relations with Amalendu's wife and they planned to open education business and hence went together in RMNIT, but that did not work out as his wife could not contribute much time. His wife ultimately resigned as soon as they learnt Ricoh was raising concern. There was absolutely no business relationship between RMNIT & Ricoh and Ricoh was not affected by this in any way.
- o) He is surprised and shocked that some employees of Ricoh had given false statements against him after his exit from the company. Each of them has been rewarded by Ricoh for the same.

22. Shri Arvind Singhal vide his letter dated March 06, 2018 and May 07, 2018 has submitted inter alia the following:

- a) He denies all the allegations against him.
- b) He has never been provided with any report of the PwC or IIT or any other report prepared by the company. Hence, he does not have any details regarding the

findings of the respective teams. However, based on the said reports, a unilateral and inappropriate action was taken by the company against him without giving him an opportunity of being heard.

- c) In the Interim Order, references to the said reports have been made. The Noticee submits that the facts have been wrongly interpreted and are based only on suggestive remarks and have remained inconclusive. The purported report refers to some whistle blower statements/complaints. However, he is not aware of their details as the same was made only after he left the company. This indicates that the same was obtained under coercion and duress. This is evident from the complaint of Ms. Smriti Pandey against MD & CEO of the company for harassing and pressuring her for giving statements to implicate him. Even though the whistle blowers had admitted being a part of the said fraudulent activities, the company has not taken any action against them. The same indicates that the PWC report has been totally biased against him and has been prepared under the influence of guidance of the current management and the Audit Committee.
- d) As regards the unsupported out of books adjustments, referred to in point 2 of the Interim Order, the Noticee submits that as per the audit process, all audit adjustment entries, required to be passed for preparation of financial statements, are passed in the system upon completion of the audit. All audit adjustments are verified by the auditors, before they can be passed in the system. All entries, in consultation with the auditors, were duly approved and authorized by Financial Controller, who was authorized to do so and also used to co-ordinate with the auditors on a daily basis. This system has been in place in the company since many years and no change was made by him in the existing process. Upon finalization, the financial statements were presented before him. No one, including auditors, had reported any deficiency. He was only an employee and followed the financial control system laid down by the Board of Directors.
- e) Regarding the allegation that Revenue from sale of goods were recorded based on invoicing irrespective of transfer of risks and rewards of ownership to the customer contained in point 2 of the Interim Order, the Noticee submits that as per the prevalent practice, the invoicing was done through ERP system, at the branch level

warehouses for further deliveries to the final customer. The warehousing and delivery of material was the responsibility of the Supply Chain Management (SCM) team, which was not under his purview. Maintaining linkages of delivery with invoices was with SCM and he had no role to play in this matter.

- f) In respect of all composite contracts involving multiple deliverables, revenue recognition is based on cost estimates as per cost completion method. This is the commonly used method for revenue recognition in such contracts. It is entirely dependent upon the auditors to verify and agree on the costs estimates and thereafter recognize the revenue. This process of revenue recognition on contracts by the company has remained the same over the years.
- g) As regards reference in point 3 of the Interim Order to an email by him to certain employees on Nov 05, 2015 referring to the fact that customer acknowledgements were being arranged owing to audit requirements, the same has been twisted during interpretation so as to create prejudice against him.
- h) As regards the purported suspect sales and purchase transactions referred to in the Interim Order, he was not aware of the names of the customers till auditors had brought it to his notice during Limited Review. He had no role in identifying customers and /or vendors and it was the responsibility of the sales and SCM teams.
- i) As regards the relation of the assessment of credit worthiness of some of the customers to whom credit was extended, as per the company policy, the Business Unit Head had full authority to grant credit to the customers. This policy was approved by the Policy and Process Committee (PPC) of the company, of which he was not a member. This was changed in Nov.2015 by shifting the authority to National Credit Head.
- j) No credit clearances used to come to him as it was the role and responsibility of the National Credit Controller, Shri Ajay Mishra, to clear any sales order based on the creditworthiness of the customers. Any request sent to him by Mr. Mishra was only for suggestions and not for getting clearances as Mr. Mishra had full authority to grant clearance or reject the order.

- k) As regards his wife's being a director in a company in which Amalendu Mukherjee's wife was also a director, this company never had any business with Ricoh. He or his wife have not derived any benefit by association with the said company. The PWC Report has targeted him on unfounded suspicion.
- l) As regards the personal favours being extended to him and his family, Ricoh has not suffered any loss due to such purported alleged favours to him.
- m) As regards PWC Report citing that payments were made to select parties for purchases despite amounts outstanding from them for sales made to them, payments were made by the Treasury team on the basis of the terms of the Purchase Orders issued to the vendors by SCM, which was not reporting to him. He had not signed any cheques/transfer remittances for any such vendor and they were paid in the normal course of business operations by respective authorized signatories. Further, the terms of sales and purchase can be different even for the same customer/vendor.
- n) As regards the provision for receivables, referred to in point 4 of the Interim Order, the Noticee draws attention to page 36 of the Directors Report in the Annual Report for year ended March 31, 2017 and submits that the company's systems are such that aging report was not available from the ERP and that the company has acknowledged in its Annual Report for FY ended March 31, 2017 that all aged trade receivables are collectible and has no basis to believe that all such receivables are not collectible. Further the company has not been able to reconcile its accounts with that of its significant number of customers, however, on its own, the company has made significant provisions, pending reconciliation in its books of accounts.
- o) As regards the observation of SEBI in point 4 of Interim Order summarizing the loss owing to non-recovery of debtors, non-existence of inventory, etc., the company's acknowledgements in the Directors Report in Annual Report for FY ended March 31, 2017 clearly indicate that the company wanted to reverse the provision for inventory made in the FY ended March 31, 2016 and take it as an income in the FY ended March 31, 2017, being less than 1% of purchases, however it had opted out of the same. Further, it also indicates that the provision for

inventory was only made on basis of an estimation when in fact there are still many unreconciled differences in quantitative reconciliation of inventories and the IT system cannot derive this information.

