

SECURITIES AND EXCHANGE BOARD OF INDIA
INTERIM 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

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- Securities and Exchange Board of India (SEBI) received a letter dated April 20, 2016 from Ricoh India Limited (Rico / the company), a public listed company, wherein Rico, 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 SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 (PFUTP Regulations) pertaining to the said incorrect financial statements of Rico. 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.

2. In response to Ricoh's letter, SEBI sought various information and documents from Ricoh and also advised it to submit a copy of the final report of the forensic review of the books and records by PwC by November 15, 2016. Ricoh vide letter dated November 29, 2016 submitted a copy of the final report dated November 17, 2016 of the forensic review by PwC. The review 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.
3. Various instances indicating misstatements in the books of accounts of Ricoh, as provided in the PwC Report, are 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 has 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 appear 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

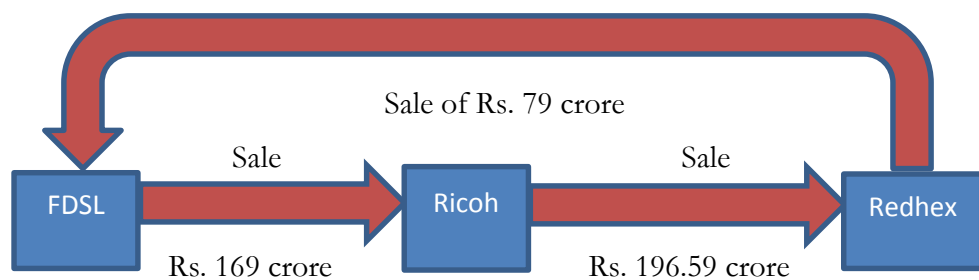
authorized distributor of Ricoh, such as dumping of materials in excess of its sales capability and extension of special credit terms.

- 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 raise significant doubts regarding the genuineness of the revenues of Rs. 590.8 crore recorded during the half-year. The analysis of the suspect transactions indicates 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 appears 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 seem to 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 appear 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 appears that Ricoh earned a margin of 18% from these suspect transactions, in reality it appears that Ricoh may 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 is 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 has noted that it has 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 indicates that substantial portion of sales by Redhex has originated from FDSL, part of which appears to have been sold back to FDSL, thereby indicating that these transactions are likely to be circuitous in nature, as depicted below:



- 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. It may be noted that 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 ID 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.
4. 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

5. 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 are 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)

6. 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 has more or less moved in tandem with the figures of revenue and net profit disclosed in its past results. It is thus clear that shareholders have relied on the misstated results published by the Company to base their investment decisions and as a result lost significant wealth.

7. 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 has 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	<ul style="list-style-type: none"> MD & CEO for FY 2012-13, FY 2013-14 & FY 2014-15
2.	Manoj Kumar	<ul style="list-style-type: none"> CFO in 2012-13 & FY 2013-14 EVP & CEO in FY 2014-15 MD & CEO in FY 2015-16
3.	A. T. Rajan	<ul style="list-style-type: none"> SCM & Marketing Head for FY 2014-15 & FY 2015-16
4.	Arvind Singhal	<ul style="list-style-type: none"> CFO for FY 2014-15 & FY 2015-16
5.	Anil Saini	<ul style="list-style-type: none"> ITS business head for FY 2013-14 & FY 2014-15 SVP & COO for FY 2015-16
6.	Bibek Chowdhury	<ul style="list-style-type: none"> Operations Audit Group (Internal Audit) Head for FY 2015-16

8. The role 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 is noted that T. Takano was the MD & CEO of the Company till March 31, 2015. It is 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 is only logical that T. Takano as the previous MD & CEO (during whose tenure the fraud actually started) was also responsible for the misstatements. It appears 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 has 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 is unlikely that such misappropriation of goods could have happened without the involvement of the SCM & Marketing Head, A. T. Rajan. This raises 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 has promoted him to the position of MD & CEO.

- f) Bibek Chowdhury - It may be noted that 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, has 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 appears that Bibek Chowdhury may have been aware of the fraud in the Company and may 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 raises suspicion on the intent of the Company to improve its internal controls.
9. 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 is Rs. 339.67 crore. To examine further, the details of purchase/ sale and payment/ receipt transactions were sought from Ricoh. The information received from Ricoh is summarised below:

Table-5

Financial year	Purchases (Rs. in cr)	Sales (Rs. in cr)
FY 2012-13	8.94	16.52
FY 2013-14	74.05	64.54
FY 2014-15	448.78	108.87
FY 2015-16	627.46	211.04
FY 2016-17	251.24	(16.51)
Total	1,410.47	384.46

10. Based on the above information, Ricoh should have an amount payable of Rs. 1,410.47 crore as purchase consideration to FDSL and a receivable amount of Rs. 384.46 crore as sales receipts from FDSL over the years. A summary of the fund flows vis-à-vis Ricoh's purchase /sale transactions with FDSL from FY 2012 to FY 2017 is tabulated below:

