THE SECURITIES AND EXCHANGE BOARD OF INDIA

INTERIM ORDER CUM SHOW CAUSE NOTICE

Under Sections 11(1), 11(4), 11(4A), 11B (1) and 11B (2) of the Securities and Exchange Board of India Act, 1992 read with Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995

In respect of:

Sr. no.	Name of the Noticee(s)	PAN
1.	**Securekloud Technologies Ltd (Formerly known as 8K Miles Software Services Ltd)***	**AABCP6266D**
2.	**Mr. Suresh Venkatachari**	**ATNPS3289H**
3.	**Mr. R. S. Ramani**	**AHVPR9966J**
4.	**Mr. Gurumurthi Jayaraman**	**AADPJ1767C**

(The aforesaid entities are hereinafter individually referred to by their respective names/Noticee no. and collectively as "Noticees", unless the context specifies otherwise)

** The company changed its name from 8K Miles Software Services Ltd to Securekloud Technologies Ltd w.e.f. January 01, 2021.*

In the matter of Securekloud Technologies Limited

Background:

1. Pursuant to receipt of certain complaints alleging *inter alia* financial mis-reporting/irregularities by promoters and management of Securekloud Technologies Ltd (hereinafter referred to as "**STL/the Company/Noticee no.1/Securekloud**"), a public listed company, and the resignation of the Company's statutory auditor, viz. Deloitte Haskins and Sells ("**Deloitte**"), citing various corporate governance issues including fraud relating to irregularities and inconsistencies in financial statements and books of accounts of the Company, Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") initiated an investigation in the affairs of the Company for the period covering financial years from 2017-18 to 2020-21. The focus of the said investigation was broadly to investigate into the manner of alleged misstatement in the books of accounts

of STL, so as to ascertain if any provision of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the "**SEBI Act, 1992"**), Securities Contracts (Regulation) Act, 1956 (hereinafter referred to as the "**SCRA**"), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**LODR Regulations/SEBI (LODR) Regulations, 2015**", SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 ("**SEBI** (**PFUTP) Regulations**") etc., had been violated.

General Information about the *Company*

2. The Company was incorporated on 26th May 1993, having its registered office at No.37 & 38, ASV Ramana Towers, 5th Floor, Venkat Narayana Road, T.Nagar Chennai, Tamil Nadu 600 017 India. Authorised share capital of the Company is INR 30 crores and paid up share capital is INR 15.84 crores. The previous names of the Company were PM Strips Ltd and 8K Miles Software Services Ltd respectively. The Company is engaged in providing cloud based services with a combination of products, frameworks and services, designed to solve problems around Blockchain, Cloud, Enterprise Security, Decision Engineering and Managed Services. The shares of the Company are listed on National Stock Exchange of India Limited (NSE) and BSE Limited (BSE).

3. From Annual reports of the Company for FY 18 to FY 21, the following companies were identified as disclosed subsidiaries/step down subsidiaries of the Company during the investigation period:

Table no. 1

Name of Company	Relationship with STL	% of shareholding of Securekloud in company
8K Miles Software Services Inc - USA (Now known as Securekloud Technologies Inc)	Subsidiary	63.38% (2017-18) 64.42% (2018-19 and 2019-20) 65.07% (2020-21)
8K Miles Software Services (FZE) UAE	Subsidiary	100% (2017-18, 2018-19 and 2019-20)*
8K Miles Health Cloud Inc – USA (Now known as Blockedge Technologies Inc)	Subsidiary	100.00% (2017-18 to 2020-21)
Mentor Minds Solutions and Services Inc - USA	Subsidiary	100.00% (2017-18 to 2020-21)
Mentor Minds Solutions and Services Pvt Ltd	Subsidiary	100.00% (2017-18)**
Healthcare Triangle Pvt Ltd	Subsidiary	100.00% (2019-20 and 2020-21)***

* The subsidiary was closed on February 29, 2020.
** Till February 28, 2018.
*** Incorporated on January 14, 2020

Table no. 2

Name of Company	Holding Company	Relationship with STL	% of shareholding of Holding Company
Nexage Technologies Inc USA	8K Miles Software Services Inc - USA (Now known as Securekloud Technologies Inc)	Step Down Subsidiary	100.00%
Cornerstone Advisors Inc USA*		Step Down Subsidiary	100.00%
Healthcare Triangle Inc USA**		Step Down Subsidiary	85.00%
Serj Solutions Inc USA	8K Miles Health Cloud Inc – USA (Now known as Blockedge Technologies Inc	Step Down Subsidiary	100.00%

* Merged with Healthcare Triangle Inc USA on May 08, 2020
** Incorporated on October 29, 2019 and listed on US NASDAQ since October 2021.

4. The shareholding pattern of STL, as noted from the website of BSE, is as follows:

Table no. 3

Particulars (%)	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
Promoter Holding	60.14	60.14	59.63	57.40	57.40	48.94	38.20	38.20
Non Promoter Holding	39.86	39.86	40.37	42.60	42.60	51.06	61.80	61.80
Total share capital	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Table no. 4

Particulars (%)	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Promoter Holding	38.20	38.16	38.16	38.16	38.16	38.16	38.16	38.16
Non Promoter Holding	61.80	61.84	61.84	61.84	61.84	61.84	61.84	61.84
Total share capital	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Table no. 5

Sl. No.	Name of the Promoter & Promoter group	As on March 31, 2017	As on March 31, 2018	As on March 31, 2019	As on March 31, 2020	As on March 31, 2021
1	Mr. Suresh Venkatachari	55.80%	55.80%	36.64%	36.64%	36.64%
2	Mr. R S Ramani	7.07%	1.56%	1.52%	1.52%	1.52%
3	Mr. M V Bhaskar	0.54%	0.04%	0.04%	0.00%	0.00%
Total		**63.41%**	**57.40%**	**38.20%**	**38.16%**	**38.16%**

5. From the shareholding pattern, it was noted that Suresh Venkatachari (Suresh/*Noticee no. 2*) and R S Ramani (Ramani/*Noticee no. 3*) were the major promoters of STL (*Noticee no. 1*) during the relevant period holding 63.41% of its shares at the beginning of investigation period which reduced to 38.16% as on March 31, 2021.

6. The total assets of the Company on consolidated basis, which were Rs. 997.99 Crore in FY 19, suddenly fell to Rs. 239.25 Crore in FY 20. Similarly, total income of the Company (consolidated) drastically fell from Rs. 850.39 Crore in FY 19 to Rs. 386.43 Crore in FY 20. The figures for various FYs are provided in the Table nos. 6 and 7 below:

Table no. 6

(INR in crore)

Particulars (Annual Consolidated)	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21
Total Income	529.23	857.69	850.39	386.43	349.61
Profit before Tax	170.55	265.97	96.43	-671.72	1.53
Net Profit/(Loss)	129.19	205.41	79.82	-674.51	1.18
Total Assets/Liabilities	509.19	818.86	997.99	239.25	267.67
Cash Flow From Operations	71.73	125.10	184.06	68.78	5.29

(Source: Annual Reports of Securekloud)

Table no. 7

(INR in crore)

Particulars (Annual Standalone)	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21
Total Income	37.54	54.16	63.81	45.49	40.18
Profit before Tax	3.43	7.21	13.63	-5.14	0.25
Net Profit/(Loss)	1.63	4.88	9.73	-5.25	-0.04
Total Assets/Liabilities	116.75	166.02	196.11	172.51	173.97
Cash Flow From Operations	3.76	-9.30	-2.81	8.90	26.75

(Source: Annual Reports of Securekloud)

Fraud Report filed by Deloitte:

7. On November 18, 2019, a corporate announcement was made by STL wherein it was informed that its statutory auditor, Deloitte, has resigned w.e.f November 15, 2019. Deloitte, in their letter dated November 07, 2019, addressed to the Board of Directors of STL, stated that *"Considering the significance and gravity of the matters, including, inter alia, the concerns relating to revenue recognition, management override of controls, the material weakness noted in the Company's internal financial controls over financial reporting, the management imposed scope limitation on the audit of subsidiaries and providing other information, the non-receipt of the forensic investigation report, etc. as reported by us in our Audit Reports containing a disclaimer of opinion on the standalone and consolidated financial statements of the Company for the year ended 31 March 2019."*

8. Prior to their resignation, Deloitte had also filed a report under Section 143 (12) of Companies Act, 2013 to Ministry of Corporate Affairs (MCA) on September 13, 2019. A summary of observations of Deloitte, as filed in fraud report with MCA, is as follows:

Observations	Details
Bank Statements	Deloitte observed the following inconsistencies/irregularities in bank statements provided to them w.r.t. 8K Miles Software Services Inc. (subsidiary of the Company) and 8K Miles Health Cloud Inc (subsidiary of the Company): a) The details in the bank statements (for months April and May 2018) provided for the purpose of subsequent testing during the course of previous year audit for the year ended 31 March 2018 was not matching with the details in the bank statements of April and May 2018 provided during the current year audit. b) Transactions were recorded in the bank books/ General Ledger against a party who was different from the parties appearing in the Bank Statement. c) There were basic inconsistencies such as - transactions in the Bank statements were appearing with dates / months not being in a sequential order, dates missing against the transactions in the bank statement, formatting inconsistencies. Further, it was also noted that the receipts (online transfer) in the bank statement have been recorded in the books of account on a date which was prior to credit in the bank statement. d) There were transactions with different parties, however the bank account number was the same though the parties were different. e) In some Intragroup transactions, the transactions which were recorded in the bank statement of one of the entity were not traceable in the bank statements of the other entity involved in the transactions. f) The sum total of individual transactions appearing in the bank statement was not matching with the total given in the bank statement. g) One of the bank of 8K Miles Software Services Inc. has confirmed a closing balance against a bank account number which has been claimed to have been closed as per the oral representation received from the Management. The balance for this bank account as per the books of account as at 31 March 2019 was nil. Deloitte also observed that the bank statements provided by the Company during the FY 2018-19 were not matching with the bank statements generated by the management under their observation on July 12, 2019.
Related Parties and Investments	Deloitte had requested for confirmation of the Group structure from the Company, consequent to the Board approval for opening subsidiaries in Singapore and UK in the meeting held on May 30, 2018.

Observations	Details
	They were provided with an oral response that there was no change in the group structure. However, following was noted by them: a) When verifying the Company's website, they noted that additional contact address for UK was included. Per enquiry, they were informed that it was a marketing office/ branch and was not an incorporated subsidiary. b) 8K Miles Cloud Solutions Pte. Ltd.: This Company was incorporated on May 08, 2017 with share capital of 100,000 SGD (~ INR 55 Lakhs). One of the Directors of the above Company was Suresh Venkatachari. As per the financial statements of 8K Miles Cloud Solutions Pte. Ltd. filed with the Accounting & Corporate Regulatory Authority of Singapore, its Holding Company was disclosed as "8K Miles Software Services Limited" incorporated in India. c) There were other entities in UK and Singapore, which were incorporated in the past wherein R.S. Ramani and Suresh Venkatachari were appearing as Directors. These entities were (a) 8K Miles Software Services UK Limited, incorporated on April 10, 2018 and (b) 8K Miles Software Services Pte. Ltd, incorporated on February 01, 2011. Deloitte were not provided with any existing Brand Management agreement or details of any income arising from the use of the brand name of "8K Miles". Additionally, these had not been declared as related parties.
	Deloitte also noted various entities existing, which have common directors but have not been appearing in the declarations submitted by Directors as to where they hold interests. Accordingly, they were unable to determine the additional related parties of the Company, if any.
	In respect of 8K Miles Software Service FZE, Dubai (8K Miles FZE), a wholly owned subsidiary of the Company, Deloitte noted that as of March 31, 2018, an amount of Rs. 796 Lakhs was outstanding as loan given to GVMS PTE Singapore (GVMS). On the review of the trial balance of 8K Miles FZE as at March 31, 2019, there was no balance outstanding in GVMS account implying that the amount due has been recovered from GVMS during the current year, which appeared to be a defunct company and had been struck off by the registry of Singapore on January 09, 2017. In this regard, they were orally informed by the Management that GVMS was a third party and not a related party. However, on additional verification, it was noted that Suresh Venkatachari was a Director and shareholder in that Company. Further, Deloitte were not provided with any access to the books of account of 8K Miles Software Service FZE, Dubai, Subsidiary of the Company
	They were provided with a loan sanction document by Columbia Bank for the limits sanctioned by the said bank to two of the Company's subsidiaries, viz. 8K Miles Software Services Inc. and Nexage Technologies Inc., for an amount of US$ 5 Million. It was also noted

Observations	Details
	that as per the books of account, the entire amount was drawn down and that the closing balance as of March 31, 2019 was US$ 4.87 Million. On review of the sanction document and other related documents, it was noted that the loan was secured by corporate guarantee provided by STL ("Parent Company"), wherein the loan agreement included a certificate from Mr. Suresh Venkatachari, Managing Director, that the members of the Parent Company have approved the same in their meeting held on September 12, 2018. However, they were not aware of any members meeting being held on September 12, 2018. They were also not provided with any documentation filed with the Authorised Dealer in line with the FEMA regulations (Form ODI).
Revenue recognition and accounts receivables	Deloitte observed that during the year, the Group has recognised revenue against certain parties namely, Ensys Technologies Inc., Idol Solutions Inc., Sutterhealth Group, Medidata Solutions and Kaiser Permanente in the books of account. They noted the following observations for some/ all of the parties mentioned above: a) There were inconsistencies noted in the logos of the customers as per the customer's website and those appearing in the contractual agreement. b) Multiple addresses had been noted in the various supporting documents like invoices, confirmation request letters, customer's website, cheques received from the customer, etc. for the same customer. In this regard, inconsistencies had been noted wherein the operating/ transacting location of the customers were same as either the residential address of the Group's employees/subsidiary's office address. Further, they had not received convincing KYC documents in this regard. c) Inconsistencies were noted in the direct confirmations received from employees of 8K Miles Software Services Limited on the projects handled by them during FY 18-19 as against the employee wise project records maintained by the Operations & Finance Team, maintained for the purpose of billing the customers. d) There were inconsistent and varied representations from the management about the group structure of the certain customers (Idol Solutions Inc. & Ensys Technologies Inc.). e) They also noticed inconsistencies between the remitter as per the bank statement and the customer against whom such amounts have been recorded in the books of account. f) Remitter's address as per the SWIFT copies provided by the authorized dealer was same for collections by the group from Ensys Technologies Inc., Idol Solutions Inc. and also for collections from 8K Miles Software Services Inc. Further, the above mentioned remitter's address was same as the residential address of P.K. Chandrasekher, VP Finance of the Subsidiaries.

Observations	Details
	g) They also noted inconsistencies in the supporting documents received for the purpose of testing, for instance, there was receipt of two different documents for the same sample and the email sent to a customer for invoice approval was replied with an email of prior date. h) Intuit Micro Technology LLC, the customer of the Company although serviced by 8K Miles Software Services India Limited during the month of February and March 2019 had not been billed to the Customer. i) Under/ overbilling to each of the parties (i.e. Ensys Technologies Inc., Idol Solutions Inc. and Intuit Micro Technology) without any rationale for the same. j) They were informed orally by the authorized dealer that 8K Miles Software Services Limited had not made necessary intimations communicating that the Company was providing export services to its subsidiary (8K Miles Software Services Inc.) and other international parties. Further, the 8K Miles Software Services Limited had not obtained any approval from the Authorized Dealer/ RBI (As the case may be) for amounts outstanding for more than 9 months from all its international customers (Ensys Technologies Inc., Idol Solutions Inc., Intuit Micro Technologies LLC and 8K Miles Software Services Inc.). k) Certain key employees of the Group had employment relationship with the customers (Ensys Technologies Inc., Idol Solutions Inc., and Sutterhealth Group) of 8K Miles group.
Expenses and Accounts Payables	The Company availed service from Nation Star IT Services Limited ("Nation Star") towards technical and referral services for the purpose of rendering service to Ensys Technologies Inc (Ensys), Idol Solutions Inc (Idol) & Intuit Micro Technology (Intuit) (i.e. customers of 8K Miles Software Services Limited). In connection with the said arrangement following were observed by Deloitte: a) There were multiple signed contracts with the above vendor for the same service and for the same period. b) There were inconsistencies in the reference to the name of the Nation Star representative as well as in their signatures styles. c) Communications with Nation Star was happening with multiple email id's: viz. nationstarit@gmail.com and info@nationstarit.com. d) The domain id "nationstarit" referred to a Company named "Nation Star Healthcare IT Services" whereas all MSA's and invoices executed by the company were in the name of "Nation Star IT Services Limited" e) Research of online sources, did not reveal any further information on this company.

Observations	Details
	f) Various social media domains revealed that Gayatri Nurani Iyer, Director, Nation Star (signatory to the contract) was associated with 8K Radio - 89.4 in Dubai.
	BMR Infotek Inc. ("BMR") represented one of the major vendors of 8K Miles Software Services Inc. and 8K Miles Health Cloud Inc., subsidiaries of the Company. In this regard, Deloitte were informed by the Company that there was no service agreement between BMR and the above mentioned subsidiaries except for the rate card. Further, during their visit to the Group's US Office at California, they also requested for a visit to BMR, which was facilitated post office hours and hence they were not able to have any detailed discussions with the officials of BMR. Further, they were orally informed by the employee (Mr. Haribabu Aranagu, COO) of BMR, also reaffirmed by Mr. Mallikarjuna Thonduru (employee of 8K Miles Software Services Inc.) that BMR would not be aware of the type of projects/ parties, if any, serviced by them for 8K Miles Software Services Inc. & 8K Miles Health Cloud Inc. However, the invoices received from BMR had description with customer wise break up. Although the invoices from BMR Infotek clearly indicated the customers served and the amounts chargeable, the Company had instead capitalised these costs towards development of intangible assets. The reasons and basis for the same had not been provided for their validation.
	8K Miles Software Services Inc. and 8K Miles Health Cloud Inc. had incurred expenditure towards various vendors like 1. BMR Infotek Inc. ("BMR"), 2. Infinity Tech Group Inc. ("Infinity"), 3. Two95 International ("Two95"), 4. Pyramid Technology Solutions Inc. ("Pyramid"), 5. Rap Engineers and Consultant Pte. Ltd. ("Rap Engineers"), 6. VSSI LLC Staffing Services ("VSSI") and 7. Mcbitss GmbH ("Mcbitss") during the FY 2018-19 as per books of account provided by the Company to Deloitte. In this regard, Deloitte observed the following: a) Inconsistencies were noted across various vendor agreements, for instance the same Federal Tax ID was mentioned against different vendors, different Federal Tax ID was used for same vendor, names of two vendors appearing in the same contract in different places, the contract had been signed by a signatory on behalf of 8K Miles Software Service Inc., post his resignation from the said 8K Miles Software Services Inc. b) There were expenses incurred towards the Amazon Web Services ("AWS") for the utilisation of 8K Miles account in AWS by customers (Trimble Information Technologies), vendors (Nation Star IT Services Limited, Zoniac Inc.), related parties (8K Miles Media Group) and individuals who were not in payroll of the group (Adithya Buddhavarapu, Fernando Nava) etc. Deloitte opined that they were unable to ascertain the reasons behind such entities/ individuals accessing 8K Miles account and therefore were unable to comment if such costs incurred by other parties had to be charged back to such individuals/ entities including related parties.

Observations	Details
	c) Alderis Ventures Inc., vendor of 8K Miles Software Services Inc., rendered business consultancy and the agreed charges were approx. USD 50,000 per month. Alderis Ventures Inc. operated from the premises of Mr. PK Chandrasekher (VP Finance of 8K Miles Subsidiaries). Further, the Company had also paid an amount of USD 500,000 appearing as advance to Alderis Ventures Inc., as at March 31, 2019 in connection with the closure of the deal with MedMatica Consulting Associates.
Loans and Advances	The amounts advanced to 8K Miles Media Group, and outstanding as of March 31, 2018 included balances from various parties of the Group. In the absence of any group structure available, Deloitte relied on the representation provided to them by the management in the previous year. As per the representation, the following entities were included - 8K Miles Media, 8K Miles Media Holdings, 8K Miles Theatre Holding, 8K Radio LLC, IS Solutions, 8K Miles Media Group, and NJ Theatre LLC. In this regard: a) Management informed Deloitte that all the amounts due, including interest, had been recovered during 2018-19 and that there was no amount outstanding as of March 31, 2019. However, in the absence of reliable bank statements for verification they were not able to confirm the same. b) Amounts advanced to one party within the 8K Miles Media group had been adjusted with receipts from another party within the same group/ from entities not covered in the above mentioned representation received from management (i.e. Worldband media and India abroad publications). Such transfers within the group was based on a mutual understanding, however, there was no evidence to substantiate the same. c) Receipts of amounts from customers, i.e. Idol Solutions Inc., had been adjusted with the amounts advanced as loan to 8K Miles Media Group based on an oral understanding. Deloitte were unable to ascertain the relationship of the customer with 8K Miles Media Group.