- p) As regards the summary of losses for Rs.683 crores for FY ended March 31, 2016, the submissions made on page 37 sub item 4(x) in the Directors Report for FY ended March 31, 2017 clearly indicate that the financial statement for FY ended March 31, 2016 were prepared and finalized merely based on assumptions and estimations and during the year ended March 2017, the amounts so identified during previous year significantly differ from those estimates, assumptions and judgments. Also, significant further assumptions are required to be made for getting the split between errors and change in estimate.
- q) The Directors Report in the Annual Report of the company for FY ended March 31, 2017 shows that the directors had fictitiously created unwanted and unnecessary provisions during the FY ended March 31, 2016 so as to show higher loss (based on pure estimates, assumption and accounting judgment, which now needs to be split between errors and change in estimates) and then reversed the same in the next year so as to report higher profits.
- r) The company had filed a petition with Hon'ble NCLT citing loss to the tune of Rs.1123 in July, 2016 thereby petitioning for a fund infusion from the parent company. However, the financial statements were finalized in Nov 2016 showing a loss of 1118 crores. These statements, as admitted by the directors, were prepared on the basis of estimates and assumptions, which now they have admitted may be due to errors and require change in estimates, the effect of which are being considered in the FY ended March 31, 2017 to show a higher profit. It seems that the directors had already finalized an amount to be shown as losses and then to work out the same loss figure, took their own time to make estimates and assumptions by creating provisions to match the losses as per the estimates finalized in July 2016, so as to get the required fund infusion, even before the financial results for the FY ended March 2016 were finalized.
- s) Even the statutory auditors in the Audit Report have mentioned that *"we have not been able to obtain sufficient appropriate audit evidence to provide a basis of an audit opinion."*

Accordingly, we do not express an opinion on the standalone financial statements.” Accordingly, there can be no reliance on financial statements and the reported loss of Rs.1123 crore remains only a figure, prepared on the basis of estimates and assumptions, which in the very next FY require split between errors and change in estimates.

- t) Any such instance of mis-statement was never brought to his notice by the internal audit team or Ricoh Asia Pacific (Regional) Audit Team, based in Singapore. He has already shared a copy of Internal Audit Compliance Report issued by Ricoh Asia Pacific (Regional) Audit Team to SEBI, which covered all aspects of financial controls for the period ended March 2015. The said report mentions that the company is in compliance of all the aspects of the internal financial and accounting controls of the company. He had also relied on such independent internal audit report. During his entire service, the Internal Audit Team has never reported to him.
- u) Regarding the whistleblower complaint, he had also received a mail from Mr. Sunil Kumar, Regional Credit Controller-North Region, which indicated that pressure was exerted on employees to while giving statements. Some of the whistleblowers have also been rewarded, even though they admitted to wrongdoings.
- v) As regards transfer of funds from FDSL to RNM IT Solutions where his spouse was a director, neither he nor his spouse was aware of any such transaction between FDSL and the said company. They have also not derived any benefit from the directorship.
- w) He was unfairly targeted by the management of the company and was not given a chance to defend himself. The PWC Report is biased and inconclusive and has targeted him without any supportive evidence.
- x) As per the letter of Mr. A.T. Rajan, ex-MD & CEO of Ricoh India, dated July 25, 2016 against a query by SEBI, in point 2 he has acknowledged that there has been no siphoning of funds from the company. There has also been no mention of siphoning of any funds in the PWC Report. This admission clears that there has been no mis-appropriation of funds and assets of the company.

- y) All possible efforts were being made to recover debts of the company and suitable directions were being given. However, the same has not been deliberately included in the PWC Report.
 - z) EOW, New Delhi, has discarded the complaint filed by Ricoh against the Noticee.
23. Shri Bibek Chowdhury vide his letter dated March 09, 2018 has submitted inter alia the following:
- a) He, while performing his part of duty, was responsible for preparation and release of two internal Audit Reports with regard to (1) Eastern Regional Unit pertaining to debt and inventory, petty cash and statutory compliance for April 2014 to Oct.2014 (for FY 2014-15) carried out by the Group which included him, during Nov 17, 2014 to Dec 10, 2014.; and (2) Production-Printing Business Unit (PP BU) pertaining only to Billing Management and Debt management for Apr 2015 to Aug 2015 (FY 2015-16) carried out by the Group, which included him, during Sept 09, 2015 to Sept 29, 2015. He has submitted a summary of the same.
 - b) As regards the summary of misstatements mentioned in para 2 (a) to (d) of the Interim Order, even if it is presumed that they are correct, the same talks about unjustified inflated revenue which is major control failure and before IIT and PWC highlighted this, he along with his team categorically mentioned this major failure in the Internal Audit Report.
 - c) He denies the authenticity and correctness of the said PWC Report.
 - d) He and his team brought to the knowledge of the company the misstatements for FYs 2014-15 and 2015-16 as they warned the management through Internal Audit Reports mentioned above. He has always brought to the knowledge of the management the failure of internal financial control, on the basis of which the external auditor as well as the investigation agency brought the said facts to the knowledge of SEBI.
 - e) As regards para 7 of the Interim Order, SEBI itself has admitted that neither PWC nor the statutory auditor (BSR) found and discovered any omission, mistake and error in the work / inspection carried out by the Operation Audit Group (OAG), including the applicant. On the other hand, both investigative agency and statutory

