

National Stock Exchange of India

Circular

Department: Investigation	
Download Ref No: NSE/INVG/60908	Date: February 28, 2024
Circular Ref. No: 285/2024	

To All NSE Members,

Sub: SEBI Confirmatory Order in the matter of Brightcom Group Limited (BGL).

This is with reference to NSE circular no. NSE/INVG/58053 dated August 22, 2023 in respect of SEBI Order No. WTM/ASB/CFID/CFID_4/28846/2023-24 dated August 22, 2023, wherein SEBI restrained following entity from buying, selling or dealing in securities, either directly or indirectly, in any manner whatsoever until further orders..

Sr. no.	Name of the Entity	PAN
1.	M. Suresh Kumar Reddy	AOOPM8696J

Further, SEBI vide para no. 145 (d) of above order has prohibited entities (Noticee no. 3 to 25 of SBEI order) from disposing off shares of BGL held by them, directly or indirectly, in any manner whatsoever, until further order.

SEBI now vide order no. WTM/ASB/CFID/CFID_4/30052/2023-24 dated February 28, 2024 has confirmed directions issued against following entities vide para nos. 145 (c) & (d) of SEBI order dated :

Sr.no.	Noticee	PAN	Directions
1	M. Suresh Kumar Reddy	AOOPM8696J	Restrained from Trading in All Scrips
2	Sarita Commosales LLP	ACPFS8147K	Prohibited from disposing of shares of BGL
3	Kalpana Commosales LLP	AAOFK4643H	
4	Sahitay Commosales LLP	ACPFS8674P	
5	Shalini Sales LLP	ACQFS7055M	
6	Aradhana Commosales LLP	ABAF4710C	

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7	Palace Heights Avenues LLP	AAYP6825C	Prohibited from disposing of shares of BGL
8	P Bhuvaneswari	CGSP5043C	
9	Hansraj Commosales LLP	AAJFH1152J	
10	MLS Sudheer	BGTPS2091F	
11	Subrato Saha	AFOPS1470F	
12	Manju Shivkrishna Damani	AABPD2302H	
13	Varun Shivkrishna Damani	AABPD2303G	
14	Prerna Varun Damani	BVCPD5290F	
15	Pooja Rajendra Prasad Poddar	AELPP6414L	
16	Rajendra Prasad Poddar	AFGPP6361J	
17	Sushila Devi Poddar	AFUPP5188B	
18	Ankit Kumar Alya	AKNPA3149D	
19	Sanjib Hirendra Chakraborty	AHPPC8755N	

SEBI vide above order dated February 28, 2024 has revoked the directions issued against Kishan Prakash (Noticee 10) [PAN: EHPPK4211P], Ishan Prakash (Noticee 11) [PAN: AFCPI7012P], Shivkrishna Harakchand Damani (Noticee 24) [PAN: AABPD2300F] and Shankar Sharma (Noticee 25) [PAN: AMGPS6103C].

The order comes into force with immediate effect.

The detailed order is available on SEBI website (<http://www.sebi.gov.in>).

Further, the consolidated list of such entities is available on the Exchange website <http://www.nseindia.com> home page at the below mentioned link:

<https://www.nseindia.com/regulations/member-sebi-debarred-entities>

Members are advised to take note of the above and ensure compliance.

In case of any further queries, members are requested to email us at dl-invsg-all@nse.co.in

For and on behalf of
National Stock Exchange of India Limited

Sandesh Sawant
Senior Manager



National Stock Exchange of India

ANNEXURE: SEBI Confirmatory Order in the matter of Brightcom Group Limited (BGL).

SECURITIES AND EXCHANGE BOARD OF INDIA

CONFIRMATORY ORDER

Under Sections 11(1), 11(4) and 11B(1) of the Securities and Exchange Board of India Act, 1992

In respect of:

SL. No.	NOTICEE(S)	PAN
1	Brightcom Group Ltd.	AAACL5827B
2	M. Suresh Kumar Reddy	AOOPM8696J
3	Narayan Raju	BHCPS1066C
4	Sarita Commosales LLP	ACPFS8147K
5	Kalpana Commosales LLP	AAOFK4643H
6	Sahitay Commosales LLP	ACPFS8674P
7	Shalini Sales LLP	ACQFS7055M
8	Aradhana Commosales LLP	ABAF4710C
9	Palace Heights Avenues LLP	AAYFP6825C
10	Kishan Prakash	EHPPK4211P
11	Ishan Prakash	AFCPI7012P
12	P Bhuvaneswari	CGSPP5043C
13	Hansraj Commosales LLP	AAJFH1152J
14	MLS Sudheer	BGTPS2091F
15	Subrato Saha	AFOPS1470F
16	Manju Shivkrishna Damani	AABPD2302H
17	Varun Shivkrishna Damani	AABPD2303G
18	Prerna Varun Damani	BVCPD5290F
19	Pooja Rajendra Prasad Poddar	AELPP6414L
20	Rajendra Prasad Poddar	AFGPP6361J
21	Sushila Devi Poddar	AFUPP5188B

SL. No.	NOTICEE(S)	PAN
22	Ankit Kumar Alya	AKNPA3149D
23	Sanjib Hirendra Chakraborty	AHPPC8755N
24	Shivkrishna Harakchand Damani	AABPD2300F
25	Shankar Sharma	AMGPS6103C

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

In the matter of Brightcom Group Limited

Background:

1. SEBI had passed an Interim Order dated August 22, 2023 (**Interim Order**) in the matter of Brightcom Group Ltd. (hereinafter referred to as “**BGL**” or “**Brightcom**” or “**the Company**”), under Sections 11(1), 11(4) and 11B(1) of the SEBI Act, 1992. The brief facts of the case are as under:
2. Pursuant to receipt of complaints dated October 06, 2022 and May 12, 2023 alleging irregularities in the preferential allotments made by BGL in the Financial Years (FY) 2019-20 and 2020-21, SEBI decided to conduct a detailed investigation in the matter.
3. It was observed that during FY 2020-21 & 2021-22, BGL had issued warrants / shares on preferential basis on four occasions and raised Rs. 867.78 Crore from a total of 82 allottees. The details of the four preferential issues are given below:

Table 1

Sl. No.	No. of Allottees	No. of Equity Shares	Allotment price (Rs.) [FV Rs. 2/-]	Amount Received (Rs. Crores)	Allotment dates	Remarks
1	3	3,14,00,000	10	31.40	27/05/2020	Issue of equity shares
2	50*	32,56,55,000	7.70	250.75	01/07/2021 to 12/08/2021	Conversion of warrants into equity shares
3	28	14,00,50,000	37.77	528.97	23/01/2022 to 25/01/2022	Issue of equity shares
4	1	1,50,00,000	37.77	56.66	09/03/2022	Conversion of warrants into equity shares
Total	82	51,21,05,000		867.78		

4. The details of allotments to 82 allottees and the payments made by such allottees for the warrants / shares in preferential allotments were taken up for examination. While examination of all the allottees was continuing, certain preliminary findings were made in respect 22 allottees (Noticees 4 to 25). A summary of the preliminary findings of the investigation was as follows:

- (a) It was observed that in respect of 22 allottees (Noticees 4 to 25) who were allotted 25,76,50,000 equity shares for Rs.245.24 Crore, the Company had received only Rs.52.51 Crore as warrant / share application money and the remaining amount of Rs.192.73 Crore was either not received by the Company or was routed back to the said allottees through multiple layering of transactions involving subsidiaries and conduits. A summary of the said shortfall, entity-wise, is provided below:

Table 2

S. No.	Date of Allotment	PAN	Name of Allottee	No. of Shares allotted (FV 2)	Allotment Price (Rs.)	Total Amount (Rs. in Crores)	Amount actually received by the BGL (Rs. in Crores)	Shortfall (Rs. in Crores)
1	July 30, 2021	ABAF4710C	Aradhana Commosales LLP	5,00,00,000	7.70	38.50	2.41	36.09
2	July 28, 2021	ACPFS8147K	Sarita Commosales LLP	5,00,00,000	7.70	38.50	0.03	38.47
3	July 28, 2021	AAOFK4643H	Kalpna Commosales LLP	2,50,00,000	7.70	19.25	0.00	19.25
4	July 28, 2021	ACQFS7055M	Shalini Sales LLP	2,00,00,000	7.70	15.40	-	15.40
5	July 30, 2021	AFOPS1470F	Subrato Saha	2,20,00,000	7.70	16.94	2.90	14.04
6	July 23, 2021	AAYP6825C	Palace Heights Avenues LLP	45,00,000	7.70	3.47	-	3.47
7	July 28, 2021	ACPFS8674P	Sahitay Commosales LLP	2,50,00,000	7.70	19.25	-	19.25
8	July 28, 2021	AAJFH1152J	Hansraj Commosales LLP	2,40,00,000	7.70	18.48	5.25	13.23
9	July 1, 2021	CGSP5043C	P Bhuvaneswari	4,50,000	7.70	0.35	-0.15	0.50
10	July 23, 2021	BGTPS2091F	MLS Sudheer	6,00,000	7.70	0.46	-	0.46
11	May 27, 2020	EHPPK4211P	Kishan Prakash	48,00,000	10.00	4.80	0.48	4.32
12	May 27, 2020	AFCPI17012P	Ishan Pakash	28,00,000	10.00	2.80	1.11	1.69

Table 2

S. No.	Date of Allotment	PAN	Name of Allottee	No. of Shares allotted (FV 2)	Allotment Price (Rs.)	Total Amount (Rs. in Crores)	Amount actually received by the BGL (Rs. in Crores)	Shortfall (Rs. in Crores)
13	July 1, 2021	AABPD2302H	Manju Shivkrishna Damani	10,00,000	7.70	0.77	-	0.77
14	July 1, 2021	AABPD2303G	Varun Shivkrishna Damani	10,00,000	7.70	0.77	0.50	0.27
15	July 1, 2021	BVCPD5290F	Prerna Varun Damani	10,00,000	7.70	0.77	-	0.77
16	July 1, 2021	AELPP6414L	Pooja Rajendra Prasad Poddar	10,00,000	7.70	0.77	-	0.77
17	July 1, 2021	AFGPP6361J	Rajendra Prasad Poddar	10,00,000	7.70	0.77	-	0.77
18	July 1, 2021	AFUPP5188B	Sushila Devi Poddar	10,00,000	7.70	0.77	-	0.77
19	July 1, 2021	AKNPA3149D	Ankit Kumar Alya	40,00,000	7.70	3.08	-	3.08
20	July 1, 2021	AHPPC8755N	Sanjib Hirendra Chakraborty	25,00,000	7.70	1.93	-	1.93
21	July 1, 2021	AABPD2300F	Shivkrishna Harakchand Damani	10,00,000	7.70	0.77	-	0.77
22	Mar 09, 2022	AMGPS6103C	Shankar Sharma	1,50,00,000	37.77	56.66	39.98	16.67
			Total	25,76,50,000		245.24	52.51	192.73

