

GENSOL FRAUD:

A STARK BREAKDOWN OF CORPORATE
ETHICS & GOVERNANCE



CASE STUDY



BEGUR & PARTNERS

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OVERVIEW

A Cautionary Tale from India's Clean-Tech Sector

Once celebrated as a rising star in India's clean-tech sector, Gensol Engineering Ltd. ("Gensol") is now a cautionary tale of how rapid growth without ethics can implode. Recent developments have unveiled deep-rooted financial and ethical misconduct, shaking investor confidence and drawing scrutiny from regulatory bodies like SEBI, MCA and ICAI.

Gensol an engineering, procurement, and construction services Company, focusing on the solar power sector was incorporated on September 25, 2012 and since then, it has been on an unprecedented growth track, setting an example for the other startup companies in the renewable energy sector.

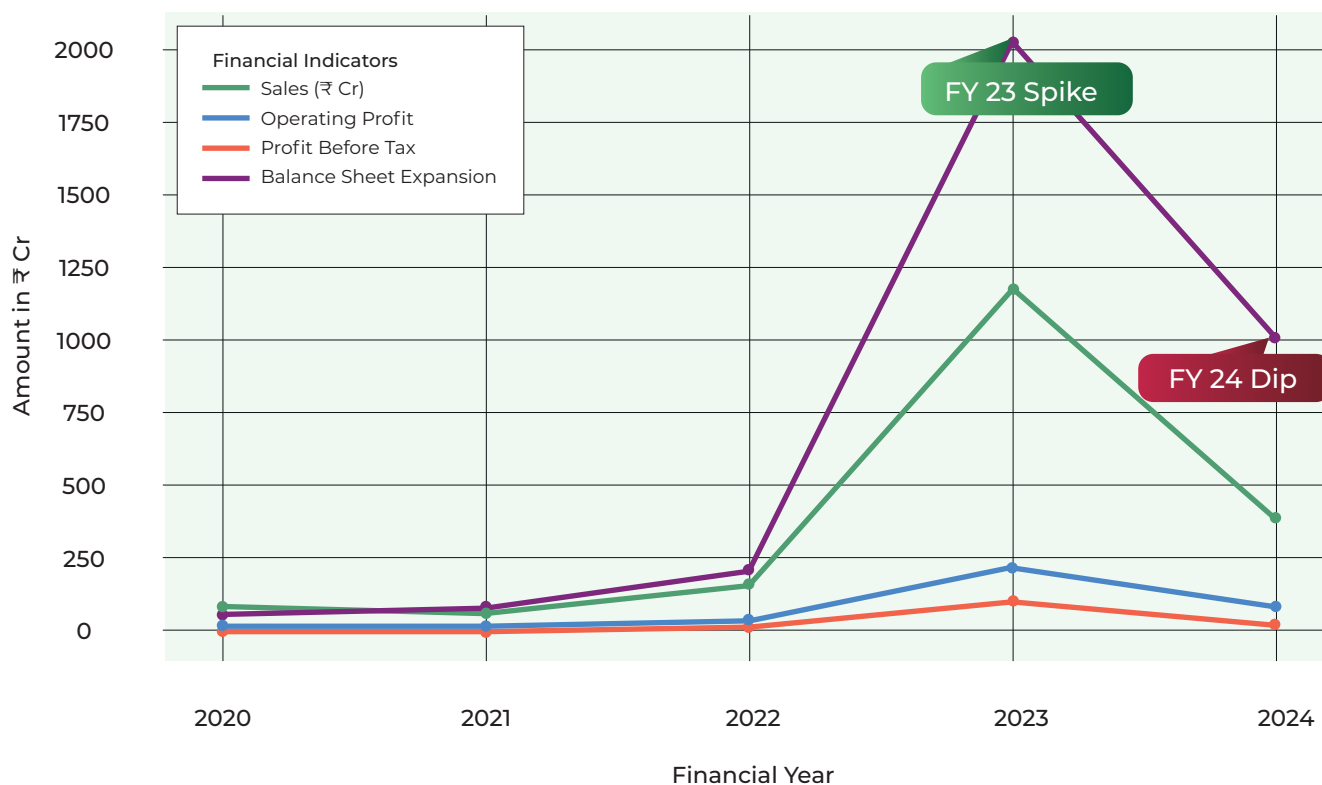
Gensol listed on the **BSE SME Platform** on **October 15, 2019** and subsequently on the **main board of BSE and NSE on July 03, 2023**. Currently, Gensol has eight subsidiaries with 10+ group/associate companies/LLPs and other body corporates.