auditor relied upon the finding of the OAG Group. It is in the knowledge of SEBI that the Noticee was part of OAG Group and never a part of the management in any manner during Apr –Sept 2015.

- f) SEBI has given no reason/ground/facts for coming to the conclusion against the Noticee in para 7 of the Interim Order. SEBI's observation that the Noticee is prima facie responsible for facilitating the misstatements in the financial statements for 2015-16 is without any basis and against the principles of natural justice.
- g) The statutory duty is cast upon the members of the Audit Committee for conducting fair and proper internal audit. In the entire SCN, there is no whisper against any member of the Audit Committee who is always held liable for misstatements in financial results or failure of internal controls, as evident from Reg.18(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The members of the Audit Committee of the company for 2014-15 and 2015-16 remained the same.
- h) As regards para 8(f) of the Interim Order, the same is wrong and denied. It is wrongly stated that OAG was responsible for carrying out internal audit of the company. The statutory duty is cast upon the Audit Committee for conducting internal audit. In the whole statute, there is no provision for constituting OAG. The Noticee denies that OAG was headed by him during half-year ended Sept 30, 2015. He was only one of the members of OAG. Had he been appointed the Head of OAG, the appointment would have been given to him in writing. The Noticee has no knowledge about letter dated Feb 14, 2017. It is denied that the violation of the policies had not come to the knowledge of OAG, as it is OAG which pointed out the same to concerned authorities, including investigation team and Internal Auditor. OAG always pinpointed the error/mistakes/omissions to the management from time to time, and therefore, it is wrong to allege that the Noticee may have deliberately ignored to highlight the same during the internal audit of the company. SEBI's findings are without any basis.
- i) The finding of SEBI that the Noticee was elevated to the position of CFO after removing Arvind Singhal is without any basis as till date there is nothing on record to prove the same. No such letter of elevation has been received by him from the

company. The conclusion drawn by SEBI that the Noticee suppressed the alleged fraud and that he was promoted for the same is based on presumptions, conjectures and surmises by SEBI.

24. Shri A.T. Rajan, vide his letters dated March 06, 2018, June 06, 2018 and June 28, 2018 and during personal hearing on June 11, 2018 has submitted inter alia the following:

- a) The findings against him in the Interim order are denied as being without any basis, lacking merit and therefore entirely false.
- b) SEBI has conducted its investigation without calling upon the Noticee to furnish information and/or to defend himself against the allegations against him. Action has been taken against him without any notice of allegations or an opportunity to make statements in respect of the allegations, before the Investigating Authority.
- c) In the Interim Order, there is no mention whatsoever of his alleged role and involvement in any of the fraudulent transactions nor have any details been provided in this regard. There is no basis to findings against him.
- d) The prima facie findings against him have been made on the basis that he was one of the KMPs of the company during the period when the falsification of accounts took place i.e. FYs 2015-16 and the preceding FYs. However, the same is incorrect, since his role and responsibilities during these years did not fall within that of a KMP, as provided under the Companies Act, 2013. He was appointed as MD & CEO only on April 13, 2016.
- e) The Interim Order wrongfully mentions his role as the SCM & Marketing Head. He has never been the SCM head of Ricoh. As 'Senior Vice President and Corporate Strategy office', under the Strategy and Marketing Center' of the company during the FY 20-15-16, and as 'Chief Marketing Office & Chief Strategy Office' during the FY 2016-17, the following functions were reporting to him: Corporate Strategy Marketing, Corporate HR, Corporate SCM, Learning & Development and Corporate Social Responsibility. In addition, other projects such as Camera & Binoculars, JICA, etc. were also reporting to him. Out of all the aforesaid functions, it was only Corporate Strategic Marketing that was being managed by him directly, and all other functions were being managed

independently by individual Functional Heads. As the Center Head, his role was limited to strategic matters. The heads of each function were directly responsible for the day-to-day operations and control of their function.