Table-6

Transactions with FDSL (FY 2012-17)	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)

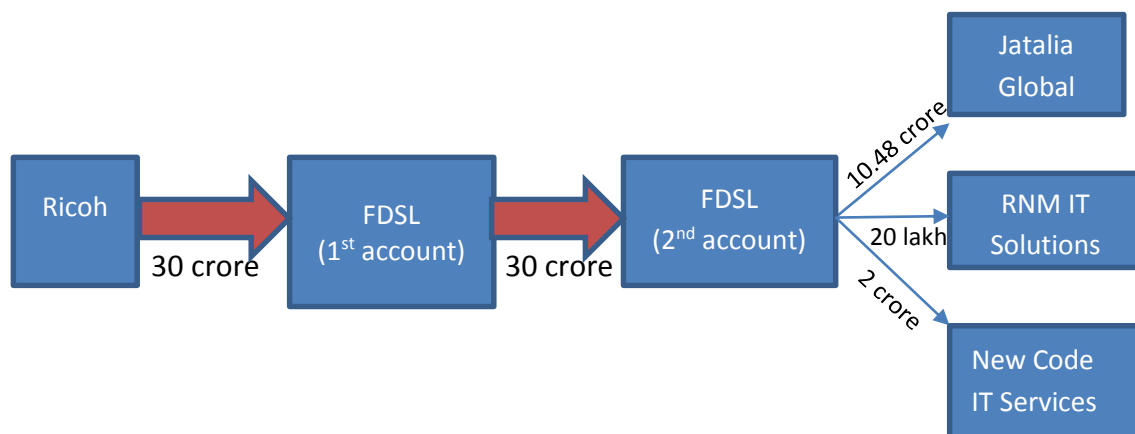
11. The aforesaid receivable amount of Rs.337.97 crore, derived on the basis of purchase/sales and payments/ receipts, approximately equals the amount receivable from FDSL as shown in the books of Ricoh i.e. Rs. 339.67 crore. However, it is observed from the Limited Review Report of Ricoh for the quarter 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.
12. In order to further examine the matter, bank account details of FDSL were sought from Ricoh. The following bank accounts of FDSL were used to transact with Ricoh:

Table-7

Sr. No.	Bank Name	FDSL Bank Account Number
1	Axis Bank A/c	913020027032566
2	Axis Bank A/c	915020003430423
3	Axis Bank A/c	911020033140749
4	HDFC Bank A/c	02727630000258
5	HDFC Bank A/c	50200006403716
6	Kotak Mahindra Bank A/c	4011400132
7	Citi Bank A/c	0037250228
8	Yes Bank A/c	026484900000104

13. The bank statements of the aforesaid 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, in one of the transactions, the following trail of fund flow was observed:



- b) The above chart is depicted in greater detail in tabular form as under:

Table-8

Date	Amount (Rs.)	Transferred from	Transferred to
19/12/2015	30,00,00,000	Ricoh	913020027032566 – FDSL
19/12/2015	30,00,00,000	913020027032566 – FDSL	915020003430423 – FDSL
19/12/2015	10,47,54,117	915020003430423 – FDSL	Jatalia Global
19/12/2015	19,82,388	915020003430423 – FDSL	RNM IT Solutions
21/12/2015	1,00,00,000	915020003430423 – FDSL	New Code IT Services
22/12/2015	1,00,00,000	915020003430423 – FDSL	New Code IT Services

- c) From the aforesaid transactions, it is noted that the funds have 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).
- d) On examining the bank accounts of FDSL, it was observed that multiple transactions were carried out with RNM IT Solutions, the details of which are given below:

Table-9

Date	FDSL Account - Bank	Amount sent / (received)
07/10/2014	913020027032566 – Axis Bank	1,50,00,000
18/10/2014	02727630000258 – HDFC Bank	(22,00,000)
21/01/2015	50200006403716 – HDFC Bank	5,00,000
28/01/2015	50200006403716 – HDFC Bank	50,00,000
09/04/2015	4011400132 – Kotak Mahindra Bank	4,00,00,000
19/12/2015	915020003430423 – Axis Bank	19,82,388
Total amount transferred to RNM IT Solutions		6,02,82,388

- e) The net transfers from FDSL to RNM IT Solutions between FY 2014-15 and FY 2015-16 are found to be to the tune of Rs. 6.03 crore. This indicates 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-10

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 appears that the name of Vedavaag was used as a front and the ultimate beneficiary of the transactions was actually Mr. Amalendu Mukherjee. It is 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 appears that the six KMPs of Ricoh, mentioned in the Table-4 under para 7 above, have 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* appears 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 appears to have adversely affected the interests of shareholders of Ricoh and has benefitted the entities controlled by him from write-offs by Ricoh. Amalendu Mukherjee has, 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. It is observed by SEBI that Ricoh has been making losses even after the books of accounts have been adjusted for the fraud. It is noted that pursuant to approval of National Company Law Tribunal, Ricoh Company Limited, the Japan based promoter of Ricoh, has injected Rs.1,123 crore into the company on October 15, 2016 without diluting the shareholding of the minority shareholders of Ricoh. However, Ricoh has made loss of Rs. 326.52 crore in FY 2016-17 and Rs. 73.75 crore for quarter ended 30th June, 2017.

19. Disclosure was made by Ricoh on BSE on October 30, 2017, stating that Ricoh Company Ltd, Japan ('RicoH Japan'), promoter of Ricoh, has announced that it will not provide any additional financial support to Ricoh going forward. Ricoh Japan had made an announcement on October 27, 2017 stating that *"RicoH (Japan) decided to change our assistance policy for our consolidated subsidiary, Ricoh India Limited. Until now, we have offered various forms of support to rebuild Ricoh India. However, in continued deficit, Ricoh India's relationship with its major vendor deteriorated, so we have reevaluated the restructuring plan and our support for Ricoh India. As a result, under the current circumstances, Ricoh have made the decision not to provide any additional financial support going forward, in order to minimize the consolidated losses of the Ricoh Group. Ricoh anticipated losses arising from changing in the restructuring support for Ricoh India of 30 billion yen."*
20. Further, on November 2, 2017, Ricoh Japan disclosed that some banks located in Japan have issued a standby Letter of Credit (L/C) to underwrite the debt of its local subsidiary, Ricoh India Ltd. for local banks. These banks in Japan have the right to request compensation from Ricoh Japan, if the request is made by local banks in India. A day before the instant announcement, one of the local banks called on the standby L/C and correspondingly the bank in Japan has requested compensation from Ricoh Japan. Consequently, Ricoh Japan recognised the possibility of increasing losses related to this loan guarantee, thus allocating 23.1 billion yen, which is the full amount of the standby L/C, in extraordinary losses in its non-consolidated financial results. As Ricoh Japan intends to claim the total amount from Ricoh India, the record of the allocation of the amount will be changed from reserves for guaranteed losses to an allowance for doubtful accounts.
21. From the disclosures made by Ricoh on BSE, it is observed that all the independent directors have resigned from the board of Ricoh India Limited with effect from November 9, 2017. Further, the internal auditor of Ricoh has also resigned on November 23, 2017 and the Chief Financial Officer of the Company has resigned with effect from December 27, 2017. Currently, there are no independent directors on the Board. Ricoh has further made a disclosure on January 29, 2018 on BSE stating that it has come to a position where it is unable to meet its liabilities.

22. From the above, it can be seen that Ricoh's financial health has been deteriorating and even after the infusion of funds by its promoters, the company has neither been able to become profitable, nor is able to meet its financial liabilities. Also, Ricoh Japan has disclosed the possibility of additional losses from Ricoh India. Therefore, it is quite possible that the fraud is yet to be unravelled and that it may run deeper than ascertained in the IIT Report / PwC Report. Moreover, the exact amount of fraud has not been ascertained and the period of forensic audit conducted by PwC was limited only to six months which was insufficient as the fraud had started long before the period of audit.
23. There is an urgent need for SEBI to intervene and take steps for determining the full extent of fraud by conducting a detailed forensic audit of the Company, covering the years when the fraud is suspected to have started and if required, even beyond that, to protect the interest of the public shareholders as there are no independent directors on the Board and the parent company seems to have withdrawn support.
24. Further, as mentioned in above paragraphs, the conduct of the above-mentioned six KMPs of Ricoh and Shri Amalendu Mukherjee, *prima facie* appears to be fraudulent and unfair in nature. In the circumstances, I am of the view that there is an immediate need to pass suitable directions by SEBI in the matter so as to safeguard the integrity of market and protect the interests of the investors.

DIRECTIONS

25. 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 issue the following directions:
- 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, are 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. SEBI shall appoint an independent audit firm for conducting a detailed forensic audit of the books of accounts of Ricoh for the financial year 2012-13 onwards till date, the cost of which shall be borne by Ricoh.
 - iii. Ricoh, its directors and the above named Noticees shall extend all necessary co-operation to the independent audit firm so appointed under para 25 (ii) of this order and shall furnish all information/documents sought from them from time to time.
 - iv. The independent audit firm so appointed by SEBI under para 25 (ii) above shall submit a report to SEBI within three months from the date of its appointment.
26. The preliminary findings contained in above paragraphs of this Order are made on the basis of information submitted by the company and the investigation carried out by SEBI. The above named Noticees are hereby called upon to show cause 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.
27. The above named Noticees may, within 21 days from the date of receipt of this interim order -cum- show cause notice, file their respective replies. In the event the Noticees intend to avail an opportunity of personal hearing, they may indicate the same in their replies.
28. The above directions shall come into force with immediate effect and shall remain in force till further directions.
29. This Order is without prejudice to any other action that SEBI may initiate under securities laws, as deemed appropriate.

30. Copy of this Order shall be forwarded to the recognized stock exchanges and depositories for information and necessary action.

DATE: FEBRUARY 12, 2018

PLACE: MUMBAI

G. MAHALINGAM

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA