ACCEL FRONTLINE
GLOBAL IT SERVICES

ACCEL

AFL/SN/SE/ 044/2016
19/03/2016

The National Stock Exchange of India
Exchange Plaza
Bandra Kurla Complex
Bandra East
Mumbai 400051

The Bombay Stock Exchange Ltd.
P. J. Towers
Dalal Street
Mumbai 400001

Sub: Final Order from SEBI dated 18th March 2016 on Minimum Public Shareholding

Ref: letter no. AFL/SN/SE/016/2015-16 dated 17th August 2015 and AFL/BOARD/SE/001/2015-2016 dated 7th October 2015

We invite your kind attention to the aforementioned letters whereby we had informed you about the achievement of Compliance of Minimum Public Shareholding and further intimating to SEBI about the achievement of compliance with a request for revoking the earlier interim order dated July 22, 2015.

The Company was offered the opportunity of personal hearing on 13th January 2016 wherein the Company made the final submission to SEBI reiterating earlier submissions.

The Company has on 18th March 2016 received the final order from SEBI revoking the directions issued vide order dated July 22, 2015 against the Company, its directors, promoter and promoter group with immediate effect.

A copy of the SEBI order dated 18th March 2016 is enclosed for information and necessary action.

Thanking You

Yours faithfully
For Accel Frontline Ltd.

Sweena Nair
Company Secretary
Encl : a/a

WTM/PS/192/CFD/MAR/2015

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTIONS 11(1), 11(2)(j), 11(4) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH SECTION 12A OF THE SECURITIES CONTRACTS (REGULATION) ACT, 1956

In the matter of non-compliance with the minimum public shareholding norms

In respect of Accel Frontline Limited

Date of personal hearing: January 13, 2016

Appearance:

For the noticees: Mr. N. R. Panicker, Chairman, Accel Limited (promoter), Mr. Malcolm F. Mehta, Executive Director of Accel Frontline Limited and representing CAC Holdings Corporation (promoter), Mr. Neelakantan R., CFO, Accel Frontline Limited, Ms. Sweena Nair, Company Secretary, Accel Frontline Limited and Mr. Rajan Satija, VP & Head-Private Equity and Capital Markets, Meghraj Capital Advisors private Limited (Merchant Banker).

For SEBI: Mr. Pradeep Ramakrishnan, Deputy General Manager and Mr. T. Vinay Rajneesh, Assistant General Manager

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1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") had passed an interim Order dated **July 22, 2015** (hereinafter referred to as "**the interim order** ") with respect to **Accel Frontline Limited** ("the **Company**"), its promoters and directors as the said company failed to comply with the Minimum Public Shareholding ("**MPS**") norms as stipulated under rules 19(2)(b) and 19A of the Securities Contracts (Regulation) Rules, 1957 (hereinafter referred to as "**SCRR**") within the due date i.e., March 02, 2015. The interim order was passed without prejudice to the right of SEBI to take any other action, against the non-compliant companies, their promoters and/or directors or issuing such directions in accordance with law. The interim order was to be treated as a show cause notice by those companies for action contemplated in paragraph 10 thereof.

2. In response, the Company, vide letter dated July 31, 2015, submitted that one of the members of its promoter group, namely, Accel Limited, would be selling 0.29% excess stake through an Offer for Sale)"OFS"). Thereafter, vide letter dated August 17, 2015, the Company *inter alia* stated that its promoter group had undertaken another OFS on August 12, 2015 on the Bombay Stock Exchange Limited ("BSE") to divest the excess holding of 87,574 (0.29%) equity shares held by the promoters. The Company further stated that its promoter, Accel Limited had offered the said shares in the OFS, wherein 21,894 shares were sold in the Retail Category and 65,680 shares were sold in the Non-retail category. According to the Company, it became MPS compliant pursuant to the said OFS. The Company further stated that it made necessary disclosures to the stock exchanges and also filed the revised shareholding pattern.

3. The Company requested SEBI to condone the lapse in complying with the MPS requirements as the same had occurred despite diligent efforts made by its promoter group to divest the excess shares. The Company further requested SEBI to revoke the interim order as the promoter group always had the *bonafide* intention to comply with applicable laws. The Company requested for an opportunity of personal hearing in case further clarification was required in the matter.

4. An opportunity of personal hearing was afforded on January 13, 2016, when Mr. N. R. Panicker, Chairman, Accel Limited (promoter), Mr. Malcolm F. Mehta, Executive Director of Accel Frontline Limited and representing CAC Holdings Corporation (promoter), Mr. Neelakantan R., CFO, Accel Frontline Limited, Ms. Sweena Nair, Company Secretary, Accel Frontline Limited and Mr. Rajan Satija, VP & Head-Private Equity and Capital Markets, Meghraj Capital Advisors private Limited (Merchant Banker) appeared. The representative filed their submissions dated January 13, 2016, which had reiterated their earlier submissions. The following submissions were *inter alia* made in the aforesaid submissions:

(a) Pursuant to the OFS done on August 12, 2015, the Company became compliant with the MPS norms.

(b) The Company and promoter group had a bonafide intention to comply with the applicable laws, but were not able to meet the MPS norms within the stipulated time period despite genuine efforts. The delay caused in selling excess equity shares was unintentional and without any prejudice to any of the shareholders of the Company. No loss or damage was caused to the minority shareholders of the Company as the remaining excess equity shares are a fraction of the Company's equity capital.

(c) The promoter group has been consistently working for the growth of the Company. It was the immediate actions of the promoter group, post the open offer, which helped the Company recover from a stressed situation.

(d) The noticees requested SEBI to condone the delay and also requested SEBI to drop the adjudication proceedings.

5. I have considered the interim order, the submissions made by the Company and the material available on record. I note that in the present case, the shareholding of the promoter group increased to 89.02% pursuant to acquisition of a majority stake and an open offer (*which was completed on March 03, 2014*) triggered by such acquisition by CAC Corporation (*one of the promoters of the Company*). The relevant portion of the interim order is reproduced herein below for reference:

"4. .....

a) During December 2013, one of the Company's promoter, CAC Corporation, Japan, had acquired a majority stake in the Company and triggered an open offer under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("the Takeover Regulations"). Pursuant to the completion of the open offer on March 03, 2014, the total promoters' shareholding increased to 89.02% (with public shareholding at 10.98%).

b) In order to comply with the minimum public shareholding norms (which mandate that the public shareholding in a listed public company should be at a minimum of 25%), the Company, vide letter dated October 30, 2014, sought approval from SEBI to allow its promoter group to offer for sale 41,72,547 equity shares aggregating to 14.02% of its equity share capital by way of a proposed Institutional Placement Programme ("IPP").

c) SEBI had approved such proposal and conveyed the same to the Company/its promoters. However, the Company did not adopt the aforesaid method to comply with the MPS requirement.

d) Thereafter, the promoter group of the Company decided to meet the minimum public shareholding norms by undertaking an Offer for Sale ("OFS") through the stock exchange mechanism and had undertook OFS as per details below:

S. No.	Sellers in the OFS	Date of OFS	Exchange	Shares offered	Shares sold
1	Accel Limited (AL) and Mr. Panicker	27.01.2015	NSE	38,88,497	5,54,343
2	AL and CAC Holdings Corporation (CAC)	12.02.2015	NSE, BSE	36,18,204	28,34,186
3	AL	27.02.2015	NSE, BSE	7,84,018	6,96,444

e) Pursuant to the above three OFS, the promoter group of the Company holds 2,24,08,978 shares (i.e., 75.29%) equity shares in the Company. The promoter group therefore holds 0.29% equity shares in excess which has to be divested in order to comply with the Minimum Public Shareholding norms.

5. From the above facts, it can be noticed that the public shareholding in the Company fell below the mandatory minimum of 25% on March 03, 2014. In terms of the rule 19A(2) of the SCRR, the Company had to bring the public shareholding to twenty five per cent within a maximum period of twelve months from the date of such fall in the manner specified by SEBI. The due date for achieving compliance with the MPS requirement was therefore on or before March 02, 2015. Though, it is seen that the public shareholding in the Company is less than the minimum stipulated level of 25% by only 0.29%, it is to be noted that the Company is non-compliant with the MPS norms."

6. The Company has represented that it has now complied with the MPS norms by selling 0.29% excess promoter holding in the OFS undertaken on August 12, 2015. As per the shareholding pattern available in the BSE website as on August 14, 2015, the promoter group holds 75% and the public shareholders hold 25%, which is the minimum requirement of public shareholding stipulated under rule 19A of the SCRR. I have also perused the Disclosure made by **Accel Limited** (*promoter who offered shares for sale under OFS*) under regulation 29(2) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, wherein the entity has stated that it sold 87,574 shares (0.29%) in the OFS through the stock exchange mechanism and pursuant to the same, its shareholding was 14.38% (against 14.68% pre-OFS). The Company has therefore complied with the MPS requirements as on August 12, 2015.

7. From the foregoing, it therefore becomes an admitted position that the Company offloaded the excess 0.29% promoters' stake on August 12, 2015 and thereby delayed in complying with the MPS norms. However, I also note that the promoters of the Company had undertaken three offers for sale and had offloaded a substantial quantity (*around 98%; 40,84,973 shares offloaded against the required 41,72,547 shares*) towards compliance before the due date of March 02, 2015. Only a miniscule percentage of 0.29% was remaining to be off-loaded and the same was also sold in the OFS on August 12, 2015. Therefore, considering the facts and circumstances of the case, I hereby warn the Company and advise it and its promoters and directors to ensure compliance with all the applicable laws and regulations administered by SEBI, in letter and spirit.

8. With the above observations, I, in exercise of the powers conferred upon me under section 19 of the Securities and Exchange Board of India Act, 1992 read with sections 11(1), 11(2)(j), 11(4) and 11B thereof and section 12A of the Securities Contracts (Regulation) Act, 1956, hereby revoke the directions issued vide the interim order dated July 22, 2015 against the company, **Accel Frontline Limited**, its directors, promoters and promoter group, with immediate effect.

9. Copy of this Order shall be served on the stock exchanges and depositories for their information and necessary action.

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA

Date: March 18th, 2016
Place: Mumbai