9. Prior to filing of report under Section 143(12) of the Companies Act, 2013 to the MCA, Deloitte, vide letter dated July 15, 2019, had informed all their aforesaid observations to Audit Committee and sought Audit Committee's observations and the Company's response to the aforesaid matters along with the necessary supporting evidences within 45 days, under section 143(12) of the Companies Act, 2013. The Audit Committee through its member Mr. Dinesh Raja Punniamurthy vide letter dated July 24, 2019 informed Deloitte that they had appointed M/s PKF Sridhar & Santhanam (hereinafter referred as "PKF/Forensic Auditor appointed by the Company") *inter-alia* to carry out

forensic investigation of the issues raised by Deloitte. Further, Audit Committee also provided copy of "scope of work" of PKF to Deloitte. Deloitte vide email dated September 08, 2019 *inter-alia* sought report of PKF in the matter, in response to which, audit committee chairman Mr. Gurumurthi Jayaraman vide email dated September 11, 2019 responded that forensic audit report was in progress and they expected to receive the same before end of the week. However, as the Company failed to provide the pending data to Deloitte, they filed fraud report with MCA on September 13, 2019 and ultimately resigned from their position as the Statutory Auditors of the Company on November 15, 2019 citing various corporate governance issues including fraud relating to irregularities and inconsistencies in financial statements and books of accounts.

10. SEBI vide email dated February 12, 2020 advised the Company to place the summary of observations received from Deloitte before Audit Committee to examine whether there were any violations of the provisions of the SEBI Act, 1992 and Rules/Regulations made thereunder. It was also mentioned that Audit Committee may provide its views/recommendations. Further, the Company was also advised to provide findings of PKF in respect of forensic audit undertaken by them. Chairperson of Audit Committee, Mr. Dinesh Raja Punniamurthy, vide letter dated February 29, 2020 replied to aforesaid SEBI email and stated that *"the committee noted that there was no specific violation mentioned in the summary of observations with references given by Deloitte to the company with respect to provisions of SEBI Act and Rules/Regulations made thereunder"*. It was also mentioned in said reply that since PKF could not complete the report within stipulated time, the Company had disengaged their services in the meeting held on November 06, 2019. The Company, however, failed to provide its reply on each observation of Deloitte. Further, it was observed from the disclosure made by the Company on March 1, 2020 while declaring its financial results for the quarters ended June 30, 2019 and September 30, 2019 that the Company had received the draft report from PKF as it had disclosed that the report would be made available to the Audit Committee shortly upon review by the management of the Company.

11. Vide SEBI email dated March 13, 2020, the Company was again advised to provide its point-wise reply on the summary of observations made by Deloitte and was also advised to share the draft report of PKF. The Company sought extension of time on several occasions due to the COVID-19 pandemic and submitted its reply, vide letter/email dated July 13, 2020, wherein it submitted, *inter alia*, that the Company disengaged the services of PKF for the inordinate delay in submitting the report and thus appointed

KPSN & Associates LLP ("KPSN"). It also forwarded a copy of report of KPSN. It was observed that KPSN, in its report, had disagreed with most of the issues reported by Deloitte and concluded that there was no impact on financial statements for the FY 19 in most of the instances, except with regard to the issue of non-consolidation of the accounts of the two subsidiary companies in Singapore and UK.

12. In the meantime, several other complaints were received by SEBI against the Company. SEBI then decided to conduct a detailed examination of the books of accounts of the Company and to conduct forensic audit of books of accounts of the Company. Accordingly, SEBI vide letter dated March 25, 2021 appointed M/s Grant Thornton Bharat LLP (hereinafter referred to as "**Forensic Auditor / GT**") to undertake forensic audit of the books of accounts of the Company for FY 2017-18, FY 2018-19, FY 2019-20 and nine months ending December 2020. The scope of work of such audit was to conduct a detailed review w.r.t. manipulation of books of accounts, misrepresentation including of financials and/or business operations, wrongful diversion/siphoning of the Company's funds by promoters/directors/KMPs during the period of April 01, 2017 to December 31, 2020 ("**review period**"). In pursuance of the same, the Forensic Auditor conducted a forensic audit of standalone financial statements of STL and submitted a report to SEBI dated June 14, 2022.

Observations of M/s Grant Thornton Bharat LLP (GT):

13. The Forensic Audit Report by GT contained *inter alia* the following observations:

(a) Suspicious Transactions with customers and Vendors:

13.1. M/s Grant Thornton Bharat LLP (GT) identified that for FY 2017-18 and FY 2018-19, Nationstar IT Services Limited ('NSIT') was the largest vendor of the Company, with expenses aggregating to INR 1692.59 Lakhs (approximately 35.71% of the total standalone expenses) and INR 1462.63 Lakhs (approximately 25.97% of the total standalone expenses) respectively, charged by way of 'consultancy charges' and 'business referral charges'.

13.2. Similarly, on the revenue side, three entities: Ensys Technologies Inc. ('ETI'), Idol Solutions Inc.('ISI/Idol') and Intuit Micro Technology LLC ('IMTL'), accounted for INR 2063.69 lakhs (approximately 40.81%) and INR 2428.69 lakhs (approximately 42.64%) of the total standalone revenue of the Company, for FY 2017-18 and FY 2018-19 respectively. However, during the review period, approx. only 26% of receivables from the aforesaid three customers had been realized by the Company. While a sizable

proportion i.e. approx. 37% of outstanding receivables, was set off against amount payable to NSIT, another sizable proportion i.e. approx. 37% of outstanding receivables was written off as bad debts.

13.3. The Company failed to provide Information regarding transaction deliverables (i.e., proof of the services rendered by NSIT and rendered to ETI, ISI, and IMTL). Also, during site visit at the Company's premises by GT, on seeking email correspondences between the Company and four entities: NSIT, ETI, ISI, and IMTL, the Company's representatives stated that email communications with the said entities were being handled by individual employees through their official ID and there was no common email ID / group email ID on which emails from these entities were sent / received. As on the date of site visit, all the employees corresponding/liasoning with the said entities had left the Company's employment and all the employees' data (including their emails) were subsequently purged / deleted by the Company within 30-60 days of their leaving the organization. Accordingly, the Company did not have records of any e-mail communication with the said parties.

13.4. Further, the aforesaid four entities, namely NSIT, ETI, ISI and IMTL appeared to be indirectly linked to the Company by virtue of common KMPs/individuals and common business premises.

13.5. In view of above-mentioned findings, GT doubted the genuineness of the transactions with these four entities. The details of the findings for each entity are mentioned below:

(b) <u>Suspicious Transactions with Nationstar IT Services Limited:</u>

13.6. The largest expense head of the Company was 'Outsourced Consultants' which represented 36.83% and 27.29% of the total expenses incurred by the Company for FY 18 and FY 19, respectively. In FY 2019-20, the said expenses charged to 'Outsourced Consultants' decreased drastically by 97.95% when compared to FY 2018-19. On analysis, it was noted that out of the total expenses incurred by the Company under the said head, 96.97% and 95.16% of such expenses pertained to consultancy charges from a single entity, Nationstar IT Services Limited ('NSIT') for FY 2017-18 and FY 2018-19 respectively. For the remainder of the review period (1 April 2019 to 31 December 2020), no expenses pertaining to NSIT had been booked by the Company.

13.7. Based on the "Master Services Agreement" ('MSA') and "Certificate of Good Standing" made available by the Company to GT, it was observed that NSIT is organized under the laws of RAK Offshore Provisions, UAE and is registered under the UAE's RAK ICC

Business Companies Regulations, 2016. It was observed that for a company registered under RAK ICC, the following protocols are applicable:

(i) No requirement to submit the financial statements.
(ii) Neither owner nor the director is required to visit the UAE premises in person.
(iii) Audit of the financial statements is not required to be conducted.
(iv) Further, no public record of the shareholders/directors is maintained.
(v) Personal presence by a representative is not required during the incorporation of such company.

13.8. Based on the MSA signed between NSIT and the Company, as well as sample invoices of NSIT, GT noted that authorized signatory of NSIT was Ms. Gayatri Ramaswamy Nurani Iyer. GT further noted that the Social Media account of 89.4 Tamil FM Radio (Dubai) contained the photographs of its employees and one such employee appeared to look similar to Ms. Gayatri Ramaswamy Nurani Iyer. As per a LinkedIn profile appearing in the name of Ms. Gayatri Iyer, she was employed with 89.4 Tamil FM Radio on a fulltime basis since March 2018. GT also observed that as per social media post of 89.4 Tamil FM Radio (Dubai), Mr. R. S. Ramani was its Managing Director. As per annual report of the STL for FY 2017-18 and FY 2018-19, Mr. R. S. Ramani was Promoter and shareholder of the Company, holding 7.07% (21,57,506 shares) and 1.52% (465,000 shares) of the outstanding shares of the Company as on April 01, 2017 and March 31, 2019, respectively. He was also the CFO of the Company till November 30, 2018 and Director of the Company from August 13, 2011 to November 2, 2019. Therefore, GT observed that NSIT was linked with the Company by virtue of a common individual- Ms. Gayatri Ramaswamy Nurani Iyer.

13.9. Further, the Company failed to provide to GT the supporting documents pertaining to transactions with NSIT, which included weekly reports to be shared between the vendor and the Company, delivery confirmations issued by NSIT, email/other communications between the contract coordinators representing vendor and the Company, etc. As already stated above, the Company stated that it did not have records of any e-mail communication with NSIT.

13.10. In view of aforesaid observations, GT concluded that in the absence of complete information regarding proof of the services rendered by the NSIT, they were unable to comment on the appropriateness / correctness / completeness / genuineness of the expense and the corresponding liability recorded in the standalone financial statements.

(c) <u>Suspicious Transactions with Ensys Technologies Inc., Idol Solutions Inc. and Intuit Micro Technology LLC:</u>

13.11. The vendor NSIT was engaged to provide services to three customers of the Company, namely Ensys Technologies Inc. ('ETI'), Idol Solutions Inc. ('ISI'), and Intuit Micro Technology LLC ('IMTL'). It was observed that 63.98% and 40.90% of the total standalone revenue of the Company for FY 2017-18 and FY 2018-19 respectively was concentrated in the segment 'International Project Revenue', which drastically fell by 99.50% in FY 2019-20 (compared to FY 2018-19). Ensys Technologies Inc., Idol Solutions Inc., and Intuit Micro Technology LLC, which were major customers of the Company, collectively accounted for 40.81% and 42.64% of the total revenues of the Company for FY 2017- 18 and FY 2018-19 respectively. For the remainder of the review period (1 April 2019 to 31 December 2020), no income from ETI, ISI, and IMTL was booked by the Company.

<u>Ensys Technologies Inc ("ETI"):</u>

13.12. The address of Ensys Technologies Inc. is 19 Noa Ct, Hamilton Township, NJ 08690-3643. The said address belonged to Mr. P. K. Chandrasekher. who was a senior employee of a disclosed subsidiary of the Company, viz. Securekloud Technologies Inc. ('STI'). In the Inter-Company Services agreement signed between Securekloud Technologies Inc. ('STI') and the Company dated 14 February 2018, Mr. P K Chandrasekhar was listed as Vice President of STI. Moreover, Dun and Bradsteet (D&B) profile for STI lists Mr. P. K. Chandrasekher as its Vice President. D&B profile for 8K Miles Cloud Services Inc. lists Mr. P. K. Chandrasekher as its Office Manager. A Securities and Exchange Commission ('SEC') filing for 8K Miles Media Group mentions Mr. P. K. Shekhar and Mr. Suresh Venkatachari as its Executive Officers. Mr. Suresh Venkatachari is promoter, shareholder, Chairman as well as Managing Director of the Company. It thus appeared that ETI was indirectly linked with the Company through a common individual- Mr. P. K. Chandrasekher,

<u>Idol Solutions Inc ("ISI"):</u>

13.13. The address of Idol Solutions Inc. is 666 Plainsboro Rd Ste 1023 Plainsboro, NJ, 08536-3044 United States. The D&B profile of ISI mentioned the same address along with ISI's contact number as: (609) 865-4316. Further, on ZoomInfo – a website which lists a company's contact data, the same address has been mentioned as ISI's address and one Mr. Shibu Kizhakevilayil has been mentioned as its Vice President.

13.14. As per public domain searches on MyVisaJobs – a website which lists labor applications filed by U.S. employers for H1-B visa jobs, Mr. Shibu Kizhakevilayil has been mentioned as ISI's Vice President. Further, Annual Reports of the Company from FY 2017-18 to FY 2020-21 list Mr. Shibu Kizhakevilayil as its President – Global Healthcare. LinkedIn Profile of Mr. Shibu mentions him as Global Healthcare President of SecureKloud Technologies Inc. (a disclosed subsidiary of the Company) since January 2015. The LinkedIn profile further mentions him as a director and Head of M&A of Healthcare Triangle Inc., a step down subsidiary of the Company. Bloomberg profile for Mr. Shibu listed his current designation as M&A head at Healthcare Triangle Inc. and previous designation as Global Healthcare President of SecureKloud Technologies Inc. Further, the website of Healthcare Triangle Inc. lists Mr. Shibu as its director. It thus appeared that ISI was indirectly linked with the Company by virtue of a common KMP- Mr. Shibu Kizhakevilayil.

13.15. As per website of Idol Solutions Inc. and other public domain searches conducted on D&B website, MyVisaJobs and ImmiHelp (websites which lists labor applications filed by U.S. employers for H1-B visa jobs), another address of ISI was identified as: 2 Tower Center Blvd FL 8 East Brunswick, NJ, 08816-1100 United States. ISI also appeared to be linked with the Company through the abovementioned address in the following ways:

- Website of the Company appears to mentions its US address as: 8th Floor, 2 Tower Center Blvd, East Brunswick, NJ 08816, USA.

- D&B profile for STI, lists its address as '2 Tower Center Blvd East Brunswick, NJ, 08816-1100 United States'.

- A Securities and Exchange Commission filing for 8K Miles Media Group Inc. lists its address as "2 TOWER CENTER BLVD., FLOOR 8, EAST BRUNSWICK, NEW JERSEY – 08816 and Mr. Suresh Venkatachari as its Executive Officer.

- D&B profile for 8K Miles Media Holding Inc. lists its address as '2 Tower Center Blvd FL 8 East Brunswick, NJ, 08816-1100 United States' and Mr. Suresh Venkatachari as its owner.

- Website for 8K Miles Health Cloud Inc. lists its US address as "2 Tower Center Blvd, 8th Flr, Suite#804, East Brunswick, NJ-08816", and Indian address as "Srinivasa Towers, New No.5, Old No. 11, Cenotaph Road, Alwarpet, Chennai – 600 018", which is the registered address of the Company.

Intuit Micro Technology LLC ("IMTL"):

12.1 It was found that an entity, Intuit Micro Technology Private Limited ('IMTPL'), which is based out of Chennai, is connected to the Company's Dubai based customer, IMTL. As per D&B profiles of IMTL and IMTPL and IMTPL's filing with MCA, one Mr. Giri Rajan Mohan Babu was IMTL's Managing Director and Chief Executive Officer as well as Director of IMTPL. Furthermore, Agreement signed between IMTL and the Company, dated February 02, 2017, lists Mr. Giri Rajan as IMTL's authorized signatory. Further, it was found that CA J. Gurumurthi (Membership No.: 019584), who is Noticee no. 4 and was Independent Director as well as Chairman of Audit Committee of the Company during the investigation period, was also the statutory auditor of IMTPL from FY 2015-16 onwards. Thus, it appeared that IMTL was connected to the Company.

(d) Anomalies w.r.t. customers namely Ensys Technologies Inc., Idol Solutions Inc. and Intuit Micro Technology LLC:

13.16. As already stated above, the Company did not provide to GT the supporting documents pertaining to transactions with ETI, ISI and IMTL and stated that it did not have records of any e-mail communication with the said parties.

13.17. GT also observed that old CIN of the Company was appearing on certain invoices of ETI and ISI provided by the Company. Further, inconsistencies were noted in Tripartite agreements provided by the Company, which were entered between the Company, its vendor namely NSIT and three customers, namely ETI, ISI, and IMTL. It was observed that the Company had signed two agreements with each of the three customers wherein one agreement was executed between the Company and the respective customer and subsequently, a tripartite agreement was executed between the Company, NSIT, and respective customer. On examination of these agreements, it was noted that the Scope of work as per 'Agreement executed by the Company with ETI' and 'Tripartite agreement executed between the Company, NSIT, and ETI' was different. Furthermore, scope of work as per the tripartite agreement was verbatim copied from the tripartite agreement with IMTL. Further, based on the metadata analysis* of all the three tri-party agreements, it was observed that the tri-party agreements had been created by the Company in December 2021 i.e. just after SEBI had advised the Company to furnish copies of agreements, indicating that the Company was trying to mislead SEBI by submitting forged documents. The details of same are as follows:

Customer Name	Date of file creation	Date of file modification	File Author
ETI	December 02, 2021	December 06, 2021	R.S. Ramani
IMTL	December 02, 2021	December 06, 2021	R.S. Ramani
ISI	December 02, 2021	December 06, 2021	R.S. Ramani

** Metadata analysis includes information about the document and its contents, such as the author's name, keywords, and copyright information, that can be used by search utilities. Thus the objective of this analysis is to identify document authenticity such as creation date, author etc. The metadata analysis is done online through various available tools.*

13.18. In view of aforesaid observations, GT concluded that in the absence of complete information regarding proof of the services rendered to the three customers, namely ETI, ISI and IMTL, they were unable to comment on the appropriateness / correctness / completeness / genuineness of the expense and the corresponding liability recorded in these standalone financial statements.

(e) Inter linked financial transactions between the Company, NSIT, ETI, ISI and IMTL:

13.19. It was observed that less than 25% of the total sales made to the aforesaid three customers during the review period was realized. Credit period was 30 days, which was increased to 90 days from December 31, 2018. It is pertinent to note that despite not being able to realize sales consideration within credit period, the Company continued making further sales to these customers. Post April 01, 2019, no sales were made to any of the said three customers. Further, no amount had been recovered from any of these three customers for sales made in FY 2017-18 and FY 2018-19. Further, as on 31 March 2020, a sizeable proportion of the outstanding receivables from these three customers was written off as well as set-off against amount payable to NSIT. Further, despite receivables not being recovered from the ETI, ISI, and IMTL; payments were still being made to NSIT. The Company paid more than 60% of NSIT's dues (including business referral charges).

(f) Anomalies with respect to salary payments made to employees mapped to Ensys Department, Idol Department, and Intuit Department:

13.20. The Company had a practice of recording "Salary" expenses in its books on a department-wise basis. The names of employees were not mentioned in the Tally backup, but salary expenses were merely recorded department-wise in tally backup. Salary expenses were charged under Ensys department, Idol Department and Intuit Department. However, on the basis of employee data provided by the Company, no employees were identified to be mapped to above mentioned three departments. Also, anomalies were noted in salary

register and tally backup w.r.t. salaries recorded for the said three departments i.e. as per tally backup, salary was shown as being paid for aforesaid three departments, however, as per salary register, no actual salary was paid.

Findings of SEBI's investigation:

14. SEBI while conducting investigation, examined information from various sources, such as publicly available information, information provided by statutory auditors of the Company namely M/s Deloitte Haskins and Sells, including a copy of the report of Forensic Audit conducted by M/s PKF Sridhar and Santhanam into the affairs of the *Company,* a copy of the report of Forensic Audit conducted by M/s Grant Thornton Bharat LLP into the affairs of the *Company* ordered by SEBI*,* information provided by the Company itself and statements of different Key Managerial Persons recorded by SEBI under oath during the investigation etc. A summary of the findings of investigation by SEBI is as under:

(a) Delay in submission of information, Non co-operation by the Company in investigation, False submissions to SEBI during the course of investigation and False disclosure in quarterly financial statements:

14.1. The company filed its quarterly financial results for quarters ending June 2019 and September 2019 with exchanges on March 01, 2020. In the said financial results, with regard to the auditor's observation that "*We are informed that as on the date of this report, the investigation report of the external firm of Chartered Accountants for the matters reported u/s 143(12) not received by the Company and hence the same has not been made available to us*.", the Company made the following management response: *We have received the draft report. The report, management is reviewing it and will be made available to the Audit Committee shortly and for further noting by the Board."*

14.2. In respect of the above, vide email dated March 13, 2020, SEBI advised the Company to provide the draft report of PKF in respect of the forensic investigation undertaken by them on the issues raised by Deloitte. Vide emails dated March 23, 2020, April 15, 2020, May 04, 2020, May 19, 2020, June 03, 2020, June 15, 2020 and July 02, 2020, the Company sought extension of time on seven instances, on the grounds of Covid-19 lockdown and subsequently imposed restrictions. On every occasion, extension of time was granted to the Company by SEBI.

14.3. Subsequently, the Company vide email dated July 13, 2020 replied to SEBI's email dated March 13, 2020. Vide the said email, the Company did not provide any report of PKF but submitted a report of another Auditor, namely, M/s KPSN & Associates. However, the

Company in its previous replies and in aforesaid seven emails had never mentioned about appointment of another auditor, namely M/s KPSN & Associates. Further, even the audit committee in its letter dated February 29, 2020 had not mentioned that in place of PKF they had appointed KPSN as "special auditors".

14.4. In this regard, vide email dated May 19, 2022, KPSN was advised to provide copies of draft reports, if any, submitted to the Company along with delivery proof. In response, KPSN vide email dated May 20, 2022 informed that they did not submit any draft report to the Company and that the final report was submitted to the Company on December 31, 2019 and the same was signed on January 04, 2020.

14.5. Further, vide email dated March 25, 2022 PKF was advised to provide copy of report submitted by them to the Company. In this regard, vide email dated March 28, 2022, PKF provided copies of email conversations with the Company and the copy of forensic audit report. On examination of same, it was noted that final forensic audit report was submitted by PKF to the Company on January 09, 2020 by addressing the same to the Chairman of the Audit Committee – Mr. Dinesh Raja Punniamurthy. It was also noted from email dated December 02, 2019 of PKF, which was sent by them to the Chairman of the Audit Committee, CEO and CFO of the Company, that PKF's report was ready on November 02, 2019 itself and this report was discussed with the management of the Company. However, vide letter dated November 08, 2019, the Company informed PKF that their services were dis-engaged, since they could not submit the report within 30 days of their engagement. In this regard, it was noted from the copies of emails provided by PKF that their report was ready well before their dis-engagement. While the Company claimed to have dis-engaged PKF on the ground that they could not submit the report within 30 days of their engagement, the records show that and the audit process was still going on even after 30 days of audit engagement as most of the data was provided by the Company to PKF almost after 30 days of audit engagement only. The same shows that the audit was delayed by company and not by auditors.

14.6. The above observations show that the Company's statement in the financial results for June 2019 and September 2019 quarters, filed with exchanges on March 01, 2020, that it had received a draft report was false as it had received the final report from auditors. Also, the Company had intentionally hidden the fact of submission of report by PKF. In fact, at the time of disclosure of quarterly financial results, final reports from both forensic auditors, PKF and KPSN, were already available with the Company. Even then, the Company intentionally made false disclosure to shareholders in quarterly financial results.

The above observations show that the disclosures made by the Company in quarterly financial results for quarters ending June 2019 and September 2019 were false.

14.7. The Chairperson of Audit Committee, Mr. Dinesh Raja Punniamurthy, vide letter dated February 29, 2020 to SEBI has stated that "*the committee noted that there was no specific violation mentioned in the summary of observations with references given by Deloitte to the company with respect to provisions of SEBI Act and Rules/Regulations made thereunder*". It was also mentioned in said reply that since PKF could not complete the report within stipulated time, the Company had disengaged their services in the meeting held on November 06, 2019. However, as discussed above, it was clear from copies of emails provided by PKF that PKF had submitted forensic audit report to Mr. Dinesh Raja Punniamurthy through email on January 09, 2020 itself. This shows that Mr. Dinesh Raja Punniamurthy had made false submissions to SEBI. The aforesaid observations show that the representations made by the Company vide letters dated February 29, 2020, July 13, 2020 and April 15, 2021 to SEBI were false.

14.8. SEBI appointed GT to conduct independent forensic audit of standalone financial statements of the Company on March 25, 2021. However, the Company did not co-operate with GT. Instead, it made a representation dated April 15, 2021 to SEBI to drop the forensic audit *inter-alia* in light of KPSN report and again re-iterated that PKF could not submit its report on time. It was noted that GT wrote multiple emails to the Company asking it to provide the information to them. However, the Company either did not provide the information or provided incomplete information. Therefore, Summons and letters were issued by SEBI to the Company. However, again the Company did not provide complete information. As the Company did not co-operate, statements of CFO and Compliance officer were recorded on oath on December 06, 2021 and December 07, 2021, respectively. Even after that, the Company did not co-operate in SEBI's investigation and forensic audit conducted by SEBI. Further, GT vide email dated March 04, 2022 had written to CFO of the Company for the 13th time to provide the pending information. It was noted that on previous 12 occasions, the Company either did not provide the information or provided incomplete information. This shows that the Company did not co-operate in SEBI's investigation.

(b) <u>Observations on report provided by M/s KPSN & Associates:</u>

14.9. The report provided by KPSN was examined and it was noted that they disagreed with most of the issues reported by Deloitte. Vide email dated April 26, 2022 KPSN was *inter-alia* advised to provide the following:

a) Copy of letter/email from the Company communicating audit assignment.

b) Forensic Audit report in the matter submitted to the Company.

c) Proof of delivery of forensic audit report to the Company (copy of email sending report to the Company, courier receipt, post office delivery acknowledgement etc.).

d) Documents collected during forensic audit along with working papers which had been relied upon while preparing the aforesaid forensic audit report.

e) Copies of invoice/s raised for aforesaid forensic audit assignment along with details of fees received from the Company (along with copies of bank statements for payment proof).

14.10. KPSN, vide emails dated April 26, 2022, April 29, 2022 and May 02, 2022 provided the sought information. The following was noted from the replies of KPSN:

a) KPSN was appointed *inter-alia* to independently conduct special audit of allegations pointed out by statutory auditors' M/s Deloitte Haskins and Sells. In this regard, copies of email/letter communication dated November 06, 2019, November 07, 2019 and November 08, 2019 were provided by KPSN wherein engagement letter was signed by KPSN and forwarded to the Company.

b) The invoices and extracts of bank statements provided by KPSN showed that a fees of Rs. 26,00,000 plus GST was paid by the Company to KPSN for the aforesaid audit assignment.

c) On examination of working papers provided by KPSN, it was observed that they mostly relied on management provided information / submissions / documents and did not perform independent audit/forensic procedures like verification of bank balances and all bank entries independently from respective banks, site visit of vendors and customers etc.

d) Further, in email dated April 29, 2022, KPSN informed that *"Firstly the client was referred to us by one another fellow CA and through him, Mr. Ramani from 8k Miles Software Services ltd approached me on November 3rd 2019 regarding an engagement. Based on our discussion, we had met the Independent Directors on November 5th, 2019 in their office in Chennai. On November 6th, we had received an email from Mr. Swasti (CFO) with an attachment mentioning the scope of work."* Though the abovementioned email of KPSN makes reference to involvement of Mr. Ramani in appointment of KPSN, it was noted that as on November 03, 2019, Mr. Ramani had already resigned from Directorship and post of CFO. He ceased to

be director w.e.f. November 02, 2019 and ceased to be CFO w.e.f. November 30, 2018. Therefore, he had no managerial position in the Company. However, he was still involved in appointment of KPSN as special auditors. Further, even after his resignation, he was involved in entire audit process conducted by KPSN i.e. providing data to auditors, communicating with them and assisting them in audit procedures. The same is evident from the copies of email communications provided by KPSN. The email id used to communicate/provide data to KPSN was audit@8kmiles.com which was managed by R S Ramani. Vide email dated November 11, 2019, KPSN sought information from the Company by addressing Mr. Ramani/Swasti. In response to the same, vide email dated November 12, 2019, Mr. Ramani provided the information to KPSN and stated the following *"Dear Hari, I will keep sending one by one file due to large file size. But each file/folder will have serial number mentioned in your initial requirement document. Please use that sheet as master and keep adding with updated Y/N columns. Here I am sending the item number 1. Rest will follow…. Regards Ramani RS"*

e) Further, from the extracts of WhatsApp chats between R S Ramani Mr. Krishnakumar R (Partner of KPSN and auditor who signed special audit report) provided by KPSN, it was observed that Mr. Ramani was engaged in entire audit process since engagement of auditor and providing data to auditor till finalization of audit report. It was noted that KPSN shared its audit report with Mr. Suresh and Mr. Ramani, even before finalization, for their observations and comments. The audit report was finalized only when draft report was approved by Mr. Ramani and Mr. Suresh. Further, it appears that the report was issued by KPSN based on the incomplete information provided by Mr. Ramani to KPSN. It was also noted that the auditor did not perform the audit independently, as in one of the chats, Mr. Krishnakumar R wrote that his intention was to help the Company / Mr. Ramani. Relevant extracts of the Whatsapp chats are as follows:

<u>Extracts of Whatsapp chat on November 16, 2019:</u>

[16/11/19, 3:22:59 PM] Krishnakumar R: Sir

[16/11/19, 3:23:13 PM] Krishnakumar R: What's happening? How it's going?

[16/11/19, 7:10:00 PM] Ramani 8KMiles: Haricharan will be the best person to update - I have provided many items.

[16/11/19, 8:49:30 PM] Krishnakumar R: I spoke to him

[16/11/19, 8:49:42 PM] Krishnakumar R: <u>He is saying many things are pending from ur end.</u>

[16/11/19, 8:50:17 PM] Ramani 8KMiles: Except for cost sheet items and bank statements all have been given.

[16/11/19, 8:50:45 PM] Krishnakumar R: But try to give the docs as required. Let them do the review completely sir. But we need to build the company with good internal controls.

Extracts of Whatsapp chat on December 05, 2019:

[05/12/19, 7:12:04 PM] Krishnakumar R: Boss intention is to help

[05/12/19, 7:12:27 PM] Ramani 8KMiles: I do agree. But need to complete positively ....

[05/12/19, 9:16:34 PM] Krishnakumar R: Tomorrow I will ask Jayashri to come to 8k office after our meeting to discuss the pending action points. I need your attention for providing the balance info to finalise and release the report. From our end, we have made the draft report based on whatever was given and I want you to take some time and give the necessary information.

Extracts of Whatsapp chat on January 17, 2020:

[17/01/20, 9:15:44 PM] Krishnakumar R: We were told comments to the report would come. Still no effort is made to complete the report. We will issue final report tomorrow as we have done it. Also I have given the same to Mr. GKR. He has been following up with me for the final report as well. To conclude the q1 LRR. Pls let's finish this engagement sir

[17/01/20, 10:11:29 PM] Ramani 8KMiles: Will work on it coming week and finish the final one. Still Suresh and others did not go through.

Extracts of whatsapp chat on January 20, 2020:

[20/01/20, 1:29:01 PM] Krishnakumar R: Ok sir. Any feedback from Suresh? GKR is following up for the final report. Shall we close it the same way?

[20/01/20, 1:32:30 PM] Ramani 8KMiles: Don't close it the same way will get back before Wednesday.

f) Further, it appeared from Whatsapp chat between Mr. Krishnakumar R and Mr. Ramani that the auditor KPSN was under pressure to get its audit fees cleared from the Company, as they had already remitted GST on the bill raised and it was affecting their cash. Relevant extracts of Whatsapp chat are as follows:

Extracts of Whatsapp chat on January 04, 2020:

[04/01/20, 10:23:16 AM] Krishnakumar R: Sir

[04/01/20, 10:23:42 AM] Krishnakumar R: Good morning. Still bill not credited. Pls take care today atleast

Extracts of Whatsapp chat on January 17, 2020:

[17/01/20, 9:13:57 PM] Krishnakumar R: Hi Ramani sir. Wish you a happy pongal. Hope you will clear our bill on Monday positively. You also got the q1 results now.

[17/01/20, 9:19:03 PM] Krishnakumar R: I am facing severe pressure from my partners on this engagement regarding fees also. I told you this several timeS. Now my relationship is getting affected. Pls pay.

[17/01/20, 10:10:35 PM] Ramani 8KMiles: Boss ! Q1 ? Who has released ? Nothing yet.

Extracts of Whatsapp chat on January 20 and January 22, 2020:

[20/01/20, 12:11:00 PM] Krishnakumar R: Ramani sir, good afternoon. Today any chance of payment? I am being followed up.

[20/01/20, 1:17:04 PM] Ramani 8KMiles: Boss, I am out of office now. Will get back once I reach tomorrow.

[22/01/20, 10:11:07 AM] Krishnakumar R: But today atleast do the payment. We have already remitted GST and it's affecting our cash. I am answering to my partners. Daily reminders I am getting.

14.11. The above observations show that the audit conducted by KPSN was not independent and was influenced by Mr. Ramani and Mr Suresh. Even after cessation from managerial positions in the Company, Mr. R S Ramani was fully involved in audit conducted by KPSN and he was also in control of payment of audit fees to be made to auditors. Since the audit conducted by KPSN was influenced by Mr Ramani and Mr. Suresh and since no independent audit procedures/forensic audit procedures were followed by KPSN and they appear to have submitted report based on the incomplete information provided by the Company, the findings of KPSN cannot be accepted.

(c) Non-disclosure of initiation of forensic audit:

14.12. As discussed above, SEBI on March 25, 2021, had appointed GT to conduct independent forensic audit of standalone financial statements of the Company for FY 2017-18, FY 2018-19, FY 2019-20 and nine months ended December 2020. The same was communicated to the Company vide letter dated March 25, 2021. The Compliance Officer of the Company vide letter dated March 29, 2021 acknowledged the receipt of SEBI's

letter and replied that CFO of the Company, Mr. R Thyagarajan would be the point of contact for aforesaid audit.

14.13. In terms of Regulation 30(2) of SEBI (LODR) Regulations, 2015, the Company was required to make disclosure of initiation of the abovementioned forensic audit to the exchanges. However, instead of making disclosure to the exchanges, the Company vide letter dated April 15, 2021 made false representation to SEBI to drop the proceedings, as has already been discussed in above paragraphs. Further, the Company wrongfully cited the non-receipt of SEBI's response as an excuse for not making disclosure of aforesaid forensic audit to the exchanges. The fact of initiation of forensic audit was disclosed by exchanges on their own on March 28, 2022.

(d) Findings of PKF:

14.14. SEBI vide email dated March 25, 2022 *inter-alia* advised PKF to provide copy of their forensic audit report along with annexures. Vide email dated March 28, 2022 PKF provided copy of forensic audit report and its annexures. On examination of forensic audit report provided by PKF, it was observed that they carried out forensic examination of books of accounts, digital analysis of email dumps of Mr. R S Ramani – CFO of Securekloud, Mr. Robinson Vincent AVP, Finance, of Subsidiary of the Company, namely Securekloud Technologies Inc (STI), Ms. Deepa Joshi – Finance Manager of STI, Ms. Shanthi Raghuraj – Employee of 8K Miles Group, domain name validation, field visit to customer/vendor, direct confirmation from parties, bank reconciliation etc. Based on the forensic audit, PKF agreed with all the issues raised by Deloitte and made pointwise comment on each observation of Deloitte in its report.

14.15. PKF observed that most of the revenue and expenditure in consolidated profit and loss statements and intangible assets in balance sheet for the FY 2018-19 were potentially overstated (the scope of work for PKF was only one financial year i.e. FY2018-19). The details are provided in the table below:

In USD:

Financial Statement component	**As per Books (in million USD)**	**Potential Overstatement ***	**% of Overstatement**
Profit and Loss			
Revenue from Operation	118.67	83.27	70.17
Professional and Consultancy Charges	35.11	31.22	88.92

Financial Statement component	As per Books (in million USD)	Potential Overstatement *	% of Overstatement
Cloud Hosting and Communication	4.21	4.05	96.30
Business Promotion Expenses	4.57	3.91	85.66
Research and Development expenses	3.31	1.08	32.70
Balance Sheet			
Intangibles – Software	57.77	32.12	55.60

**Potential overstatement indicates total value of transactions which are considered as fictitious or questionable.*

In INR:

Financial Statement component	As per Annual Reports (in Crores)	% of Overstatement	Potential Overstatement
Profit and Loss			
Revenue from Operation	842.19 Crore	70.17	590.96 Crore
Professional and Consultancy Charges	274.74 Crore	88.92	244.30 Crore
Cloud Hosting and Communication	35.60 Crore	96.30	34.28 Crore
Business Promotion Expenses	41.10 Crore	85.66	35.21 Crore
Research and Development expenses	22.94 Crore*	32.70	7.50 Crore
Balance Sheet			
Intangibles – Software	400.46 Crore*	55.60	222.66 Crore

**Calculated based on exchange rate of March 31, 2019 which was Rs.69.32 per USD.*

Observations and findings on Deloitte, GT and PKF Report:

15. After examining the reports of Deloitte, GT and PKF, SEBI made the following observations and findings:

(a) Violations w.r.t. Related Party Disclosures:

15.1. PKF agreed with the findings of Deloitte and concluded *inter alia* that the Company incorporated subsidiaries overseas but failed to disclose these companies as subsidiaries. PKF and Deloitte also observed that directors, namely Suresh Venkatachari, R S Ramani and Gurumurthi Jayaraman, failed to disclose their interests in foreign companies. The entity-wise findings are as under:

Findings w.r.t. 8K Miles Cloud Solutions PTE Ltd, Singapore:

15.2. Deloitte and PKF observed that the Company incorporated subsidiary in Singapore in the name of 8K Miles Cloud Solutions PTE Ltd and STL was the only shareholder in that company. However, the same was not disclosed as subsidiary by STL to shareholders of the Company.

15.3. As per the annual return of 8K Miles Cloud Solutions PTE Ltd for the year 2018 filed with Accounting & Corporate Regulatory Authority of Singapore (ACRA), STL has subscribed and paid SGD 1,00,000 as share capital. However, the payment proof was not appearing in the books of accounts of STL. On being asked about the same, Mr. Suresh, in his statement dated April 06, 2022 stated that *"The company was incorporated for the purpose of expanding STL business as subsidiaries however no capital was transferred to subscribe the shares of such companies hence it never become subsidiary"*.

15.4. Further, 8K Miles Cloud Solutions PTE Ltd also filed unaudited financial statements for FY 2017-18 with ACRA wherein loss of SGD 2,835 was shown and net worth was shown as SGD 97,165. This shows that even though the Company had filed financial statements of the company, namely 8K Miles Cloud Solutions PTE Ltd, it had failed to disclose the said company to the shareholders of the Company.

Findings w.r.t. 8K Miles Software Services UK Limited, UK and 8K Miles Software Services PTE Ltd, Singapore:

15.5. Deloitte and PKF observed that the Company also incorporated another two subsidiaries in the name of 8K Miles Software Services UK Limited, UK and 8K Miles Software Services PTE Ltd, Singapore in which R S Ramani and Suresh Venkatachari were directors. However, the Company did not disclose them as subsidiaries. The incorporation of wholly owned subsidiaries in these countries was approved by the Board of Directors of the Company on May 30, 2018. It was observed from Annual report of the Company for FY 2018-19 that in response to auditor's observation, the management had responded that *"One of the director has incorporated on behalf of the parent company two foreign subsidiary companies. Since there is no possible economic benefit arising out of these companies, the management is in the process of striking off the Company. Under the circumstances and there are no commercial transactions, these were not consolidated"*. Further, Mr. Suresh in his statement dated April 06, 2022 to SEBI stated that *"The company was incorporated for the purpose of expanding STL business as subsidiaries however no capital was transferred to subscribe the shares of such companies hence it never become subsidiary"*.

15.6. The above observations show that STL incorporated subsidiaries overseas, without disclosing them as subsidiaries.

Non-disclosure of interest in foreign companies:

15.7. It was identified that directors of STL, Suresh Venkatachari, R S Ramani and Gurumurthi Jayaraman were director/shareholder in foreign companies. However, they failed to disclose their interest in these companies. Further, the Company also did not disclose these foreign companies as related parties under SEBI (LODR) Regulations, 2015 and Companies Act, 2013. The details of these companies are as follows:

SN	Name of foreign company	Name of Director of STL	Shareholder/Director
1	Mentor Minds Solutions and Services PTE Ltd	V. Suresh	Director and Shareholder
		Gurumurthi Jayaraman	Shareholder
2	Netsavvy Solutions PTE Ltd	V. Suresh	Director and Shareholder
3	Aascar Films PTE Ltd	V. Suresh	Director and Shareholder
4	Vasanthanbhavan (Singapore) PTE Ltd	V. Suresh	Director and Shareholder
5	Madi Street PTE Ltd	V. Suresh	Director and Shareholder
6	8K Miles Software Services PTE Ltd	V. Suresh	Director and Shareholder
7	8K Miles Cloud Solutions PTE Ltd	V. Suresh	Director
8	8K Miles Software Services UK Limited	R S Ramani	Director and Shareholder
9	8K Miles Software Services FZE	R S Ramani	Manager (Interest in management control)

15.8. Further, it was also observed that Suresh Venkatachari and R S Ramani were CEO/CFO/MD/Shareholder/Director in various group companies of 8K media including NJ Theatre, 8K Radio, 8K EBC, Unifia Capital Partners, GVMS which were not disclosed by them to the Company.

(b) Violations relating to overstatement of revenue and receivables:

15.9. It was observed that the Company was booking revenue for providing services to Ensys, Idol and Intuit. These services were directly rendered to these customers by the vendor, Nation Star IT Services Ltd (NSIT). The Company was making payments to NSIT in the name of "Business referral charges" and "Consultancy charges". Deloitte identified various inconsistencies in the abovementioned revenue recognition and vendor payments. PKF agreed with the findings of Deloitte and concluded that revenue from customers

namely Ensys, Idol and Intuit were fictitious and payments made to NSIT was also fictitious. The same observations were found by forensic auditors appointed by SEBI i.e. Grant Thornton Bharat LLP.

15.10. In addition to the above, the Company was also booking revenue from customers, namely "Kaiser Research lab", "Medidata Solutions Inc", "Shire Lab Systems" and "Shutter Health Group" in the books of its subsidiaries, namely Securekloud Technologies Inc. (STI) and Blokedge Technologies Inc (Blockedge) (formerly known as 8K Miles Healthcloud Inc). Deloitte identified various irregularities in revenue recognition from these customers. The same is discussed in subsequent paragraphs.

Fictitious revenue and receivables recognised by the Company w.r.t. customers, namely Ensys Technologies Inc ("Ensys"), Idol Solutions Inc ("ISI/Idol") and Intuit Micro technology LLC ("IMTL"):

15.11. The revenue from Ensys, Idol and IMTL were recognized by the Company in its standalone and consolidated financial statements. However, the following observations show that there were no actual sales/services to Ensys, ISI and IMTL and the revenue booked for these three customers was apparently fictitious.

15.12. On examination of email dumps, provided by the Company to PKF, it was observed that Marquette Finance (lender to subsidiaries of STL to whom receivables were given as collateral security) rendered factoring services and collected dues from customers. Marquette Finance vide email dated July 27, 2017 had raised a query to the Company regarding incorrect addresses of Ensys, Idol and Intuit and sought for the business address and customer website of said customers from the Company. In response to the same, Mr Ramani vide email dated July 28, 2017 responded to Mr. Suresh: *"This is what I was telling you a year ago to create website to all under our control. Done how we never concentrated on this and these types are bound to Come in future and there are going to be many"*. It is evident from the abovementioned email that the said three customers were under control of the Company and Mr. Ramani was regretting not creating the websites for these customers.

15.13. Further, in one of the emails dated August 10, 2017, Mr. Ramani sought Logos of Idol and Ensys from Mr. Suresh with cc of email to Mr. P K Chandrasekher. The extract of email is: *"if you have logos for IDOL and Ensys – please send."* The same indicates that Mr. Ramani and Mr. Suresh had created various documents, such as invoices / agreements / MSAs in the name of its customers by using customer's logo.

15.14. In another email dated February 02, 2018, one of the employees of Securekloud Technologies Inc, Ms Deepa Joshi (Finance Manager - STI), asked another member of finance team i.e. Mr. Robinson Vincent (AVP Finance – STI) and Mr. P K Chandrasekher (VP Finance - STI): *"Marquette Finance received $230,000 today. Do you know which client paid this"*. In response, Mr Robinson vide email dated February 03, 2018 replied *"We paid this. I am going to send the invoice details."* This shows that the liabilities of customers were discharged by STI (a subsidiary of STL), which further proves that there were no genuine sales/services to these three customers.

15.15. In fact, it was found that Idol was the step down subsidiary of the Company wherein 100% ownership was acquired by Securekloud Technologies Inc (STI). The same is evident from stock purchase agreement dated March 11, 2015 wherein 100% shareholding of Idol was acquired by STI and the said agreement was signed by Mr. Suresh on behalf of STI (Chairman and CEO of STI). Further, after acquisition of Idol, in one of the emails dated March 01, 2016, Mr. Ramani appraised Mr. Shibu (cc to Mr. Suresh) about downzise performance of Idol (ISI) after its acquisition, in response to which, Mr. Suresh stated *"the reason for acquiring idol is …. for H-1B Visa"*. This clearly shows that Idol was a company owned by STI which is a subsidiary of the Company. However, this fact was concealed by the Company. Further, in statement dated April 06, 2022 to SEBI, Mr. Suresh made false statement and stated that he has no relationship with or control of Idol.

15.16. It was also observed that Idol is connected with the Company through one common employee, Mr. Shibu Kizhakevilayil (President – Global Healthcare of STL and Head of M&A of Healthcare Triangle Inc) also. As per explanation of Mr. Shibu Kizhakevilayil to Audit Committee (sought on the insistence of the Auditors), he was employed with Idol as Vice President during 2013 to 2015. However, the payroll of Idol for the month of April 2018 showed that he was being paid salary from Idol even till April 2018. Therefore, Mr. Shibu's submissions to Audit Committee were false. Further, Idol and various group companies of STL and companies owned by Mr. Suresh and Mr. Ramani i.e. STI, 8K Miles Media Group Inc, 8K Miles Media Holdings Inc and 8K Miles Health Cloud Inc shared common address i.e. '2 Tower Center Blvd FL 8 East Brunswick, NJ, 08816-1100 United States', as has already been discussed above under findings made by GT.

15.17. The Company had complete control over federal tax returns and bank accounts of Idol. The same is evident from emails dated March 22, 2017 and May 16, 2017 wherein Mr. P K Chandrasekher (VP Finance - STI) forwarded federal tax returns and bank statements of Idol to Ms. Deepa Joshi (Finance Manager - STI). Further, even payrolls of Idol were

being processed by employees of STI. The same is evident from email dated April 27, 2018 wherein Ms. Deepa Joshi had sent payroll and health insurance dues of Idol to Mr. Suresh. In the payroll sheet, Mr. Shibu was shown as employee. Further, in federal tax returns also, name of Mr. Shibu was appearing as employee. This further confirms that Idol was controlled and run by the Company.

15.18. It was also observed from email dated February 23, 2016 that one Mr. Suresh Kumar of STI mentioned *"after talking to the landlord and Ramani, the only available option is to have a sublease in the name of Idol ….show the 8th floor as new address. I will make arrangements to collect the mails from the 8th Floor. The address is; 2 Tower Center Blvd 8th Floor East Brunswick, NJ. Suggest that you formally name PK as authorized officer of Idol to sign documents etc in the event of a DOL/USCIS audit or visit."* This shows that there was no actual office of Idol and Idol was running on paper from the premises of STI.

15.19. In email dated August 20, 2018, Mr. Suresh had sent one pdf file to Mr. Ramani, with subject "ensys" and attachment name "ensys bank details.pdf". On examination of said pdf file, it was identified that the said file is screenshot of bank account welcome page of Ensys with TD Bank (account number ending with xxxxx7047), which appears only after login and after submission of login credentials. The said page also shows available balance in account. This shows that Mr. Suresh had complete control on bank accounts of Ensys.

15.20. In one email dated September 19, 2018 addressed to Mr. Suresh, Mr. Ramani said *"Suresh, when you send to intuit please don't send from 8K as 8K is vendor to intuit. Please note this"*. In same email conversation, Mr suresh said *"Ramani, we need to talk. I cant withdraw entire credit line from Columbia"*. In response to the same, Mr. Ramani responded *"You may transfer partially from 8k and partially from ensys, idol"*. This conversation clearly indicates that Mr. Suresh and Mr. Ramani had complete control on bank accounts of Ensys and Idol.

15.21. Later, through another email dated December 31, 2018, Mr. PK Chandrasekher had sent one PDF file to Mr. Suresh which was named "Intuit wire confirmation". It was observed that the said PDF file contained "international outgoing wire transfer form" of TD Bank showing transfer of USD 1,13,000 from Ensys' bank account to Intuit Micro Technology LLC (IMTL) and that the said form was signed by P K Chandrasekhar (VP Finance of STI). Further, the account number from which the amount was paid was the same account (account number ending with xxxxx7047), the details of which were sent by Mr. Suresh to Mr. Ramani vide email dated August 20, 2018, as discussed above. Mr. Suresh forwarded the said email dated December 31, 2018 to Mr. Ramani on January 01, 2019.

This shows that round tripping of money was being done to settle fictitious revenue accounted for in the books of accounts of the Company.

15.22. It was observed that vide email dated March 06, 2019, Mr. Ramani sought confirmation of bank details of Idol from Mr. PK Chandrasekher, which was confirmed as correct by Mr. P K Chandrasekher on the same day. Further, on the same day in same email trail with CC to Mr. Suresh, Mr. Ramani wrote *"I am organizing 75K to Idols now - Please ensure it is transferred to 8K India - USD account as below……Indian Bank* 6561400202*"*. On next day (March 07, 2019), PK Chandrasekher, in an email to Mr. Ramani, shared screenshot of wire transfer from Idol to STL wherein the amount mentioned in the above-mentioned email i.e. USD 75K, was transferred to STL's Indian bank account number 6561400202. This shows that Mr. Ramani and Mr. P K Chandrasekher were arranging funds to be transferred to STL from Idol and that there was no actual payment coming from these customers and the payments being shown as received by the Company from Idol were funded by the Company itself.

15.23. It was also observed that STI transferred funds to Ensys which in turn transferred the funds to one of the vendors of STI, namely BMR Infotek (BMR). When the same was enquired about by PKF, the explanation of management was that the payment to BMR was made on the request of BMR. However, on examination of ledger of BMR, it was observed that there was no payment outstanding to BMR, and instead there was debit balance against BMR. This further shows that the Company was funding these entities and was indulging in round tripping of money.

15.24. P K Chandrasekher had sent another email dated February 01, 2019 to Mr. Suresh stating that *"Suresh Sir…Wired $79,000 to 8K Ltd"*. The said email was forwarded by Mr. Suresh to Mr. Ramani, Ms. Shanthi Raghuraj (employee of 8K Miles Group) and Mr. Gurumurthi Jayaraman (Audit Committee Chairman). In the said email, PNC Bank's international transfer confirmation page was provided as attachment wherein name of payer was Idol and "individual name" was mentioned as P K Chandrasekher. This shows that P K Chandrasekher (VP Finance of STI) and Mr. Suresh had complete control over bank accounts of Idol. The abovementioned email also shows that Mr. Gurumurthi Jayaraman was aware of and was involved in the abovementioned happenings/wrongdoings.

15.25. PKF, during the forensic audit, had insisted on the Company to provide Master Services Agreement (MSA) and Statement of Accounts (SoA) directly from the customers. Pursuant to the same, email dated August 03, 2019 was sent by Mr. Robinson Vincent

(AVP Finance – STI) to one Mr. Chris Alberto Daniel of Ensys, at email id chris@ensys-tech.com and to one Mr. Mark J Fischer of Idol at email id mark@idolsinc.com. On examination of domain names "enys-tech.com" and "idolsinc.com", PKF had observed that the said domain names were created on May 21, 2018 and May 29, 2018 respectively. Further, on examination of email dump of Mr. Robinson (AVP Finance – STI), it was observed that earlier also, emails were sent by Mr. Robinson to the abovementioned email ids on May 07, 2018, i.e. well before creation of the respective domain names, to portray to the statutory auditors (Deloitte) that the said email ids were in existence and the same belonged to Ensys and Idol respectively. It was further found that Mr. Robinson Vincent vide email dated May 21, 2018 to Mr. Suresh had written that *"I just created the id. Email account: mark@idolsinc.com password: mark123."* , which indicated that the abovementioned email Id of idol was created and operated by employees of STI. Further, as has already been pointed in foregoing paragraphs, Mr. Ramani in his email dated July 28, 2017, had regretted about not creating websites of Ensys and Idol timely.

15.26. After various inconsistencies and irregularities were pointed out by Deloitte, the Company suddenly stopped recognizing revenue from Ensys, Idol and Intuit in its books of accounts after FY 2018-19 and the outstanding amount as on March 31, 2019 was either written off as bad debts or was set off against amount payable to vendor, namely NSIT.

15.27. Apart from the above, GT, Deloitte and PKF had observed that Ensys, Idol and IMTL were connected to the Company through common addresses in the following manner:

- The address of Ensys Technologies Inc. is 19 Noa Ct, Hamilton Township, NJ 08690-3643 is same as of address of Mr. P K Chandrasekher (VP Finance of Securekloud Technologies Inc).
- The address of Idol Solutions Inc is same of address of Securekloud Technologies Inc i.e. 2 Tower Center Blvd FL 8 East Brunswick, NJ, 08816-1100 United States which shows that both the companies operate from same office.
- Intuit Micro Technology Private Limited ('IMTPL') is a Chennai based entity. IMTL is group company of IMTPL through common director Mr. Giri Rajan Mohan Babu. Auditor of IMTPL from FY 2015-16 was Mr. Gurumurthi Jayaraman i.e. chairman of Audit committee member of Securekloud.

15.28. Further, as has already been pointed out in foregoing paragraphs dealing with findings of GT (Forensic Auditors appointed by SEBI), the Company had failed to provide any evidence supporting transaction deliverables i.e. proof of the services rendered by NSIT

to ETI, ISI, and IMTL. Further, in submissions made to GT, PKF and in statements recorded by SEBI, the Company has been changing its stance on the nature of services provided to the abovementioned customers and failed to provide any proof of services rendered to these customers. While Mr. Lakshmanan Kannappan, COO of the Company (who also happened to be a Director of the Company), in his statement to SEBI stated that he was not aware about the abovementioned customers, Mr. S. Ravichandran, VP Operations, stated that he never signed any contract with aforesaid three customers i.e. Ensys, IMTL and ISI. This further corroborates that no actual service was rendered to these customers.

15.29. As pointed out above, the Company has repeatedly been changing its stance regarding the nature of services provided to the customers. In this regard, the submissions made by the Company to PKF, GT and SEBI are as under:

- ***Submissions made to PKF:*** The Company submitted that for the period April 2018 to December 2018, the revenue was recognized based on "server migration" to the customer. However, no email conversation was provided and it was informed that all communication happened only through telephone. There were no approved timesheets with HR team/operation team and customers.

- ***Submission to GT:*** The Company's representatives stated that email communications with the said customers (ETI, ISI and IMTL) were being handled by individual employees through their official email IDs and there was no common email ID / group email ID on which emails from these entities were sent / received. Currently, all the employees corresponding/liasoning with the said entities have left the Company's employment. Moreover, all the employee's data (including their emails) were subsequently purged / deleted by the Company within 30-60 days of them leaving the organization. Accordingly, the Company currently does not have any e-mail communication with the said parties. Further, no supporting documents pertaining to transactions with ETI, ISI and IMTL were provided by the Company. None of the transaction deliverables including weekly reports to be shared between the customer and the Company, delivery confirmations issued by ETI, ISI and IMTL, email/other communications between the representatives of the customer and the Company were provided by the Company.

- ***Submission of KMPs in SEBI statement recording:*** Mr. Lakshmanan Kannappan, COO & Director of the Company, submitted that he had never heard of IMTL. He

also stated that Idol was a company of Mr. Shibu (director of one of the step down subsidiaries of the Company) which he had only heard about and that he had never worked with Ensys. Further, S Ravichandran, (who was VP – Operations during the investigation period), explained the customer and vendor on-boarding exercise in STL wherein being VP operations he had signed all the customer and vendor on-boarding contracts except for customers, namely Ensys, Idol and IMTL and one Vendor, namely NSIT. He submitted that no contracts were signed with the aforesaid three customers and vendor namely NSIT, and no contracts were shown to him. He further submitted that he was operations head, however, he never dealt with NSIT, Ensys, Idol and Intuit. The vendor, NSIT, was referred to him by Mr. Ramani. Except NSIT there was no vendor in the Company and he did not deal with any employee/manager in NSIT.

15.30. From the observations, it is evident that there were no genuine sales/services made to the customers, namely Ensys, Idol and Intuit, and that these customers were merely used by the Company to overstate its revenue.

Fictitious revenue and receivables recognized by the Company w.r.t. customers namely Sutter Health Group, Kaiser Permanente or Kaiser Research Lab, Medidata Solutions Inc and Shire Pharmaceuticals LLC or Shire lab systems:

15.31. The revenue from entities, namely "Sutter Health Group", "Kaiser Permanente or Kaiser Research Lab", "Medidata Solutions Inc" and "Shire Pharmaceuticals LLC or Shire lab systems", were recognized by subsidiaries of the Company, namely Securekloud Technologies Inc (STI) (formerly known as 8K Miles Software Services Inc) and Blokedge Technologies Inc (Blockedge) (formerly known as 8K Miles Healthcloud Inc). The following observations show that revenue w.r.t. aforesaid four entities was fictitious.

Sutter Health Group:

15.32. It was observed that Idol and "Sutter Health Group" are one and same. The same is evident from "Registration of Alternate Name" form (C-150G) downloaded from official portal (www.njportal.com) of Department of Revenue, State of New Jersey. It was observed from the aforesaid form that Idol was allowed to use alternate name i.e. Sutter Health Group from March 2018. Further, the said form was signed by Mr. P K Chandrasekher (VP Finance of STI) in capacity of VP of Idol. This shows that Sutter Health Group is nothing but Idol Solutions Inc. As discussed in foregoing paragraphs, Idol is a company owned, controlled and managed by Mr. Suresh and Mr. Ramani.

15.33. Deloitte, during the course of audit, had observed that while "Sutter Health Group" was located at New Jersey, a company named "Sutter Health" was located at Northern California. This indicated that "Sutter Health Group" and "Sutter Health" are different entities. In the statement dated April 06, 2022 to SEBI, Mr. Suresh had stated that project with "Sutter Health" was finished and in the email dated April 21, 2022 to SEBI, he had stated that revenue from "Sutter Health Group" was being recognized since 2014. Further, Mr. Lakshmanan Kannappan (COO & Director of the Company) in his statement dated April 07, 2022 stated that *"Sutterhealth customer was inherited from SERJ Solutions. STI provided EPIC consulting and Audit compliance tool. But, I'm not aware of the revenue size from this customer or number of consultants engaged on this"*. It is important to note that Serj Solutions was a company which was acquired by STI in the year 2015 and is a step down subsidiary of the Company.

15.34. It was observed that while major revenue was booked by the Company w.r.t. "Sutter Health Group", the statement of Mr. Lakshmanan Kannappan revealed that despite being the COO, he was not aware of revenue size and number of employees engaged on this. This indicates that the revenue booked w.r.t. Sutter Heath Group was fictitious. It appears that the customer, "Sutter Health" was first serviced at the time of acquisition of Serj. However, the Company started booking fictitious revenue in the name of "Sutter Health Group", after completion of initial projects, by changing the name of "Idol Solutions Inc" to "Sutter Health Group".

15.35. It was also observed from the email dumps provided by the Company to PKF that on May 08, 2018, Mr. Suresh sent one email to Mr. Ramani wherein certain email ids and passwords were mentioned. It was observed that w.r.t. "Sutter Health Group", the email id mentioned was sarad@sutterhealthgroup.com, the password was mentioned as "8KDublin" and contact person's name was mentioned as "Sara Davis". This indicates that fake email and domain name of "Sutter Health Group" were created and managed by Mr. Suresh and Mr. Ramani.

15.36. When PKF, during the course of forensic audit, had insisted on the Company to provide MSA and SoA directly from customer, Mr. Robinson Vincent (AVP Finance, STI) had sent an email dated August 02, 2019 to one Ms. Sara Davis of Sutter Health Group, at email id sarad@sutterhg.com. PKF had found that the domain name "sutterhg.com" was created on June 06, 2018. On examination of email dump of Mr. Robinson, PKF had observed that earlier also, an email was sent by Mr. Robinson to the said email id on May 05, 2018, i.e. well before creation of the said domain name, to portray to the statutory

auditors (Deloitte) that the said email id was in existence and the same belonged to "Sutter Health Group". It was noted that the actual domain name of "Sutter Health" is "sutterhealth.org".

15.37. The above observations indicate that there may be actual business with "Sutter Health" in past. However, no actual services were provided to "Sutter Health Group" and the revenue booked in the name of "Sutter Health Group" was fictitious as "Sutter Health Group" was nothing but an entity owned and managed by STL/STI.

Kaiser Permanente or Kaiser Research Lab ("Kaiser"):

15.38. It was observed that the Company was booking revenue another entity, namely "Kaiser Permanente". The official website of "Kaiser Permanente" is www.kaiserpermanente.org. Deloitte, during the audit process, observed that along with "Kaiser Permanente", the Company was also booking revenue with another entity with similar name, "Kaiser Research Lab". When Deloitte sought documents, the Company provided agreements of only "Kaiser Permanente" and not "Kaiser Research Lab", even though revenue was booked in the name of both "Kaiser Permanente" and "Kaiser Research Lab".

15.39. From the email dumps provided by the Company to PKF, it was observed that on May 08, 2018, Mr. Suresh sent one email to Mr. Ramani wherein certain email ids and passwords were mentioned. In the said email, w.r.t. "Kaiser Research Lab" the email ids mentioned were Richard.johnson@kaiserresearchlab.com and accountspayable@kaiserreserachlab.com, the Password was mentioned as "8KDublin" and contact person's name was mentioned as Richard Johnson. This indicates that fake emails and domain name of "Kaiser Research Lab" was created and managed by Mr. Suresh and Mr. Ramani.

15.40. When PKF, during the course of forensic audit, had insisted on the Company to provide MSA and SoA directly from customer, Mr. Robinson Vincent (AVP Finance, STI) had sent an email dated August 02, 2019 to one Mr. Richard Johnson, at email ids Richard.johnson@kpresearchgroup.com and accountspayable@kpresearchgroup.com. PKF found that the domain name "kpresearchgroup.com" was created on June 06, 2018 whereas actual domain name of "Kaiser Permanente" i.e." kaiserpermanente.org" was created in the year 1996. On seeking clarifications by PKF, the Company submitted that "Kaiser Research Lab" was a group company of "Kaiser Permanente". However, on examination of website of "Kaiser Permanente" and google search, no entity in the name of "Kaiser Research Lab" was found.

15.41. Mr. Suresh in his statement dated April 06, 2022 to SEBI had stated that project with "Kaiser" was finished. Mr. Suresh, in email dated April 21, 2022 to SEBI, further stated that revenue from "Kaiser Permanente" was being recognized since 2013. Further, Mr. Lakshmanan Kannappan, COO & Director of the Company, in his statement dated April 07, 2022 stated that *"SERJ Solutions provided EPIC consulting services to Kaiser"*. As pointed out above, Serj Solutions was a company which was acquired by STI in the year 2015 and is step down subsidiary of the Company.

15.42. In addition to aforesaid, PKF had also observed that money shown as received from "Kaiser" was questionable as the name of Kaiser was not appearing as a remitter in bank statements.

15.43. The above observations indicate that there may be actual business with "Kaiser Permanente" in the past. However, no actual services were provided to "Kaiser Research Lab" and the revenue booked w.r.t. "Kaiser Research Lab" was fictitious as "Kaiser Research Lab" was nothing but an entity managed by STL/STI.

Medidata Solutions Inc ("Medidata"):

15.44. It was observed that the Company was booking revenue in the name of another entity, namely "Medidata Solutions Inc" (Medidata). The official websites of Medidata are www.medidata.com and www.mdsol.com. Deloitte, during the audit process, was provided with copies of agreements entered into by the Company with Medidata. The said agreements were signed by Mr. Alabi Osenke (VP of Medidata, as per agreement copy). Medidata is a listed entity in USA and is regulated by US-SEC. The details of KMPs and Vice president of Medidata were collected by Deloitte from various filings including Annual Reports of Medidata. However, no person in the name of Mr. Alabi Osenke was found to be VP or employee of Medidata. Therefore, it appears that the agreements provided by the Company to Deloitte were not genuine.

15.45. It was also observed from the email dumps provided by the Company to PKF that on May 08, 2018, Mr. Suresh sent one email to Mr. Ramani wherein certain email ids and passwords were mentioned. It was observed that w.r.t. "Medidata", the email id mentioned was oalabi@medidatahealthservices.com, and the password was mentioned as "8KDublin". This indicates that fake email id of "Medidata" was created and managed by Mr. Suresh and Mr. Ramani.

15.46. When PKF, during the course of forensic audit, had insisted on the Company to provide MSA and SoA directly from customer, Mr. Robinson Vincent (AVP Finance, STI) had

sent an email dated August 02, 2019 to one Mr. Alabi, at email id oalabi@medidatahealthsystem.com. PKF found that the domain name "medidatahealthsystem.com" was created on June 06, 2018, whereas actual domain names of "Medidata" i.e." www.medidata.com and www.mdsol.com" were created in the year 1996.

15.47. Mr. Suresh, in his statement dated April 06, 2022 to SEBI, stated that they still do business with "Medidata" and in email dated April 21, 2022 he stated that revenue from "Medidata" was being recognized since 2015. Further, Mr. Lakshmanan Kannappan, COO & Director of the Company, in his statement dated April 07, 2022, in respect of Medidata, had stated that *"STI provided cloud migration and transformation services including design, architecture, implementation and managed services for this customer. Don't remember the size of the deal or the duration of this effort.* The same indicated that even though major revenue was booked by the Company w.r.t. "Medidata", Mr. Lakshmanan Kannappan despite being the COO, was not aware of the details of revenue size and number of employees engaged on this project.

15.48. Vide email dated April 16, 2022 Mr. Lakshmanan Kannappan also provided copies of agreement dated March 13, 2015 (MSA) entered between STI and Medidata and two SOWs/POs. It was observed that the same were signed by one Mr. Andrew Monteverde of Medidata in capacity of Senior Manager Procurement (as per Linkedin profile of Mr. Andrew Monteverde, he was Senior Manager – Global Procurement, for Medidata during July 2007 to June 2015) and the MSA was for a duration of six months. However, there was no mention of any Alabi Osenke, VP, in the said documents and no agreements signed by any Alabi Osenke were provided. Further, no other MSA or documentary proof was provided which could demonstrate that after completion of said project in 2015, the Company was required to continue providing services to Medidata.

15.49. In addition to aforesaid, PKF had also observed that money shown as received from "Medidata" was questionable as the name of "Medidata" was not appearing as a remitter in bank statements.

15.50. All the above observations indicate that the Company was booking fictitious revenue w.r.t. Medidata without providing any actual service. It appears that the customer, Medidata, was first serviced in the year 2015. However, the Company kept on booking fictitious revenue in the name of Medidata, even after completion of initial project in 2015.

Shire Pharmaceuticals LLC or Shire Lab Systems ("Shire"):

15.51. The Company was booking revenue with another entity, namely "Shire Pharmaceuticals LLC". Its official website is www.shire.com. As per public search results, "Shire Pharmaceuticals LLC" was acquired by "Takeda Group" in the year 2019. "Shire Pharmaceuticals LLC and Takeda Group" are listed entities in USA. It was observed that along with "Shire Pharmaceuticals LLC", the Company was also booking revenue with an entity with similar name, "Shire Lab Systems".

15.52. It was observed from the email dumps provided by the Company to PKF that on May 08, 2018, Mr. Suresh had sent one email to Mr. Ramani wherein certain email ids and passwords were mentioned. It was observed that w.r.t. "Shire Lab Systems", the email id mentioned was ap@shirelabsystem.com, the password was mentioned as "8KDublin" and contact person's name was mentioned as "AP Group". This indicates that fake email ID and domain name of "Shire Lab Systems" were created and managed by Mr. Suresh and Mr. Ramani.

15.53. When PKF, during the course of forensic audit, had insisted on the Company to provide MSA and SoA directly from customer, Mr. Robinson Vincent (AVP Finance, STI) had sent an email dated August 02, 2019 to Shire Lab Systems, at email id ap@shirelabsystems.com. PKF found that the domain name "shirelabsystems.com" was created on June 06, 2018, whereas actual domain name of "Shire Pharmaceuticals LLP" i.e. "shire.com" was created in the year 1999.

15.54. Further, Mr. Suresh, in his statement dated April 06, 2022 to SEBI had stated that project with "Shire" was finished. Mr. Suresh in his email dated April 21, 2022 to SEBI further stated that revenue from "Shire Pharmaceuticals LLC" was being recognized since 2014. Further, Mr. Lakshmanan Kannappan, COO & Director of the Company, in his statement dated April 07, 2022 stated that *"STI built the proof of concept of cloud platform on AWS for Shire's cloud infrastructure team. I was not involved in sales and delivery of these services"*. The said statement indicated that even though major revenue was booked by the Company w.r.t. "Shire Lab Systems", Mr. Lakshmanan Kannappan despite being the COO, was not aware of details of services provided to "Shire Lab Systems".

15.55. Further, PKF had also observed that money shown as received from "Shire Lab Systems" was questionable as the name of "Shire Lab Systems" was not appearing as a remitter in bank statements.

15.56. All the above indicate that there was no actual service to "Shire Lab Systems" and the revenue booked w.r.t. Shire Lab Systems was fictitious. It appears that the revenue w.r.t. "Shire Pharmaceuticals LLC" may have been booked in past. However, the Company kept on booking fictitious revenue in the name of "Shire Lab Systems", even after completion of initial projects.

(c) <u>Violations w.r.t. Overstatement of Expenses and Payables:</u>

15.57. As discussed above, various inconsistencies were identified by Deloitte w.r.t. vendor payments to NSIT by the Company. The same was confirmed by PKF which concluded that expenses booked w.r.t. the vendor, Nation Star IT Services Limited (NSIT) were fictitious. The said observations were also confirmed by forensic auditors appointed by SEBI i.e. GT. The details of the same are discussed in subsequent paragraphs.

Fictitious expenses and payables booked by the Company w.r.t. vendor namely Nation Star IT Services Limited (NSIT):

15.58. It was observed that the Company was making vendor payments to M/s Nation Star IT Services Ltd (NSIT), a Dubai based company, for providing technical and referral services for the purpose of rendering services to Ensys, Idol and Intuit. It was observed that NSIT came under the provisions of RAK Offshore Provisions, UAE (RAK ICC Business Companies Regulations, 2016) wherein no database of companies is maintained and companies are allowed to incorporate with very relaxed norms such as no financial statements are required to be submitted, no public record of shareholders/directors is maintained, audit of financial statements is not required, neither owner nor director is required to visit the premises and no personal presence of representative is required during incorporation of company. In the absence of public documents such as financial statements, incorporation documents, shareholder/director register etc. it becomes easy to hide the identity of real owners of such companies. However, from the agreements provided by the Company, it was observed that one Ms. Gayatri Ramaswamy Nurani Iyer was the only shareholder and director of NSIT.

15.59. It was observed by GT and Deloitte that Ms. Gayatri Ramaswamy Nurani Iyer was an employee of 89.4 Tamil FM Radio – Dubai, which was owned and controlled by Mr. Ramani. The same was evident from social media account of 89.4 Tamil FM Radio – Dubai and statement of Mr. Ramani dated March 09, 2022 to SEBI wherein he stated that he was director of Aaren World Media – DXB which ran 89.4 Tamil FM Radio. Further, on analysis of email dumps provided by the Company to PKF, it was noted that in one

email dated April 29, 2019, Mr. Ramani had written to one Mr. Anand Rathnala about preparation of financial projection of 89.4 FM. Therefore, it is clear that Aaren World Media DXB or 89.4 Tamil FM Radio - Dubai is an entity owned and controlled by Mr. Ramani.

15.60. Mr. Ramani, in his abovementioned statement to SEBI also stated that Ms. Gayatri Ramaswamy Nurani Iyer was an employee of 89.4 Tamil FM Radio – Dubai and she had been working as sales and customer relations executive since 2018. He further stated that he didn't remember the exact date of Ms. Gayatri's joining. Mr. Ramani was therefore asked to provide copies of appointment letter and salary slips of Ms. Gayatri Ramaswamy Nurani Iyer, incorporation documents and director details of Aaren World Media DXB. In response, vide email dated March 16, 2022, Mr. Ramani stated that he was the single director in Aaren World Media DXB and no salary slips were generated in the said company. He did not provide any incorporation documents stating that they just had trade license and there was no incorporation documents policy in Dubai. Further, he stated that Ms. Gayatri Ramaswamy Nurani Iyer was an employee of Aaren World Media DXB since Jan/Feb 2021 and provided copy of one limited term employment contract.

15.61. It was observed from Linkedin profile of Ms. Gayatri Ramaswamy Nurani Iyer that she was full time employee of 89.4 Tamil FM Radio - Dubai since March 2018. Further, as already discussed in the foregoing paragraphs dealing with findings of GT, from one of the photos, posted in year 2018 in the Instagram account of 89.4 Tamil FM Dubai by the name of "89.4tamilfm", it appeared that Ms. Gayatri Ramaswamy Nurani Iyer was employee of 89.4 Tamil FM since year 2018. Mr. Ramani, in his statement had also stated that Ms. Gayatri was an employee since 2018. However, later on, in order to mislead SEBI, he changed his stance and stated that Ms. Gayatri is an employee since 2021. He also did not provide any salary slip and incorporation documents of company, as already stated above. Further, the employment agreement of Ms. Gayatri provided by Mr. Ramani does not mention whether it was her first employment contract with 89.4 Tamil FM – Dubai. However, to conceal the true picture, Mr. Ramani intentionally provided to SEBI employment agreement of Ms. Gayatri which was entered in 2021 and did not provide copies of any prior agreement. Deloitte also in its fraud report dated September 13, 2019 had observed that Ms. Gayatri Ramaswamy Nurani Iyer was an employee of 89.4 Tamil FM Dubai Since 2018. Therefore, it is clear that NSIT is a company managed and controlled by Mr. Ramani through his employee, namely Ms. Gayatri Ramaswamy Nurani Iyer.

15.62. As has already been discussed in foregoing paragraphs, there was no actual service being rendered to customers, namely Ensys, Idol and Intuit. Since NSIT, as per the Company, was providing services only to Ensys, Idol and Intuit, it is inferred that actual service was not rendered by NSIT to these customers and accordingly, the expenses and payables booked by the Company for NSIT were fictitious. The same is corroborated by the fact that the Company had failed to provide the supporting documents pertaining to transactions with NSIT. The same is further corroborated by the statement of Mr. Ravichandran S (who was VP, Operations, of the Company during the investigation period) that he had never interacted with NSIT and that no vendor agreements were signed for NSIT.

(d) <u>Violations w.r.t. Overstatement of Fixed Assets and Overstatement of Consultancy Charges:</u>

15.63. The annual reports of the Company showed that the Company's 'other intangible assets' (i.e. assets other than goodwill) had suddenly increased from Rs.37.90 Crore in FY 2015-16 to Rs.499.73 Crore in FY 2018-19 i.e. increase of almost 13 times within three years. The details of the same are provided in the table below.

Particulars	FY 2015-16*	FY 2016-17*	FY 2017-18	FY 2018-19	FY 2019-20
Other Intangible Assets	Rs.37.90Cr.	Rs.61.69Cr.	Rs.225.90Cr.	Rs.499.73Cr.	Rs.35.00Cr.
Intangible Assets under development	Rs.18.13Cr.	Rs.20.72Cr.	Rs.27.96Cr.	Nil	Rs.3.57Cr.

Rs. In Crores (Source: Annual reports of the Company)

* The figures were re-stated vide annual report for FY 2017-18.

15.64. It was observed from the annual reports of the Company that the Company was developing certain software and the same was accounted for under the head intangible assets and was appearing in consolidated balance sheet. It was further observed that the Company was booking expenditure in its profit and loss account under the head "Professional and Consultancy Charges". It was observed that both "cost towards development of software" and "Professional and Consultancy Charges" were material items which pertained to consolidated balance sheet and consolidated profit and loss account of the Company, respectively.

15.65. Deloitte in the statutory audit report for FY 2018-19 had pointed out several instances of transactions with vendors, wherein there were inconsistencies between the nature of services as mentioned in the invoices and the basis of recording the expenses in the books

of account as consultancy expenses and intangible assets. The inconsistencies pointed out by Deloitte pertained to instances where same Federal Tax ID was mentioned against different vendors, different Federal Tax ID was used for same vendor, names of two vendors appearing in the same contract in different places, the contract had been signed by a signatory on behalf of 8K Miles Software Service Inc., post his resignation from the said 8K Miles Software Services Inc. etc. For the year ended March 31, 2019, the Company had recorded consultancy charges aggregating to Rs.266.89 Crore and intangible assets/assets under development of Rs.222.67 Crores.

15.66. Deloitte also pointed out inappropriate documentation w.r.t. nature of the abovementioned intangible assets, data to demonstrate the appropriateness of the timing to commence capitalization of costs associated with such intangible assets and the basis on which the costs capitalized were associated with the intangibles being developed. Deloitte gave disclaimer of opinion w.r.t. carrying value of such intangible assets as on March 31, 2019.

15.67. PKF also agreed with the findings of Deloitte and observed that consultancy charges and intangible assets/assets under development were fictitious/questionable.

15.68. After Deloitte's observations, the Company in very next financial year i.e. in FY 2019-20 impaired Rs.464.73 Crore of Software under the head 'intangible assets' which was developed by the Company internally and stated the following reason for such impairment: *"Based on recommendation of technical experts and after evaluation of the expected foreseeable economic benefits, written off internally generated software"*

15.69. As already discussed in foregoing paragraphs, the Company was booking fictitious revenue and expenditure to portray good picture and better financial condition of the Company. Likewise, the Company was also capitalizing fictitious expenses towards development of software to portray a bigger balance sheet size of the Company. Consequently, the balance sheet size of the Company had increased from Rs.44.76 Crore as on March 31, 2013 to Rs.997.99 Crore as on March 31, 2019 i.e. manifold increase within a short span of time. However, in FY 2019-20 i.e. after reporting of various inconsistencies by Deloitte, the Company impaired the said software from its balance sheet and the size of balance sheet fell sharply from Rs.997.99 Crore to Rs.242.82 Crore i.e. an amount of Rs.755.17Core was wiped off from the balance sheet of the Company in a single financial year.

15.70. It was observed that the Company was booking payments to 10 vendors in the name of "Professional and Consultancy charges" and/or "payment towards development of intangible assets". Deloitte had identified various inconsistencies w.r.t. booking of expenditure for these vendors. It was observed that these 10 vendors were either fictitious entities or entities managed and controlled by Mr. Suresh/Mr. Ramani. Mr. Lakshmanan Kannappan, COO & Director of the Company, in his statement dated April 07, 2022 to SEBI stated that he had neither heard about nor was he aware of the said vendors. It was thus observed that by booking and capitalizing fictitious expenditure, the Company manipulated its profit & loss account and balance sheet. The vendor wise details of the said 10 vendors are provided below.

"Infinity Tech Group Inc" or "Infinity Technology Group Inc":

15.71. It was observed that the Company was booking expenditure for certain services availed from "Infinity Tech Group Inc". On examination of email dumps, it was observed that on November 11, 2018, Mr. Robinson Vincent (AVP Finance, STI) had sent one email to Mr. Suresh wherein he had mentioned certain vendor payment details, including payment of USD 100,685 to Infinity Tech Group Inc. While forwarding the said email to Mr. Ramani on November 12, 2018, Mr. Suresh wrote *"I am going to use one vendor as Infinity Tech Group Inc. Other one I will email separately. You can use the address here in the quickbook invoice. I will create a company or DBA with Infinity Technology Group Inc."* From the abovementioned email conversation, it appears that Mr. Suresh/Mr. Ramani were using the vendor, Infinity Tech Group Inc., to book fictitious expenditure and to overstate intangible assets.

15.72. PKF, during the course of the forensic audit, had insisted on the Company to provide MSA or SoA directly from the vendors. Therefore, Ms. Deepa Joshi (Finance Manager, STI) had sent an email dated August 05, 2019 to email id accounts@infigrp.com, purportedly belonging to "Infinity Tech Group Inc". PKF found that the domain name "infigrp.com" was created only on August 03, 2019 i.e. merely two days before the aforesaid email dated August 05, 2019, to portray to PKF that the Company had actually taken services from the vendor, "Infinity Tech Group Inc". However, it was found that the actual domain name of "Infinity Tech Group Inc" is www.infigroup.com, which was created on December 26, 1999. During the course of investigation, it was found that no website with the domain name www.infigrp.com existed and the said domain was up for sale. The above indicates that the Company created fictitious domain name and email id purportedly belonging to "Infinity Tech Group Inc.", which was very similar to actual domain name of "Infinity Tech Group", in order to mislead the auditors.

15.73. The above observations indicate that the Company may have availed some actual services from "Infinity Tech Group Inc" in the past on some instances. However, considering that the Company had created email id and domain name, purportedly belonging to "Infinity Tech Group Inc.", as mentioned above, the expenditure booked in the name of "professional and consultancy charges" and "cost towards development of intangible assets" w.r.t. "Infinity Tech Group Inc." appears to be fictitious either wholly or partly.

"Two95 International Inc":

15.74. It was observed that the Company was booking expenditure for certain services availed from "Two95 International Inc". On examination of email dumps, it was observed that on May 15, 2019 Mr. Ramani sent one email to Mr. Robinson Vincent (AVP Finance, STI) with cc to Mr. Suresh, wherein he asked *"Robin, do you have any invoice of two95 international? Please send if you have it Thanks*. In response to the same, Mr. Suresh vide email dated May 16, 2019 to Mr. Ramani stated - *Ramani they are not our vendor, trying to acquire them."* The abovementioned email conversation shows that Mr. Suresh/Mr. Ramani were merely using the vendor, "Two95 International Inc", to book fictitious expenditure and to overstate intangible assets.

15.75. PKF, during the course of forensic audit, had insisted on the Company to provide MSA or SoA directly from the vendors. Therefore, Ms. Deepa Joshi (Finance Manager, STI) had sent an email dated August 05, 2019 to email id mahesh.m@two95intl.net purportedly belonging to "Two95 International Inc". It was found that the domain name "two95intl.net" was created on August 05, 2019 i.e. on the same day of sending the aforesaid email dated August 05, 2019, to portray to PKF that the Company had actually taken services from the vendor, "Two95 International Inc". However, it wsa found that the real domain name of "Two95 International Inc" is www.two95intl.com which was created on March 08, 2009. During the course of investigation, it was observed that no website with the domain name www.two95intl.net existed and the said domain was up for sale. The above indicates that the Company created fictitious domain name and email id purportedly belonging to "Two95 International Inc", which was very similar to actual domain name of "Two95 International Inc", in order to mislead the auditors.