- f) As the head of 'Strategy and Marketing Center' during the FYs 2014-15 and 2015-16, he was responsible for Corporate Strategic Marketing, and his role focused on Marketing Strategy i.e. products positioning, pricing, channel strategies and advertisements. He was not involved in the sales operations of the company, which was part of the 'Business Management Center.' Similar to other functions under him, his role in SCM was limited to supply chain strategy and overall performance. He was not involved in the day-to-day supply chain operation and administration.
- g) Ricoh's business and operation are broadly divided into two components: (1) Core segment/Non-ITS segment: (2) ITS Segment.
- h) The company was divided into various departments/functions, the employees of which were responsible for the specific roles/functions assigned to them. The various departments/functions of the company were grouped under the following three broad heads: (1) Business Management Centre (2) Strategy Marketing Centre & (3) Back Office Management Centre.
- i) All departments and Functions were independently managed by the Head of the Function / Department. The Centre heads had the responsibility to supervise, oversee and provide overall strategy and direction and monitor performance of the various functions/departments under them.
- j) Mr. Rajan was working with the company for the last 24 years and during his tenure in the Company was associated with various roles and responsibilities. Since FY 2012-13 Mr. Rajan was majorly associated with the Strategy and Marketing Centre. As per the Company's Organization Structure, Mr. Rajan held the following positions since FY 2012-13:

Financial Year Position in Company

- 2012-13: Chief Marketing Officer and Head of the Corporate Strategy Office.
- 2013-14: Chief Marketing Officer
- 2014-15: Chief Marketing Officer and the Chief Strategy Officer
- 2015-16: Senior Vice President and Chief Strategy Officer

- k) On 13.04.2016, Mr. Rajan was appointed as the Managing Director and CEO of the Company and thereafter retired from the said post on 31.03.2018. Mr. Rajan is currently unemployed.
- l) In his role as the Chief Marketing Officer and Chief Strategy Officer in FY 2014-15 and as Senior Vice President and Chief Strategy Officer in FY 2015-16, Mr. Rajan was directly responsible for preparing a Marketing Strategy for the products being sold by the Company, as head of the Corporate Strategic Marketing department. This function included product life cycle management, including inter alia positioning, pricing, channel strategies and advertising for the products. The function of actual sales of the products and/or the revenues accruing therefrom was not within the domain of Mr. Rajan's role in the Company.
- m) Mr. Rajan did not have any role or responsibility or actions in the day to day affairs of SCM, including but not limited, in relation to Receipt of Materials, Inventory Management, Material Dispatches, Warehouse Administration, Transporter Management, or Stock valuation. Mr. Rajan was never the head of SCM.
- n) Mr. Rajan had no involvement in the ITS segment of the Company's business, and the same was directly supervised by the head of ITS at the relevant time.
- o) As regards the unsupported out of books adjustments referred to in the Interim Order, the preparation of correct balance sheets of RIL was the prerogative of the financial team of the Company, and Mr. Rajan had no role to play in that behalf.
- p) As regards, inappropriate revenue recognition practices referred to in the Interim Order, the relevant email communications cited in the PWC Report, did not include Mr. Rajan.
- q) The role of SCM was limited only to making the supply of the products, the orders for which had been received by the sales department. The prerogative of billing the same solely lay with the finance team. Hence, billing the goods in order to enhance the revenue prior to the actual delivery or dispatch of the goods was solely the decision of the finance team and as such could not be made attributable to the SCM team.
- r) As regards revenue inflation through channel stuffing, none of the communications, decisions and mandates arising from the transactions with

Global Infonet were made by Mr. Rajan. He was not involved in the said transactions and resultantly was not aware of any purported arrangements made with Global Infonet.

- s) The SCM team was not involved in the process of revenue recognition for composite contracts. Mr. Rajan had no knowledge that the revenue from such contracts were being billed in a manner which was incorrect and/or did not reflect the true revenues accrued by the Company.
- t) Mr. Rajan was not aware of the said Suspect Transactions and was not involved in the communications with the involved parties (Select Parties). Due to lack of documentation, no knowledge of the Suspect Transactions existed with any other employees of the Company apart from the employees who were directly involved in the Suspect Transactions. Further, evidence/documents which were prepared later were also not marked to Mr. Rajan.
- u) Interim Order has caused him great hardship and prejudice.

25. Shri T. Takano, vide his letters dated June 06, 2018 and June 28, 2018 and during personal hearing on June 11, 2018 has submitted inter alia the following:

- a) Mr. Takano's name has been added to the present proceedings, without any prima facie documentary or other evidence to point out that Mr. Takano had any knowledge about such purported transactions, and consequently his involvement in the said purported transactions and/or the resultant misstatements in the books of accounts. Therefore, there is no basis whatsoever to continue the present proceedings against Mr. Takano.
- b) The entire premise to include Mr. Takano's name in the Interim Order-cum-Show Cause Notice is completely speculative, being solely based on the presumption that since Mr. Manoj Kumar, who was the MD and CEO for FY 2015-16 was held responsible for the alleged fraud, Mr. Takano being the MD and CEO in previous years would therefore also be responsible for the same alleged fraud. The said presumption is bereft of any merits and/or basis and is in fact totally speculative and imaginary.