- (b) The Company was asked to provide the details of receipt of warrant / share application money from the preferential allottees. The company provided the details of receipt of warrant / share application money and submitted its bank statements as documentary evidence. SEBI independently sought Company's bank account statements for the same bank accounts from the concerned banks.
- (c) On comparison of the statements obtained from the Company vis-à-vis those from the banks, it was observed that many credit entries appearing in the bank account statements submitted by the company, which were purported to be the receipts of warrant / share application money from the preferential allottees, either did not appear or did not match with entries in the bank account statements obtained directly from

the banks. The mis-matches were observed in the case of following preferential allottees:

- (i) Aradhana Commosales LLP (Aradhana)
 - (ii) Sarita Commosales LLP (Sarita)
 - (iii) Kalpana Commosales LLP (Kalpana)
 - (iv) Shalini Sales LLP (Shalini)
 - (v) Subrato Saha
 - (vi) Sahitay Commosales LLP (Sahitay)
 - (vii) Hansraj Commosales LLP (Hansraj)
 - (viii) Ponna Bhuvaneswari
 - (ix) MLS Sudheer (Sudheer)
- (d) The mis-match in the credit entries reflected in the bank account statements submitted by the Company and those obtained directly from the banks indicated that the Company had submitted fabricated bank account statements to SEBI as a cover for the fictitious receipt of warrant / share application money, with an intent to deliberately mislead investigations.
- (e) It was *prima facie* found that BGL itself had financed its abovementioned preferential issues by round-tripping / circuitously moving funds to certain allottees through its subsidiaries, promoter-cum-CMD and other conduit entities. BGL allotted warrants / shares to the 22 allottees against partial receipts or no receipt of warrant / share application money, even though it claimed to have received the full amount from the allottees. In case of certain allottees, BGL had refunded to the allottees the share application money received from them.
- (f) The abovementioned funding by BGL to the allottees of the preferential issues was in violation of Section 67(2) of the Companies Act, 2013, which imposes restrictions on the Company in respect of giving of loans / financial assistance to any person for subscription / purchase of its own shares.
- (g) Since the receipt of the warrant / share application money from allottees was accounted in a fictitious manner, and the Company's standalone and consolidated books reflected such fictitious receipts, the books of accounts of the Company were, *prima facie*, inflated.

- (h) The proceeds of preferential issues were not utilized as per the declared objects of the preferential issues. BGL had recorded in its books of accounts, grant of loans of Rs.506 Crore and Rs. 318 Crore to its subsidiaries, namely LIL Projects Pvt. Ltd. (“**LIL**”) and YReach Media Pvt. Ltd. (“**YReach**”) respectively (i.e. total Rs.824 Crore). However, as per preliminary findings, BGL had transferred only Rs.350.75 Crore to LIL and Yreach. Thus, the books of BGL and its subsidiaries, viz. LIL and Yreach, appeared to be overstated.
- (i) As regards the utilization of loan amounts provided by BGL to LIL and Yreach, BGL’s claims in this regard were found to be false and misleading.
- (j) Further, BGL had also transferred funds to Mr. M Suresh Kumar Reddy (promoter-cum-CMD of BGL), Mr. Manohar Mollama (then Company Secretary) and Mr. M Shreedhar Reddy (key employee), out of the proceeds of the preferential issues, which appeared to be an act of siphoning off of funds of the Company. Further, instances of Mr. M Suresh Kumar Reddy having used his account for ploughing back the share application money to some of the allottees of preferential allotments were also found.
- (k) Further, out of the abovementioned 22 allottees, who were non-promoter entities, four allottees (viz. Aradhana Commosales LLP, Sarita Commosales LLP, Kalpana Commosales LLP and Shalini Sales LLP) which are appearing at serial nos. 1 to 4 in the Table 2 above, were subsequently categorized as promoter entities, as a result of induction of Mr. M. Suresh Kumar Reddy, Promoter and Chairman & Managing Director of BGL, as a partner in these LLPs on March 31, 2022. As per Regulation 167 of (SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (**ICDR Regulations, 2018**), the shares allotted on preferential basis to the promoters or promoter group entities are subject to lock-in for a period of three years and shares allotted to persons other than the promoters and promoter group entities are subject to lock-in for a period of one year from the date of allotment.

- (l) Since the abovementioned four LLP allottees, which were allotted shares in August 2021 as non-promoter allottees, were subsequently categorized as promoter entities in March 2022, the shares allotted to them were required to be under lock-in for 3 years. However, it was observed that the lock-in on the shares held by the said 4 LLPs was vacated on September 30, 2022, i.e. before the expiry of three years. It thus *prima facie* appeared that Mr. M Suresh Kumar Reddy devised a scheme to bypass the three-year lock-in prescribed under the ICDR Regulations, 2018 by first allotting shares of BGL to the abovementioned four LLPs identified as non-promoters and then subsequently reclassifying them as promoters by becoming partners in those LLPs. Through the above method, the shareholding of the promoter group increased from 4.12% as of December 31, 2021 to 18.47% as of March 31, 2022.
- (m) Various lapses were observed against BGL's current and past statutory auditors, PCN & Associates and P. Murali & Co., including violation of the provisions related to the rotation of statutory auditors under Rule 6(3) of the Companies (Audit and Auditors) Rules, 2014 read with Section 139 of Companies Act, 2013. The Statutory Auditor failed to perform its duties and colluded with the management/promoters of the Company.
- (n) It was also observed that BGL's past statutory auditors, P. Murali & Co. had a business relationship BGL's registrar and share transfer agent (RTA), M/s. Aarthi Consultants Private Limited, in contravention of the provisions of Section 141(3)(e) of the Companies Act, 2013.
- (o) Further, it was found that P Murali & Co *prima facie* appeared to be ineligible to be appointed as Statutory Auditor of BGL in terms of Section 141(3)(d) of the Companies Act, 2013, since its partner, P. Murali, held shares in M/s. Palace Heights Avenues LLP, which was one of the preferential allottees which was allotted shares of value exceeding Rs.One Lakh.

- (p) BGL was also found to have contravened Regulation 36(5) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 which required BGL to disclose the proposed audit fee payable to the statutory auditor, basis of recommendations and credentials.
- (q) Shri M Suresh Kumar, the CMD of the Company, played a key role in the issuance of securities without adequate consideration in a fraudulent manner. Further, it was also *prima facie* found that he was a direct beneficiary of the allotments without adequate consideration, since he was a partner in 4 LLP allottees which received 18% shares in the preferential allotments without any consideration. Further, he also received funds of the proceeds of the preferential issues and played an active role in the fraud by using his own accounts and other conduit entities to funnel back the share application money to the allottees. Further, as CMD of the Company, Shri M Suresh Kumar Reddy was also responsible for non-submission / partial submission of information and documents and submission of forged and fabricated bank account statements to SEBI. Shri M Suresh Kumar, as CMD, was also responsible for mis-statements and mis-representations in the books of accounts and financial statements of BGL.
- (r) Shri Narayana Raju, the CFO of BGL, had submitted forged and fabricated bank statements to SEBI. Further, as the books of accounts of BGL appear to have mis-statements and mis-representations, Shri Narayana Raju, as CFO and Compliance Officer was also responsible for the same.
- (s) Noticees 4 to 25 received shares in preferential allotment without making any or making partial payments as application money and benefitted themselves in a fraudulent manner, thereby violating the provisions of Section 12A(a), (b) and (c) of the SEBI Act, 1992 and Regulations 3(a), (b), (c) (d) and 4(1) of the PFUTP Regulations, 2003
- (t) BGL, Mr. M. Suresh Kumar Reddy (BGL's promoter-cum CMD), Mr. Narayan Raju (CFO), were involved in round-tripping of BGL's own funds in a circular fashion to falsely portray receipt of consideration from

allottees of preferential allotments, siphoning off of proceeds of preferential allotments and submission of forged and fabricated bank account statements to SEBI with an intent to mislead the investigation and cover-up the irregularities. In view of the above, they allegedly violated the provision of Section 12A(a), (b) and (c) of the SEBI Act, 1992 and Regulations 3(a), (b), (c) (d), 4(1), 4(2)(c) & (f) of the PFUTP Regulations, 2003.

- (u) BGL, by financing its own preferential allotment by channeling its own funds to the allottees through layers of conduit entities including two of its wholly owned subsidiaries, *prima facie* violated Section 67 read with Section 24 of the Companies Act, 2013. Further, by failing to ensure that all equity shares allotted by way of preferential issues were fully paid up at the time of allotment, BGR has allegedly violated Regulation 160 of the ICDR Regulations, 2018.
- (v) Additionally, Mr. M Suresh Kumar Reddy, by circumventing the lock-in norms applicable to four LLP allottees subsequent to their categorization as promoter entities, violated Regulation 167 of ICDR Regulations, 2018.

5. While a detailed investigation was going on in this matter to unravel the extent of fraud committed, the Company and its KMPs during the relevant time did not co-operate in the investigation. They also tried to mislead the investigation by submitting forged bank statements. Further, while payments by 60 allottees to BGL were still under examination, there was an apprehension that Noticees 4 to 25 might sell the shares allotted to them and make an exit. In view of the above observations and considering the gravity of the *prima facie* findings, SEBI issued the Interim Order, as referred to in para 1 above, vide which *inter alia* the following interim directions were issued against the Noticees:

- a) Noticees 2 and 3 were debarred from holding the position of a director or a Key Managerial Personnel in any listed company or its subsidiaries until further orders.