Blusmart Mobility Private Limited ("**Blusmart**"), the famous Electric Vehicle company with 1.8 million users, is one of the major group companies of Gensol with common promoters and management. Blusmart majorly relied on Gensol for building its EV fleets, Gensol being the flagship company of the group.

The founders of Blusmart Puneet Singh Jaggi, Anmol Singh Jaggi, Punit K Goyal and Anirudh Arun. Currently, in Blusmart, the Promoters of Gensol holds approx. 30 % of the total shareholdings alongside big names such as MS Dhoni, Deepika Padukone and Sanjay Bajaj who invested as Angels in the start-up. Blusmart also attracted major Institutional Investors such as BP Ventures, Mayfield India Fund, Lightsource BP etc.

GENSOL'S METEORIC RISE :

Apparently, sales, profits and balance sheet have been witnessing tremendous expansion which is briefly depicted as below:



A sharp spike followed by a drastic dip in FY24 hinted at deeper issues.

SHAREHOLDING SHIFT:

As per the latest available Shareholding pattern in public domain (i.e. on April 12, 2025), the current shareholding of Gensol is primarily consists of:

- Promoter and Promoter group entities:** The Promoters (Anmol Singh Jaggi and Punit Singh Jaggi) holds approx. 35% of the shareholding. Other Promoter body corporate holds approx. 19.15% shareholding.
- Other shareholders:** Institutional Investors (AIFs, FPI-I, FPI-II and others) have a stake of approx. 1.40 % and Non-Institutional Investors (Individual/LLP/HUFs/Trusts etc.) holds approx. 42.74% shareholding.

It is pertinent to note here that between FY 2020 – FY 2025, Promoter shareholding has also significantly reduced from 70.72% to 35%.

BOARD OF DIRECTORS:

The Board of Gensol comprised of:

- i. Anmol Singh Jaggi (MD)
- ii. Puneet Singh Jaggi (Whole-time Director)
- iii. Rajesh Jain(Independent Director)
- iv. Kuljit Popli (Independent Director)
- v. Harsh Singh (Independent Director)
- vi. Arun Menon (Independent Director)
- vii. Vibhuti Patel (Independent Director)
- viii. Ali Imran Naqvi (CEO and Executive Director)

However, all of the independent directors except Ms. Vibhuti Patel have now resigned from the Board post the SEBI order (as defined below). Further, as on the date of writing this Article, the Anmol Singh Jaggi, Managing Director and Puneet Singh Jaggi, the Whole-time director have also stepped down pursuant to the SEBI order. These changes in the Board are still not reflected on the Master Data of MCA portal or any of the SEBI disclosures.

Significant dilution of promoter stake—potential signal of internal trouble.