- c) Mr. Takano was working with Ricoh Company Limited for the last 39 years. Mr. Takano was appointed as the Managing Director and CEO of the Company for the FY 2011-12, 2012-13, FY 2013-14 and FY 2014-15. On 01.04.2015, Mr. Takano was promoted as the Asia Pacific Head of Ricoh Company Limited, and accordingly he shifted to Singapore. Currently, Mr. Takano is not working in Ricoh Company Limited.
- d) In his function as the MD and CEO of the Company, Mr. Takano had the responsibility to oversee the aforementioned Business Management, Marketing and Strategy and Business Operations Management Centres of the Company. The designated heads of the said Centres reported to the MD and CEO, and provided information and updates regarding the functioning of Company. Thereafter, Mr. Takano reported to the Head of Ricoh Asia Pacific and represented the Company on behalf of the Company's various departments, including Sales, Customer Relations etc.
- e) In his position as MD and CEO, Mr. Takano was not involved in the actual sales, dispatch, and delivery of the goods sold by the Company and/or was not involved in the preparation of the books of accounts of the Company. While he was MD and CEO of RIL, Mr. Takano relied on the heads of the Centres to provide him with the information/updates regarding the functioning of the Company. Mr. Takano was not on the Audit Committee of the Company. The financial statements of the Company were prepared by the financial team of the Company and thereafter, circulated with the statutory auditors of the Company for their approval, and as such Mr. Takano's role in the preparation of books of accounts of the Company was extremely limited.
- f) During the period of investigation by PWC, Mr. Takano was a non-executive director of the Company and as such was not involved in the day to day activities of the Company. During the said period, Mr. Takano was based in Singapore and was not present in India, and therefore, had no opportunity to be apprised of the purported issues being faced in the Company.
- g) PWC Report does not raise even a prima facie suspicion of involvement of Mr. Takano in the purported fraudulent activities of the Company. In the detailed

investigation by PWC, no emails or communications were found which pointed out any involvement of Mr. Takano.

- h) The responsibility of preparing the financial statements which reflected the true and correct position of the Company lay solely on the financial team of the Company. Thereafter, the financial statements were examined by the statutory auditors of the Company and the version prepared thereafter, was the final version of the financial statements of the Company. For the said purpose, Mr. Takano solely relied on the representations made by the financial team of the Company and the information provided by the Company.
- i) The issues regarding out of book adjustments and revenue recognition were never pointed out to Mr. Takano, who was not involved in the nitty-gritty aspects of preparing the financial statements and by virtue of being the MD and the CEO was not a part of the audit committee. At the time that Mr. Takano was the MD and CEO, no complaints regarding any malpractices being adopted by the finance team were received by the Audit Committee or by Mr. Takano, and as such it was not possible for Mr. Takano to determine, if the correct accounting practices were being followed by the Company.
- j) The financial statements filed by the Company with the Registrar of Companies, was approved by the statutory auditors of the Company and no suspicion or doubts regarding the said financial statements were raised by the then statutory auditors of the Company. In view of the same, Mr. Takano was always under the bona fide impression that the financial statements of the Company were correctly prepared and reflected the true and correct position of the financial health of the Company.
- k) In his role as MD & CEO, Mr. Takano was not privy to the documents pertaining to the suspect transactions and was not in a position to review such minute details. No associations and connections with Mr. Takano in respect of suspect transactions were found by PWC.
- l) As regards the reason why the tenure of the PWC investigations and the consequent report was limited to the period from 01.04.2015 to 30.09.2015, since suspicions were raised by BSR for the said period (i.e. half year ending 30.09.2015)

which was reviewed by BSR as the statutory auditor of the Company, it was decided by the Audit Committee to conduct the forensic analysis only for that period.

- m) Immediately after PWC submitted its preliminary report on 20.04.2016 to the Audit Committee, which revealed that the books of accounts and financial statements of the Company for the quarters ended on 30.06.2015 and 30.09.2015, indeed did not reflect a true and fair view of the state of affairs of the Company, the company reported this to various authorities including SEBI.
- n) Additionally, the Company constituted an independent Internal Investigation Team ("IIT"), in order to review the full extent of the issues being faced by the Company and in preparing true and fair balance sheets of the Company as on 31.03.2016. The Company in its wisdom, determined it prudent to firstly concentrate on providing the true and fair balance sheet as on 31.03.2016, to regularize the financial reporting, and to resume business operations in the best interest of all stakeholders, and thereafter, investigate the balance sheets for the previous years, with the aid of, or under the guidance of, statutory authorities like SEBI. Since SEBI initiated the investigations, the Company did not seek any further investigations for the previous years at its end. Further, in January 2018, insolvency proceedings were initiated against the Company before the Hon'ble National Company Law Tribunal, Mumbai Bench ("NCLT"). By order dated 14.05.2018, insolvency proceedings were commenced against the Company and an IRP was appointed by the Hon'ble NCLT. Presently, the management of the Company is placed in the hands of the IRP and a moratorium has been imposed on the Company.
- o) The Company, at no stage had any intention of purposely curtailing the forensic audit of the financials of the Company to any particular period of time and could not expand the scope of forensic audit to previous years.
- p) The IIT report was prepared in order to provide a fair and true view of the balance sheets of the Company for the year ending on 31.03.2016. The very premise on the basis of which the IIT report was made, was that the resultant profit and loss account being prepared for 31.03.2016 would be an accumulation of losses that could relate to multiple periods. Hence, any allocation of the accumulated losses

to the previous financial years in the IIT report was an estimate, and not a conclusive statement and/or confirmation that there were any suspect transactions in the previous years, i.e. 2012-2015.