- b) Noticee 2, i.e. Mr. M. Suresh Kumar Reddy, was restrained from buying, selling or dealing in securities, either directly or indirectly, in any manner whatsoever until further orders.
 - c) Noticees 3 to 25 were prohibited from disposing of shares of BGL held by them, directly or indirectly, in any manner whatsoever, until further order.
 - d) Noticee 1, i.e. BGL, was directed to ensure that M/s. P. Murali & Co. and M/s. PCN & Associates, including their past and present partners, were not engaged with BGL or its subsidiaries in any capacity or manner whatsoever, until further orders.
6. The Noticees were provided with an opportunity to file their reply/objections, if any, to the Interim Order and to indicate whether they desired to avail an opportunity of personal hearing, within 21 days of the receipt of Interim Order.

Replies and Personal Hearings:

7. The Interim Order was duly served on the Noticees. Certain Noticees requested for additional documents and also for opportunities of inspection of documents, which was provided to them. The Noticees, barring few, have filed their respective replies, which are discussed later in the order, while considering the issues at hand. The Noticees were granted opportunities of personal hearings, which were scheduled on January 09, 2024, January 19, 2024, February 08, 2024, February 14, 2024 and February 16, 2024. The Noticees had sought adjournments on multiple occasions.
8. Noticees 1 to 5, 7 and 8, through their authorized representative, Senior Advocate Kevic Setalvad, attended the personal hearing on February 16, 2024. Noticee 9, 10 and 11, through their authorized representatives (CS Vinay Babu Gade and CS Govind Toshniwal for Noticee 9 and Advocate Abhiraj Arora for Noticees 10 and 11) attended the hearing on January 19, 2024. Noticees 6, 12, 13 and 14 failed to attend personal hearings despite getting multiple opportunities to appear. Noticee 15, through his authorized representative, Senior Advocate Ravi Kadam, attended the hearing on February 08, 2024 and February 14, 2024. Noticees 16 to 23, through their authorized representative, Advocate Kunal Kataria, attended the hearing on February 08, 2024. Noticee 25, through his

authorized representative, Senior Advocate P.N. Modi, attended the hearing on January 19, 2024 and February 16, 2024. It was informed that Noticee 24 had passed away.

Consideration of Noticees' roles and their replies:

9. I now proceed to examine the role of each Noticee, consider their replies and decide whether the interim directions qua the said Noticees need to be confirmed, modified or vacated.

BGL (Noticee 1), M. Suresh Kumar Reddy (Noticee 2), Narayan Raju (Noticee 3), Sarita Commosales LLP (Noticee 4), Kalpana Commosales LLP (Noticee 5), Shalini Sales LLP (Noticee 7) and Aradhana Commosales LLP (Noticee 8)

10. A summary of the *prima facie* findings against the abovementioned Noticees has already been provided above. In respect of the same, the Noticees, vide a common reply dated February 16, 2024, have made *inter alia* submissions which are summarized as points (a) to (y) below:

- (a) The Noticees deny the allegations contained in the Interim Order.
- (b) The Noticees 2 and 3 no longer hold their respective positions in the Company, pursuant to the direction contained in paragraph 145(a) of the Interim Order. Therefore, Noticees 2 and 3 had limited access to documents pertaining to the Company. Noticees 2 and 3 pray that they be permitted to continue as Chairman and CFO, respectively, in BGL. If they are not permitted to be reinstated, grave prejudice will be caused to them, as they would not be in a position to effectively defend the present proceedings without having access to the documents and records of BGL.
- (c) Mr. Narayana Raju (Noticee 3) joined BGL only on July 25, 2022, as the CFO, much after the preferential allotments in question were made in Financial Year 2022. He was not a signatory to the Balance Sheet for the year ending March 31, 2022 nor was he involved in the day- to-day affairs of the Company in any manner whatsoever. Therefore, he cannot be held responsible for ensuring that the books of accounts and financial statements presented a true and fair view during that period.

- (d) As regards the allegations pertaining to submission of forged and fabricated bank account statements to SEBI, the Noticees 1 to 3 have already initiated a comprehensive internal investigation and evidence-gathering process, the primary objective of which is to understand as to how the inaccuracies occurred and to implement the requisite measures to prevent recurrence of such issues in the future.
- (e) Mr. Suresh Reddy was a technocrat CMD, who focused totally on global operations and strategic priorities of the Company, for which he had to travel extensively throughout the year for the purpose of overseeing the operations of all the 14 subsidiaries operating from abroad in different countries. Hence, he was constrained to entrust the supervision of the entire preferential issue related activities to the contracted accounting employees. It was beyond the Noticees' knowledge that such contractors' accounting employees tampered with the documents and mismanaged confidential data. This wrongdoing was only uncovered in late October 2023 when representatives from the Company scrutinized the documents relied upon by SEBI. As soon as the Noticees were made aware of these serious issues, they swiftly ensured that thorough investigations were conducted, leading to the immediate termination of the contractors. At no point did the Noticees authorize, instigate or participate in the alleged falsification of documents or unauthorized access of sensitive data concerning the preferential share issue. The actions were perpetrated independently by the contracted employees without the Noticees' knowledge.
- (f) With regard to the allegations in respect of the 4 Allottees/LLPs viz., Aradhana Commosales LLP, Sarita Commosales LLP, Kalpana Commosales LLP and Shalini Sales LLP, the agreements with the abovenamed 4 LLPs were entered on March 31, 2022 by Mr. M. Suresh Kumar Reddy. However, the actual control for the said firms - Sarita Commosales LLP, Kalpana Commosales LLP and Shalini Sales LLP was transferred to Mr. M. Suresh Kumar Reddy in May 2023 and the control of Aradhana is yet to be transferred. These LLPs were acquired with genuine interest towards increasing the promoter holdings, which got reduced due to Issue of Preferential Shares and Bonus Shares.

- (g) One of the objects of the preferential issue was to meet other financial obligations of the Company, i.e. Prepayment and / or repayment of outstanding borrowings.
- (h) Another allegation was that BGL itself financed Mr. Subrato Saha for purchasing the preferential issue shares by round tripping of funds. As per Interim Order, Mr.Saha effectively paid only Rs.2.90 Crore towards the preferential share issue, as against Rs. 16.94 Crore owed. The Noticees deny the allegation. The funds paid to Mr.Saha was merely towards repayment of a loan.
- (i) Mr.Saha had advanced various sums of money, aggregating Rs.15.30 Crore, between 2018 and 2021 to BGL through Unified Wave Technologies Inc. ("UWT" - a company owned by Noticee 2) and/or LIL. The bank account statements reflect the monies advanced by Mr.Saha to BGL (through UWT) and LIL, respectively. Separately, Mr.Saha had to pay BGL Rs.16.94 Crore towards the issue of BGL shares. Out of this amount, he paid Rs.8.65 Crores (Ref. Table 13 at page 17) and Rs.83.70 Lakh (Ref. Table 12 at page 16). Therefore, it is not in dispute that Mr. Saha made a total payment of Rs.9.487 Crores. This left an outstanding balance of Rs.7.45 Crore which was owed by Mr.Saha to BGL. However, as Noticee 2 owed Rs.15.30 Crore to BGL / LIL, the sum of Rs.7.45 Crore owed by Mr.Saha to BGL (for the purchase of shares) was offset with the sum of Rs.15.30 Crore owed by BGL towards repayment of the loan. After the aforesaid adjustment, Rs.7.85 Crore was still payable by BGL to Mr. Saha towards repayment of the loan. BGL paid Rs.5.75 Crore on 28.07.2021 and 29.07.2021 towards repayment of the loan (Ref: Table 13 at page 17). As a result, there remained an outstanding liability of Rs.2.11 Crore which BGL owed Mr.Saha. Clearly, the sum of Rs.5.75 Crore paid by BGL / LIL to Mr. Saha was not towards funding his purchase of BGL shares; rather, it was merely a repayment of the loan advanced by Mr.Saha, which was in line with the declared objectives of the preferential issues.
- (j) The case of Palace Heights Avenues LLP (PHAL) is not a case of BGL self-financing the purchase of its own shares, as alleged. As per Interim Order, BGL received no consideration from PHAL for allotment of shares worth Rs.3,465 Crore, as the money was paid by BGL itself. However, the correct

position was that Mr. P. Murali Rao was a Partner of M/s P Murali & Co which was the Statutory Auditor of BGL. Mr. P Murali Rao was also the managing partner controlling PHAL until 22.06.2022.

- (k) BGL owed P. Murali & Co. approximately Rs. 4.50 Crore towards professional fees. An arrangement was arrived at wherein LIL and YReach (on behalf of BGL) would pay PHAL (on behalf of P. Murali & Co.). Accordingly, sum of Rs.3.465 Crore was paid towards the outstanding professional dues of M/s. P. Murali & Co. The said payment was not towards financing the purchase of its own shares, as alleged by SEBI. In fact, there was still an outstanding amount of Rs.1.035 Crores payable by BGL to M/s. P. Murali & Co. towards professional fees. What PHAL did with the money that was paid to them was their prerogative. If they chose to invest in BGL, that was their choice and BGL had no role to play. SEBI has conveniently selected only certain entries between BGL and LIL / YReach to allege round tripping of funds.
- (l) Similarly, in the case of Ponna Bhuvaneswari, SEBI has alleged that Bhuvaneshwari was supposed to pay Rs. 35 lakhs for the shares but she paid only Rs.23.66 Lakh. SEBI has further alleged that since her husband, Ajay Ponna, received Rs.39 Lakh from BGL, Bhuvaneswari received shares for free. However, the correct position is that Ajay Ponna was an employee of BGL. He requested BGL to grant him a loan of Rs. 39 lakhs, so that he could purchase an apartment. The same is evident from Mr. Ajay's email of 08.03.2021 provided to SEBI. BGL accepted Mr. Ajay's request and extended an interest-free loan to him vide Employee Loan Agreements dated 30.03.2021, and the said loan was disbursed to him between 04.04.2021 and 30.06.2021. If at all he utilised the funds for another purpose (as has been contended by SEBI), then the same cannot be attributable to BGL. The loan has no relation to the purchase of shares. They are two distinct transactions which SEBI has portrayed to be one and the same. SEBI has cherry picked certain transactions to make it appear as though BGL has self-funded the purchase of BGL shares.
- (m) Similarly, in case of Shankar Sharma, SEBI has alleged that while the total consideration payable by Shankar Sharma to BGL was Rs.56.66 Crore, he paid only Rs.39.98 Crore and there was a shortfall of Rs.16.67 Crore.

However, the entire consideration of Rs.56.66 Crore had been received by BGL, which is demonstrated by the ledger statement maintained by BGL in respect of Shankar Sharma' account, supported by the BGL's bank account statements. The entries in the ledger correspond with the bank account statements.

- (n) SEBI has not considered all the transactions of Shankar Sharma. SEBI has only considered the bank account entries from 11.07.2022 to 28.11.2022. It has failed to consider the five entries prior to 11.07.2022. The entries, which SEBI has failed to consider, are reflected in BGL's HDFC Bank Account No. 50200058179886.
- (o) Similar to the above, in case of M L Sudheer, SEBI has alleged that he had received shares worth Rs.46 Lakh for free, as the entire money was round-tripped by BGL. However, the correct position is that BGL and LIL had taken a loan from Noticee 2. The Loan Agreement for BGL is dated 26.08.2020 whereunder Noticee No. 2 advanced Rs.30 Crore to BGL. As on 31.03.2021, there was an outstanding amount of Rs.23.42 Crore owed by BGL and Rs.6.32 Crore owed by LIL.
- (p) The payment of Rs.35.15 Lakh from BGL and LIL to Noticee 2 was merely a repayment of the said loan. The fact remains that Noticee 2 paid MLS Sudheer Rs.11.55 Lakh on his own volition and out of his own funds. Such a transaction cannot be construed to be a part of some round-tripping scheme, as alleged.
- (q) In case of Kishan Prakash and Ishan Prakash, SEBI has alleged that Ishan and Kishan effectively paid only Rs.1.59 Crore [i.e., Rs.3.41 Crore - Rs.1.82 Crore], leaving a shortfall of Rs.6 Crore, as against the total consideration of Rs.7.60 Crore payable to BGL. SEBI has alleged that BGL itself financed its preferential share issues by round tripping / circuitous movement of funds and BGL allotted shares against partial receipt of share application money. However, the correct position is that Ishan and Kishan are brothers. They are both minors. Their father, Dr. Varadarajan Prakash advanced a loan aggregating to USD 0.374 Million (approx. Rs.2.60 Crore at the then rate of exchange) to UWT (on behalf of BGL) during 02.05.2019 to 21.01.2020. The above advances were made pursuant to two Loan Agreements dated

01.05.2019 for GBP 0.25 Million and dated 16.01.2020 for GBP 0.05 Million. The sum of Rs. 1.8202 crores which was transferred by LIL to Ishan and Kishan on 22.05.2020 and 26.05.2020 was towards repayment of the loan. The entire sum of Rs.7.60 Crore has been received by BGL from / on behalf of Ishan and Kishan.

- (r) The Noticees deny the allegation of siphoning of funds (Rs.25.12 Crore) to Noticee 2 from the proceeds of preferential issue. Under a Loan Agreement dated 26.08.2020 between Noticee No. 2 and BGL, the former advanced Rs. 30 crores to the latter. Interest was charged@ 3% per annum on the outstanding principal amount, payable on quarterly basis. The loan was for business purposes. The sum of Rs.25.12 Crore paid to Noticee 2 was towards repayment of the loan.
- (s) There has been no siphoning of funds to Manohar Molamma and M Shreedhar Reddy. They were employees of BGL / LIL / YReach and the money given to these persons was under Employees Loan Agreements as loans.
- (t) As regards the allegation of submitting forged and fabricated bank account statements, Noticees 1, 2 and 3 are not disputing the Tables, which set out the discrepancies between the bank account statements submitted by BGL and the account statements obtained by SEBI directly from the banks. However, the supervision and management of the entire preferential share issue was entrusted to third-party contractors - Mr. Hanif Manjee and Mr. Ayaz Manjee. Upon receiving letter from SEBI calling BGL to submit various documents including bank statements, Noticee 3 asked the contractors for a copy of the relevant bank account statements pertaining to the preferential share issue, which were in their possession. It was the contractors, who forwarded the false and fabricated bank statements to Noticee 3, who in turn forwarded the same to SEBI under cover of letter dated 03.01.2023.
- (u) Noticees 2 and 3 had no reason to believe that the contractors had fabricated bank account statements and Noticee 3 being the CFO, forwarded the same to SEBI under the bona fide impression that the statements were genuine and proper. Noticee 3 came to know of the fabrication only after SEBI passed its

Order dated 22.08.2023. There was Enforcement Directorate's raid on Noticee 3 on 25.08.2023 and he resigned as CFO on 27.08.2023. There was no opportunity for Noticee 3 to rectify the issue or take remedial steps.

- (v) The allegation of round tripping of funds against Noticee 3 cannot be sustained since he joined BGL only on 22.07.2022, i.e. four months after last preferential allotment was made.
- (w) Noticee 2 denies that he devised a scheme to bypass the three-year lock-in period by first allotting shares to 4 LLPs and then subsequently reclassifying them as promoter entities by becoming a partner in those LLPs. The preferential issue and subsequent bonus issue resulted in a decrease of promoters' shareholding and therefore, with a view to increase the promoters' shareholding, Noticee 2 joined the 4 LLPs. There was no malicious intent.
- (x) Although Noticee 2 was made a partner in the 4 LLPs on 31.03.2022, no control of the LLPs were transferred to him. Control was transferred to him only after he was made a "Designated Partner". Noticee 2 became a "Designated Partner" of Sarita Commosales LLP on 23.05.2023; Kalpana Commosales LLP on 23.05.2023 and Shalini Sales LLP on 16.06.2023. As far as Aradhana Commosales is concerned, the change is yet to be effected. Noticee 2 was made a Designated Partner in the aforesaid 3 LLPs well after the 1-year lock in period expired on 28.07.2022 / 30.07.2022. Noticee 2's actions were guided by the bona fide and genuine belief that the lock-in period of the 4 LLPs had expired in terms of the original terms of the issue.
- (y) SEBI's direction restraining Noticees 2 and 3 to hold any position as a Director or KMP in any listed company or its subsidiaries until further orders, is harsh and unwarranted.

11. I have considered the submissions made by Noticees 1 to 5, 7 and 8. I now proceed to deal with them on merits.
12. Noticees 1 to 3 have not denied that the bank statements submitted to SEBI were forged and fabricated. However, they have submitted that the same was done, without their knowledge, by third party contractors – Ayaz Manjee and Hanif Manjee, who were managing the preferential issues. I find the said contention to be untenable. Firstly, there was no apparent reason for the said third party

contractors to forge and fabricate the bank statements. Further, even if the said third party contractors had done the fabrication, the Noticees 1 to 3 remain liable for the same as principals for the acts of the agents. They had the primary responsibility to ensure that the bank statements were free from error.

13. Apart from the above, it is also noted from records that the said third-party contractors, Hanif Manjee and Ayaz Manjee, who are being held responsible by Noticee 1 to 3 for fabrication of bank statements, were themselves part of the 82 allottees in the said preferential allotments. In reply to SEBI's summons, the said persons vide letter dated October 21, 2023 stated that they have no connection /relationship/association with BGL, its past and present directors and statutory auditors. They further submitted that they had invested in the shares of BGL in preferential allotment on the advice of someone known to their late father, who used to take their investment decisions.
14. Since contradictory statements have emerged regarding fabricated bank statements, submissions made by Noticees 1 to 3 regarding fabricated bank statements cannot be relied upon.
15. As regards shortfall in receipt of consideration money from allottees of preferential issue and round tripping of BGL's funds, as alleged in the Interim Order, I note that though the Noticees 1 and 2 have contended that many of the transactions where money was transferred to preferential allottees were loan transactions, the same has been found to be suspect. Entity wise details of such transactions are discussed later, while dealing with the reply of respective Noticees who were preferential allottees.
16. Further, the Noticees 1 and 2 have not provided any explanation for the following alleged lapses:
 - (a) Non-disclosure of utilization of funds raised through preferential issue in the Annual Report for FY 2021-22.
 - (b) Mis-statements regarding loans given by BGL to LIL and YReach.
 - (c) Utilization of loan amounts by subsidiaries of BGL.
 - (d) Observations with respect to appointment of statutory auditors, including rotational appointment of auditors.

(e) Connection between BGL's auditors and its RTA.

(f) Allotment of shares of value exceeding Rs.1 Lakh to firm related to statutory auditors.

17. As regards role of Noticee 2, I note that since he was the CMD of BGL, he had fiduciary duty to ensure that the Company complied with all the applicable securities laws and also ensure that the Company's financial statements were free from mis-representations and that records submitted to SEBI were genuine and free from distortions. I note that the Noticee has failed to ensure the same.
18. It is further noted that the Noticee has personally benefitted from the funds of the Company. His personal liabilities, incurred abroad, were settled by way of issuance of shares to lenders against nil/ partial receipt of consideration, as has been discussed later in this order. Further, the Noticee has also benefitted from the funds of BGL, as he received Rs.25.13 Crores. Though the Noticee has contended that it was a repayment of loan given earlier, he has not been able to substantiate this claim with credible documentary evidences. The Noticee has submitted a copy of a purported loan agreement between BGL and the Noticee. However, the said agreement is neither on stamp paper nor registered. Additionally, the Company had also not disclosed such transactions as related party transactions in the Annual Report for 2021-22, which renders the Noticee's claim as suspect.
19. Coming to the role of Mr. Narayan Raju (Noticee 3), he has contended that he was appointed as CFO after the completion of preferential allotments and thus cannot be held responsible in respect of the lapses found. I note that the Noticee's contention has merit, since he was appointed as CFO on July 25, 2022, while the last of the preferential allotments was made in March 2022. However, I note that the forged and fabricated bank statements of BGL were submitted to SEBI under the Noticee's signature. Though the Noticee 2 has blamed third part contractors for such acts, the said contention cannot be accepted. The Noticee as CFO was duty bound to verify and submit the correct statements and cannot shift his liability to a third party. Further, the mis-match in the bank statements is so glaring that it is difficult to believe that he had failed to notice such mistakes in

the statements. Accordingly, the Noticee cannot evade his responsibility in this regard.