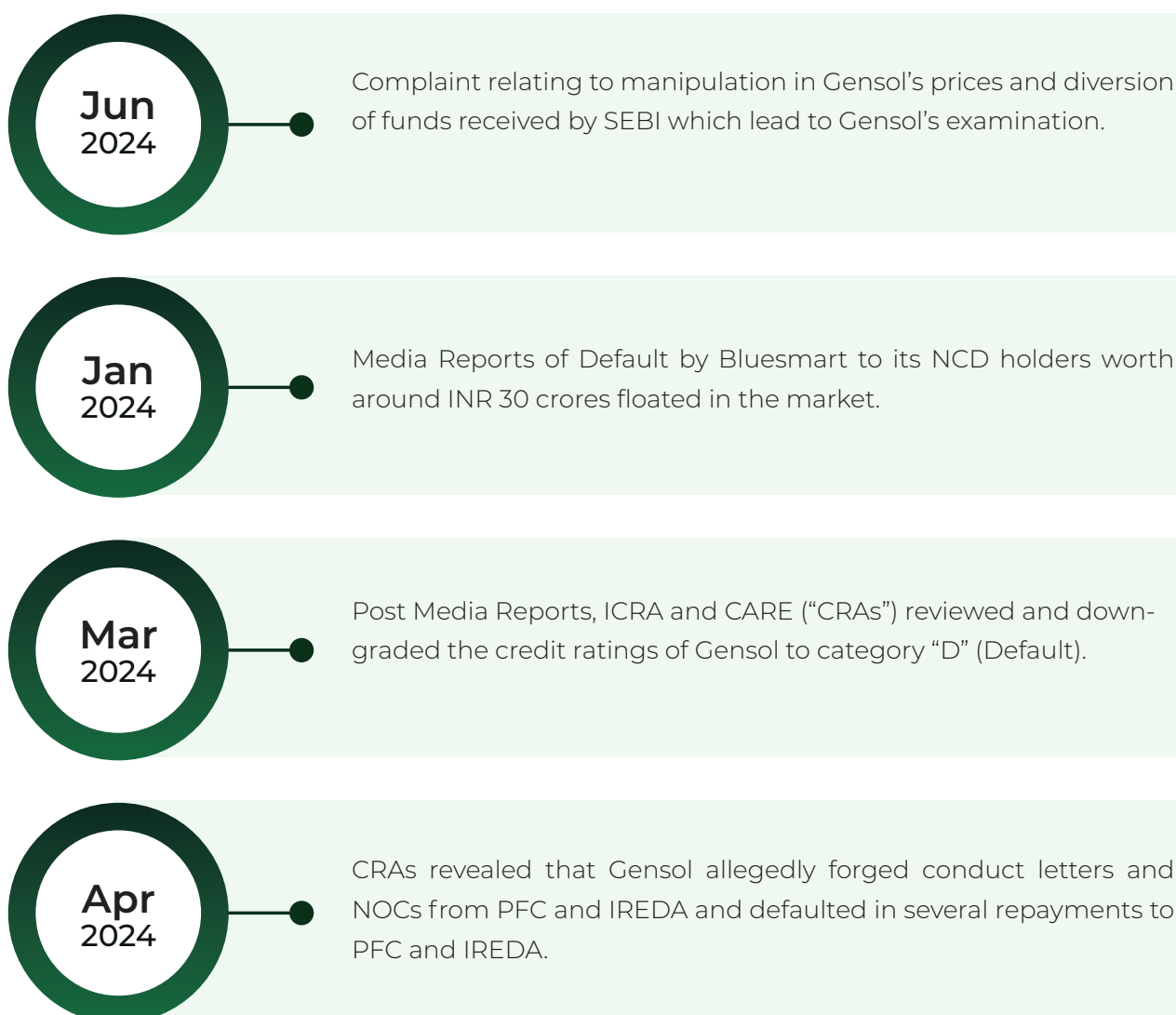


UNFOLDING OF THE GENSOL SCAM:

FROM CRAS TO ED INVESTIGATION!

Gensol was a perfect success story until SEBI received a complaint in June 2024 relating to manipulation of prices and diversion of funds, which lead to its examination by the SEBI. However, the matter picked up the momentum when on March 04 2025, ICRA and CARE (“CRAs”) downgraded the credit ratings of Gensol to category “D” due to non-servicing of debt obligations, which the CRAs decided to review post the media reports of defaults by floated in the market.

CHAIN OF EVENTS:





SEBI also enquired the matter with the CRAs and passed its order dated April 15, 2025 (“SEBI order”). Major Revelations: a) **PFC and IREDA** sanctioned term loans of approx. **Rs. 977 Crore**, out of which **Rs. 663.89** Crore was given for purchase of **6,400 EVs** ; b) The total deployment of funds of approx. for EV purchase was **Rs 829.86** Crore (including Gensol’s 20% equity margin); c.) Gensol purchased only **4,704 EVs** from Go-Auto Private Limited (“GoAuto”) for an aggregate of **Rs. 567.73 Crore.** d) complete breakdown of corporate governance machinery in Gensol.



Rs. 262.13 Crore (i.e. Rs. 829.86 Crore – Rs. 567.73 Crore) still remains unaccounted in SEBI examinations.



ED actions, **MCA** scrutiny and **ICAI** audits. The **share price of Gensol** has fallen down from **Rs. 1,126 in Jan’ 2024** per share to **Rs. 56.64 in May 2025**

The analysis of money trail by SEBI, of Gensol, its promoters, its related parties and Go-auto exposed that funds were transferred from Gensol to Go-Auto, for purchase of EVs (without concluding any actual purchase) and then were either transferred back to Gensol or routed to entities that were directly or indirectly related to **Anmol Singh Jaggi and Puneet Singh Jaggi**.



There were multiple instances of such transactions which were captured through all the money-trails. These funds were majorly utilized by the promoters for:

- i. Purchase of residential properties
- ii. Other Personal Expenses of Promoters; and
- iii. **Illegal trading in the scrip of Gensol through Wellray Solar Industries Private Limited (“Wellray”)**. Wellray again is a promoters’ backed-up company. It is to be noted that Wellray dominately traded in the scrip of Gensol Engineering Limited (99% of total trade value) during the period April 2022 to December 2024 for a buy value of Rs. 160 Crs. These funds were routed to it directly or indirectly by Gensol /Go-auto/ promoters of Gensol.

MAJOR LEGAL & REGULATORY VIOLATIONS OBSERVED BY SEBI

DIVERSION OF FUNDS

Mis-utilization and diversion of company funds in a fraudulent manner by Anmol Singh Jaggi and Puneet Singh Jaggi has led to severe violations under Section 12A (Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control) of the SEBI Act, 1992.

MARKET MANIPULATION

Engagement of the promoters in activities that created a misleading appearance of trading and Indulging in market manipulation has violated the provisions of Regulations 3(b), (c) and (d) (prohibitions related to manipulative and deceptive devices, fraud, and deceptive practices in securities markets) and Regulation 4(1), 4(2)(f), (k) & (r) (prohibits manipulative, fraudulent and unfair trade practices) SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003.

FRAUDULENT TRANSACTIONS WITH RELATED PARTY

Anmol Singh Jaggi and Puneet Singh Jaggi together with their related parties benefitted from the funds of Gensol through layered transaction without any appropriate disclosures. These transactions qualified to be related party transactions in terms of Regulation 2(zc) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR Regulations, 2015”). Accordingly, these transactions violated the disclosure norms under Regulation 4 and 48 of the LODR Regulations, 2015 read with applicable accounting standards.

INTERIM DIRECTIONS ISSUED BY SEBI

PROMOTER DIRECTORS ARE ORDERED
TO RESIGN UNTIL FURTHER ORDERS.

APPOINTMENT OF A FORENSIC AUDITOR.

RECENT STOCK SPLIT ANNOUNCED BY
THE COMPANY HAS BEEN PUT ON HOLD.

DETAILED INVESTIGATION TO BE CARRIED OUT.

CRITICAL ANALYSIS

The Gensol case is a textbook example of what happens when companies compromise on transparency, governance, and ethics. Gensol fiasco has not only indicated towards the prevailing culture of weak internal controls and governance, but surprisingly, the silence on adequate vigilance by the regulators. The Gensol fraud raises following important questions:

Due diligences in Public Financial Institutions: Did PFC and IREDA conduct proper due diligence before sanctioning funds to Gensol ? Were procedures bypassed to favor Gensol?

As public financial institutions, PFC and IREDA are expected to conduct stringent financial, legal, and technical due diligence, especially when dealing with emerging players in the renewable space. Failure to detect anomalies in Gensol's corporate or financial structure raises serious questions about internal credit appraisal systems and risk evaluation frameworks in these public NBFCs. Further, it is still not known why SEBI till date has not questioned or inquired on role the of bankers in PFC and IREDA for sanctioning the public loans to Gensol.

Suggestions: Gensol case has again highlighted the need for structural reforms in public sector project financing. It is very pertinent to-

- a) strengthen forensic and technical due diligence for all borrower profiles.
- b) establish early-warning systems to detect fund misuse.
- c) increase transparency in loan sanction and monitoring processes.
- d) holding responsible officers accountable for procedural lapses.

Audit Efficiency: Did statutory auditors perform a thorough and independent audit? Were red flags overlooked or misclassified?

In Gensol, despite the red flags: questionable no. of related-party transactions, inflated revenue, fund diversion etc., statutory auditors did not raise significant qualifications or gave any adverse opinions in audit reports of Gensol. The smooth certification of financial statements amid suspected fraud raises concerns of auditor collusion or serious negligence.

Suggestions: Discussion should be initiated on the autonomy of internal and secretarial auditors against the management will. Further, stringent norms of scrutiny should be adopted while scrutinising the Related Party Transactions by the shareholders, board and statutory auditors. Just surface level checks are not relevant anymore.

Board Effectiveness: Did Board exercise effective oversight? Were independent directors truly independent, and did they ever actually challenge the management's decisions?

In the instant case, Gensol's Board structure clearly indicated towards promoter dominance. IDs failed to question the related party transactions and fund diversions. This could be out of incompetency or a wilful ignorance. The resignation by all the independent directors posts the SEBI order, strongly raises questions on the integrity and autonomy of Independent Directors.

Suggestions: It is high time that we start doing deliberations within the compliance ecosystem on how appointment of strong and qualified independent directors on the Board of listed companies should be done. MCA/SEBI should make the selection process and qualification criteria of the Independent Directors more stringent.

Internal Controls: Were internal controls robust enough to detect and prevent fraud? How effective was the company's audit committee?

A strong internal control system would have included checks to flag unapproved or opaque dealings with affiliates. Lack of such mechanisms allowed conflict-of-interest transactions to go unnoticed. As a core governance body, the audit committee is responsible for ensuring the integrity of financial statements. Its failure to act suggests either incompetence, negligence, or over-reliance on management and auditors. This undermines its role as an independent internal watchdog. There was no visible intervention or red flagging of weak internal financial controls or audit deficiencies.

Suggestions: Gensol highlights the need for structural reforms to ensure independence, competence, and accountability of such committee, especially in promoter-driven companies.

There is a need for actual empowerment of the Audit Committee with Real-Time Data Access. Audit committees should conduct quarterly reviews of all the RPTs, with forensic sampling for complex structures or opaque subsidiaries. Audit committee members should undergo regular training on forensic red flags, cyber frauds, and financial manipulation tactics.

Regulatory Vigilance: Inadequate Market Surveillance and Early Detection and Delayed Regulatory Response and Investigations?

In the instant case, regulators waited for a big fiasco to happen and took selective actions. Delays in launching investigations, freezing assets, or issuing show-cause notices suggest, no proactive enforcement, exposes the loopholes in SEBI's system of continuous disclosure monitoring. Unfortunately, this has eroded stakeholder's confidence in SEBI's ability to safeguard market integrity and investor interest.

Suggestion: Greater regulatory vigilance and investor awareness is required. SEBI must operate in tandem with financial sector regulators to curb complex frauds. Lack of coordination reduces the speed and effectiveness of enforcement. Without swift action, companies like Gensol undermine the credibility of SEBI and India's capital markets.

IN SUMMARY:

Gensol debacle has raised concern on the failure of internal and external regulatory governance mechanisms. It again underlines the urgent need for the following:

- a) Ascertaining the credibility of due-diligences & loan disbursements process in the public sector NBFCs, Banks and other Financial Institutions.
- b) Stringent norms of scrutiny should be adopted by the Board, statutory auditors and shareholders while approving financial statements, related parties and other disclosures by a Company.
- c) Greater regulatory vigilance and investor awareness.
- d) Deliberations on the appointment of strong and qualified independent directors should be done on the Board of listed companies.
- e) Greater regulatory vigilance and investor awareness.

Ongoing ED actions, MCA scrutiny and ICAI audits are expected to open a Pandora's box of compliance failures in Gensol. **However, this is not just about one company—it's a wake-up call for all startups and investors.** Growth must never come at the cost of governance. Transparency, accountability, and ethical leadership are not optional—they are foundational. **Let's build the companies we don't have to hide from regulators.**

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Latest Awards and Recognitions

RSGI Resight (RSG India)

IBLJ A List

A List (2023-2024)

ALB India Law Awards 2025

Notable Firm (2024)

Legal 500

Private Equity (including Venture Capital) - Tier 5 (2025)

IFLR1000 (34th Edition) 2024

1. Rajesh Begur B Ranking: Leading Lawyer – Highly Regarded
2. Firm Ranking: Recommended Firm
3. Southern Asia, Australasia and Central Asia Ranking: Highly Regarded

Corporate INTL Global Awards

Cross Border Private Equity Transactions Law Firm of the Year in India - 2025

Forbes India – Legal Powerlist 2023

Top Law Firm (above 10 years' experience)

Asia Law 2022

Notable Firm – Private Equity, Investment Funds, Banking and Finance, Corporate and M&A

Global Law Expert 2021

Cross Border Private Equity Transactions Law Firm of the year

RSG Consulting 2019

Top 40 Indian Law Firm

