

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA
UNSTARRED QUESTION NO. 3157
TO BE ANSWERED ON FRIDAY, 5TH JANUARY, 2018/ PAUSHA 15, 1939 (SAKA)

SEBI INVESTIGATION ON ACQUISITION OF COMPANY

QUESTION

3157. SHRI JOSE K. MANI

Will the Minister of Finance be pleased to state:

- (a) whether a whistle-blower has sought a forensic investigation over the acquisition of an Israeli company by a Bangalore based prominent IT major and over the legality of a hefty severance pay to its former Chief Finance Officer (CFO) and if so, the details thereof;
- (b) whether the SEBI proposes to dismiss the settlement overture by the IT major and prosecute the management as a deterrent measure and if so, the details thereof; and
- (c) whether the IT major had earlier sought the approval of the SEBI for a consent settlement over the severance pay paid to its former CFO and if so, the details thereof?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PON. RADHAKRISHNAN)

(a): SEBI was in receipt of an email complaint on February 12, 2017 from a whistleblower making certain allegations, inter-alia, regarding the acquisition of PanayaInc, an Israeli company by Infosys Limited, Bangalore and the severance pay to its Chief Finance Officer (CFO). While the whistleblower did not seek any forensic investigation, SEBI examined the issue from the point of compliance with SEBI Regulations.

(b) & (c): The examination by SEBI observed that there were certain violations by Infosys Limited consequent upon non-compliance with the Listing Agreement and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The violations, inter-alia, were:

1. The Severance entered into with the CFO not in consonance with the Nomination and Remuneration policy of the company;
2. Prior approval of audit committee not taken for severance agreement, being a related party transaction; and
3. Details and timely disclosures not made to the Stock Exchanges regarding the severance agreement with the CFO and regarding stopping of such payments and arbitration relating to the severance agreement

A Wells Notice informing that SEBI may initiate action for such violations was issued to Infosys Limited.

No request for settlement was received earlier (prior to the examination of the issues) from Infosys Limited. However, Infosys Limited, on receipt of the Wells Notice by SEBI, has filed an application for a consent settlement on December 6, 2017 under the SEBI (Settlement of Administrative and Civil Proceedings) Regulations, 2014, which is under examination by SEBI.