20. Having observed as above, I note that there is no allegation against the Noticee of having benefitted from the preferential allotments. Since he was appointed as CFO after the preferential allotments, he cannot be held liable for other irregularities found against the Company. I also note that the Noticee has responded to summons issued after Interim Order, has appeared before SEBI and has co-operated in the on-going investigation. Under these circumstances, I have considered the prayers made by him and I deem it fit to modify the interim directions issued against the Noticee vide the Interim Order.
21. With respect to allegations of nil / short payment of consideration money by four LLPs (Noticees 4, 5, 7 and 8) to BGL for the shares allotted, I note that they have failed to provide any explanation for such shortage in funding. Accordingly, I find that the *prima facie* findings against them continue to hold ground.

Sahitay Commosales LLP (Noticee 6)

22. Sahitay Commosales LLP (Sahitay) (Noticee 6) has not responded to the Interim Order in any manner. As letters to Sahitay, sent at its registered office address, were returning undelivered, hearing notice for the hearing held on February 08, 2024 was sent to the address of one of the partners of Sahitay, viz. Ms. Manisha Kothmire. Ms. Manisha appeared before me on February 08, 2024 and submitted that she had no connection with Sahitay in any manner whatsoever. She also stated that she suspected that someone had misused her identity proof / documents without her knowledge to register her name as one of the partners of Sahitay. She iterated the above vide email dated February 13, 2024.
23. As Sahitay has failed to respond to the Interim Order against in any manner, the *prima facie* findings made in the Interim Order against it continue to hold. Further, the submissions made by Ms. Manisha Kothmire indicates point to a possibility of Sahitay being a shell entity, incorporated with forged documents.

Palace Heights Avenues LLP (Noticee 9)

24. As regards Palace Heights Avenues LLP (PHAL) (Noticee 9), the said Noticee vide letter dated January 18, 2024 has made submissions on the same lines as

made by Noticee 1 (BGL). PHAL has submitted that BGL had outstanding dues of about Rs.4.50 Crore payable to M/s. P. Murali & Co. as fees, as on 31.01.2020. Due to financial exigences arising out of Mr. P. Marali Rao's admission to a hospital due to Corona, it was agreed after discussions that payment of said dues would be made by the subsidiaries of BGL to PHAL on behalf of M/s. P. Murali & Co. Accordingly, PHAL received Rs.3.465 Crore from subsidiaries of BGL. PHAL has remitted its share application money to BGL through banking channels for allotment of shares.

25. PHAL has further submitted that for the above receipt of Rs.3.465 Crore, PHAL had entered into a loan agreement with M/s. P. Murali & Co.

26. I have considered the submissions of PHAL and those correspondingly made by BGL. In this regard, I note the following:

- (a) Even though Mr. P. Murali Rao was a common partner in PHAL and M/s. P. Murali & Co., the said two entities are distinct entities. It defies logic as to why Rs.3.465 Crore as part of the outstanding dues to M/s. P. Murali & Co. was paid by BGL to PHAL and not directly to M/s. P. Murali & Co. BGL or PHAL has not given any credible explanation as to why the payment was made to PHAL and not to M/s. P. Murali & Co.
- (b) It is surprising that the amount of Rs.3.465 Crore paid by BGL through its subsidiaries to PHAL on behalf of M/s. P. Murali & Co. was exactly equal to the share subscription money which was due to be paid by PHAL to BGL.
- (c) PHAL in its submissions has stated that BGL paid Rs.3.465 Crore to PHAL on behalf of M/s. P. Murali & Co., as Mr. P. Murali Rao was facing financial exigencies due to his hospitalization during Corona epidemic. However, it is surprising that he decided to lend the entire money received from BGL to PHAL for subscribing to the shares of BGL in the preferential issue.
- (d) PHAL has submitted a letter dated February 18, 2021 addressed by BGL to P. Murali & Co., wherein BGL had written that its subsidiaries, YReach and LIL, were relatively in a better position to pay dues of M/s. P. Murali & Co. and accordingly BGL had proposed to clear the outstanding dues through its subsidiaries. However, as observed in Table 16 of the Interim Order, the

funds were first transferred from BGL to LIL and YReach, which then further transferred the funds to PHAL.

- (e) Further, as per ledger account of M/s. P. Murali & Co. in the books of BGL, the total outstanding dues of M/s. P. Murali & Co., as on March 31, 2020 stood at Rs.14.45 lakh, against Rs.4.50 Crore claimed by PHAL and BGL in response to the Interim Order. Thus, PHAL's contention that it received Rs.3.465 Crore as dues owed to M/s. P. Murali & Co. appears to be an afterthought and hence cannot be accepted.
- (f) The Noticee has submitted copy of letter dated June 25, 2021 of M/s. P. Murali & Co., addressed to PHAL, authorizing it to receive Rs.2.395 Crore Lakh from YReach and Rs.1.07 Crore from LIL. However, the actual amount received by PHAL from YReach was Rs.1.07 Crore and that received from LIL was Rs.2.395 Crore. It raises questions on the authenticity of the said letter.
- (g) It is also noteworthy that, as disclosed in BGL's standalone financial statement, the combined remuneration payable to statutory auditor, M/s. P. Murali & Co., towards audit fees and other services for 10 FYs from 2007-08 to 2017-17 was only Rs.1.61 Crore. Thus, claim of BGL and PHAL that BGL owed Rs.4.50 Crore to M/s. P. Murali & Co. appears dubious.

27. Considering the abovementioned observations, I find that the explanations offered by PHAL and BGL are not credible and cannot be accepted at this stage.

Kishan Prakash (Noticee 10) and Ishan Prakash (Noticee 11)

28. As regards Kishan Prakash (Noticee 10) and Ishan Prakash (Noticee 11), *inter alia* the following submissions have been made on their behalf by their father, Dr. Varadarajan Prakash, a doctor based at Essex in the United Kingdom, vide his letters dated November 06, 2023 and January 29, 2024 and February 07, 2024.

- (a) Kishan Prakash is still a minor and Ishan Prakash was a student and non-earning member at the time of the preferential allotment.
- (b) Noticees have not indulged in any fraudulent and unfair trade practices relating to the securities market so as to warrant any kind of interim directions. The allegations are denied.

- (c) Noticees' father, Dr. Varadarajan Prakash resides in United Kingdom along with his wife Dr. Priya Prakash and their two children Mr. Kishan Prakash and Mr. Ishan Prakash. Dr. Varadarajan and his wife have been working as Surgeons for the past 30 years. The doctor couple had been investors in BGL since 2016, holding 1.79 Crore equity shares in aggregate. In the year 2019, they were holding approximately 2 Crore shares (4.25%) and were one of the largest shareholders of BGL. Mr. Kishan Prakash and Mr. Ishan Prakash had no involvement or role in the said transaction whatsoever.
- (d) Dr. Varadarajan stated that he usually made his investment in the securities market based on his knowledge, market perception, financial results, corporate announcements, etc. and he made various investments across various countries.
- (e) In the month April 2019, Mr. Suresh Kumar Reddy, the promoter of BGL had approached Dr. Varadarajan for securing a loan to pay off debt of the Company to Axis Bank and Canara Bank. Considering the situation the Company was in, and in the best interest of the Company, Dr. Varadarajan offered the Company a short-term loan for 3 months wherein he transferred an amount of GBP 0.15 Million and GBP 0.10 Million on May 02, 2019 and May 03, 2019 respectively, through his personal accounts (UK – First Direct Bank, RBS), to one of the Companies' accounts in the USA, Unified Wave Technologies (UWT), as requested by Mr. Reddy (a total of Rs.2.25 Crore), by mortgaging his own house in UK. In this regard, Mr. Suresh Reddy confirmed that he was able to clear off one long standing loans of the Company, using the funds Dr. Varadarajan had provided.
- (f) Even after the span of six months, Dr. Varadarajan's funds were not returned. As the company was unable to pay the loan taken from Dr. Varadarajan, Mr. Suresh Reddy asked him whether he would participate in the preferential allotment for a total consideration of Rs.7.60 Crore, instead of being repaid. After substantial consideration, he agreed to invest in the name of his children, i.e., Ishan Prakash and Kishan Prakash, which eventually materialized by July 2020. Subsequently, Mr. Reddy approached him in January 2020 for another

loan, pursuant to which on Jan 17, 2020, Dr. Varadarajan remitted USD 0.05 Million (Rs. 35 Lakh) to UWT, which then transferred those funds to LIL.

- (g) As regards the loan provided to Brightcom Group in the month of May 2019, Brightcom Group paid back funds to the tune of Rs.1.82 Crore to Ishan Kishan's account.
- (h) On the instructions of Mr. Suresh Reddy, payments totaling Rs.7.5077 Crore were made from the bank accounts of Dr. Varadarajan, his wife and two children (Noticees 10 and 11), during the month of October 2020 and November 2020 from their NRE accounts to the bank accounts of the Company, its subsidiaries and Mr. Suresh Kumar Reddy for the preferential allotment to Noticees 10 and 11. The balance amount was adjusted against Dr. Varadarajan's outstanding loan amount. By December 2020, the consideration for the Preferential Allotment was paid in full.
- (i) Since Dr. Varadarajan was an NRI and not aware about the complexity of Laws in India, he transferred the funds to various subsidiaries/ other entities as per direction given by Mr. Reddy, from his UK Pound Account.
- (j) They have so far sold approximately 1.52 Crore shares of BGL in which they had invested since 2016, for making payment for preferential Allotment, and have received Rs.5.94 Crore in NRE Account after sale of shares. However, they have not sold any shares from Preferential Allotment till date. Despite multiple requests and reassurances, both Mr. Suresh Reddy and BCG were unable to repay the loan back to Dr. Varadarajan.
- (k) All payments by Noticees are established completely and irrefutably, based on factually verified data which have been provided to SEBI. The Noticees have undisputedly paid Rs.7.60 Crores towards Preferential Allotment.
- (l) Mr. Ishan Prakash, at the time of the Preferential Allotment was a dependent, non-earning member, and a student. He completed his education in Finance and is currently employed in the finance sector. The allegations raised in the interim order have a potential to impact his career severely, jeopardizing the path he has diligently pursued. Mr. Ishan Prakash had no role whatsoever in the alleged violation. He may suffer potential consequences if his name is not removed, as the allegations, if associated with him, can have detrimental

effects on his future and career. SEBI is requested to lift the directions issued against Mr. Ishan Prakash, taking into consideration the fact that he was not involved in any wrongdoing.

(m) The funds for the Preferential Allotment have been completely paid for, and all actions in this matter were solely taken by Dr. Varadarajan. Mr. Ishan Prakash had no role whatsoever in the alleged violation. Dr. Varadarajan is willing to present himself if SEBI requires further clarification.

29. Dr. Varadarajan Prakash vide email dated February 28, 2024 has reiterated that all the decisions on behalf of Noticees 10 and 11 were taken by him and they do not have any role to play in the alleged violation, if any. If any further directions are likely to be issued by SEBI, then he may be held responsible for the same. He has further requested SEBI that the directions issued against Mr. Ishan Prakash and Mr. Kishan Prakash be lifted and no further directions be issued against them.

30. I have considered the submissions made for Noticees 10 and 11 by their father, Dr. Varadarajan Prakash and I note the following:

(a) Though it is claimed that Dr. Varadarajan had extended loans to BGL under loan agreements between him and BGL, scrutiny of loan agreements shows that these agreements were executed on plain paper and were not registered or stamped in any manner. The said purported loan agreements did not have even the seal of BGL. Thus, these agreements are suspect in nature.

(b) The payments made under the purported loan agreements were made to Unified Wave Technologies INC (a private company owned by Mr. Suresh Reddy) in its bank account in USA and not to the bank account of BGL.

(c) The payment receipt provided by Dr. Varadarajan Prakash in respect of payment of GBP 0.05 Million on January 17, 2020 shows that Dr. Varadaraj had described the transaction as "*Loan to Suresh USA*".

(d) It is claimed that the Noticees and their parents made a payment of Rs.7.5077 Crore from their NRE accounts to BGL in respect of the preferential allotments to the Noticees 10 and 11. In this regard, Dr. Varadarajan has submitted extract of bank statements as proof of such payments. From the

said extract of bank statements, it is observed that apart from payments made to BGL, payments were also made to LIL Projects Pvt. Ltd., Mr. Suresh Kumar Reddy and MS Bizhub Private Ltd. (a private company which is not a subsidiary of BGL). The current status of MS Bizhub Pvt. Ltd., as appearing on MCA Portal, is “*Struck Off*”.

31. Considering the above observations / findings, it appears to me that loans extended to Mr. Suresh Kumar Reddy in his personal capacity and to his private entities in foreign jurisdictions have been settled in India through issuance of shares in preference allotments by setting off the payment of consideration money against personal liabilities incurred overseas. Further, payments for preferential allotments, which were supposed to be credited to BGL’s account were also made to Mr. Suresh Kumar Reddy and Bizhub Pvt. Ltd.
32. In view of the above, I am not inclined to accept the submissions made for Noticees 10 and 11 at this stage, when the ongoing investigation is yet to be concluded and the complete picture remains unclear. However, I have considered the fact that Ms. Kishan Prakash (Noticee 10) is still a minor, having 23.06.2006 as his date of birth. Further, as regards Ishan Prakash (Noticee 11), I have considered the prayer of his father, Dr. Varadarajan, who has submitted that the said Noticee was a non-earning student at the time of preferential allotment and that all actions relating to the preferential allotment to him were performed by him (Dr. Varadarajan). I note that Ishan Prakash (Noticee 11) (Date of Birth: 09.09.2001) was only 18 years old on the date of preferential allotment of shares to him (i.e. 27.05.2020). Considering the fact that Dr. Varadarajan has owned up the responsibility in respect of acts attributed to Noticees 10 and 11, I am inclined to modify the interim directions issued against Noticees 10 and 11. However, the shares allotted to Noticees 10 and 11 shall remain frozen in the demat account of Dr. Varadarajan Prakash, as per the directions given later in this order. In case violations are brought in respect of preferential allotment of shares to Noticees 10 and 11 upon completion of investigation, Dr. Varadarajan would be held liable for the same.

P Bhuvaneswari (Noticee 12), Hansraj Commosales LLP (Noticee 13) and MLS Sudheer (Noticee 14)

33. I note that P Bhuvaneswari (Noticee 12) vide email dated February 16, 2024 has merely stated that full consideration of Rs.34.65 Lakh was paid to the Company April 04, 2021 to June 30, 2021 in 10 tranches. It is noted that as per Interim Order, she paid Rs.23.66 Lakh as consideration for shares allotted. Though the Noticee has claimed to have paid Rs.34.65 lakh, she has not provided any documentary evidence of the same.
34. BGL has stated that P. Bhuvaneswari's husband, Mr. Ajay Ponna, was an employee of BGL. He had requested BGL to grant him a loan of Rs. 39 Lakh so that he could purchase an apartment. In this regard, BGL has provided copy of Mr. Ajay's email dated 08.03.2021. BGL has further stated that Mr. Ajay was given an interest-free loan by YReach and LIL vide Employee Loan Agreements dated 30.03.2021, and the said loan was disbursed to him between 04.04.2021 and 30.06.2021. BGL has provided copies of the said agreements.
35. It is noted that even though Mr. Ajay Ponna was purportedly an employee of BGL, the loans were provided by its subsidiaries and not BGL. As per the ledger maintained by LIL and YReach as of March 31, 2022, Ajay Ponna owed Rs.29.20 Lakh and Rs.10 Lakh respectively to LIL and YReach (copies of ledgers were filed by BGL in its Appeal Memo before the Hon'ble SAT). However, as per the Audited Financial Statements of LIL for the FY 21-22, advances to employees as on March 31, 2022 was nil and total loans was Rs.18,253. In case of YReach the figures stood at Nil and Rs.0.31 Lakh. Thus, there is a clear mis-match between ledger entities vis-à-vis the audited financials of LIL and YReach in respect of the loans advanced.
36. Considering the above, the *prima facie* findings against P. Bhuvaneswari continue to sustain.
37. Hansraj Commosales LLP (Noticee 13) and MLS Sudheer (Noticee 14) have not made any submissions in respect of the preliminary findings against them in the Interim Order. Noticee 14 had merely submitted an email dated January 09, 2024, seeking adjournment of hearing scheduled on the same date. Subsequently, he

was given three opportunities of personal hearing. However, he failed to appear or file any response whatsoever.

Subrato Saha (Noticee 15)

38. Mr.Subrato Saha (Noticee 15), vide his letter dated December 11, 2023 and emails dated February 14, 2024 and February 23, 2024, in respect of the preliminary findings against him, has submitted *inter alia* the following:

- (a) From 1985 to 1989, the Noticee studied at IIT, Kharagpur, during which time, he met and became acquainted with Mr. Suresh Kumar Reddy.
- (b) The Noticee, in 2002, relocated to the Gulf. He continued to reside in the Gulf and carried out his business from there. In addition to his business in chemicals, he was also a value investor with a keen focus on technology.
- (c) The financial transactions with Mr. Reddy and/or BGL and/or any subsidiaries/ affiliates in USA and / or in India were always transparent and conducted with utmost integrity. Since the Noticee was an NRI and not familiar with Indian laws, including its tax regime, he was totally guided by Mr. Reddy in such matters. He has never been party to any of the financial dealings of BGL and that his investments in BGL were genuine investments and made solely as long-term investments.
- (d) Sometime in the FY 2018-2019, Mr. Reddy encountered acute cash flow issues, when his bankers were pressurizing him to settle his overdue loans. In lieu of this, Mr. Reddy decided to sell his house in Hyderabad ("Hyderabad House") to meet his obligations to banks, and inquired if Mr. Saha would be interested in purchasing the property. He further stated that he did not want to vacate the Hyderabad House himself and he would pay Noticee monthly rentals at market rates for allowing him to reside in the Hyderabad House. The Noticee decided to purchase the Hyderabad House by taking a mortgage loan from Bank of Baroda. However, the lease rentals were paid to Noticee intermittently, and in varying amounts, either personally and/or through Mr. Reddy's entities.
- (e) In the meantime, Mr. Reddy also requested Noticee to advance certain loans overseas to his US entity. Accordingly, sometime in the year 2018, Noticee

decided to advance loans to Mr. Reddy's US Company, Unified Wave Technologies ("UWT"). Pursuant thereto, Mr. Reddy, on behalf of UWT, paid back these loans, including from his and his entitles' Indian accounts.

- (f) Subsequently, at the start of 2021, Mr. Reddy mentioned that BGL was planning to raise capital by inviting people to subscribe to the Preferential allotment of BGL. He offered the Noticee an opportunity to participate in the preferential allotment offer. However, the Noticee informed him that he would not be able to fully subscribe to the proposed preferential allotment given that he did not have the requisite liquidity. In response, Mr. Reddy informed Noticee that he would repay a part of the loans, which were due to Noticee, which he could utilize as subscription money. Given that the preferential allotment seemed like a means of recovering a portion of his money back, Noticee participated in the subscription of preferential shares.
- (g) The Noticee denies that his usage of some of these funds for subscription of the preferential shares of BGL was circuitous transaction / round tripping of sorts. The entire consideration of Rs.16.94 Crore towards the warrants/shares of BGL was paid from Noticees own funds, the source of which were Noticee's own funds generated from his income in the Gulf and repayment of outstanding loans advanced to Mr. Reddy and/or any of his affiliate companies, including for lease income from rentals of the Hyderabad House.
- (h) Even though Noticee's name was shown as a designated partner of three LLPs- Sarita Commosales LLP, Kalpana Commosales LLP and Shalini Sales LLP, he was not a designated partner at the time of the preferential allotment to the LLPs.
- (i) Only upon receipt of documents provided by SEBI, Noticee realized that his digital signature certificate ("DSC") was affixed without his authorization and / or that his signature was obtained without his knowledge or consent. The DSC of Noticee appearing on Form No. 8 filed by the LLPs has been affixed without his consent, authorization and knowledge. While his DSC appears in Form No. 8 filed by Kalpana LLP and Sarita LLP (for the Financial Year concluding on 31st March 2021), the same was affixed without his authorization, given that he was not a partner in the LLPs for the corresponding period and

therefore not competent to sign. Noticee is unaware at this stage if there are any other documents relating to the said three LLPs wherein DSC of Noticee has been affixed without his knowledge and/or authorization.