- q) The IIT did not attempt to conduct a detailed forensic audit on the financial statements of the Company. However, it solely attempted to produce a fair and true balance sheet of the Company as on 31.03.2016. The IIT was not in a position to reopen the financial statements of the previous years or to even revise the balance sheets of the previous years, and hence upon quantifying the losses suffered by the Company as on 31.03.2016, proposed to allocate the same upon previous years, on the basis of estimates.
- r) The IIT report relates solely to the financial year ending 31.03.2016 and the report does not extend back to the previous years. There is a requirement to conduct a detailed forensic investigation in order to establish whether any financial misstatements occurred in the previous financial years as well. Hence, any of the conclusions as mentioned in the IIT report are merely indicative.
- s) With respect to the company's letter dated 14.02.2017 to SEBI, it is clarified that the letter refers to the PWC Report and the IIT report. The letter refers to Appendix 7.2 of the IIT report. The intention of the Company to allocate the accumulated losses to previous years was only on the basis of an estimate done for accounting purposes and to come out with true and fair balance sheet of the Company for the financial year ending 31.03.2016. Thus, even in the letter, it is not stated, or even implied, that there is a confirmation or conclusion that the Company was able to identify suspect transactions in the previous years. If that had been the case, then the Company would have duly informed SEBI of the same, as was done for the financial year 2015-16.

26. Shri Amalendu Mukherjee vide his letters dated 15.02.2018, 08.05.2018, 24.05.2018, 18.06.2018 and 28.06.2018 and email dated 20.06.2018 has submitted inter alia the following:

- a) The allegations against him in the Interim Order are baseless and without merit.
- b) He has not been given an opportunity to present his case during investigation.

- c) He was never a part of the operations of Ricoh and so was never involved in any matter which formed part of the internal operations and management of that company.
- d) FDSL and Ricoh entered into a Ricoh IT Services Partner Program on 3rd February, 2015 (hereinafter referred to as "RITS Partner Program"). Thereafter, on the basis of the abovementioned Agreement, Ricoh had assigned the work to FDSL. FDSL had entered into more than 90 different contracts for different Projects of Government with Ricoh. The total value of all the different Projects is more than Rupees Twenty Four Hundred Crores. FDSL had duly provided its services to Ricoh in compliance of the terms of different contracts for different Projects of Government. FDSL has successfully completed most of the projects to the satisfaction of Ricoh.
- e) However, in the year 2016, disputes have arisen between FDSL and Ricoh. As such, it seems in order to put pressure upon FDSL, Ricoh approached SEBI vide letter dated 20.04.2016 on the basis of a report prepared by PWC.
- f) In order to put further pressure, Ricoh filed a false, frivolous, baseless, concocted and fictitious criminal complaint with Economic Offence Wing on 27.05.2016 against FDSL. The Economic Offence Wing did not find any merit in the complaint filed against FDSL and closed the case.
- g) As per the RITS partner agreement, a designated person was appointed as SPOC for all RITS partner for ease of co-ordination between Ricoh and its RITS partners. Ms. Smriti Pandey was that SPOC for the RITS partner, as her mobile **no.** and a mail id assigned to her was mentioned in the RITS agreement itself. Being a RH'S partner, he used to be in contact with the SPOC for all such orders, as per the agreement terms.
- h) FDSL and Redhex are two separate entities and do not have any common ownership. There has been no relationship between purchases made by Ricoh and Redhex or vice versa from FDSL. These are only normal business transactions.
- i) RNM IT Solutions Private Limited wanted to undertake a venture, which never took off and was a failure. As such, he and his wife resigned from the same. There was no direct or indirect benefit or payment received by either him or his wife.

RNM IT Solutions Private Limited did not have any transaction with Ricoh during their tenure.

- j) The transaction relating to tuition fees was a short term arrangement extended and has already been settled.
- k) As FDSL was a RITS partner, its teams had been in co-ordination with all the business and sales teams of Ricoh and not only with specific people mentioned in the PWC report. PWC has been very specific in picking and choosing only some of the interactions so that they are able to justify their report. Further, he had been communicating with all the senior management team, past and present, even during the FY 2016-17.
- l) As regards the domain id of Newcode and Rudra Enterprise, once he had sold the companies to the new directors, all credentials, user-id and password of domain were given by him to them. The same user-id had been used by them to create the further domain id's.
- m) He and his spouse were shareholder and director in Newcode since November 01 2013 to October 10, 2014 but he was never a partner in Rudra Enterprises. Mr. Bibekananda Mukherjee was a shareholder and director in Redhex till 27th March, 2015. Ricoh did not had any transaction with Redhex till such date. He is unaware of any transactions which had happened in the company after 27th March, 2015. Beside the above, he has never received any benefit of any kind from any of the said companies.
- n) He denies having any information relating to write off pertaining to FDSL's account by Ricoh since it relates only to the books of accounts of Ricoh to which he doesn't have any access to. Further, FDSL has been reconciling its accounts with Ricoh Accounts from time to time and never such entry has ever been presented before FDSL. Neither any payment of Rs. 268 crores has ever been made by Ricoh to FDSL. It is surprising to note that Ricoh on a unilateral basis has worked out an amount of Rs. 339.67 crores as receivable from FDSL, when in fact, FDSL has a claim of Rs.428 crores on Ricoh.
- o) All the payments from FDSL's account, referred to in the Interim Order, were made against normal business transactions. The said transactions did not have any

impact on the business of Ricoh. The allegation has failed to demonstrate as of to how mere normal business transactions have caused harm to Ricoh.