"Wunderkind LLC":

15.76. It was observed that the Company was booking expenditure for certain services availed from "Wunderkind LLC". PKF, during the forensic audit, had insisted the Company to provide MSA or SoA directly from vendors. Therefore, email dated August 05, 2019 was sent by Ms. Deepa Joshi (Finance Manager, STI) to email id zakaria@wunderkindllc.us

purportedly belonging to "Wunderkind LLC". It was found that the domain name "wunderkindllc.us" was created on August 03, 2019 i.e. merely two days before the aforesaid email dated August 05, 2019 was sent, to portray to PKF that the Company had actually taken services from the vendor, "Wunderkind LLC". However, it was found that the real domain name of "Wunderkind LLC" is www.wunderkind.co which was created on June 27, 2016. During the course of investigation, it was observed that no website with the domain name www.wunderkindllc.us existed and the said domain was up for sale. It was further found by PKF that the dummy domain name i.e. www.wunderkindllc.us was created by ex-employee of the Company, namely Ms. Shanthi Raghuraj and the registrant organization for said domain name was "Hitech Recruitment and Training Services Pvt Ltd". It was further found that "Hitech Recruitment and Training Services Pvt Ltd" is a company registered at the address of Mr. Gurumurthi Jayaraman, the Audit Committee Chairman of the Company. Mr. Gurumurthi Jayaraman, in his statement to SEBI, stated that the said "Hitech Recruitment and Training Services Pvt Ltd" was run and controlled by his employee, namely Sanjay Diwakar and that the office of the said company is same as his office address i.e. 103, PS Sivaswamy Salai, Mylapore, Chennai. The above indicates that the Company created fictitious domain name / email id purportedly belonging to "Wunderkind LLC", which was very similar to actual domain name of "Wunderkind LLC", in order to mislead the auditors.

15.77. Further, PKF found three sets of SoW from email dumps of Mr. Ramani, wherein amount was varying from USD 5 Lacs to USD 25 Lacs.

"Pyramid Technology Solutions Inc":

15.78. It was observed that the Company was booking expenditure for certain services availed from "Pyramid Technology Solutions Inc". PKF, during the forensic audit, had insisted the Company to provide MSA or SoA directly from vendors. Therefore, Ms. Deepa Joshi (Finance Manager, STI) had sent an email dated August 05, 2019 to email id satya.maddipati@pyramidinc.net purportedly belonging to "Pyramid Technology Solutions Inc". It was found that the domain name "pyramidinc.net" was created on August 02, 2019 i.e. merely three days before the aforesaid email dated August 05, 2019 was sent, in order to portray to PKF that the Company had actually taken services from the vendor, "Pyramid Technology Solutions Inc". However, the real domain name of "Pyramid Technology Solutions Inc" is www.pyramidinc.com which was created on March 14, 2000. During the course of investigation, it was observed that no website with the domain name www.pyramidinc.net existed and the said domain was up for sale. The

above indicates that the Company created fictitious domain name and email id purportedly belonging to "Pyramid Technology Solutions Inc", which was very similar to actual domain name of "Pyramid Technology Solutions Inc", in order to mislead the auditors.

15.79. Further, it was observed by PKF that a payment of USD 2,95,000 which was made to "Alderis Ventures Inc" was accounted as paid to Pyramid Technology Solutions Inc.

"BMR Infotek Inc":

15.80. It was observed that the Company was booking expenditure for certain services availed from "BMR Infotek Inc". PKF, during the forensic audit, had insisted the Company to provide MSA or SoA directly from vendor. Therefore, Ms. Deepa Joshi (Finance Manager, STI) had sent an email dated August 05, 2019 to email id haribabu@bmrinfotek.net purportedly belonging to "BMR Infotek Inc". It was found that the domain name "bmrinfotek.net" was created on July 31, 2019 i.e. merely five days before the aforesaid email dated August 05, 2019 was sent, in order to portray to PKF that the Company had actually taken services from the vendor, "BMR Infotek Inc". However, the real domain name of "BMR Infotek Inc" is www.bmrinfotek.com which was created on December 29, 2016. The above indicates that the Company created fictitious domain name and email id purportedly belonging to "BMR Infotek Inc", which was very similar to actual domain name of "BMR Infotek Inc", in order to mislead the auditors.

15.81. It was informed to Deloitte by the Company that there was no service agreement between "BMR Infotek Inc" and the subsidiaries of the Company, namely 8K Miles Software Services Inc. and 8K Miles Health Cloud Inc, except for the rate card. Therefore, no MSAs or agreements were produced to auditors. BMR Infotek Inc, as a vendor, was servicing directly to customers referred by the Company. It was observed by Deloitte that although the invoices from BMR Infotek Inc clearly indicated the customers served and the amounts chargeable, the Company had instead capitalized these costs towards development of intangible assets.

15.82. Further, PKF had observed that Mr. B Mohan Reddy was the owner of BMR Infotek Inc from whom 8K Miles Group had acquired one company, named "Cintel", for consideration of USD 3.75 Million. It was also found by PKF that for one service, BMR Infotek Inc provided two different set of invoices with two different service description to support the Company. One invoice was used by the Company as expenditure under the head "professional and consultancy charges" and another invoice was used for

capitalization of intangible assets, indicating that the Company did dual accounting for single invoice.

15.83. Further, in one of the emails dated July 04, 2018, Mr. Suresh wrote to Mr. Robinson Vincent - *"We can create one PO for each invoice and for each project. Which will have no. of people worked for few months. Just wanted to create some back up papers such as Resource involved and their cost and work done for each client. July 2017 – Inv 1231 & 1235, Sep 2017 – Inv 1245&1249, November 2017 – Inv 1255, February 2018 - Inv 1267."* The abovementioned email conversation shows that the management of the Company had indulged in creating/manipulating supporting documents for presenting to auditors.

"RAP Engineers and Consultant PTE Ltd":

15.84. It was observed that the Company was booking expenditure for certain services availed from "RAP Engineers and Consultant PTE Ltd" (RAP Engineers). PKF, during the forensic audit, had insisted on the Company to provide MSA or SoA directly from vendor. Therefore, Ms. Deepa Joshi (Finance Manager, STI) had sent an email dated August 05, 2019 to email id raghu@rapengineers.net purportedly belonging to "RAP Engineers and Consultant PTE Ltd". It was found that the domain name "rapengineers.net" was created on August 03, 2019 i.e. merely two days before the aforesaid email dated August 05, 2019 was sent, in order to portray to PKF that the Company had actually taken services from vendor, "RAP Engineers and Consultant PTE Ltd". However, it was observed that the real domain name of "RAP Engineers and Consultant PTE Ltd" was www.rapengineers.com which was created on August 24, 2001. During the investigation, it was observed that no website with the domain name www.rapengineers.net existed and the said domain was up for sale. The above indicates that the Company created fictitious domain name and email id purportedly belonging to RAP Engineers, which was very similar to actual domain name of RAP Engineers, in order to mislead the auditors.

15.85. Further, in one email dated June 01, 2019, Mr. Ramani wrote to Mr. Suresh - *Suresh: These are picked up by Deloitte. We should not have transferred to Academy of Radio - from software and it is debited to cost of goods??? Also, there are transfers to DBS Singapore without document. Like this there are many many…. I am only giving one or two entries like this - most of the chase transfers do not have any supporting and PK could not answer at all and saying you have done the transfers and for many items which he does not know he is putting in Cost of Goods Sold. Absolute shit.* In response to the same, Mr. Suresh wrote to Mr. Ramani; "*Will update you. PK never check anything.*"

15.86. It was observed that an amount of Rs. 1,20,000 USD was paid to Academy of Radio, which was first debited to cost of goods sold and later-on was reversed and debited to

RAP Engineers. This shows that there was no actual payment to RAP Engineers. When auditors brought irregularities to the notice of management, they changed accounting entries to mislead them. Further, it was observed from SoA provided to PKF that amounts of USD 139500 and USD 33000 paid to an entity, Unifina Capital, were adjusted as payment made to RAP Engineers. It was found that Unifina Capital was a company of Mr. Suresh and its financials were signed by Mr. Suresh in capacity of partner. The same is corroborated by the statement of Mr. Lakshamanan Kannappan wherein he stated - *"Unifina Capital – Suresh V started a small venture capital firm before the time of acquisition of FuGen Solutions"*.

"VSSI LLC Staffing Services (VSSI)":

15.87. It was observed that the Company was booking expenditure for certain services availed from "VSSI LLC Staffing Services (VSSI)". As per the statement of Mr. Lakshmanan Kannappan, VSSI was an IT consulting company based in Detroit, which was incorporated and started by sister of Mr. Suresh, namely Ms. Vedha Sampath. From the Statement of Accounts provided by the vendor, VSSI, to PKF, it was observed that the date of payment mentioned in the said statement was earlier than actual date of payment. It was further observed from email conversations of Mr. Suresh and Mr. Ramani that VSSI was a conduit for obtaining H-1B Visa on behalf of 8K Miles. It was also observed that salary of security guard of VSSI was paid/adjusted by Mr. Suresh/Mr. Ramani from the security deposit received for H1B Visa.

15.88. From the above observations, it is clear that the Company did not avail any actual service from "VSSI" as it was a company run and controlled by sister of Mr. Suresh and SoA received from VSSI were questionable. However, using VSSI's name, without availing any services, the Company booked fictitious expenditure.

"McBitts GmbH"

15.89. It was observed that the Company was booking expenditure for certain services availed from McBitts GmbH (McBitts). PKF, during the forensic audit, had insisted on the Company to provide MSA or SoA directly from vendor. Therefore, Ms. Deepa Joshi (Finance Manager, STI) had sent an email dated August 05, 2019 to email id monica@mcbitts.net purportedly belonging to McBitts. It was found that the domain name "mcbitts.net" was created on August 03, 2019 i.e. just two days before the aforesaid email dated August 05, 2019 was sent, to portray to PKF that the Company had actually taken services from McBitts. During the course of investigation, it was observed that no website with the domain name mcbitts.net existed and the said domain name was up for

sale. This shows that the Company created fictitious email id and domain name to mislead auditors as there was no actual services availed from Mcbitts.

"Tableau Software"

15.90. It was observed that the Company was booking expenditure for certain services availed from "Tableau Software". PKF, during the forensic audit, had insisted on the Company's management to send confirmation email to this vendor. However, even after repeated requests, the Company did not send any confirmation email to Tableau Software. Further, no supporting proof was provided to PKF for validation of licenses being delivered to the Company, if any.

"28right Inc"

15.91. It was observed that the Company was booking expenditure for certain services availed from "28right Inc". It appeared that this company was run and operated by senior employee of the Company, namely Sudish Mogli, who is CTO of step down subsidiary of the Company, namely Healthcare Triangle Inc (the fact that Sudish Mogli is CTO in the subsidiary of the Company was also mentioned by Mr. Suresh in his statement and is also appearing in annual reports of the Company). The same is apparent from email dated December 18, 2018 sent by Mr. Robinson to Mr. Suresh wherein he has mentioned: *"Sir, we have a new client, "Stay smart care "and we are doing a project for $128,000 for them. This work has been outsourced to one company called 28right Inc. for $108,000. This company doesn't have address. When we google for the address, it shows as 3943 Soutirage Lane, San Jose, CA 95135, which is similar to Sudish's home address. I am bringing to your notice because it looks like a subcontracting. I am attaching here with the SOW of smart care and 28 right Inc & Invoice from 28 right Inc."*

15.92. Investigation further revealed that Mr. Sudish Mogli was a director / initial directors in 28right Inc, as evident from "Articles of Incorporation" of 28Right Inc, downloaded from official portal (https://bizfileonline.sos.ca.gov/) of California Secretary of State. The aforesaid document showed that 28right Inc was incorporated on April 29, 2013 by Ms. Archana Pandit and Mr. Sudish Mogli as initial directors. The address of the said company as per "Articles of Incorporation" is same as address of Mr. Sudish Mogli i.e. 3943 Soutirage Lane, San Jose, CA 95135. Further, in a subsequent filing dated February 21, 2021 namely "corporation-statement of information no change" it was submitted by another director of 28Right Inc, Ms. Archana Pandit, that "*There has been no change in any of the information contained in the previous complete Statement of Information filed with the California Secretary of State.*"

15.93. The above observations show that 28right Inc is a connected entity of Securekloud as it is a company owned and controlled by senior employee viz. Mr. Sudish Mogli (CTO – Healthcare Triangle Inc). From the same, it appears that there was no genuine service availed from 28right Inc and whatever expenditure was booked was fictitious expenditure.

15.94. The details pertaining to the abovementioned 10 vendors mentioned in the foregoing paragraphs shows that most of the said vendors were either fictitious or were entities owned and controlled by the Company and its management / employees. In some cases, the Company had used the names of certain genuine entities and had created fictitious email ids and domain names which appeared similar to the real domain names of such genuine entities, in order to mislead the auditors and portray to them that the Company was actually taking services from those entities. In one case of Infinity Tech Group Inc, from whom the Company may have taken services in the past, the Company created fictitious email id and domain name similar to the actual domain name of the said entity, in order to mislead the auditors and give an impression that the Company was still taking services from the said entity. Further, as has been stated above, Mr. Lakshmanan Kannappan, COO & Director of the Company, in his statement dated April 07, 2022 to SEBI stated that he had neither heard about nor aware of the said vendors. All these observations coupled with other observations mentioned in the foregoing paragraphs clearly indicate that the expenditure booked in the name of "professional and consultancy charges" and "cost towards development of intangible assets" in respect of the said 10 vendors was fictitious.

(e) Rented premises from Mr. Suresh:

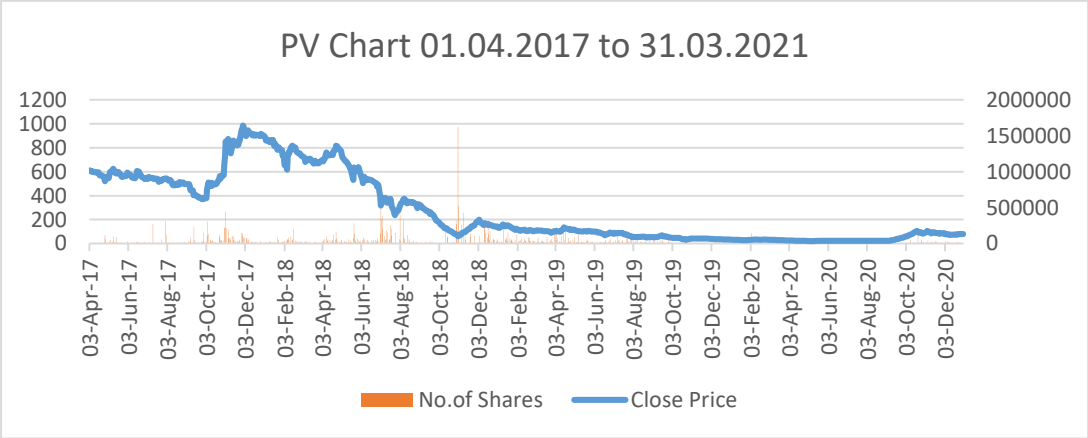
15.95. It was observed by GT that the Company has rented 11,265 sq. ft. premises from its promoter Mr. Suresh Venkatachari situated at 168, Eldams Road, Alwarpet, Chennai – 600 018 at a rental of Rs. 14 Lakhs per month (i.e. at the rate of Rs. 125/- per sq. ft.). The Company also paid a security deposit of Rs. 1.40 Crore for aforesaid rent agreement. The same was leased from October 2016 onwards with a lock in period of nine years. However, on March 31st, 2019, the Company terminated the lease agreement. The abovementioned Security Deposit of Rs. 1.40 Crore and expenses on improvements of Rs. 2.43 Crore were adjusted against outstanding loan of Rs. 13.95 crore of Mr. Suresh Venkatachari to the Company.

15.96. During the course of investigation, based upon the statements of directors and KMPs, it was found that the Company never shifted to the abovementioned premises. Further, as per site visit of GT, it was found that the building was incomplete and under construction.

Considering that the building was still under construction, the abovementioned adjustment of expenses on improvements and the security deposit against outstanding loans of Mr. Suresh Venkatachari did not appear to be a genuine transaction. By reducing outstanding loan by Rs. 3.83 Crore, the Company has fraudulently siphoned the said amount to promoter.

Price Movement during the investigation period:

16. The following Chart shows the price movement of the shares of STL during the Investigation Period.



16.1. It was observed that price of the share touched a high of Rs. 1024 on November 29, 2017 and started falling thereafter. It continuously fell down and touched a low of Rs. 20.30 on May 11, 2020. The price movement in share price during the investigation was as follows:

Snapshot of price and volume movement during April 01, 2017 to March 31, 2021 at BSE

Particulars	Price (In Rs.)	Date	Volume (No. of shares)	Date
Open	Rs. 609.00	03.04.2017	4,857	03.04.2017
High	Rs. 1024	29.11.2017	16,20,949	01.11.2018
Low	Rs. 20.30	11.05.2020	114	30.09.2020
Close	Rs. 75.60	31.03.2021	8,283	31.03.2021

(Source: BSE website)

Snapshot of price and volume movement during April 01, 2017 to March 31, 2021 at NSE

Particulars	Price (In Rs.)	Date	Volume (No. of shares)	Date
Open	Rs. 611.75	03.04.2017	29,255	03.04.2017
High	Rs. 1029.95	29.11.2017	66,48,146	03.07.2018
Low	Rs. 25.25	07.09.2020	2,329	15.09.2020
Close	Rs. 79.95	31.03.2021	28,123	31.03.2021

(Source: NSE website)

Year wise snapshot of share price and volume movement during April 01, 2017 to March 31, 2021 at BSE:

Period Year	Price	Date	Volume	Date
April 01, 2017 to March 31, 2018	O – Rs.609.00 H – Rs.1024.00 L – Rs.364.75 C – Rs.671.20	03.04.2017 29.11.2017 27.09.2017 28.03.2018	4,857 4,48,368 1,587 8,881	03.04.2017 02.11.2017 13.06.2017 28.03.2018
April 01, 2018 to March 31, 2019	O – Rs.669.00 H – Rs.851.80 L – Rs.55.00 C – Rs.99.05	02.04.2018 25.04.2018 02.11.2018 29.03.2019	14,367 16,20,949 1,238 9,249	02.04.2018 01.11.2018 27.09.2018 29.03.2019
April 01, 2019 to March 31, 2020	O – Rs.104.00 H – Rs.142.15 L – Rs.26.60 C – Rs.26.60	01.04.2019 18.04.2019 30.03.2020 30.03.2020	1,53,398 2,48,769 805 3,942	01.04.2019 18.04.2019 02.12.2019 30.03.2020
April 01, 2020 to March 31, 2021	O – Rs.25.30 H – Rs.122.85 L – Rs.20.30 C – Rs.75.60	07.04.2020 01.02.2021 11.05.2020 31.03.2021	11,501 1,25,063 114 8,283	07.04.2020 21.10.2020 30.09.2020 31.03.2021

Year wise snapshot of share price and volume movement during April 01, 2017 to March 31, 2021 at NSE:

Period Year	Price	Date	Volume	Date
April 01, 2017 to March 31, 2018	O – Rs.611.75 H – Rs.1029.95 L – Rs.364.70 C – Rs.670.05	03.04.2017 29.11.2017 27.09.2017 28.03.2018	29,255 24,31,974 12,769 96,815	03.04.2017 02.11.2017 04.08.2017 28.03.2018
April 01, 2018 to March 31, 2019	O – Rs.678.70 H – Rs.851.95 L – Rs.55.40 C – Rs.98.50	02.04.2018 25.04.2018 02.11.2018 29.03.2019	1,33,803 66,48,146 4,486 55,621	02.04.2018 03.07.2018 10.12.2018 29.03.2019
April 01, 2019 to March 31, 2020	O – Rs.102.90 H – Rs.142.30 L – Rs.49.05 C – Rs.62.10	01.04.2019 18.04.2019 23.08.2019 23.09.2019	3,07,482 14,27,414 10,337 26,760	01.04.2019 18.04.2019 22.07.2019 23.09.2019
April 01, 2020 to March 31, 2021	O – Rs.25.25 H – Rs.122.85 L – Rs.25.25 C – Rs.76.95	07.09.2020 01.02.2021 07.09.2020 31.03.2021	24,499 3,63,387 2,329 28,123	07.09.2020 26.10.2020 15.09.2020 31.03.2021

16.2. From the abovementioned movement in the share price of STL, it appears that STL knowingly published false and manipulated financial statements during the investigation period and the same had continued even after the statutory auditors had made certain adverse observations pertaining to the audit of FY 2018-2019. The facts of the case and the abovementioned price movement indicate that the Company had published the manipulated financial statements showing inflated revenue in order to present a rosy picture of the financial health of the Company in order to induce gullible investors to invest in the shares of the Company. The investors appear to have been influenced by

such manipulated financial statements and purchased the Company's shares, which interfered with the normal mechanism of price discovery and integrity of securities markets and created a misleading appearance with respect to share price of STL, thereby resulting in the manipulation of the share price of STL. Consequently, when the Company, in response to Deloitte's observation and PKF's Report attempted to cover-up the mis-statements through write-offs, the Company lost significant value and the share price fell steadily.

Summary of findings against the Company:

17. A summary of the observations and findings against the Company, which have already been detailed in the above paragraphs, is as follows:

17.1. The Company was inflating its sales since FY 2016-17 till FY 2018-19 by booking fictitious revenue with entities namely, Ensys Technologies Inc, Idol Solutions Inc and Intuit Micro Technologies LLC. These entities were controlled /managed by the Promoters / Directors of the Company, namely Mr. Suresh Venkatachari and Mr. R S Ramani. There was no actual sale to these entities and there was no actual payment received from these entities. Whatever amounts were shown as received by the Company were funded by the Company itself. The outstanding receivables shown from these three entities as on March 31, 2017, March 31, 2018 and March 31, 2019 were fictitious and the same were either written off or adjusted against one vendor, namely Nation Star IT Services Limited.

17.2. The Company also booked fictitious revenue in the name of its customers, namely Sutterhealth, Kaiser Permanente, Medidata Solutions Inc and Shire Pharmaceuticals LLC. The Company tried to mislead the auditors by creating email ids with fake domain names similar to the actual domain names belonging by these customers and portraying to the auditors that the abovementioned fake email ids belonged to the above-named customers. The Company may have given actual services to these customers in the past. However, creation of fake email ids by the Company indicates that the revenue booked by the Company's two US subsidiaries, namely Securekloud Technologies Inc and 8K Miles Health Cloud Inc., with these customers was fictitious either partially or fully, in order to inflate sales.

17.3. In order to inflate its sales, the Company booked fictitious expenditure in the name of vendors to demonstrate corresponding expenditure to justify high sales in the Company. The company has shown major vendor payments to M/s Nationstar IT Services Ltd, which is a paper company run and controlled by CFO – Mr. R S Ramani. Further, in its

aforesaid two US subsidiaries, the Company was booking payments to 10 vendors in the name of "Professional and Consultancy Charges" and/or "payment towards development of intangible assets". It was found that the said 10 vendors were either fictitious entities or entities managed and controlled by Mr. Suresh/Mr. Ramani.

17.4. By booking fictitious revenue, the Company inflated its topline and consolidated numbers, thus showing an incorrect picture of its operations. The Company's consolidated revenue rose manifold within short span of time i.e. from Rs. 271.93 Crore in FY 2015-16 to Rs. 850.39 Crore in FY 2018-19. Deloitte in its Audit report for FY 2018-19 had *inter-alia* brought out various inconsistencies in booking of revenue by the Company and had filed fraud report with MCA u/s 143(12) of the Companies Act, 2013. Immediately thereafter, the Company stopped booking fictitious revenue (from FY 2019-20 onwards) and its revenue suddenly decreased to Rs. 386.43 Crore during the FY 2019-20.

17.5. Apart from booking fictitious revenue, the Company was also inflating its balance sheet size by capitalizing fictitious expenditure towards development of software, resulting in its balance sheet size increasing manifold within a short span of time i.e. from Rs.44.76 Crore as on March 31, 2013 to Rs.997.99 Crore as on March 31, 2019. It was found that the cost capitalised towards development of said software was fictitious. Further, the Company capitalized fictitious expenditure towards development of software without availing any actual service from vendors. To capitalise the vendor payments, the Company created fictitious email ids of the vendors. After observations by Deloitte, the Company in very next financial year i.e. in FY 2019-20 impaired Rs.464.73 Crore of Software under the head 'intangible assets' which was developed by the Company internally. It was found that the software which was impaired, still had economic viability. After impairment and other write offs, balance sheet size of the Company reduced from Rs. 997.99 Crore to Rs. 242.82 Crore i.e. in single financial year, Rs. 755.17 Crore was wiped off from balance sheet of the Company.

17.6. The Company siphoned off Rs. 3.83 Crore to its Promoter & MD - Mr- Suresh Venkatachari by payment of security deposit and booking improvements costs in the name of renting a building which was under construction.

17.7. The Company delayed the investigation by not providing data to forensic auditors appointed by SEBI. The Company insisted on dropping the forensic audit by making false representations before SEBI vide letters dated February 29, 2020, July 13, 2020 and April 15, 2020. Post filing of fraud report by Deloitte u/s 142(12) of the Companies Act, 2013, the Company engaged M/s PKF Shridhar and Santhanam to do a forensic audit on the

allegations raised by Deloitte. PKF completed their report and discussed their findings with the Company's management. As findings of PKF corroborated with the findings of Deloitte and were clearly against the Company, the latter hid the fact of completion of forensic audit by PKF, suppressed the findings of PKF Report and made false representations before SEBI.

17.8. The Company instead provided forensic audit report of another auditor, M/s KPSN & Associates (KPSN). It was found that the report of KPSN was managed by promoter namely Mr R S Ramani and KPSN did not conduct audit independently. Further, even though PKF had submitted their final report to the Company on January 09, 2020 and quarterly financial results of the Company for quarters ending June 2019 and September 2019 were published on March 01, 2020, the Company made false disclosure in quarterly financial results that they had received only draft forensic audit report and the same was under discussion. Further, the Company did not disclose the fact of initiation of forensic audit by SEBI to exchanges as required under the provisions of SEBI (LODR) Regulations, 2015. Further, the Company did not disclose the fact of incorporation of its subsidiaries in Singapore and UK, in its annual reports.

Legal provisions allegedly violated by the Company

18. In view of the abovementioned observations and findings detailed in above paragraphs of this order, the following are alleged against the Company:

18.1. The Company, by manipulating the books of accounts of the Company and by publishing false and manipulated financial statements and by siphoning off funds to the tune of Rs. 3.83 Crore, as detailed above, is alleged to have operated a device/ scheme to deceive and defraud the shareholders / investors dealing in the equity shares of the Company. It is thus alleged that the Company has violated the provisions of Section 12A(a),(b),(c) of SEBI Act, 1992 and Regulation 3(b), 3(c), 3(d), 4(1), 4(2)(f), 4(2)(k) and 4(2)(r) of the SEBI (PFUTP) Regulations, 2003.

18.2. Further, the Company, by preparing and submitting to the stock exchanges and publishing false and manipulated consolidated and standalone financial results (quarterly, half-yearly as well as annual), as detailed above, is alleged to have violated the provisions of Regulations 4(1)(a), (b), (c), (g), (h), (j), 4(2)(f)(i)(2), 4(2)(f)(ii)(2), (6),(7), 4(2)(f)(iii) (1)(3), (6), (12) read with Regulation 33 (1) (a), (c) and 48 SEBI (LODR) Regulations, 2015 read with Section 27 of the SEBI Act, 1992.

18.3. Further, by not disclosing the fact of initiation of forensic audit by SEBI to the exchanges, the Company is alleged to have violated Regulation 30(2) of SEBI (LODR) Regulations, 2015.

18.4. Further, by submitting false information to SEBI vide letters dated February 29, 2020, July 13, 2020 and April 15, 2021, as detailed above, the Company is alleged to have violated Section 11(2)(ia) of the SEBI Act, 1992.

18.5. Further, by not disclosing incorporation of foreign subsidiaries, the Company is alleged to have violated Regulation 48 of SEBI (LODR) Regulations, 2015.

18.6. Further, by making false disclosures in quarterly financial statements for quarters ending June 2019 and September 2019, the Company is alleged to have violated Regulations 4(1)(c) of SEBI (LODR) Regulations, 2015.

Role of Promoters and Directors

19. The investigation had looked the individual roles of the following Noticees, who were Directors / Promoters / KMPs and were at the helm of affairs of the Company during the relevant times.

Role of Mr. Suresh Venkatachari (Noticee no. 2)

19.1. During the course of investigation, the Investigating Officers have recorded statements of various persons who were at the helm of affairs of the Company during the relevant period. The statement of Mr. Suresh Venkatachari, who was the Managing Director and CEO of the Company during the relevant period was recorded on April 06, 2022. Thereafter, certain information was furnished by him vide emails dated April 21, 2021, May 17, 2022 and May 24, 2022.

19.2. As per the findings of investigation, Mr. Suresh Venkatachari is the Managing Director (MD)/Chief Executive Officer (CEO) and Chairman of Board of directors of STL during the Investigation period. He was also a member of the Stakeholder Relationship Committee during the Investigation Period. He was the Group CEO and had control of STL and all its subsidiaries. All vertical heads of STL and its subsidiaries reported to him. Besides being MD/Chairman, he is also a 'Key Managerial Personnel' in the Company by virtue of his designation as the CEO/MD, in terms of Section 2(51) of the Companies Act, 2013. Mr. Suresh Venkatachari, as the CEO, had various specific responsibilities, which included creation of business road map, taking strategic decisions in helping business and functional leaders to meet objectives set for organization, ensuring statutory

and regulatory compliances, and managing and mitigate various risks, internal and external.

19.3. The MD and CEO of a company occupies the topmost executive position in the management of a Company and is duty bound to act in the best interests of the Company and its shareholders. In the instant matter, the investigation had revealed various transactions undertaken by STL, which were detrimental to the interest of the Company and its shareholders and were violative of various regulatory requirements, as discussed in detail in above paragraphs. Such transactions could not have taken place without the knowledge, approval and involvement of Mr. Suresh Venkatachari, who headed the corporate hierarchy of STL as the CEO and Managing Director.

19.4. Investigation has revealed that being the MD and CEO, Mr. Suresh Venkatachari, in connivance with the Company's CFO Mr. R S Ramani, abused his position and indulged in the manipulation of books of accounts of the Company and misrepresentation of its financial statements. He, along with Mr. R S Ramani, played a direct role and also used other senior employees of the Company / subsidiaries of the Company, i.e. P K Chandrasekher, Mr. Shibu Kizhakevilayi, Mr. Robinson etc. in creating a mechanism to inflate the revenue and assets of the Company and publish false and manipulated financial statements so as to present a rosy picture about the Company to the investors and to induce them to invest in the shares of the Company. It is alleged that taking advantage of the spurt in price of the scrip due to publication of inflated financial results, Mr. Suresh Venkatachari off-loaded a large part of his shareholding in the Company during the investigation period, which reduced the overall shareholding of the promoter group in the Company from 63.41% as on March 31, 2017 to 38.20% as on March 31, 2019. The details of the off-loading of shares by Mr. Suresh Venkatachari are as under:

Suresh V - CDSL & NSDL– Off market transfer

Date (A)	No. of Shares (B)	Closing Share price as on the date of off market transfer (BSE) (C)	Value of shares (D) (B*C)
19.03.2018	2,50,000	Rs.674.80	Rs.16,87,00,000/-
20.03.2018	3,74,500	Rs.666.0	Rs.24,94,17,000/-
26.03.2018	3,00,000	Rs.669.60	Rs.20,08,80,000/-
02.04.2018	7,25,500	Rs.695.55	Rs.50,46,21,525/-
21.05.2018	5,00,000	Rs.531.00	Rs.26,55,00,000/-
28.06.2018	4,50,000	Rs.477.25	Rs.21,47,62,500/-
06.07.2018	90,000	Rs.377.55	Rs.3,39,79,500/-
09.07.2018	10,000	Rs.382.25	Rs.38,22,500/-
01.10.2018	12,50,000	Rs.182.65	Rs.22,83,12,500/-
Total	**39,50,000 (12.94%)**		**Rs.1,86,99,95,525/-**

Suresh V (Creation and Invocation of Pledge) – NSDL

Creation of Pledge

Date	No. of Shares	Closing Share price as on the date of creation of pledge (BSE)
27.02.2017	10,50,000	Rs.579.55
02.03.2017	1,50,000	Rs.639.10
03.04.2017	2,50,000	Rs.611.40
07.09.2017	1,00,000	Rs.479.45
15.09.2017	3,00,000	Rs.406.55
01.10.2018	6,75,000	Rs.376.90 (Sep. 29, 2017)
Total	**25,25,000**	

Invocation of Pledge

Date	No. of Shares	Closing Share price as on the date of invocation of pledge (BSE)
16.10.2018	1,12,376	Rs.117.90
17.10.2018	9,707	Rs.112.05
01.11.2018	9,27,917	Rs.60.60
01.11.2018	1,50,000	Rs.60.60
01.11.2018	1,00,000	Rs.60.60
01.11.2018	2,29,630	Rs.60.60
02.11.2018	70,370	Rs.65.95
02.11.2018	4,27,830	Rs.65.95
Total	**20,27,830 (6.64%)**	

19.5. As per the findings of investigation, Mr. Suresh Venkatachari was acting as the main point of communication between the board of directors and corporate operations of STL. As the CEO, all other Operational heads were reporting to him. However, at no point of time, he informed to the board and audit committee of the Company about the findings and report of M/s PKF Shridhar and Santhanam. In fact, he made every effort to misguide SEBI by repeatedly stating that the services of PKF were dis-engaged as they could not submit their report. In fact, he submitted a "managed" report from M/s KPSN & Associates to SEBI to mislead the investigation. He made false representations and gave false statement to SEBI including that no report was submitted by PKF. He dismissed the concerns of statutory auditors – M/s Deloitts Haskins & Sells as being without any merit and void and requested SEBI to ignore such concerns. He did not disclose incorporation of overseas subsidiaries in the Company's annual reports and also failed to disclose his interest in the subsidiaries of the Company, by way of shareholding and directorship. He also did not disclose to the exchanges the fact of initiation of forensic

audit by SEBI. Further, Mr. Suresh Venkatachari had siphoned off the Company's funds to the tune of Rs.3.83 Crores, as detailed in above paragraphs.

19.6. The CEO/CFO certificate signed by Mr. Suresh Venkatachari in the Annual Reports of the Company for FY 2016-17 to FY 2019-20 stated *inter-alia* that *"the financials of securekloud presented true and fair view of its affairs and not contained any misleading statement" and "no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct"*. However, as discussed above, it was found that the same was grossly misleading.

19.7. Section 27(2) of SEBI Act, 1992 *inter alia* stipulates - "*Notwithstanding anything contained in sub-section (1), where an contravention under this Act has been committed by a company and it is proved that the contravention has been committed with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly"*. Thus, Mr. Suresh Venkatachari, being the MD and CEO of the Company, is responsible for the contraventions done by the Company, as alleged above.

19.8. In view of the above, it is alleged that Mr. Suresh Venkatachari, MD & CEO, being in-charge of the operations and decision making process in the Company, abused his position and manipulated the financial statements of the Company and published such false and manipulated financial statements to induce investors to invest in the shares of the Company. He is also alleged to have siphoned Rs. 3.83 Crore from the Company for his own benefits and also made personal gains by off-loading shares when the price of the scrip was high during the time of false disclosures, as detailed above. It is therefore alleged that he has violated the provisions of Section 12A(a),(b),(c) of SEBI Act, 1992 and Regulation 3(b), 3(c), 3(d), 4(1), 4(2)(f), 4(2)(k) and 4(2)(r) of the SEBI (PFUTP) Regulations, 2003 and Regulations 4(1)(a), (b), (c), (g), (h), (j), 4(2)(f)(i)(2), 4(2)(f)(ii)(2), (6),(7), 4(2)(f)(iii) (1)(3), (6), (12) read with Regulation 33 (1) (a), (c) and 48 of SEBI LODR Regulations, 2015 read with Section 27 of the SEBI Act, 1992. By not disclosing the fact of initiation of forensic audit by SEBI, he is alleged to have violated Regulation 30(2) of SEBI (LODR) Regulations, 2015. By submitting the false information to SEBI vide letters dated February 29, 2020, July 13, 2020 and April 15, 2021, he is alleged to have violated Section 11(2)(ia) of SEBI Act, 1992. By making false disclosure in quarterly financial statements for quarters ending June 2019 and September 2019, he is alleged to have violated Regulations 4(1)(c) of SEBI (LODR) Regulations, 2015. By not disclosing

incorporation of foreign subsidiaries and interest in other companies, he is alleged to have violated Regulation 48 of SEBI (LODR) Regulations, 2015. By making false statements to SEBI, he is alleged to have violated Section 11C(3) and 11C(5) of SEBI Act, 1992. By giving false CEO/CFO certification, he has allegedly violated Regulation 17(8) r/w Part B of Schedule II of SEBI (LODR) Regulations, 2015.

Role of Mr. R S Ramani (Noticee no. 3)

19.9. During the investigation by SEBI, the statement of Mr. R S Ramani was recorded on March 09, 2022 and subsequently, in pursuance of the same, certain information was furnished by Mr. R S Ramani vide his email dated March 16, 2022.

19.10. Investigation has revealed that Mr. R S Ramani was a Whole Time Director and Chief Financial Officer (CFO) of the Company during the investigation period. By virtue of his designation as the CFO, he was also a 'key managerial personnel' in the Company, in terms of section 2(51) of the Companies Act 2013. As an executive director and CFO of the Company, Mr. R S Ramani was responsible for the financial affairs of the Company and he had a duty to ensure that the financial statements of the Company were true and fair and reflected the actual status of the Company. However, as has been discussed above, he allegedly played a direct role in the manipulation of the financial statements of the Company and publication of such false and manipulated statements, in order to present a rosy picture about the Company to the investors. This resulted in the increase of its share price and spurt in the daily turnover of shares. In fact, Mr. Ramani is alleged to have directly benefitted from the fraud, since he is found to have sold a total of 16,82,506 shares (5.51%) of the Company when the Company declared inflated financial statements and high profitability leading to increase in price of the scrip. The details of his sales are as under:

R S Ramani - NSE

Date	No. of shares	Trade Value	Avg. Sale Price
15.05.2017	5,75,000	34,23,87,003	Rs. 595.46/- Per Share
16.05.2017	2,25,000	13,39,88,565	Rs. 595.50/- Per Share
19.05.2017	1,50,000	8,81,50,000	Rs. 587.67/- Per Share
22.01.2018	6,82,506	51,12,92,702	Rs. 749.14/- Per Share
	16,32,506		

R S Ramani - BSE

Date	No. of shares	Trade Value	Avg. Sale Price
15.05.2017	50,000	2,90,16,485	Rs. 580.33/- Per Share
	50,000		

19.11. Mr. R S Ramani during the statement recording has submitted that he was never associated with NSIT. However, it was found that his employee was MD of NSIT and he had complete control on that entity. Thus Mr. R S Ramani has not disclosed correct information to the Investigating Authority. Further, he did not disclose incorporation of overseas subsidiaries and also failed to disclose his interest in subsidiaries.

19.12. The CEO/CFO certificate signed by Mr. R S Ramani in the Annual Reports of the Company for FY 2016-17 to FY 2019-20 stated *inter-alia* that *"the financials of securekloud presented true and fair view of its affairs and not contained any misleading statement" and "no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct"*. However, as discussed above, it was found that the same was grossly misleading.

19.13. Further, Section 27(2) of SEBI Act, 1992 makes him liable for the contraventions done by the Company.

19.14. In view of the above, it is alleged that Mr. R S Ramani, being a whole time director and CFO of the Company, abused his position and manipulated the financial statements of the Company and published such false and manipulated financial statements to give a rosy picture about the Company's financial position and to induce investors to invest in the shares of the Company. Mr. R S Ramani also made huge personal gains by selling shares when the price of the scrip was high during the time of false disclosures, as detailed above. It is therefore alleged that he has violated the provisions of Section 12A(a),(b),(c) of SEBI Act, 1992 and Regulation 3(b), 3(c), 3(d), 4(1), 4(2)(f), 4(2)(k) and 4(2)(r) of the SEBI (PFUTP) Regulations, 2003 and Regulations 4(1)(a), (b), (c), (g), (h), (j), 4(2)(f)(i)(2), 4(2)(f)(ii)(2), (6),(7), 4(2)(f)(iii) (1),(3), (6), (12) read with Regulation 33 (1) (a), (c) and 48 of SEBI LODR Regulations, 2015 read with Section 27 of the SEBI Act, 1992. By not disclosing incorporation of foreign subsidiaries and interest in other companies, he is alleged to have violated Regulation 48 of SEBI (LODR) Regulations, 2015. By making false statements to SEBI, he is alleged to have violated Section 11C(3) and 11C(5) of SEBI Act, 1992. By giving false CEO/CFO certification, he has allegedly violated Regulation 17(8) r/w Part B of Schedule II of SEBI (LODR) Regulations, 2015.

Role of Mr. Gurumurthi Jayaraman (Noticee no. 4)

19.15. During the investigation by SEBI, the statement of Mr. Gurumurthi Jayaraman was recorded on April 08, 2022 and in pursuance of the said statement, subsequently certain information was furnished by him vide email dated April 15, 2022.

19.16. The Audit Committee in a listed company has a sacrosanct duty to review the financial statement of that company in a fair, independent and transparent manner and ensure that the financial statements present a true picture of the financial health of that company, which the investors can rely upon for making informed decision regarding their investments. However, in the present case, as can be seen from the details provided in above paragraphs, Mr. Gurumurthi Jayaraman, instead of discharging his duty in a fair manner, indulged in manipulation of books of accounts of the Company and aided and abetted management in mis-stating financial statements. The same has been clearly brought out by PKF Shridhar & Santhanam also in their forensic audit report.

19.17. Moreover, the independence of Mr. Gurumurthi Jayaraman was impaired as his son was employed with one of the subsidiaries of the Company since November 16, 2015 as an employee/consultant. The same is reflecting from Annual report of the Company for FY 2018-19 wherein he was re-categorized from independent director to Non-executive – Non-independent director, on September 06, 2019, consequent to the observations made by statutory auditors. Further, his statement to SEBI show that he knew Suresh Venkatachari before his appointment as independent director, due to which Suresh Venkatachari made him director in the Company. This calls into question the independence of Gurumurthi Jayaraman. He is still associated with the Company as consultant and provides audit certifications to the Company as necessitated by bankers of the Company.

19.18. As discussed in aforesaid paragraphs, it was found by PKF that the dummy domain i.e. www.wunderkindllc.us was created by ex-employee of the Company, namely Ms. Shanthi Raghuraj and the registrant organization for said domain name was "Hitech Recruitment and Training Services Pvt Ltd". It was further found that "Hitech Recruitment and Training Services Pvt Ltd" is a company registered at the address of Audit Committee Chairman of the Company, Mr. Gurumurthi Jayaraman. Further, in his statement to SEBI, Mr. Gurumurthi Jayaraman stated that the said "Hitech Recruitment and Training Services Pvt Ltd" is run and controlled by his employee, namely Sanjay Diwakar and that the office of the said company is same as of his office address i.e. 103, PS Sivaswamy Salai, Mylapore, Chennai. This clearly shows that Mr. Gurumurthi Jayaraman was also involved in aiding and abetting *Noticees No. 1 to 3* in all the wrongdoings.

19.19. As discussed in aforesaid paragraphs, it was identified from email dump analysis that in email dated February 01, 2019, P K Chandrasekher had sent email to Mr. Suresh stating - *"Suresh Sir…Wired $79,000 to 8K Ltd"*. The same email was forwarded by Mr. Suresh to

Mr. Ramani, Ms. Shanthi Raghuraj and Audit Committee Chairman – Mr. Gurumurthi J. It was found that PNC bank's international transfer confirmation page was attached to the said email wherein name of payer was mentioned as Idol Solutions Inc and individual name was P K Chandrasekher. This shows that Mr. Gurumurthi Jayaraman was aware of all the mal-practices happening in the Company. Mr. Gurumurthi Jayaraman, as the Audit Committee Chairman, did not discharge his duties independently but aided and abetted the Company's management in all the wrong doings.

19.20. During the statement recording, Mr. Gurumurthi was asked that since less than 25% of sales proceeds was realized from the entities, namely Ensys, Idol and Intuit, and most of the amount was written off or adjusted against NSIT, what due diligence exercise he had taken as the audit committee member. In response, he stated that *"Since the amount was not recoverable as per the management, it was written off"*. Further, on being asked whether he asked the management about any legal action taken against aforesaid entities, he stated that *"As the customers were overseas, the legal fees was high and management verbally appraised that this is why no legal action was taken against the aforesaid three customers."* The above shows that instead of seeking comments from the Company, Mr. Gurumurthi blindly followed the oral submissions of the management and merely acted as an agent of management.

19.21. In view of the above, it is alleged that Mr. Gurumurthi Jayaraman, the estwhile Audit Committee Chairman, abdicated his responsibilities to act independently and aided and abetted the Company in manipulating the books of accounts and financial statements of the Company to give a rosy picture about the Company's financial position and to induce investors to invest in the shares of the Company. It is therefore alleged that he has violated provisions of Section 12A(a),(b),(c) of SEBI Act, 1992 and Regulation 3(b), 3(c), 3(d), 4(1), 4(2)(f), 4(2)(k) and 4(2)(r) of the SEBI (PFUTP) Regulations, 2003 and Regulations 4(1)(a), (b), (c), (g), (h), (j), 4(2)(f)(i)(2), 4(2)(f)(ii)(2), (6),(7), 4(2)(f)(iii) (1),(3), (6), (12), 25(5) read with Regulation 33 (1) (a), (c) and 48 of SEBI LODR Regulations, 2015. By not disclosing interest in other companies, he has allegedly violated Regulation 48 of SEBI (LODR) Regulations, 2015. Further, by making false statements to SEBI, he has allegedly violated Section 11C(3) and 11C(5) of SEBI Act, 1992. Further, it is alleged that he failed to exercise due due-diligence and discharge his duties independently and violated Regulation 18(3) read with Part C of Schedule II of SEBI (LODR) Regulations, 2015.

Extract of the legal provisions allegedly violated:

20. The relevant provisions of SEBI Act, 1992, SEBI (LODR) Regulations, 2015 and SEBI (PFUTP) Regulations are reproduced hereunder for ready reference:

SEBI Act, 1992

11(2)(ia) : *calling for information and records from any person including any bank or any other authority or board or corporation established or constituted by or under any Central or State Act which, in the opinion of the Board, shall be relevant to any investigation or inquiry by the Board in respect of any transaction in securities*

11C. (1) Where the Board has reasonable ground to believe that—

(a) the transactions in securities are being dealt with in a manner detrimental to the investors or the securities market; or

(b) any intermediary or any person associated with the securities market has violated any of the provisions of this Act or the rules or the regulations made or directions issued by the Board thereunder, it may, at any time by order in writing, direct any person (hereafter in this section referred to as the Investigating Authority) specified in the order to investigate the affairs of such intermediary or persons associated with the securities market and to report thereon to the Board.

11C. (3) *The Investigating Authority may require any intermediary or any person associated with securities market in any manner to furnish such information to, or produce such books, or registers, or other documents, or record before him or any person authorised by it in this behalf as it may consider necessary if the furnishing of such information or the production of such books, or registers, or other documents, or record is relevant or necessary for the purposes of its investigation.*

Sec 11 C (5) *Any person, directed to make an investigation under sub-section (1), may examine on oath, any manager, managing director, officer and other employee of any intermediary or any person associated with securities market in any manner, in relation to the affairs of his business and may administer an oath accordingly and for that purpose may require any of those persons to appear before it personally.*

Sec 12A. No person shall directly or indirectly—

(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

(b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange; (c) engage in any act, practice, course of

business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;

Sec 15A. If any person, who is required under this Act or any rules or regulations made thereunder, —

(a) to furnish any document, return or report to the Board, fails to furnish the same or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents, he shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees;

Contravention by companies:

Sec. 27(1): *Where a contravention of any of the provisions of this Act or any rule, regulation, direction or order made thereunder] has been committed by a company, every person who at the time the contravention was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly: Provided that nothing contained in this sub-section shall render any such person liable to any punishment provided in this Act, if he proves that the contravention was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such contravention*

Sec 27(2): *Notwithstanding anything contained in sub-section (1), where an contravention under this Act has been committed by a company and it is proved that the contravention has been committed with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly.*

Explanation: For the purposes of this section, — (a) "company" means anybody- corporate and includes a firm or other association of individuals; and (b) "director", in relation to a firm, means a partner in the firm.

SEBI (PFUTP) Regulations, 2003

3. Prohibition of certain dealings in securities

No person shall directly or indirectly –

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;

(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

4. Prohibition of manipulative, fraudulent and unfair trade practices

(1) Without prejudice to the provisions of Regulation 3, no person shall indulge in a manipulative, fraudulent or an unfair trade practice in securities markets.

Explanation – For the removal of doubts, it is clarified that any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company shall be and shall always be deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market.

(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely: —

(f) publishing or causing to publish or reporting or causing to report by a person dealing in securities any information which is not true or which he does not believe to be true prior to or in the course of dealing in securities;

(k) disseminating information or advice through any media, whether physical or digital, which the disseminator knows to be false or misleading and which is designed or likely to influence the decision of investors dealing in securities

(r) knowingly planting false or misleading news which may induce sale or purchase of securities

SEBI (LODR) Regulations, 2015

Principles governing disclosures and obligations

4. *(1) The listed entity which has listed securities shall make disclosures and abide by its obligations under these regulations, in accordance with the following principles:*

(a) Information shall be prepared and disclosed in accordance with applicable standards of accounting and financial disclosure.

(b) The listed entity shall implement the prescribed accounting standards in letter and spirit in the preparation of financial statements taking into consideration the interest of all stakeholders and shall also ensure that the annual audit is conducted by an independent, competent and qualified auditor.

(c) The listed entity shall refrain from misrepresentation and ensure that the information provided to recognised stock exchange(s) and investors is not misleading.

.

(g)The listed entity shall abide by all the provisions of the applicable laws including the securities laws and also such other guidelines as may be issued from time to time by the Board and the recognised stock exchange(s) in this regard and as may be applicable.

(h) The listed entity shall make the specified disclosures and follow its obligations in letter and spirit taking into consideration the interest of all stakeholders.

(j) Periodic filings, reports, statements, documents and information reports shall contain information that shall enable investors to track the performance of a listed entity over regular intervals of time and shall provide sufficient information to enable investors to assess the current status of a listed entity.

4. (2) (f) Responsibilities of the Board of Directors:

(i) Disclosure of information:

(2) The board of directors andsenior management shall conduct themselves so as to meet the expectations of operational transparency to stakeholders while at the same time maintaining confidentiality of information in order to foster a culture of good decision-making.

(ii) Key functions of the Board of Directors –

(2) Monitoring the effectiveness of the listed entity's governance practices and making changes as needed.

(6) Monitoring and managing potential conflicts of interest of management, members of the board of directors and shareholders, including misuse of corporate assets and abuse in related party transactions.

(7) Ensuring the integrity of the listed entity's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.

(8) Overseeing the process of disclosure and communications.

(iii) Other responsibilities:

(1) The board of directors shall provide strategic guidance to the listed entity, ensure effective monitoring of the management and shall be accountable to the listed entity and the shareholders.

(3) Members of the board of directors shall act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the listed entity and the shareholders.

(6) The board of directors shall maintain high ethical standards and shall take into account the interests of stakeholders

(12) Members of the board of directors shall be able to commit themselves effectively to their responsibilities

Board of Directors

17 (8) *The chief executive officer and the chief financial officer shall provide the compliance certificate to the board of directors as specified in Part B of Schedule II.*

Audit Committee

18(3) *The role of the audit committee and the information to be reviewed by the audit committee shall be as specified in Part C of Schedule II.*

Part C of Schedule II: ROLE OF THE AUDIT COMMITTEE AND REVIEW OF INFORMATION BY AUDIT COMMITTEE

A. The role of the audit committee shall include the following:

(1) oversight of the listed entity's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;

…

(4) reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:

(a) matters required to be included in the director's responsibility statement to be included in the board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013;

(b) changes, if any, in accounting policies and practices and reasons for the same;

(c) major accounting entries involving estimates based on the exercise of judgment by management;

(d) significant adjustments made in the financial statements arising out of audit findings;

(e) compliance with listing and other legal requirements relating to financial statements;

(f) disclosure of any related party transactions; (g)modified opinion(s) in the draft audit report

(5) reviewing, with the management, the quarterly financial statements before submission to the board for approval

(7) reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process.

(11) evaluation of internal financial controls and risk management systems;

(12) reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;

(13) reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

Obligations with respect to independent directors;

25(5) *An independent director shall be held liable, only in respect of such acts of omission or commission by the listed entity which had occurred with his/ her knowledge, attributable through processes of board of directors, and with his/her consent or connivance or where he/she had not acted diligently with respect to the provisions contained in these regulations.*

Disclosure of events or information.

30. (2) *Events specified in Para A of Part A of Schedule III are deemed to be material events and listed entities shall make disclosure of such events.*

Financial Results – Regulation 33(1):

(1) While preparing financial results, the listed entity shall comply with the following:

(a)The financial results shall be prepared on the basis of accrual accounting policy and shall be in accordance with uniform accounting practices adopted for all the periods.

(c)The standalone financial results and consolidated financial results shall be prepared as per Generally Accepted Accounting Principles in India.

Accounting Standards.

48. *The listed entityshall comply with all the applicable and notified Accounting Standards from time to time.*

21. Having examined the findings of investigation and the material available on record, I note that the facts of the case prima facie show that there has been a massive falsification of the books of accounts of the Company and that the Company has been publishing false and manipulated financial statements showing inflated revenue/profitability. The published financial statements of a listed company, a publicly available document, are expected to present a true picture about the financial health of that company which are relied upon by the investors to make an informed decision regarding investment in that

company. While all companies are mandated to ensure that their books of accounts and financial statements present a true and fair picture under the provisions of the Companies Act, 2013, the listed companies are additionally required to adhere to the same under Regulation 4 (1) of the SEBI (LODR) Regulations, 2015. Any mis-statement or mis-representation in the financial statements adversely impairs an investor's ability to make an informed decision about investment. The Hon'ble Supreme Court of India in the matter of *N. Narayanan Vs. Adjudicating Officer, Securities and exchange Board of India (Civil Appeal Nos 4112-12 of 2012- Date of Decision- April 26, 2013)* , while emphasizing on the adverse impact of incorrect information, has observed: "*The object of the SEBI Act is to protect the interest of investors in securities and to promote the development and to regulate the securities market, so as to promote orderly, healthy growth of securities market and to promote investors protection. Securities market is based on free and open access to information, the integrity of the market is predicated on the quality and the manner on which it is made available to market. 'Market abuse' impairs economic growth and erodes investor's confidence. Market abuse refers to the use of manipulative and deceptive devices, giving out incorrect or misleading information, so as to encourage investors to jump into conclusions, on wrong premises, which is known to be wrong to the abusers. The statutory provisions mentioned earlier deal with the situations where a person, who deals in securities, takes advantage of the impact of an action, may be manipulative, on the anticipated impact on the market resulting in the "creation of artificiality'. The same can be achieved by inflating the company's revenue, profits, security deposits and receivables, resulting in price rice of scrip of the company. Investors are then lured to make their "investment decisions" on those manipulated inflated results, using the above devices which will amount to market abuse."*

22. Further, Hon'ble SAT in the matter *of V. Natarajan vs. SEBI*, in Appeal No.104 of 2011 (order dated June 29, 2011), while holding the publication of false and misleading financial statements as amounting to unfair trade practice, has held that "… *we are satisfied that the provisions of Regulations 3 and 4 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, were violated. These regulations, among others, prohibit any person from employing any device, scheme or artifice to defraud in connection with dealing in or Issue of securities which are listed or proposed to be listed on an exchange. They also prohibit persons from engaging in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities that are listed on stock exchanges. These regulations also prohibit persons from indulging in a fraudulent or unfair trade practice in securities which includes publishing any information which is not true or which he does not believe to be true. Any advertisement that is misleading or contains information in a distorted manner which may influence the decision of the investors is also an unfair trade practice in*

securities which is prohibited. The regulations also make it clear that planting false or misleading news which may induce the public for selling or purchasing securities would also come within the ambit of unfair trade practice in securities"

23. In the present case, I find that after conducting investigation into various complex sets of information and documents, including the Forensic Audit Reports, SEBI has been able to gather evidences which make out a strong *prima facie* case against the Noticees for having conceived and implemented a fraudulent scheme/artifice through financial statements. There is a *bonafide* apprehension and genuine possibility that there can be attempts to thwart the regulatory action or erase the traces of such *malafide* scheme. The *prima facie* roles played by STL, its Chairman & Key Managerial Persons named above in this order, as brought out in the foregoing paragraphs, have indicated that Noticees have acted in a fraudulent manner for the manipulation of financial statements of STL.

24. It is pertinent to note that the promoter and promoter group shareholding in the Company has fallen from 63.41% as on March 31, 2017 to 38.20% as on March 31, 2019 i.e. a fall of 25.21%. I note that Mr. Suresh Venkatachari and Mr. R S Ramani have sold / off-loaded / transferred substantial quantities of shares when the scrip was trading at very high prices, as has already been detailed in the foregoing paragraphs. I further note that the said Noticees have made huge personal gains at the cost of unsuspecting investors who appear to have been lured into purchasing the shares of the Company by publication of manipulated financial statements showing inflated revenue and profitability. Thus, the acts of the Company and the other Noticees were apparently driven by personal greed.

25. I further note that the promoter and promoter group of the Company have now increased their shareholding in the Company to 43.52%, as on June 30, 2022 (Source: BSE Website). This increase in shareholding by the promoters may have been at a price far below the price at which they had earlier sold a large percentage of their shareholding. Having observed *prima facie* that the Noticees by manipulating financials of STL, siphoning off funds of the Company, not disclosing relevant information and making incorrect statements and representations etc and also benefitting personally, as explained at length in the foregoing paragraphs, have *prima facie* committed serious breaches of various provisions of securities laws. I am of the view that there is an urgent need to take remedial action so as to secure the market from the manipulative acts of these Noticees. The facts and circumstances of the case present a strong likelihood that the Noticees, unless specifically prohibited, shall perpetuate their ill intent by indulging in such

malpractices, which are *prima facie* injurious to the SEBI Act, 1992 and regulations made thereunder. Considering the same, I am satisfied that urgent directions need to be issued in this matter.

26. I note that the sale of shares by two promoter Noticees during the investigation period when the inflated financial statements were published points towards possible violations of provisions of SEBI (Prohibition of Insider Trading) Regulations, 2015. SEBI would separately examine this issue and would take appropriate action, including disgorgement of illegal gains, if any.

Directions:

27. Keeping in view the foregoing factual deliberations involving financial misstatements of STL and the observations thereon recorded in the preceding paragraphs and after being cognizant of the fraudulent manner in which the Noticees have conducted their affairs to manipulate financial statements in flagrant violations of all canons of corporate governance, in order to protect the interests of shareholders of the said company and that of other investors and the integrity of the securities market, I, in exercise of the powers conferred upon me under Sections 11, 11(4) and 11B (1) read with Section 19 of the SEBI Act, 1992 hereby issue by way of this interim order cum show cause notice, the following directions, which shall be in force until further orders: -

a) The *Noticee nos. 1* to *4* are restrained from buying, selling or dealing in securities, either directly or indirectly, in any manner whatsoever until further orders. If the said *Noticees* have any open position in any exchange traded derivative contracts, as on the date of the order, they can close out /square off such open positions within 3 months from the date of order or at the expiry of such contracts, whichever is earlier. The said *Noticees* are permitted to settle the pay-in and pay-out obligations in respect of transactions, if any, which have taken place before the close of trading on the date of this order.

b) *Noticee nos. 2* to *4* are hereby restrained from associating themselves with any intermediary registered with SEBI, acting as Directors / Key Managerial Personnel of any listed public company *(including Noticee No. 1)* and acting as Directors/ Key Managerial Personnel / promoters of any public company which intends to raise money from the public, till further orders.

28. The foregoing *prima facie* observations contained in this Order, are made on the basis of the material available on record. The said *prima facie* findings shall also be considered as a show cause notice and the afore-said *Noticee nos. 1 to 4* are hereby directed to show cause as to why suitable directions/prohibitions under Section 11 (4) and 11B of SEBI Act, including the directions restraining them from accessing the securities market, prohibiting them from buying, selling or otherwise dealing in securities in any manner whatsoever, directly or indirectly, for a specified period and further restraining them from associating with any listed company and any registered intermediary, should not be issued against them for the abovementioned violations allegedly committed by them.

29. Further, the *Noticees nos. 1* to *4* are also called upon to show cause as to why inquiry should not be held against them in terms of Rule 4 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 and penalty be not imposed on them under Section 11 (4A) and 11 B (2) read with Sections 15A(a), 15HA and 15HB of the SEBI Act, 1992 for the above alleged violations of provisions of SEBI Act, 1992, SEBI (LODR) Regulations and SEBI (PFUTP) Regulations.

30. The concerned *Noticees* may, within 21 days from the date of receipt of this Order, file their reply/objections, if any, to this Order and may also indicate whether they desire to avail an opportunity of personal hearing on a date and time to be fixed in that regard.

31. It is clarified that the aforesaid restraint imposed on the *Noticee no. 1* shall not come in the way of any Resolution/Revival plan approved or to be approved, under any law.

32. The above directions shall take effect immediately and shall be in force until further orders.

33. A copy of this order shall be served upon Entities, Stock Exchanges, Registrar and Transfer Agents and Depositories for necessary action and compliance with the above directions.

-SD-

DATE: AUGUST 04, 2022 **ASHWANI BHATIA**

PLACE: MUMBAI **WHOLE TIME MEMBER**

SECURITIES AND EXCHANGE BOARD OF INDIA