- (j) It is evident from the Master Data of Sarita LLP and Kalpana LLP that Noticee was only inducted as a partner in the two LLPs on 23rd May 2023. Accordingly, any allegations and/or contentions viz. the two LLPs cannot be levelled against Noticee, as the actions of the LLPs, as mentioned in the Interim Order, were prior to Noticee being inducted as a partner in the said LLPs.
- (k) With respect to Form No. 3 filed by Shalini LLP, Noticee submits that he has not signed the said document. In any case, Noticee was never a partner in Sarita LLP and his signature has been affixed without his knowledge and/or authorization. It is evidenced by the banking statements of the three LLPs relied upon by SEBI that no monies by way of capital contribution or otherwise, were paid by Noticee into any of the three LLPs, nor have any amounts been received from the three LLPs. No benefit has accrued to the Noticee on account of his purported association with the LLPs. Noticee is in the process of conducting a detailed inquiry in this regard and shall institute appropriate criminal proceedings against the responsible persons as deemed necessary and as advised by his advocates.

- 39. The Noticee has also submitted an Auditor's Certificate dated February 05, 2024 in support of his claim that entire consideration of Rs.16.94 Crore was paid by him to BGL.
- 40. I have considered the submissions made by Mr. Subrato Saha (Noticee 15). I note that Mr. Subrato Saha has submitted that he had advanced loans to Unified Wave Technologies Inc (UWT), a company belonging to Mr. Suresh Kumar Reddy, which were later repaid by Mr. Suresh Kumar Reddy on behalf of UWT, from his and his entities' Indian accounts. He has further claimed that the entire consideration of Rs.16.94 Crore for shares in the preferential allotment was paid by him from his own funds, the source for which included repayment of outstanding loans advanced to Mr. Reddy and / or his affiliate companies. He has claimed that Rs.5.75 Crore received by him, as referred to in the Interim Order,

was part of the loan advanced to Mr. Reddy or his entities. He has also submitted a copy of ledger maintained between him and Mr. Reddy.

41. However, from the details of the transactions as appearing in Subrato Saha's bank account, it is noted that the funds totaling Rs.5.75 Crore received in Mr. Subrato Saha's bank account in July 2021 had come from BGL through LIL Projects Pvt. Ltd. and not from Mr. Reddy or UWT. The Noticee's claim that the funds received by him were repayments of loans advanced to UWT cannot be accepted, since the money had come from BGL / its subsidiary (a list company and its subsidiary) and not from UWT (a private company of Mr. Reddy) or personal account of Mr. Reddy. It is also noteworthy that Mr. Subrato Saha had received the said payments from BGL / LIL in July 2021 on the same dates on which he had made payments totaling Rs.8.65 Crore to BGL.
42. The Noticee has submitted that he is unaware of the representations/claims made by BGL regarding receipt of Rs.16.94 Crores in its DCB Bank account. He has further submitted that all amounts paid to BGL were in the ICICI Bank, Equitas Small Finance Bank and Canara Bank accounts of BGL, for which he has provided as evidence (Annexure B1 and B2 of his reply dated December 11, 2023).
43. I note from Noticee's reply dated December 11, 2023 as well as Auditor's certificate dated February 05, 2024 that he has claimed to have made a payment of Rs.4.235 Crore to BGL through six transactions. However, it is noted that 5 transactions totaling Rs. 2.59 Crore, as mentioned in the Annexure B1 of the Noticee's reply dated December 11, 2023, were made to the bank accounts of LIL and, Brightcom Digital Pvt. Ltd. and not BGL.
44. Further, one transaction of Rs.1.645 Crore, which was made to BGL's Canara Bank Account on July 15, 2019 cannot be considered as payment towards preferential allotment, since the resolution for preferential allotment in which he was allotted shares was passed on December 28, 2020 i.e. later than the date of abovementioned payment.
45. From the above, it is apparent that personal loans advanced by Mr. Saha to Mr. Reddy or his private companies abroad were being settled in India against amounts due to be paid to BGL as consideration money for the shares allotted in

preferential issue. For the above reason, the Noticee's contentions in respect of alleged round tripping of BGL's funds do not appear credible and thus cannot be accepted.

46. As regards the finding in the Interim Order that Mr. Saha was a partner in three LLPs (Sarita, Kalpana and Shalini) that later became promoter entities, the Noticee has submitted that even though his name was shown as a designated partner of three LLPs, he was not a designated partner at the time of preferential allotment to the said LLPs. However, I note from records obtained from MCA Portal that the documents pertaining to the said LLPs contained digital signature of the Noticee as a designated partner. I note that though the Noticee has denied signing the said documents, the same cannot be accepted, since a digital signature is secured by proper security features and cannot be easily forged / misused, unless permitted by the individual holding the digital signature.

47. Accordingly, I find that the explanations offered by the Noticee in respect of the preliminary findings against him are insufficient and do not carry much weight.

Manju Shivkrishna Damani (Noticee 16), Varun Shivkrishna Damani (Noticee 17), Prerna Varun Damani (Noticee 18), Pooja Rajendra Prasad Poddar (Noticee 19), Rajendra Prasad Poddar (Noticee 20), Sushila Devi Poddar (Noticee 21), Ankit Kumar Alya (Noticee 22) and Sanjib Hirendra Chakraborty (Noticee 23)

48. Noticees 16 to 22, vide their letters dated February 07, 2024 and February 14, 2024 and Noticee 23 vide his letter dated February 07, 2024 have made *inter alia* the following submissions:

- (a) The Noticees deny that they had participated in the allotment of shares without payment of adequate consideration, thereby benefitting themselves in a fraudulent manner.
- (b) The Noticees deny that LIL and Yreach had first made payments to one Sonal Styles Private Limited ("**Sonal**") which then purportedly transferred funds to four allottees including the Noticees. It is denied that the money was rotated in a circular fashion to falsely portray that the subscription money had been received by BGL from the Allottees, including the Noticees.

- (c) The Noticees were unaware of the purported transactions between BGL, LIL, Yreach and Sonal. The Noticees are not privy to the commercial dealings of these companies if the funds were routed towards loans or in usual course of business.
- (d) In or about the year (2018-2019), the Noticees 17, 19 and 22 had met Mr. Vimal Rathod, an investment advisor, through a known acquaintance who advised them to invest considerable amount for investment in about 3 to 4 scrips assuring good returns/ profits. However, since the investments generated insignificant returns / NIL returns, there was a dispute with the investment advisor for the prejudice caused on account of loss of hard-earned monies and nil returns received.
- (e) In or about December 2020, the same investment advisor / broker, Mr. Vimal Rathod, approached the Noticees suggesting investment in the scrip of BGL to make good the loss caused due to the broker's earlier investment advice. The broker informed the Noticees of the strong fundamentals of the Company. Noticee 17 encouraged his family members, being Noticees 16, 18, 20, 21 and 24 to consider the opportunity suggested by the broker/ investment advisor. Since the Company delivered a stellar operational and financial performance in FY 2021-22, the Noticees were collectively inclined to consider the recommendation of the broker/investment advisor, particularly when the broker/investment advisor assured them, in good faith, that 75% subscription money/ investment would be arranged by him through his entities / acquaintances to Noticee 17 and 22 as loan, which was to be paid on demand.
- (f) Noticee 17, in September, 2022, repaid the entire principal amount of Rs. 3.165 Crore, as received from Sonal towards repayment of the loan. The allotment made to the Noticees by the Company is strictly through the monies of the Noticees, including amounts collected from Noticee 17's friends and family members. The entire principal amount was fully repaid in September 2022 and hence within fifteen months, the loan amount was fully repaid by the Noticee No. 17 on his behalf and on behalf of Noticees 16, 18, 20, 21, 19 and 24 (now deceased) and prior to that, the shares were sold by the Noticees.

An amount of Rs.36 Lakh received by Noticee 19 and Rs.2.30 Crore received by Noticee 22 remain payable.

- (g) As regards Noticee 23, he had sought short term loan. The broker/investment advisor assured him, in good faith, that the principal amount to the extent of about 75% being Rs. 1.4375 Crore towards subscription money/ investment would be arranged by him to avoid financial burden. Accordingly, Noticee 23, in or around April 2021, arranged the 25% of the subscription money, which was transferred to BGL on April 05, 2021. For the balance subscription amount, the investment advisor assured that the principal amount of the subscription money would be transferred by the broker/ investment advisor through his entities/ acquaintance to the Noticee which would reflect as "Loan" in the account of the Noticee.
- (h) However, the Noticee from his own funds and amounts collected from Noticee's relatives, in March 2022 itself, repaid the entire principal amount received from Sonal in complete settlement of the loan. The allotment made to the Noticee by the Company is strictly through the monies of the Noticee being savings and amounts collected from Noticee's relatives for repayment.
- (i) The Noticees clarify and reiterate that they are not acquainted with and/or known to Sonal.
- (j) Noticee 17, 19 and 22 are not holding any shares of BGL. The remaining Noticees 16, 19, 20 and 21 continue to hold the shares of BGL.

49. I have considered the submissions made by Noticees 16 to 23. I note that the Noticees have admitted that they had received funds from Sonal. They have also admitted that they were not acquainted with Sonal. They have claimed that the funds were received from Sonal as a loan. However, it defies logic as to why a completely unknown entity would extend loan to Noticees without any consideration, merely for subscribing shares of a company. It is apparent that the Noticees by utilizing funds received from Sonal, which were provided to Sonal by YReach and LIL (subsidiaries of BGL), had participated in the round tripping of funds. Hence, their explanations cannot be accepted at this stage when the investigations are yet to be completed.

50. It is also noteworthy that BGL has not offered any specific explanation in respect to the allegations pertaining to allotment of shares to Noticees 16 to 23.

Shivkrishna Harakchand Damani (Noticee 24)

51. I note that Noticee 24 has expired and his death certificate has been submitted by Noticees 16 to 23. Considering the same, I note that proceedings against him stand abated.

Shankar Sharma (Noticee 25)

52. Mr. Shankar Sharma (Noticee 25), vide his letters dated August 22, 2023, September 06, 2023, February 05, 2024 and February 20, 2024 has submitted *inter alia* as under:

- (a) The Noticee states categorically and unequivocally, with verified payments data given in his reply & earlier on August 22, 2023, that he had paid 100% of the purchase consideration for the preferential allotment of 1.5 Crore shares @ Rs.37.77 per share, amounting to Rs.56.65 Crore to BGL into its two bank accounts (HDFC Bank & Equitas Bank).
- (b) The Noticee submitted data pertaining to 25% allotment money on July 26, 2023 to SEBI. The said data was Noticee's share of 25% allotment money for the warrants, which was paid by him in the month of October and November, 2021.
- (c) SEBI has not seen/ overlooked three remittances made by Noticee to BCG's HDFC Bank account. Had it done so, it would have become patently clear that Noticee had indeed made 100% payment of Rs.56.65 crore. The total of the "overlooked" three remittances comes to Rs.166,737,598 (Rs.16.67 Cr approximately) which when added to Rs.39.98 Crore remittances mentioned in the Interim order, comes to Rs.56.65 Crore.
- (d) As of the allotment date for shares conversion from warrant by BCG, the Noticee had already remitted Rs.24.07 Crore. Out of the same, the last remittance of Rs.9.88 Crore was debited from Noticee's account on March 8, 2022, and was sighted by the Company on the date of the allotment. Accordingly, the company should have allotted Noticee shares only for the amount of money received / sighted, as of March 10, 2022. The Noticee was

surprised to see that the Company had allotted him the full quota of shares that he had subscribed for. The Noticee immediately raised the issue with Mr Suresh Reddy. However, there was no compliance officer or Company Secretary in BCG at that point, and all matters relating to allotments, etc, were being dealt by Mr Suresh Reddy himself. Needless to state, this company has been loosely managed company in terms of compliance.

- (e) Mr. Suresh Reddy acknowledged that there had been an error by the company in prematurely allotting the Noticee the entire shares. However he said that the company would make an application to the Ministry of Corporate Affairs (MCA), which as per him, was the Regulator in charge of share allotments, to compound the contravention by paying a penalty. He also told the Noticee that he was only required to complete the payment within the 18 months of warrants allotment, as per law and that is where Noticee's responsibility ended and that the company would resolve the matter with the MCA.
- (f) Accordingly, the Noticee made full payment for his quota of shares by November 2022, well before the 18 month period expiry which ended in June 2023. Further, as there was lock-in till April 2023, the Noticee in no way benefited by this premature allotment of shares. Even after expiry of the lock-in in April and right up till the date of the interim order in August, 2023, the Noticee did not sell any significant part of his holding. In fact, he just sold around 7% of his total holdings, in June 2023, which was well within the amount of shares that logically should have been allotted to him on March 10, 2022. This shows Noticee's integrity and bonafides.
- (g) Noticee requests SEBI to lift the restraint imposed on his shares of BCG, immediately and expeditiously, without any further delay.

53. I have considered the submissions made by Mr. Shankar Sharma (Noticee 25). He has contended that three remittances made by him to BGL's bank account with HDFC Bank have not been considered by SEBI while calculating the money paid by the Noticee to BGL. Having examined the Noticee's bank statements and BGL's bank statement (HDFC Bank), I note that three remittances totalling Rs.16,67,37,598 were received in BGL's bank accounts. However, the same

were not taken into consideration, as the Noticee had failed to submit his complete bank statement showing the said remittances, before passing of Interim Order, even after repeated reminders. The bank statements submitted by the Noticee were redacted and the narration of the transactions either in Noticee's bank statement or BGL's bank statement of HDFC Bank did not show the counterparty name. Thus, the said transactions could not be verified.

54. As the Noticee has submitted the complete bank statements and the concerned transactions have been verified with the entries in BGL's bank statement of HDFC Bank, I find merit in Noticee's contention that he had paid the entire consideration of Rs.56.65 Crore to BGL.
55. It is noted that the Noticee had received shares on conversion of warrants even before full amount was paid to BGL for such shares. The Noticee has admitted that he received all the shares even before full consideration was paid. Though the Noticee has claimed that he had taken up this issue with Mr. Suresh Kumar Reddy, he has failed to furnish any record of such communication. I thus find that the Noticee's submissions in this regard are an afterthought and hence cannot be relied upon.
56. Further, I note that in the course of ongoing investigation, it has *prima facie* emerged that funds paid by Noticee to BGL had partly originated from BGL or its related entities. Summons dated January 08, 2024 has already been issued to the Noticee seeking further details and the details submitted by the Noticee are still under examination.
57. The allegation against the Noticee in the Interim Order pertained to receipt of shares without paying the consideration money. However, the Noticee has been able to show that full consideration was paid to BGL from Noticee's bank accounts, albeit with a delay after receiving the shares. In these circumstances, I am inclined to accept the Noticee's plea for vacation of interim directions issued against him, for now. However, the investigation regarding source of funds paid by the Noticee to BGL would continue and action against him, as deemed necessary would follow, based on the final findings of the investigation.

Summary of findings:

58. The detailed findings against individual Noticees have already been provided above. The common thread that emerges is that most Noticees have talked about informal lending transactions with Mr. Reddy and associates of BGL. All these appear to be an afterthought and to weave a story that has little merit and creates doubts about the true purpose / intent of the large preferential issues. The *prima facie* findings that the Company had funded its own preferential allotments and had indulged in round tripping of funds continue to sustain. It has clearly emerged that in case of certain Noticees, personal loans advances by them abroad to Mr. Suresh Reddy and his private companies / entities were being repaid in India through the mechanism of allotment of shares of BGL, a listed company, in preferential issues for free or at partial consideration, at the cost of public shareholders of BGL.
59. What comes out very clearly is the fact that explanations provided by Noticees have convinced SEBI to ask even more questions on the way BGL was run and the manner in which it was operating as per the whims and fancies of an individual, i.e. Mr. Suresh Kumar Reddy. It is apparent that the Company had loose internal financial controls and its CMD was running the Company as a private concern. The CMD treated BGL as his private enterprise, disregarding the large number of public shareholders and their interests. There were no checks and balances within BGL of the manner in which financial transactions were recorded.
60. It is rather strange that private debt of individuals and lending transactions were settled through preferential equity deals. These are more like debt-equity swaps wherein the unpaid debtor has been compensated by preferential equity allotment. In this process, close friends and associates of Mr. Reddy, who were his creditors, were the main beneficiaries.
61. Further, the manner in which LLPs were formed to benefit Mr. Reddy is truly baffling. By nominating himself as a limited partner in the LLPs at a later date, Mr. Reddy circumvented SEBI guidelines for promoter lock-in for shares allotted in a preferential issue. Further, it now emerges that these LLPs pledged shares to financial institutions and raised debt on the strength of the same. It is

understood that the financial institutions have invoked their pledges and sold the securities. It thus appears that Mr Reddy was advanced money against unpaid shares and by pledging them, he made money without actually paying for them.

62. The settlement of loans advanced to Mr. Reddy and his companies abroad through allotment of shares in India also involved payments in forex through a web of transactions and may involve violation of laws pertaining to dealing in foreign exchanges. It would thus be proper to forward a copy of this order to the Enforcement Directorate for their examination and appropriate action, if any.

Directions:

63. In view of the foregoing, I, in exercise of the powers conferred upon me under Sections 11(1), 11(4) and 11B(1) read with Section 19 of the SEBI Act, 1992, hereby confirm the directions issued vide the Interim Order, till further orders, subject to the modifications as specified below:

- (a) The directions issued in the Interim Order in respect of BGL (Noticee 1), M. Suresh Kumar Reddy (Noticee 2), Sarita Commosales LLP (Noticee 4), Kalpana Commosales LLP (Noticee 5), Sahitay Commosales LLP (Noticee 6), Shalini Sales LLP (Noticee 7), Aradhana Commosales LLP (Noticee 8), Palace Heights Avenues LLP (Noticee 9), P Bhuvaneswari (Noticee 12), Hansraj Commosales LLP (Noticee 13), MLS Sudheer (Noticee 14), Subrato Saha (Noticee 15), Manju Shivkrishna Damani (Noticee 16), Varun Shivkrishna Damani (Noticee 17), Prerna Varun Damani (Noticee 18), Pooja Rajendra Prasad Poddar (Noticee 19), Rajendra Prasad Poddar (Noticee 20), Sushila Devi Poddar (Noticee 21), Ankit Kumar Alya (Noticee 22) and Sanjib Hirendra Chakraborty (Noticee 23) are hereby confirmed.
- (b) The direction issued in respect of Narayan Raju (Noticee 3) is hereby modified to the extent that the restraint on Narayan Raju (Noticee 3) regarding holding the position of a director or a Key managerial Person in any listed company or its subsidiaries shall apply only in respect of BGL and its subsidiaries.
- (c) The directions issued against Kishan Prakash (Noticee 10) and Ishan Prakash (Noticee 11) stand revoked. However, shares of BGL, currently held by Kishan Prakash (Noticee 10) and Ishan Prakash (Noticee 11) in their demat accounts shall be transferred to any of the demat accounts of Dr. Varadarajan Prakash

(PAN: AENPP5121Q) and thereafter, a freeze shall be marked on such shares in Dr. Varadarajan Prakash's demat account till further order. The Depositories shall facilitate compliance of this direction.

(d) The directions issued vide the Interim Order against Shivkrishna Harakchand Damani (Noticee 24) and Shankar Sharma (Noticee 25) stand revoked.

64. The above directions shall come into force with immediate effect and shall remain in force till further orders.
65. A copy of this order shall be served upon the Exchanges, the Depositories, the RTAs and Enforcement Directorate.

DATE: FEBRUARY 28, 2024

PLACE: MUMBAI

ASHWANI BHATIA

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA