brightcom group

TEL : +91 (40) 67449910 EFAX : +91 (22) 66459677

Ref: BCG/SE/2023/June-10 Date: June 20, 2023

To
BSE Limited
P. J. Towers, 25th Floor,
Dalal Street, Mumbai - 400001.
BSE Scrip Code: 532368

To
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051.
NSE Symbol: BCG

Sub: Resubmission of Corporate Announcement on Adjudication Order from SEBI, vide adjudication order # Order/AK/BS/2023-24/27388-27393 dated June 13, 2023.

Ref: Corporate Announcement dated June 14, 2023 on Adjudication Order From SEBI

We hereby resubmit the Corporate Announcement along with the additional details/disclosures as per SEBI Circular no. CIR/CFD/CMD/4/2015 dated September 09, 2015, in response to an email from BSE regarding additional details required for Corporate Announcement filed under Regulation 30 of the SEBI (LODR) Regulations, 2015 dated June 15, 2023.

This letter's Annexure constitutes the disclosure requirement for the corporate announcement.

Additionally, the aforementioned information will also be made available on the Company's website at www.brightcomgroup.com. Please acknowledge receipt of the aforementioned information and take note of this for your records.

Thanking you,

Yours Truly,

For Brightcom Group Limited

Vankadara Rajesh
Digitally signed by Vankadara Rajesh
Date: 2023.06.20 16:24:35 +05'30'

Rajesh Vankadara
Company Secretary & Compliance Officer

TEL : +91 (40) 67449910 EFAX : +91 (22) 66459677

Annexure – I

Details pursuant to SEBI Circular No. CIR/CFD/CMD/4/2015 dated September 09, 2015

#	Particulars	Applicability/Details
1.	the details of any change in the status and / or any development in relation to such proceedings	Adjudication order is passed on June 13, 2023 under SEBI Act, 1992 and SEBI (Prohibition of Insider Trading) Regulations, 2015.
2.	in the case of litigation against key management personnel or its promoter or ultimate person in control, regularly provide details of any change in the status and / or any development in relation to such proceedings.	Order is passed on the following Noticees 1. Vijay Kumar Kancharla 2. Vijay Kumar Kancharla HUF 3. M Suresh Kumar Reddy 4. S V Rajyalaxmi Reddy 5. Geetha Kancharla 6. Brightcom Group Limited
3.	in the event of settlement of the proceedings, details of such settlement including - terms of the settlement, compensation/penalty paid (if any) and impact of such settlement on the financial position of the listed entity.	Penal charges levied by the SEBI for violation of the provisions of PIT Regulations/Circulars. The Company has been fined of Rs.5 lakhs and five associated entities have been fined a total of Rs.35 Lakhs.

Ref: BCG/SE/2023/June-09 Date: June 14, 2023

To
BSE Limited
P. J. Towers, 25th Floor,
Dalal Street, Mumbai - 400001.
BSE Scrip Code: 532368

To
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051.
NSE Symbol: BCG

Sub: Adjudication Order from SEBI

The adjudication order issued by the Securities and Exchange Board of India (SEBI) under Section 15-I of the SEBI Act, 1992, pertains to a distinct and separate matter. We want to clarify that this order is based on a different show-cause notice that SEBI initiated on November 23, 2022.

The adjudication order, covering the period from April 1, 2020, to August 13, 2021, addresses specific aspects such as disclosure, code of conduct, execution of trades during the trading window closure period, and contra trade. A penalty of Rs.5 lakhs has been levied on the company and a total of Rs.35 lakhs on five associated entities following the completion of the adjudication process.

In light of this development, we are currently consulting with our legal advisors to carefully evaluate the order and determine the appropriate steps, which may include compliance with the directives provided. We wish to convey our satisfaction with this development, as it brings clarity to an outstanding situation.

We want to ensure that this information is shared in accordance with Regulation 30 of SEBI (LODR) Regulations, 2015. We have attached the adjudication order and formally placed this information on record for your reference.

We sincerely appreciate the continued support and trust of our stakeholders. Moving forward, we will continue to operate with utmost diligence and commitment to the best interests of our stakeholders.

Thanking you,

Yours Truly,

For Brightcom Group Limited

Vankadara Rajesh

Digitally signed by Vankadara Rajesh
Date: 2023.06.14 07:21:56 +05'30'

Rajesh Vankadara
Company Secretary & Compliance Officer

BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

(ADJUDICATION ORDER NO: Order/AK/BS/2023-24/27388-27393)

UNDER SECTION 15-I OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995, IN RESPECT OF

Noticee No. 1: Vijay Kumar Kancharla HUF (PAN: AAGHV3639E), Address: Plot No 101, Siddhartha Nagar, Hyderabad, Telangana – 500 018.	**Noticee No. 2: Vijay Kumar Kancharla, Karta of HUF (PAN: ATNPK0320K)** Address: Plot No 101, Siddhartha Nagar, Hyderabad, Telangana – 500 018.
Noticee No. 3: M Suresh Kumar Reddy (PAN: AOOPM8696J) Address: Plot No. 592, Road No. 31, Near MCR HRD, Shaikpet, Jubilee Hills, Hyderabad, Telangana- 500 033.	**Noticee No. 4: S V Rajyalaxmi Reddy (PAN: AWXPR4787Q)** Address: Plot No. 592, Road No. 31, Near MCR HRD, Shaikpet, Jubilee Hills, Hyderabad, Telangana- 500 033.
Noticee No. 5: GEETHA KANCHARLA (PAN: CWMPK4257M) Address: Plot No 101, Siddhartha Nagar, Hyderabad, Telangana – 500 018.	**Noticee No. 6: Brightcom Group Limited (PAN: AAACL5827B)** Address: Floor 5, Fairfield by Marriott, Road No:2, Nanakramguda, Gachibowli, Hyderabad, Telangana - 500032

IN THE MATTER OF BRIGHTCOM GROUP LIMITED

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (**"SEBI"**) had conducted an examination in the matter of Brightcom Group Limited ("**BGL/ the company**") to ascertain violation of provisions of the SEBI Act, 1992 (hereinafter called **"SEBI Act"**) and SEBI (Prohibition of Insider Trading) Regulations, 2015 (hereinafter called **"PIT Regulations"**), if any, by certain persons/ entities, while trading in the scrip of the company during the period April 01, 2020 to August 13, 2021.

2. Based on the examination, it was alleged that Vijay Kumar Kancharla HUF (**Noticee No. 1**), Vijay Kumar Kancharla , Karta of HUF (**Noticee No. 2**), M Suresh Kumar Reddy (**Noticee No. 3**), S V Rajyalaxmi Reddy (**Noticee No. 4**), Geetha Kancharla (**Noticee No. 5**) and Brightcom Group Limited (**Noticee No. 6**) (hereinafter collectively referred to as "**the Noticees**") have violated the following provision(s);

2.1 **Disclosure violations** – Noticee Nos. 1, 2, 3, 4 & 5 violated Regulation 7 (2) (a) of PIT Regulations.

2.2 **Code of Conduct violations**- Code of Conduct formulated by the Noticee No.6 did not meet the minimum standards for "Code of Conduct" prescribed under Schedule B read with Regulation 9 of PIT Regulations. Noticee No. 6 failed to comply with the provisions of SEBI circular no. SEBI/HO/ISD/ISD/CIR/P/2019/82 dated July 19, 2019, and SEBI circular no. SEBI/HO/ISD/ISD/CIR/P/2020/dated July 23, 2020 regarding reporting violations related to "Code of Conduct" in prescribed format.

2.3 **Execution of Trades during trading window closure period**- Noticee Nos. 1, 2, 3, 4 & 5 violated clause 4 of Schedule B read with Regulation 9 of PIT Regulations by executing trades during the "Trading Window closure period".

2.4 **Contra Trades**- Noticee Nos. 3, 4 & 5 executed "Contra Trades" in violation of clause 10 of Schedule B read with Regulation 9 of PIT Regulations.

APPOINTMENT OF ADJUDICATING OFFICER

3. Upon being satisfied that there were sufficient grounds to inquire and adjudicate upon the alleged violation of provisions of the SEBI Act and PIT Regulations by the Noticees, SEBI, in exercise of powers under section 19 read with sub-section (1) of section 15-I of the SEBI Act and rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as the "**Adjudication Rules**"), appointed the undersigned as the Adjudicating Officer **(AO),** vide order dated October 21, 2022, to inquire into and adjudge the alleged violations by the Noticees.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. Show Cause Notice ref. no. SEBI/EAD-6/AK/BS/58902/6/2022 dated November 23, 2022 (hereafter referred to as "**SCN**") was issued to the Noticees, in terms of the provisions of rule 4(1) of the Adjudication Rules r/w Section 15-I of SEBI Act, requiring the Noticees to show cause within 14 days from the date of receipt of SCN, as to why an inquiry should not be held against them and why penalty, if any, should not be imposed on them under the provision of Section 15A(b) and/ or 15 HB of SEBI Act for the alleged violations. The SCN was sent to the Noticees via speed post acknowledgement due (SPAD) and on their email ids, digitally signed. The SPAD was delivered to the Noticees, except Noticees No. 3 and 4. The SCN was sent again to the said Noticees on their new address on December 07, 2022, which was delivered. The SCN was also delivered to the Noticees by email, which constitutes valid service in terms of Rule 7 of the Adjudication rules.

5. On non-receipt of any reply from the Noticees, in the interest of principles of natural justice, an opportunity of personal hearing was granted to the Noticees on December 26, 2022. The hearing was later rescheduled to December 28, 2022.

6. Vide letter dated December 19, 2022, Noticee No. 6 informed that it is in the process of filing settlement application, which it subsequently filed on December 27, 2022, and hence requested for adjournment of the hearing. Vide letter dated December 22, 2022, Noticees No. 3 and 4 requested for extension of time for submission of response to the SCN. Vide letter dated December 23, 2022, Noticees No. 1, 2 and 5 requested for one month time for submitting reply and requested for re-scheduling the hearing in February 2023. Another opportunity of personal hearing was granted to Noticee Nos. 3 and 4 on January 06, 2023 wherein the authorized representatives of the said Noticees appeared before me and requested for time till January 13, 2023 for written submissions alongwith documentary evidence in support of their reply. Vide email dated January 14, 2023, the said Noticees replied to the allegations made against them.

7. Noticees No. 1, 2, and 5 submitted their response to the allegations made against them in the SCN, vide email dated January 23, 2023. Another opportunity of personal hearing was granted to the said Noticees on February 10, 2023, vide Hearing Notice dated January 30, 2023. The authorised persons of the said Noticees appeared before me on the scheduled date and reiterated the submissions made, vide letter dated January 23, 2023.

8. Vide communication dated May 12, 2023, undersigned was informed by SEBI settlement Division that the settlement application filed by Noticee No. 6 has been rejected. In the interest of principles of natural justice, an opportunity of personal hearing was granted to the Noticee No. 6 on May 30, 2023. In the meanwhile the said Noticee made its submissions, vide letter dated May 29, 2023 which was received via email. The authorized representatives of the said Noticee appeared before me on the scheduled date and reiterated the submissions made vide letter dated May 29, 2023.

CONSIDERATION OF ISSUES AND FINDINGS

9. I have taken into consideration the submissions of the Noticees, facts and material available on record. The issues that arise for consideration in the present case are as follows:

   9.1 Whether the Noticees have violated the provisions as alleged and mentioned at para 2 above?

   9.2 Does the violation, if any, attract monetary penalty u/s 15 A (b) and/or 15 HB of the SEBI Act?

   9.3 If so, what should be the monetary penalty that can be imposed upon the Noticees taking into consideration the factors stipulated in Section 15J of the SEBI Act r/w Rule 5(2) of the Adjudication Rules?

10. Before moving forward, it is pertinent to refer to the relevant provisions which are alleged to have been violated by the Noticees. The said provisions are reproduced hereunder:

PIT Regulations

Regulation 7 Disclosures by certain persons.

(2) Continual Disclosures.

(a) "Every promoter [member of the promoter group], [designated person] and director of every company shall disclose to the company the number of such securities acquired or disposed of within two trading days of such transaction if the value of the securities traded, whether in one transaction or a series of transactions over any calendar quarter, aggregates to a traded value in excess of ten lakh rupees or such other value as may be specified.

Explanation. — It is clarified for the avoidance of doubts that the disclosure of the incremental transactions after any disclosure under this sub-regulation, shall be made when the transactions effected after the prior disclosure cross the threshold specified in clause (a) of sub-regulation (2)"

Code of Conduct:

***Regulation* 9 (1)**

"The board of directors of every listed company and [the board of directors or head(s) of the organisation of every intermediary shall ensure that the chief executive officer or managing director] shall formulate a code of conduct [with their approval] to regulate, monitor and report trading by its [designated persons and immediate relatives of designated persons] towards achieving compliance with these regulations, adopting the minimum standards set out in Schedule B [(in case of a listed company) and Schedule C (in case of an intermediary)] to these regulations, without diluting the provisions of these regulations in any manner".

***Regulation* 9 (4)**

(4) For the purpose of sub regulation (1) and (2), the board of directors or such other analogous authority shall in consultation with the compliance officer specify the designated persons to be covered by the code of conduct on the basis of their role and function in the organisation and the access that such role and function would provide to unpublished price sensitive information in addition to seniority and professional designation and shall include:-

(iii) All promoters of listed companies and promoters who are individuals or investment companies for intermediaries or fiduciaries;

Schedule B read with Regulation 9 of PIT Regulations

Minimum Standards for Code of Conduct for Listed Companies to Regulate, Monitor and Report Trading by Designated Persons.

Clause 4 (1) *"Designated persons may execute trades subject to compliance with these regulations. Towards this end, a notional trading window shall be used as an instrument of monitoring trading by the designated persons. The trading window shall be closed when the compliance officer determines that a designated person or class of designated persons can reasonably be expected to have possession of unpublished price sensitive information. Such closure shall be imposed in relation to such securities to which such unpublished price sensitive information relates. Designated persons and their immediate relatives shall not trade in securities when the trading window is closed."*

Clause 4 (2) *"Trading restriction period shall be made applicable from the end of every quarter till 48 hours after the declaration of financial results. The gap between clearance of accounts by audit committee and board meeting should be as narrow as possible and preferably on the same day to avoid leakage of material information.*

Clause 10 *"The code of conduct shall specify the period, which in any event shall not be less than six months, within which a designated person who is permitted to trade shall not execute a contra trade. The compliance officer may be empowered to grant relaxation from strict application of such restriction for reasons to be recorded in writing provided that such relaxation does not violate these regulations. Should a contra trade be executed, inadvertently or otherwise, in violation of such a restriction, the profits from such trade shall be liable to be disgorged for remittance to the Board for credit to the Investor Protection and Education Fund administered by the Board under the Act."*

Issue I. Whether the Noticees have violated the provisions as alleged and as mentioned at para 2 above?

11. **Disclosure Violations**

11.1 During the examination it was found that the Noticees No.1, 3, 4 & 5 have traded in the scrip during the period April 01, 2020 to August 12, 2021 for which necessary disclosures were required to be filed under regulation 7(2) (a) of PIT Regulations. However, said Noticees failed to file necessary disclosures. The Summary of number of instances, when the regulatory threshold (Rs. 10 lakh) was breached in violation of regulation 7(2)(a) of PIT Regulations, for various calendar quarters during the period April 01, 2020, to August 12, 2021, is given below:

Name of Entity	Total Traded Value (BSE+NSE) (in Rs.)	Quarter	No. of occasions
Vijay Kumar Kancharla HUF (Noticee No. 1)	82,03,635	Apr-Jun 2020	7
	88,90,701	Jul-Sep 2020	8
	52,96,940	Oct-Dec 2020	4
	45,03,137	Jan-Mar 2021	4
	94,48,149	Apr-Jun 2021	8
	87,03,280	Jul-Sep 2021	6
M. Suresh Kumar Reddy Muthukuru (Noticee No. 3)	3,43,27,368	Apr-Jun 2020	7
	2,62,57,816	Jul-Sep 2020	7
	56,35,000	Oct-Dec 2020	3
	3,09,20,000	Jan-Mar 2021	1
S V Rajyalaxmi Reddy (Noticee No. 4)	9,34,05,000	Jan-Mar 2021	3
Geetha Kancharla (Noticee No. 5)	8,80,51,000	Jan-Mar 2021	4

11.2 I note that SEBI, vide email dated June 23, 2022, sought confirmation from BGL and promoter entities that whether they (i.e. Noticees No. 1, 3, 4 & 5) have complied with Regulation 7(2) of PIT Regulations. Vide email dated June 28, 2022, BGL submitted that *".....In this regard, we wish to bring to your kind notice that we have not received any information/ communication in respect to any disclosures from Mr. Vijay Kumar Kancharla, HUF, Ms. Geetha Kancharla , Mr. Suresh Kumar Reddy Muthukuru , Ms. S V Rajyalaxmi Reddy. We wish to*

further clarify that as per our records, we have not received any disclosures from any of the above entities for the period of April 2020 to June 2022".

11.3 I note that Noticee Nos. 1, 3, 4 & 5 did not reply to SEBI email and reminder dated June 27, 2022. Since Karta is head of the HUF and manages day to day affairs of HUF, for the trades of Vijay Kumar Kancharla HUF, Show Cause Notice (SCN) was also issued to Karta i.e. Vijay Kumar Kancharla and he is listed as Noticee No. 2.

11.4 In view of the above, it was alleged that Noticee Nos. 1, 2, 3, 4 & 5 violated Regulation 7 (2) (a) of PIT Regulations by not filing necessary disclosures, thereby attracting penalty under section 15A(b) of SEBI Act.

11.5 Noticee Nos. 1, 2, 3, 4 and 5 filed similar response. Summary of their reply is given under:-

11.5.1 As per the shareholding pattern available on the website of the Stock Exchange (in the public domain) for the quarter from April 2020 to September 2021, the details of shareholding in BGL are available in the category of promoter and promoter group, which was disclosed by BGL on time as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as LODR Regulations), as under;

Sr. No.	Quarter	Date of Disclosure
1.	April 2020- June 2020	02/07/2020
2.	July 2020- September 2020	08/10/2020
3.	October 2020- December 2020	05/01/2020
4.	January 2021- March 2021	17/04/2021
5.	April 2021- June 2021	08/07/2021
6.	July 2021- September 2021	18/10/2021

11.5.2 We did not have any intention to hide nor did we hide any information from general investors and neither we had any unfair gain or advantage nor any loss or harm was caused to the investors. The alleged non-disclosure is an inadvertent error and there is no malafide intention behind it. The same is also established by the fact that pursuant to our

sale on many occasions, the price of scrip shot up and had there been any malafide intention behind it we would have sold the shares later or after the price has risen.

11.5.3 Moreover, there was no resultant adverse effect on the market or the investors at all on account of the alleged non-disclosure.

11.6 In this regard, I note that the requirement under PIT regulations is based on the value of the transaction, whereas the requirement under LODR Regulations is based on the shares held at the end of a quarter, which does not indicate the transaction done which exceeds certain value and the number of time it is carried out during a quarter, in any manner. The requirements given in the LODR Regulations and the PIT regulations are independent of each other and are to be complied with independent of each other as they have different purpose. Further, I note that the disclosures under Regulation 7 (2) (a) of the PIT Regulations, are required to be given to the company within two trading days of such transaction and as per Regulation 7 (2) (b) of the PIT Regulations the company is required to notify the particulars of such transaction(s) to the stock exchange(s) on which the securities are listed within two trading days of receipt of the disclosure. From the table given at para 11.5.1 above, I, further note that the disclosures given under LODR regulations did not serve the requirements given under PIT Regulations in so far as the timelines are concerned. Based on the above, the contentions of the Noticees cannot be accepted.

11.7 Hence, it is established that Noticees Nos. 1, 2, 3, 4 & 5 have violated Regulation 7 (2) (a) of PIT Regulations by not filing necessary disclosures, thereby attracting penalty under section 15A(b) of SEBI Act.

12. Code of Conduct violations

12.1 I note that SEBI vide email dated July 19, 2022 sent to BGL (Noticee No. 6) sought information relating to "Code of conduct" and also advised to provide copy of the same. BGL, vide email dated July 19, 2022, provided the information along with copy of the "Code of Conduct". It was noted that BGL formulated the "Code of conduct" on March 28, 2019 and the same was

approved by the Board of Directors on March 28, 2019. "Code of conduct" was implemented w.e.f. April 01, 2019. From the perusal of copy of "Code of conduct" provided by the Noticee No. 6, it was observed that "Code of conduct" formulated and adopted by BGL, does not meet the minimum standards for "Code of Conduct" (for Listed Companies) to Regulate, Monitor and Report Trading by [Designated Persons] as prescribed under Schedule B read with Regulation 9 of PIT Regulations. For example, the "Code of conduct" formulated by BGL did not specify who are the designated persons, trading restriction periods, trading window, pre-clearance of trades, contra trades, reporting to stock exchange (s) etc.

12.2 In view of the above, it was alleged that Noticee No. 6 violated Regulation 9 of PIT Regulations, thereby attracting penalty under section 15HB of SEBI Act.

12.3 In its response to the SCN, Noticee No. 6 submitted, *inter alia*, as under;

12.3.1 "The Code of Conduct was approved by the Board of Directors in the meeting held on March 28, 2019 which was implemented from April 1, 2019. The same was forwarded to the Stock Exchanges and the same was also uploaded on the website of the company.

12.3.2 Till the date of receiving of SCN, no Stock Exchange pointed out any discrepancy/ deficiency in the Code of Conduct. We expect minimum level of supervision from every Stock Exchange since they have been designated as Market Infrastructure Institutions (MIIs). In case any of the stock exchange would have intimated us about the deficiencies at that time itself, we could have amended our Code of Conduct as per the extant policies.

12.3.3 As regards Code of Conduct, we had hired a Professional for drafting the Code of Conduct as per SEBI Regulations and we relied upon the expertise of the professional for the same. Whatever Code of Conduct was drafted by him and given to us was adopted by Brightcom Groups Limited without any malafide intentions."

12.4 Further, I note that SEBI, vide email dated July 20, 2022, advised BGL to confirm, whether, it has reported any violation of Code of Conduct to SEBI or Stock Exchange(s) during the period April 2020 to till date. In its response,

BGL, vide email dated July 20, 2022, stated that "*no disclosures were given to the Stock Exchanges with regard to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 relating to the Code of Conduct (CoC).*"

12.5 In view of the above, it was alleged that Noticee No. 6 failed to comply with provisions of SEBI circular no SEBI/HO/ISD/ISD/CIR/P/2019/82 dated July 19, 2019, and SEBI circular no. SEBI/HO/ISD/ISD/CIR/P/2020/dated July 23, 2020, thereby attracting penalty under section 15HB of SEBI Act.

12.6 In its response to the SCN, Noticee No. 6 submitted, *inter alia*, as under

12.6.1 "We submit that the alleged violation of the said circulars is only a consequential violation. In case it has been observed that any provision of the Code of Conduct, as applicable during the investigation period, has been violated, the provisions of the aforesaid circulars shall come into operation. However, the trades carried out by the Board of Directors did not attract the violation of Code of Conduct, as applicable in Brightcom at that point in time. Therefore, the steps stated in the circular could not be carried out by Brightcom Group Limited. We, therefore, deny that we have violated any provision"

12.7 Noticee No. 6 also drew reference to the matters of *Refex industries Limited, Mr. Anand Karbhari in the matter of Jindal Cortex Ltd, dated May 11, 2017, Reliance Industries Ltd. v SEBI (SAT Appeal No.* 39/2002) *Akbar Badrudin Badmdin Jiwani V. Collector of Customs/ Bombay (AIR 1990 SC 1579) Hindustan Steel Ltd., v State of Orissa,* (1970) *1 SCR* 753; *(AIR 1970 SC 2563)*

12.8 In this regard, I note that Noticee No. 6 is a listed company and listed at both stock exchanges i.e. BSE and NSE. Being a listed company Noticee No. 6 is expected to exercise reasonable care and diligence and comply with the extant regulatory and statutory requirements. The burden of deficiency in the conduct/ compliance with the regulatory requirements cannot be passed on to the MIIs, the way Noticee No. 6 is attempting to do. It is a well-established legal maxim that *"Ignorantia juris non excusat"*, or "ignorance of the law excuses no one". Hence, even though Noticee No. 6 hired the professionals for drafting its Code of Conduct, it was its duty and responsibility to have

taken due care and ensure that each provision of the applicable Regulation and the applicable circulars, which are clearly spelt out, are fully complied with in letter and spirit, however, Noticee No. 6 failed to do so. Thus, the contention of Noticee No. 6 is devoid of merits.

12.9 Based on the above, it is established that Noticee No. 6 violated Regulation 9 of PIT Regulations, thereby attracting penalty under section 15HB of SEBI Act. Further, Noticee No. 6 failed to comply with provisions of SEBI circular no SEBI/HO/ISD/ISD/CIR/P/2019/82 dated July 19, 2019, and SEBI circular no. SEBI/HO/ISD/ISD/CIR/P/2020/dated July 23, 2020, thereby attracting penalty under section 15HB of SEBI Act.

13. Execution of Trades during trading window closure period

13.1 It was noted that Noticees Nos. 1, 3, 4 & 5 have carried out trades during trading window closure periods i.e. the trading restrictions were applicable in view of the quarter end and subsequent declaration of financial results for various quarters. The summary of transactions of said Noticees during the "Trading window closure period" for the period April 01, 2020 to August 13, 2021, are given in table below:

Name of the Entity	Buy Qty	Sell Qty	Total Traded Value (BSE+NSE) (in Rs.)	Trading Window Closure period	Trading period of the entity during window closure	No. of occasions of trading in window closure
Vijay Kumar Kancharla HUF AAGHV3639E	Nil	13,21,116	82,03,635	April 01, 2020 to June 27, 2020	April 01, 2020 to June 25, 2020	50
	Nil	10,20,000	78,14,744	July 01, 2020 to September 10, 2020	July 02, 2020 to September 08, 2020	33
	Nil	2,92,972	16,01,940	October 01, 2020 to November 14, 2020	October 08, 2020 to November 13, 2020	12
	Nil	2,20,000	16,10,000	January 01, 2021 to February 14, 2021	January 01, 2021 to February 11, 2021	17

	Nil	12,54,636	1,89,66,929	April 01, 2021 to August 15, 2021	April 05, 2021 to August 13, 2021	71
S V Rajyalaxmi Reddy (AWXPR4787Q)	33,00,000	83,00,000	9,34,05,000	January 01, 2021 to February 14, 2021	January 14, 2021 to January 18, 2021	3
Suresh Kumar Reddy Muthukuru (AOOPM8696J)	Nil	46,61,963	3,43,27,368	April 07, 2020 to June 10, 2020	April 07, 2020 to June 10, 2020	19
	Nil	23,46,848	1,79,12,316	July 01, 2020 to September 10, 2020	July 20, 2020 to September 03, 2020	7
	Nil	4,00,000	20,52,000	October 01, 2020 to November 14, 2020	October 29, 2020	1
	Nil	40,00,000	3,09,20,000	January 01, 2021 to February 14, 2021	January 20, 2021	1
	500	Nil	4,225	April 01, 2021 to August 15, 2021	May 31, 2021	1
Geetha Kancharla (CWMPK4257M)	33,00,000	83,00,000	8,80,51,000	January 01, 2021 to February 14, 2021	January 14, 2021 to February 02, 2021	3

13.2 I note that SEBI, vide email dated June 23, 2022, advised Noticees to confirm compliance with Regulations 9 of PIT Regulations regarding trades of promoter entities. In its reply, vide email dated June 28, 2022, Noticee No. 6 stated that *"it has not received any information/communication in respect of trades of promoter entities for the period April 2020 to June 2022."* I note that other Noticees did not reply to aforesaid SEBI email and reminder dated June 27, 2022.

13.3 In view of the above, it was alleged that Noticees No. 1, 2, 3, 4 & 5 violated Clause 4 of Schedule B r/w Regulation 9(1) of PIT Regulations, thereby attracting penalty under section 15HB of SEBI Act.

13.4 Noticee Nos. 1, 2, 3, 4 and 5, in their response to SCN, *inter alia*, submitted, as under;

13.4.1 That we have carried out the trades as per the Code of Conduct policy formulated by BCG. We did not have any intention to gain unfair advantage. We have always followed all the procedures stipulated in the Code of Conduct policy of the Company.

13.4.2 That there was no malafide intention in carrying out trades during the trading window closure period. The same is also established by the fact that pursuant to our sale, the price of scrip shot up and had there been any malafide intention behind it we would have sold the shares later or after the price has risen.

13.4.3 Further, neither BSE nor NSE raised any query regarding trading during trading window closure period. If BSE or NSE at that time had objected, we would not have carried out any trades during trading window closure period.

13.5 I note that it is the regulatory obligation on the listed companies to formulate a "Code of conduct" in congruence with Regulation 9 and as specified in Schedule B of PIT Regulations. The purpose of "code of conduct" as envisaged in the Regulation 9 read with schedule B of PIT Regulations is to regulate, monitor and report trading by its designated persons and immediate relatives of designated persons towards achieving compliance with these regulations, adopting the minimum standards set out in Schedule B (in case of a listed company) and Schedule C (in case of an intermediary) to these regulations, without diluting the provisions of these regulations in any manner. However, absence of Code of conduct or deficiency in Code of conduct, even though it calls for suitable action against the listed company, does not provide impunity to all concerned from not complying with the Regulatory requirements. Thus, the contentions of the Noticees regarding the trades carried out by them during "trading window closure period", and not being told about the same by the stock exchanges, are devoid of merits.

13.6 Based on the above, it is established that Noticee Nos. 1, 2, 3, 4 & 5 have violated clause 4 of Schedule B r/w Regulation 9(1) of PIT Regulations, thereby attracting penalty under section 15HB of SEBI Act.

14. Contra Trades

14.1 It was noted that the Noticees No. 3, 4 & 5 carried out "Contra trades" during the examination period. The summary of "Contra trades" executed by the promoter entities (Noticees No. 3, 4 & 5) are given below:

Client PAN	Name	Sum of Gross Buy Volume	Sum of Gross Sell Volume	Contra Quantity	*Profit/ Loss in Rs.
AOOPM8696J	M Suresh Kumar Reddy	2,00,000	4,50,000	2,00,000	72,000/-
CWMPK4257M	Geetha Kancharla	33,00,000	33,00,000	33,00,000	7,59,000/-
AWXPR4787Q	S V Rajyalaxmi Reddy	33,00,000	50,00,000	33,00,000	(1,64,000)/-

*Profit/loss = Contra Quantity *(weighted average sell price- weighted average buy price)

(Note: For off market transactions value of trade is computed based on the closing price.)

14.2 I note that SEBI, vide email dated June 23, 2022, advised Noticees to confirm compliance with regulations 9 of PIT Regulations regarding trades of promoter entities. In its reply vide email dated June 28, 2022, BGL stated that *"It has not received any information/communication in respect of trades of promoter entities for the period April 2020 to June 2022."* I note that other Noticees did not reply to aforesaid SEBI email and reminder dated June 27, 2022.

14.3 In view of the above, it was alleged that Noticees No. 3, 4 & 5 violated Clause 10 of Schedule B r/w Regulation 9(1) of PIT Regulations, thereby attracting penalty under section 15HB of SEBI Act.

14.4 In response to SCN, Noticee No. 3, *inter alia*, submitted, as under;

14.4.1 That transactions carried out at the stock exchange are only considered

14.4.2 4,50,000 shares were sold on 16/09/2020 through off market transactions

14.4.3 2,00,000 shares were bought online on 23/09/2020

14.4.4 Thus, it cannot be treated as contra trades

14.4.5 Needless to say that all the trades were carried out and reporting were complied as specified in the code of conduct and there has been no violation of that.

14.5 In their response to SCN, Noticee Nos. 4 and 5 have, *inter alia,* submitted, as under;

14.5.1 33,00,000 shares were received by Noticee No. 5 from Noticee No. 4 through off-market on 14/01/2021 for the purpose of arranging loan. However, the loan could not be arranged and hence, these shares were transferred back on 18/01/2021 to Noticee No. 4 only. Therefore, this transaction cannot be considered as a contra trade. Further, 17,00,000 shares were sold on 15/01/2021.

14.5.2 The aforesaid explanation can be tabulated as follows:

Sr. No.	Date	No. of Shares	Particulars
1.	14/01/2021	33,00,000	Received from Mrs. S. V. Rajyalaxmi Reddy (Noticee No. 4) by Mrs. Geetha Kancharla (Noticee No. 5) for arrangement of loan
2.	18/01/2021	33,00,000	Transferred back by Mrs. Geetha Kancharla (Noticee No. 5) to Mrs. S. V. Rajyalaxmi Reddy (Noticee No. 4) since the loan could not be arranged.

14.6 I note that it is the regulatory obligation on the listed companies to formulate a "Code of conduct" in congruence with Regulation 9 and as specified in Schedule B of PIT Regulations. The purpose of "code of conduct" as envisaged in the Regulation 9 read with schedule B of PIT Regulations is to regulate, monitor and report trading by its designated persons and immediate relatives of designated persons towards achieving compliance with these regulations, adopting the minimum standards set out in Schedule B (in case of a listed company) and Schedule C (in case of an intermediary) to these regulations, without diluting the provisions of these regulations in any manner. However, absence of Code of conduct or deficiency in Code of conduct, even though it calls for suitable action against the listed company,

does not provide impunity to said Noticees for "Contra trades" executed by the Noticees.

14.7 I note that clause 10 of Schedule B of PIT Regulations does not specify that only *"online"* trades are covered in the prohibition so far as contra trades are concerned. Hence, it is given fact that in absence of any specific provision, all contra trades be it *"online"* or *"off line"* trades, are covered in the said prohibition irrespective of purpose of transaction. I am of the considerate view that if only *"online"* contra trades are covered in the prohibited trades then more and more clients may opt for *"off line"* trades or combination of *"online"* or *"off line"* trades thereby, defeating the very purpose of having prohibition on contra trades.

14.8 Based on the above, it is established that Noticees No. 3, 4 & 5 violated Clause 10 of Schedule B r/w Regulation 9(1) of PIT Regulations, thereby attracting penalty under section 15HB of SEBI Act.

14.9 I note that Hon'ble Securities Appellate Tribunal, in the matter of Snehlata R. Tiwari Vs. SEBI passed an order dated April 28, 2021 wherein it was held that in case of contra trades since Clause 10 of Schedule B of PIT Regulations provides a mechanism for disgorgement of the profit earned, therefore, only the profit earned could have been disgorged and no separate penalty could have been imposed under Section 15HB of SEBI Act, 1992.

14.10 In this regard, I note that under Section 15HB of SEBI Act, 1992, penalty can be imposed for the violations for which no separate "penalty" has been provided under Chapter VIA of SEBI Act, 1992, i.e. Section 15A to 15HAA. The word "penalty" has not been defined under the SEBI Act, 1992. Under Clause 10 of Schedule B of PIT Regulations, 2015 the words used are "liable to be disgorged" which though results into monetary consequence to the person entering into contra-trade, however, are not same or even similar to "penalty" as used in Section 15HB. Hon'ble SAT in its various orders have explained the meaning and nature of disgorgement. In this regard, in its order dated July 12, 2019 in the matter of Gagan Rastogi Vs. SEBI, Hon'ble SAT held that *"in the Indian context disgorgement is treated*

as an equitable remedy and not as a penal provision". Similarly, in Dushyant Dalal & Anr. Vs. SEBI, in its order dated November 12, 2010, Hon'ble SAT, *inter alia,* held that *"disgorgement is not a punishment but only a monetary equitable remedy meant to prevent a wrong doer from unjustly enriching himself as a result of his illegal conduct".* In Karvy Stock Broking Ltd. vs. SEBI, Hon'ble SAT in its order dated May 02, 2008 held that *"disgorgement is a monetary equitable remedy that is designed to prevent a wrongdoer from unjustly enriching himself as a result of his illegal conduct. It is not a punishment nor is it concerned with the damages sustained by the victims of the unlawful conduct."* In terms of Section 11(5) of the SEBI Act, 1992, the disgorgement amounts are credited to the IPEF established by SEBI, whereas, in terms of Section 15JA penalties imposed under the SEBI Act, 1992 including under Section 15HB, are credited to consolidated fund of India. I note that in the present matter, there is nothing on record to prove that Noticees have disgorged the profits made out of the contra trades. I note that SEBI had preferred Civil Appeal No. 4652 of 2021 against the order dated April 28, 2021 passed by Hon'ble SAT in Snehlata matter. Hon'ble Supreme Court vide its order dated August 16, 2022 has dismissed the said civil appeal while leaving the question of law open. In its order, Hon'ble Supreme Court has also directed that the order dated August 16, 2022 shall not be treated as precedent. It is also noteworthy that Hon'ble Allahabad High Court in Faujdar Singh Vs. State of U.P. 2016 SCC online All 3877, while considering the effect of "question of law kept open" by Hon'ble Supreme Court while dismissing SLP against the judgment and order of Hon'ble Allahabad High Court, held that such impugned judgment cannot be treated as laying down any principle of law on the issue involved herein nor does it constitute a binding precedent in this regard. Relevant extract of the said judgment of the Hon'ble Allahabad High Court is reproduced below:

> *".....What is most important is that against the said judgment S.L.P. bearing no. S.L.P.(C) CC 20655 of 2012 was filed by the State Government which was dismissed, but the question of law was kept open.*

For ready reference the order of the Supreme Court is quoted herein below:

"Delay condoned.

Special leave petition is dismissed.

Question of law is kept open."

Therefore, the judgment of the Division Bench in Hridesh Daysl Srivastava cannot be treated as laying down any principle of law on the issue involved herein nor does it constitute a binding precedent in this regard. This aspect of the matter appears to have skipped the attention of this court while deciding other writ petitions filed earlier i.e. in W.P. No.6264(SS) of 2013, 2496(SS) of 2009, special Appeal (defective) No.417 of 2014, upon which reliance is being placed by the petitioner....."

15. I note that Noticees No. 1, 2 3, 4 and 5 have also placed reliance on the following case laws: Order of the Ld. Adjudicating Officer in respect of Anand Karbhari in the matter of Jindal Cotex Limited (Order dated May 11, 2017), Order of the Hon'ble SAT in ICICI Bank vs SEBI (Appeal No. 583 of 2019 dated July 08, 2020), Refex Industries Limited, Reliance Industries Ltd. v SEBI (SAT Appeal No. 39/2002), Bakulesh Trambaklal Shah in the matter of Aanjaneya Lifecare Limited (Order dated May 12, 2017), Adjudication Order in respect of Dinesh Allorga Limited and Dineshbhai Shanabhai Patel in the matter of Trading activities of certain entities in the scrip of Dinesh Allorga Limited (now known as Hemo Organic Limited) (Order dated June 15, 2017).

16. The crux of the aforementioned orders, even though dependent on unique facts of each individual case, is inordinate delay in initiating action, imposition of nominal penalty and technical violation where disclosures have otherwise been made under another regulation. I note that there is no delay in initiating instant proceedings and disclosures made under other Regulations have no relevance

to the disclosures required to be made under PIT Regulations. Hence, said orders have little relevance in the instant proceedings.

ISSUE No. II: Does the violations attract monetary penalty u/s 15 A (b) and or 15HB of the SEBI Act?

17. In the light of findings and observations made against the Noticees, it is established that the Noticees have violated the provisions of PIT Regulations/Circulars brought out in the foregoing paragraphs and are liable for monetary penalty under the provisions of section 15 A(b) and/or 15HB of the SEBI Act.

18. The contents of the said provisions of law is reproduced hereunder:

SEBI Act

Penalty for failure to furnish information, return, etc.

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

(a)..

(b) to file any return or furnish any information, books or other documents within the time specified therefor in the regulations, fails to file return or furnish the same within the time specified therefor in the regulations 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;

Penalty for contravention where no separate penalty has been provided

15HB. Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.

Issue III. If so, what would be the monetary penalty that can be imposed upon the Noticees taking into consideration the factors stipulated in Section 15J of the SEBI Act r/w Rule 5(2) of the Adjudication Rules?

19. While determining the quantum of penalty, it is important to consider the factors stipulated in Section 15J of the SEBI Act which reads as under:-

15J – Factors to be taken into account by the adjudicating officer

While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely :—
(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;
(b) the amount of loss caused to an investor or group of investors as a result of the default;
(c) the repetitive nature of the default.

20. I note from records that pursuant to the contra trades, Noticee No. 3 and 5 made profits of Rs. 72,000/- and Rs. 7,59,000/- respectively. With respect to the repetitive nature of the default, I note that an interim order has been passed by SEBI against Noticee Nos. 2, 3 and 6. I note that adjudication proceedings were initiated by SEBI against Noticees. No. 3 and 4 and orders levying monetary penalty, were passed by SEBI in the past.

ORDER

21. Considering the facts of the matter, response of the Noticees, violations established against the Noticees, exercising the powers conferred upon me u/s 15-I of the SEBI Act r/w rule 5 of Adjudication Rules, I hereby impose the following penalty on the Noticees;

Noticees (PAN)	Violation of provisions	Penalty u/s	Penalty (Rs.)
Vijay Kumar Kancharla HUF (PAN: AAGHV3639E) (Noticee No. 1)	Reg. 7(2)(a) of PIT Regulation	15 A (b) of SEBI Act	Rs. 3,00,000 (Rupees Three Lakhs Only)
	Clause 4 of Schedule B r/w Regulation 9(1) of PIT Regulations	15 HB of SEBI Act	Rs. 3,00,000 (Rupees Three Lakhs Only)
Vijay Kumar Kancharla, Karta of HUF (PAN: ATNPK0320K) (Noticee No. 2)	Reg. 7(2)(a) of PIT Regulation	15 A (b) of SEBI Act	Rs. 3,00,000 (Rupees Three Lakhs Only)
	Clause 4 of Schedule B r/w Regulation 9(1) of PIT Regulations	15 HB of SEBI Act	Rs. 3,00,000 (Rupees Three Lakhs Only)
M Suresh Kumar Reddy (PAN:AOOPM8696J) (Noticee No. 3)	Reg. 7(2)(a) of PIT Regulation	15 A (b) of SEBI Act	Rs. 2,00,000 (Rupees Two Lakhs Only)
	Clause 4 of Schedule B r/w Regulation 9(1) of PIT Regulations	15 HB of SEBI Act	Rs. 1,00,000 (Rupees One Lakh Only)
	Clause 10 of Schedule B read with Regulation 9 of PIT Regulations	15 HB of SEBI Act	Rs. 3,00,000 (Rupees Three Lakhs only)
S V Rajyalaxmi Reddy (PAN: AWXPR4787Q) (Noticee No. 4)	Reg. 7(2)(a) of PIT Regulation	15 A (b) of SEBI Act	Rs. 1,00,000 (Rupees One Lakh Only)
	Clause 4 of Schedule B r/w Regulation 9(1) of PIT Regulations	15 HB of SEBI Act	Rs. 2,00,000 (Rupees Two Lakhs Only)

	Clause 10 of Schedule B read with Regulation 9 of PIT Regulations	15 HB of SEBI Act	Rs. 2,00,000 (Rupees Two Lakhs Only)
Geetha Kancharla (PAN: CWMPK4257M) (Noticee No. 5)	Reg. 7(2)(a) of PIT Regulation	15 A (b) of SEBI Act	Rs. 1,00,000 (Rupees One Lakh Only)
	Clause 4 of Schedule B r/w Regulation 9(1) of PIT Regulations	15 HB of SEBI Act	Rs. 1,00,000 (Rupees One Lakh Only)
	Clause 10 of Schedule B read with Regulation 9 of PIT Regulations	15 HB of SEBI Act	Rs. 10,00,000 (Rupees Ten Lakhs Only)
Brightcom Group Limited (PAN: AAACL5827B) (Noticee No. 6)	Regulation 9 of PIT Regulations. SEBI circular no SEBI/ HO/ISD/ISD/CIR/P/ 2019/82 dated July 19, 2019, and SEBI circular no. SEBI/HO/ISD/ISD/CIR/ P/2020/dated July 23, 2020	15 HB of SEBI Act	Rs. 5,00,000 (Rupees Five Lakhs Only)

I feel that the said penalty is commensurate with the violations committed by the Noticees in this case.

22. The Noticees shall remit / pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link:

ENFORCEMENT → ORDERS → ORDERS OF AO → PAY NOW

23. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.

24. In terms of Rule 6 of the Adjudication Rules, a copy of this order is sent to the Noticees and to the Securities and Exchange Board of India.

AMIT KAPOOR

Digitally signed by AMIT KAPOOR
Date: 2023.06.13 15:35:20 +05'30'

Place: Mumbai

Date: June 13, 2023

AMIT KAPOOR

ADJUDICATING OFFICER