- p) He does not have any knowledge or have any control and access of the books of accounts of Ricoh. Neither he is aware of the accounting policy followed by Ricoh for making provisions and write offs. He was not a director or shareholder either in Redhex IT Solutions or Vedavaag Systems Limited, which are independent entities. No such amount of Rs. 268 crores was either presented or paid by Ricoh to FDSL. The account of FDSL was reconciled with Ricoh, during which also this amount was never shown in the accounts. It seems that Ricoh with a malafide intention made an entry of Rs. 268 Crores as Write-off in its books.
- q) Mr. Bibekanand was director of Redhex only till 27.03.2015 and thereafter he resigned from directorship of the company. The business relations of Redhex and FDSL with Ricoh India are independent. Vedavaag is a Hyderabad based company and a listed public company, having its own directors and management team and does not have any link, except business relations, with FDSL.
- r) The Directors of Ricoh in their Directors Report for the Annual Report for FY 2016-17 have mentioned that the accounts for FY 2015-16 were prepared on basis of assumptions and estimates. Further that during FY 2016-17 it was found that the amounts identified differ significantly from those estimates, assumptions and judgements and it is not possible to segregate without making significant further assumptions the split between errors and judgements. This acknowledgement by the directors itself indicates that the provisions and write offs made by the company during FY 2015-16 were full of errors and require significant changes. The statutory auditors have also denied giving an opinion on the financial statements and so no reliance can be placed on such financial statements, which are full of errors.
- s) Even after Ricoh had disclosed to BSE and SEBI the issue of mis-management in the company, it had business transactions with FDSL. The new senior management of the company had issued Purchase Orders worth more than Rs.1000 crores for various IT projects for which FDSL had done billing till end of March, 2017. Payments worth more than Rs. 250 crores were also issued to FDSL.

for such projects. It is highly contradicting that on the one hand Ricoh gets to prepare a report in April, 2016 that FDSL is involved in doing suspect business with Ricoh, however on the other side it is willing to do business with FDSL for more than Rs. 1000 crores, accepting invoices and making payments during the next whole financial year.

- t) The PWC Report has been prepared under the guidance and supervision of the management of Ricoh. The PWC Report is biased and prepared specifically targeting him. The Report has been prepared with an ulterior motive to harm him and FDSL.
- u) FDSL is in dire need of funds to meet its current obligations/ongoing demand of business and to expand its operation into new projects. As such, FDSL vide its Board Meeting dated 20th January, 2018, after getting in-principle approval from the National Stock Exchange of India Ltd (NSE Emerge) vide their letter dated 16th January, 2018 and shareholder approval dated 01st December, 2017, has allotted 6670000 of Share warrants to four (4) warrant holders. Vide that allotment the said warrant holders have invested an amount of Rs. 13,00,65,000/- (25% of the total consideration).
- v) Accordingly, after getting shareholder approval dated 09th April, 2018, FDSL vide its Board Meeting dated 09th March, 2018, has applied to NSE for "in-principle approval" for allotment of 7350000 Equity Shares to 2 proposed allottee and 10220000 convertible equity warrants to Nine (9) warrant holders on preferential basis. Vide that allotment, it is proposed to receive an amount of Rs.51,10,00,000/- (25% of the total consideration) and Rs. 1,47,00,00,000/- as total consideration from the potential equity holders. Further, as a result of allotment of securities, the shareholdings of the Promoter Shareholding will be reduced from 73.43% to 34.76%, as no allotment is made to promoter or promoter group.
- w) That as per the agreed terms of the allotment and as mandated under the SEBI (ICDR) Regulation No. 77 the tenure of the said warrants cannot exceed eighteen months from the date of their allotment. The existing warrant holders have shown their intention to exercise allotted warrants for conversion into equity. Various investors including FPI had shown its interest in subscribing to the Securities of

FDSL. FDSL has started to receive/is about to receive requests from the warrant holders to convert the said warrants into Equity.

- x) Upon conversion of the said allotted warrants or after the further allotment (whose application is pending with the NSE) the Paid up capital of FDSL will exceed to more than the 25 Crores. As per the Chapter X-A of ICDR Regulation No. 106 U (2) read with eligibility criteria for listing on NSE Emerge Platform, a listed issuer whose post-issue paid-up capital is likely to increase more than INR 25 Crore shall migrate to the main Board from the SME platform. As such, FDSL has already taken approval from its shareholders as per the Chapter X-A of ICDR regulation no 106U and already applied to NSE for migration to main Board on 13th April, 2018 and have also sought in-principle approval for allotment and listing of Securities. However, recently NSE had issued a Circular Ref No. 1/2018 dated 18th April, 2018, whereby even though the warrant holders are not related to Amalendu Mukherjee either directly or indirectly; the NSE is reluctant in allowing the Application filed by FDSL dated 13th April, 2018 for migration to main Board and also in giving in principle approval for allotment of the securities, in view of the interim order against Amalendu Mukherjee. The interim order is causing serious harm not only to the said warrant holders, who are completely unrelated but also to FDSL which is not a party in the ongoing proceedings.
- y) The interim order is prejudicing the right and interest of the existing Warrant holders of FDSL (FPI, Corporate and Individual), as they have already paid 25% amount against the warrants. The right and interest of FDSL is also prejudiced as NSE Circular Ref No. 1/2018 dated 18th April, 2018 can hold its migration to the main board resulting in loss of business and future growth.
- z) Due to the said Ex-parte interim order, FDSL has been facing many hardships, foremost being that NSE has withheld a permission to FDSL for issuing new equity shares, amounting to around Rs. 350 crores, to its new investors. The permission by NSE, if not received soon, will jeopardise FDSL's efforts to bring in fresh funds to revive the company, as investor will not wait for unlimited period of time. If FDSL does not receive immediate financial assistance, then it will be forced to shut down and all employees will be left without jobs. He is suffering

huge losses as his placement of share is not approved by NSE due to the Interim Order. As a result of the same, fate of his 2400 employees is not clear.

aa) Due to the interim order, he is unable to pledge his personal shares as security or to sell the same to get funding for FDSL to fulfil the financial needs of the company.

bb) The Noticee prays to SEBI issue an immediate direction to NSE to allow the migration of FDSL from SME to Main Board and to grant in-principle approval for conversion of existing warrants and allow the listing of Equity and convertible equity warrants whose in-principle application is pending with NSE. He further prays to SEBI to quash, vacate and withdraw the Ex-parte interim order qua him, as the same has severally impacted the financial planning of FDSL.

27. Apart from Shri Amalendu Mukherjee, FDSL vide emails dated 07.06.2018 and 25.06.2018 has also submitted its representations to SEBI requesting interim reliefs as sought by Shri Amalendu Mukherjee in his submissions.

CONSIDERATION & DIRECTIONS:

28. I have examined the facts of the case and the allegations against the Noticees, as mentioned in the Interim Order, and have considered the detailed submissions made by the Noticees in their defence, which have been taken on record. The prima facie findings recorded in the Interim Order as regards the alleged fraud pertaining to the misstatements in the financial statements of the company undoubtedly are serious in nature. I note that the facts of the case clearly point towards large-scale irregularities in the business transactions of the company and manipulations in its books of accounts amounting to fraud. However, the actual extent and time span of such irregularities and manipulations and the exact roles of the Noticees in such alleged fraud are still not fully ascertained. In the absence of any crystallised findings with regard to the individual roles of the Noticees, it would be premature to give credence to the submissions of the individual Noticees.
29. I note that the independent auditor / audit firm, appointed by the BSE for conducting a detailed forensic audit of the books of accounts of Ricoh for the financial year 2012-13

onwards, as per the directions in the Interim Order, is yet to submit its report to SEBI through BSE and a clear picture regarding the financial affairs of the company and the role of various Noticees in the alleged fraud is yet to emerge pending such investigation. Therefore, it would be prudent to keep all questions related to the role of the Noticees in the alleged fraudulent and manipulative activities open so that the investigations pending in the matter may not be prejudiced in any manner by this order. Consequently, I find it appropriate not to vacate the directions issued against the Noticees vide the Interim Order at this stage, in the interest of the investors and the integrity of the securities market.

30. I note that Shri Amalendu Mukherjee and FDSL have inter alia sought interim relief from the directions contained in the Interim Order on the ground that the directions are against Shri Amalendu Mukherjee and not against FDSL. However, I note that FDSL's name prominently figures in respect of the alleged fraud pertaining to the suspect transactions and manipulated books and accounts of Ricoh. Thus, in the larger interest of investors in the securities market, I do not deem it fit to grant any interim relief, as requested by Shri Amalendu Mukherjee and FDSL.
31. In view of the foregoing, I, in exercise of the powers conferred upon me under Sections 11, 11(4) and 11B of the SEBI Act, 1992 read with regulation 11 of PFUTP Regulations, hereby confirm the directions issued vide the ad interim ex-parte order dated February 12, 2018 read with order dated March 06, 2018 against the Noticees.
32. Vide the Interim Order, it was directed that Ricoh, its directors and the Noticees shall extend all necessary co-operation to the independent auditor / audit firm appointed by the BSE for conducting the above-mentioned detailed forensic audit and shall furnish all information / documents sought from them from time to time. However, it is understood from the various email communications exchanged between the BSE and M/s. C J S Nanda & Associates, the forensic auditor appointed by BSE, which are available on record, that Ricoh is not extending full co-operation to the forensic auditor in providing the documents, information and clarifications required by the auditor, in a timely manner. Taking a serious view of the same, it is hereby directed, once again, that Ricoh and its

directors shall extend all necessary co-operation to the forensic auditor in making available the required documents and clarifications, strictly within the timeframe specified therefor. Any failure to comply with the said direction on part of Ricoh and its directors may lead to drawing adverse inferences against them.

33. Further, considering the fact that the time period of six months from the date of Interim Order provided for submission of the forensic audit report has elapsed on August 11, 2018 and the forensic audit is yet to be concluded for want of requisite documents and clarifications from the company, I hereby extend the time for submission of the forensic audit report by the forensic auditor to SEBI through BSE to September 30, 2018. It is expected that all the parties involved in this exercise shall make all efforts for ensuring strict compliance with the said deadline.
34. This order shall remain in force till further directions.
35. Copy of this order shall be forwarded to the recognized stock exchanges and depositories and Ricoh for information and necessary action.

DATE: AUGUST 16, 2018

PLACE: MUMBAI

G. MAHALINGAM

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA