

SECURITIES AND EXCHANGE BOARD OF INDIA
FINAL ORDER

**UNDER SECTIONS 11(4A) AND 11B(2) OF THE SECURITIES AND EXCHANGE
BOARD OF INDIA ACT, 1992**

In respect of:

Noticee No.	Noticee name	PAN
1.	Mr. Allam Raghunath	AAMPA4549C
2.	Mr. Subrato Saha	AFOPS1470F

*(The aforesaid entities are hereinafter individually referred to by their respective names / Noticee nos. and collectively as “**Noticees**”)*

In the matter of Brightcom Group Ltd.

A. BACKGROUND

1. Pursuant to receipt of certain complaints *inter alia* alleging irregularities in the financial statements of Brightcom Group Limited (“**BGL**”/ “**Brightcom**” / “**the Company**”), a listed company, Securities and Exchange Board of India (“**SEBI**”) initiated an investigation into the affairs of the Company for the period covering Financial Years (FYs) from 2014-15 to 2019-20 (“**Investigation Period**”), with a special focus on impairment of assets, so as to ascertain possible violations, if any, of the provisions of the Securities and Exchange Board of India Act, 1992 (“**SEBI Act**”) and regulations thereunder and the Securities Contracts (Regulations) Act, 1956 (“**SCRA**”).
2. Considering the preliminary findings of overstatement of profits by adopting wrong accounting, and non-co-operation of the Company, the matter was converted to detailed investigation and Investigating Authority was appointed. Further, a Forensic Auditor was appointed for conducting the forensic audit of the consolidated financial statements of the Company for six FYs 2014-15 to 2019-20 with a special focus on impairment of assets. The Forensic Auditor submitted his report on December 08, 2022.

3. After completion of investigation, SEBI passed an Interim Order cum Show Cause Notice dated April 13, 2023 ("**Interim Order**"), against the Company, its Directors and Chief Financial Officer (CFO) observing their acts to be in violation of securities law. Thereafter, a Final Order dated February 06, 2025 ("**Final Order**") was passed wherein it was *inter alia* held that BGL's non-compliance with accounting standards resulted in misrepresentation of its financial statements for FYs 2014-15 to 2019-20.
4. Additionally, a Show Cause Notice dated September 03, 2024 ("**SCN**") was issued to 7 noticees, including Mr. Allam Raghunath and Mr. Subrato Saha, under sections 11(4A) and 11B(2) of the SEBI Act, 1992 read with Rule 4 of SEBI (Procedure for holding Inquiry and Imposing Penalties) Rules, 1995 wherein the Noticees were called upon to show cause as to why penalty should not be imposed on them under sections 15A(b) and 15HB of the SEBI Act, for the alleged violations of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**LODR Regulations**") and Listing Agreement.

B. FINDINGS OF THE INVESTIGATION AS RECORDED IN THE SCN

5. Non-compliance with Accounting Standards by BGL:

Table no. 1

#	Alleged violation	Non-compliance with accounting standard
1.	<u>R&D costs were wrongly capitalized</u> : BGL wrongly capitalized the expenditure incurred during the research phase and research-cum-development phase of the creation of intangible assets.	AS 26 (FY 2014-15 & 2015-16) read with Ind AS 38 (FY 2016-17 to FY 2019-20).
2.	<u>Not recognizing impairment loss in a timely manner with respect to its investment in subsidiary.</u> - INR 411.76 crores recognized in FY 2018-19. - INR 868.3 crores recognized in FY 2019-20.	Ind AS 36 (FYs 2018-19 & 2019-20)
3.	<u>Recognizing impairment of assets under "Other Comprehensive Income" instead of recognizing it in profit and loss.</u>	Ind AS 36 (FY 2018-19, FY 2019-20)
4.	<u>Transferring "Intangible Assets under development" and "Capital Work-in-Progress" to "Intangible Assets" once a year instead of as and when the asset recognition criteria is met.</u>	AS 26 (FY 2014-15 & 2015-16) and Ind AS 38 (FY 2016-17 to FY 2019-20)

6. Violation of LODR Regulations:

On account of the contraventions by BGL mentioned above, it was alleged that the Noticees failed to ensure that BGL's published financial statements were in accordance with applicable accounting standards and presented a true and fair view of the company's affairs. Consequently, the Noticees failed to discharge their duties as audit committee members, thereby violating clause 49 III D of the erstwhile listing agreement and regulation 18(3) read with Part C of Schedule II of the LODR Regulations.

7. Additional provisions violated by Mr. Allam Raghunath:

It was alleged that Allam Raghunath submitted false declaration to BGL at the beginning of each financial year, starting from FY 2015-16 that he meets the criteria of independence as specified under Regulation 16(1)(b) of LODR Regulations.

C. REPLIES, HEARING AND INSPECTION

- 8.** The contentions raised in the reply submitted by Mr. Allam Raghunath *vide* letter dated August 08, 2025 are summarized below.

8.1. The Noticee was initially appointed as an Additional Director on December 27, 2016 by the Board in accordance with Section 161(1) of the Companies Act, 2013. His appointment was regularised and approved by the shareholders via a Special Resolution at the AGM held on September 27, 2017, thereby fulfilling the requirement of both Sections 149(10) and 152(2). The resolution passed specifically stated the appointment was for a term of five consecutive years, which concluded on December 26, 2021.

8.2. The contention that the period between June 2012 – September 2015 constituted the first term, and therefore the 2016 appointment was a second term, is legally incorrect due to the change in law:

8.2.1. The concept of a fixed five-year term for Independent Directors was introduced under the Companies Act, 2013. Prior to that, under Companies Act, 1956, no such definition or tenure restrictions applied to independent directors.

8.2.2. As per MCA General Circular No. 14/2014 dated 9th June 2014, any tenure served by an Independent Director before 1st April 2014 (i.e., commencement of Companies Act, 2013 provisions) shall not be counted as a term under Section 149(10).

- 8.2.3.** Therefore, Noticee's earlier appointment between 2012–2015 was not a "term" as per Section 149(10) and hence the 2016–2021 appointment should be treated as his first term under the 2013 Act. Noticee's appointment was approved by shareholders via special resolution, and thus, all requirements under Schedule IV were fully satisfied.
- 8.3.** Noticee submits that his daughter was never employed by the Company or any of its group entities. In any case, the internship does not constitute employment. Her limited associations were:
- 8.3.1.** Internships with Ybrant Digital Ltd. (April 2013–May 2013) and Lycos (Sep 2014– May 2016) – both clearly academic, non-remunerative, and temporary engagements.
- 8.3.2.** Project-based freelance contract with LIL Projects Pvt. Ltd. (2018–2019), a private subsidiary, not in the nature of full-time employment.
- 8.4.** Her engagement with LIL Projects was on a freelance/project basis and ceased before the period of Noticee's appointment — and thus does not invoke disqualification under Regulation 16(1)(c). No pecuniary relationship existed between Noticee or his daughter and the Company or its group entities that could compromise his independence.
- 8.5.** As per Section 149(12), an independent director is liable only for acts of omission or commission with his knowledge, consent, or where he had not acted diligently. In this case, no such evidence exists, nor is any specific role attributed to him in any misstatement of financials.
- 8.6.** The Noticee being the independent non-executive director, the Noticee was not involved in the day to day affairs of the company or decision making of the company and therefore the alleged violations under the SCN cannot be attributed to the Noticee.
- 8.7.** All financial statements, accounting treatment, and regulatory submissions were undertaken under the advice of qualified Chartered Accountants and Statutory Auditors. Noticee was never involved in any technical or operational decisions regarding GDPR compliance, impairment recognition, classification of R&D expenditure, or overseas subsidiary accounting and therefore cannot be held vicariously liable.

8.8. The Independent Director is neither expected to set out on an independent probe of the factual assertions made to him by the management nor expected to suspect every assertion or representation made by the management of the Company. An independent director cannot and ought not to be held liable for a fraud or irregularity committed by management of Company.

8.9. The Noticee was solely a member of the Audit Committee and not a forensic auditor. As he was not part of the finance team and had no responsibility in the formulation of the financial statements, any allegations regarding the publication of manipulated financial statements against him are unfounded and without merit.

8.10. It is a settled law that only 'officers in default' be held liable or can be penalized for any violation by the Company. In the present case, the Noticee cannot be termed as Officer in Default as defined under Companies Act, 2013 for the alleged wrong doing by company and its Directors, being a Non-Executive Independent Director.

8.11. The Noticee has relied on the judgements in the matter of Nanjundiah (H.) v. Govindan, Registrar of Companies [(1986) 59 Comp Cas 356(Bom)], *Adi Cooper v. SEBI* (Appeal No. 124 of 2019, Order dated November 5, 2019), *Prafull Anubhai Shah v. SEBI* (Appeal No. 389/2021) decided on 18.06.2021, *Chromatic India Limited vs Securities and Exchange Board of India* (Appeal No. 393 of 2020 decided on May 12, 2021) and *Pritha Bag vs. SEBI* (Appeal No. 291 of 2017 decided on 14.02.2019) in support of his contentions.

9. Replies of Mr. Subrato Saha submitted *vide* letters dated November 13, 2024, February 07, 2025 and March 26, 2025 are summarized below.

Background and association with Mr. Suresh Kumar Reddy

9.1. Mr. Subrato Saha permanently moved to Dubai in 2005. Mr. Subrato's core expertise is in the field of chemicals.

9.2. When Mr. Suresh asked Mr. Subrato to join BGL as an independent director in 2015, he did so inter alia due to his past association with Mr. Suresh, and as Mr. Michel Loren Maulding (chief architect of the search engine Lycos) was on board of BGL.

9.3. During his tenure at BGL (from August 14, 2015 to October 25, 2017), Mr. Subrato wondered about an array of issues including, reason for private equity partners and HNIs not being too happy with the business performance of BGL, etc. However,

since he was in Dubai and due to his reliance on Mr. Suresh, he did not delve deep into any of the issues. From September 29, 2015 to October 25, 2017, he was also a member of audit committee guided by audit committee chairman & independent directors, Mr. Y. Ramesh Reddy along with CFO and audited statements.

9.4. Mr. Subrato has helped Mr. Suresh in times of his personal need from 2018 onwards. He has lent INR 60 crores to him.

Mr. Subrato's limited role

9.5. SCN highlights how Mr. Subrato has attended limited board meetings & audit committee meetings personally. It was the other individuals detailed in Para. 114 and 115 of SCN who were more involved with the affairs of BGL, including Mr. Suresh, Mr. Y. Ramesh Reddy and Mrs. S.V. Rajyalakshmi Reddy, all based out of Hyderabad. Mr. Subrato was also not the signatory to the financial statements or to the CEO/CFO Certification, as required under law in terms of para. 113 of SCN.

9.6. Mr. Subrato's term of directorship ended in 2017. The primary allegations averred in the SCN pertains to the period of FY 2019-20.

9.7. Para 117(b) of the SCN states that Mr. Subrato attended only 2 out of the 6 board meetings and only 2 out of the 8 audit committee meetings that took place during this tenure. He was not involved in the management of the Company.

9.8. The board meetings and audit committee meeting minutes would point out how the CMD, the CFO, the members of the finance and accounts department as well as the company secretary were present in these meetings. It was the chairman of the audit committee who used to highlight the financials, and the auditor's report also used to be presented. The CMD and the CFO attested to the correctness for the financial results, as well the statutory compliances. Mr. Subrato had no reason to doubt the figures projected to him.

9.9. The Noticee was not invited to each and every meeting of the audit committee the reason for which is undiscernible. The agenda of the meeting was also not provided in advance, which appeared to be the company's standard practice. Therefore, the Noticee did not raise any objection as no internal exclusion was perceived by him.

9.10. During the first audit committee meeting dated 13.11.2015 attended by the Noticee, the financial on which reliance was placed pertained to the year 2014-15,

during which the Noticee was neither a non-executive independent director or an audit committee member.

9.11. During the two audit committee meeting the Noticee attended, he reviewed the information shared, offered comments and asked clarifying questions without questioning the accuracy based on the belief that the information shared was accurate.

9.12. During the first Board meeting attended by the Noticee on 14.11.2015, he was associated with the company for merely on and a half month and the documents presented pertained to the FY 2014-15. The second Board meeting attended by the Noticee was held on 25.10.2016 wherein no substantial matters were deliberated upon.

9.13. The Noticee submitted that the effective period during which he attended the meetings was 13.11.2015 to 25.10.2016 (a span of 11 months). Thereafter, during his remaining tenure till 25.10.2017, he intended to resign as he was not able to do justice to his position due to other commitments. However, as a general business practice, the company requested him to remain at his position until the company could find a suitable replacement.

9.14. The mere fact that the Noticee attended fewer meetings does not in itself give rise to any inference of non-compliance with the obligation required of a member under LODR Regulations.

Contents of the SCN

9.15. The SCN relies on the forensic audit conducted by Deloitte, which acknowledges limitations, including based on limited information provided, no verification of the genuineness of information and not being the basis of any decision for any potential course of action. The audit is not as per the terms of the generally accepted auditing standards. Even the impairment of assets, the focus of the audit, is an incomplete procedure based on the review of limited data / information. The audit report itself clarifies that it could not ascertain the calculation of the impaired amount, or the rationale of the accounting treatment of impairment of assets by subsidiaries.

9.16. The alleged violations happened after Mr. Subrato's tenure at BGL. Mr. Subrato does not have material in his possession and he is also not privy to the events as may have transpired post his exit from BGL.

9.17. Being an independent director at BGL, neither was any such omission or commission of violations brought to Mr. Subrato's notice, nor was he having any knowledge of the same.

10. A summary of date of inspection, date of hearing and date of reply, for the Noticees, is given in the Table below:

Table no. 2

S. No.	Noticee Name	Date of inspection of documents	Date of hearing opportunities	Date of replies
1.	Mr. Allam Raghunath	24/10/2024	21/01/2025, 12/08/2025, 21/08/2025, 17/09/2025.	08/08/2025
2.	Mr. Subrato Saha	NA	28/01/2025, 18/03/2025, 12/08/2025.	13/11/2024, 07/02/2025, 26/03/2025.

11. The settlement application filed by Mr. Allam Raghunath in respect of the SCN issued to him was rejected, and the decision was communicated to him through a letter dated June 25, 2025. Subsequently, upon his request, a hearing opportunity was granted on August 12, 2025. However, on the scheduled date, he sought an adjournment citing unavailability of his legal counsel. Accordingly, another hearing opportunity was granted on August 21, 2025. On the scheduled date, one Ms. Shailaja A, claiming to write on behalf of Mr. Allam Raghunath, sent an email from the latter's email account seeking adjournment on the ground that *"He is presently suffering from severe influenza"*. However, the medical certificate attached to the email stated that he was suffering from *"Lumbar disc Prolapse Syndrome"*. Thereafter, a last and final hearing opportunity was granted on September 17, 2025. On the scheduled date, once again, one Ms. Shailaja A, claiming to write on behalf of Mr. Allam Raghunath, sent an email from his email account, with a copy to the Noticee's authorised representative, seeking adjournment of three weeks on the ground that Mr.

Allam Raghunath was still unwell. Subsequently, *vide* email dated September 23, 2025, Allam Raghunath informed that he would be available to appear for the hearing on any date and time. Accordingly, a final hearing opportunity was provided on September 30, 2025 through video conference. The date and mode of hearing were duly intimated to the Noticee *vide* email dated September 25, 2025. On the scheduled date, the Noticee sent an email yet again seeking adjournment (for the 4th time) on the ground that he had received the hearing intimation only on September 28, 2025 and therefore did not have sufficient time to make travel arrangements to be physically present at SEBI's office. SEBI's email dated September 25, 2025 evidently informed that Noticee that the hearing would be conducted through video conference, as had been communicated in the earlier 3 hearing opportunities. Further, the email informing the final hearing was received by the Noticee on September 25, 2025, as evident from the Noticee's own trailing mail. Since the proceedings cannot be kept on hold indefinitely, and considering that the Noticee has been provided with more than sufficient opportunities in compliance with principles of natural justice, I now proceed to consider the matter on merits on the basis of his written submission and material available on record.

12. Considering that the issues to be decided are the same for Mr. Allam Raghunath and Mr. Subrato Saha, a composite order is being passed against them, after rejection of Mr. Allam Raghunath's settlement application.

D. CONSIDERATION OF ISSUES AND FINDINGS

13. The Final Order passed in the matter in respect of BGL and its executive directors *inter alia* held that BGL failed to adhere to the provisions of accounting standards in violation of LODR Regulations and Listing agreement. For the sake of brevity, the detailed findings in the Final Order in this regard are not repeated here. The findings in the instant order shall be read in conjunction with the Final Order dated February 06, 2025. A brief summary of the said findings for the purpose of reference in this Order is given below.

A. Failure to recognize impairment loss due to GDPR

BGL failed to recognize impairment losses due to introduction of General Data Protection Regulation (GDPR), a new data privacy law in Europe, that severely impinged upon its extant business model of online/ digital marketing services. GDPR, was enacted on April 27, 2016 and came into force on May 25, 2018. BGL failed to make assessments as to whether or not the intangible assets owned by it were required to be

impaired or not from 2016 itself, in compliance with Accounting Standard Ind AS 36 dealing with “Impairment of Assets”. Thereafter, in April 2018, BGL declared itself to be compliant with GDPR without carrying out any assessment as mandated under accounting standards. Subsequently, in FY 2019-20, BGL incorrectly recognized the impairment loss of INR 868.30 crores due to GDPR under “Other Comprehensive Income” instead of profit and loss, resulting in publication of inflated profits in its consolidated financial statement.

B. Failure to recognize loss from failed acquisition

“Ybrant Media Acquisition Inc.”, a subsidiary of BGL, failed in its attempt to acquire “Lycos”, which resulted in an impairment loss of INR 411.76 crores. BGL failed to recognize this impairment loss in its standalone financial statement for FY 2018-19. Further, in the consolidated financial statement for the same year, BGL incorrectly recognized the impairment loss under “Other Comprehensive Income” instead of profit and loss, resulting in publication of inflated profits.

C. Incorrect capitalization of R&D expenditure

During FYs 2014-15 to 2019-20, BGL wrongly capitalized its R&D expenses amounting to INR 504.49 crores as assets in contravention of requirements under accounting standards.

D. Incorrect recognition of intangible assets

BGL’s practice of recognizing intangible assets failed to meet the asset recognition criteria specified under the accounting standards for FYs 2014-15 to 2019-20.

- 14.** The Final Order *inter alia* held that BGL’s non-compliance with accounting standards detailed above resulted in misrepresentation of its financial statements for FYs 2014-15 to 2019-20. These accounting irregularities led to an artificial inflation of headline profits to the extent of INR 1280.06 crore (INR 860.30 crore in FY 2019-20 and INR 411.76 crore in FY 2018-19) during FYs 2018-19 and 2019-20. Further, this misrepresentation enabled the promoter group to offload shares in BGL at inflated prices.
- 15.** The Noticees have been alleged to have failed to discharge their duties as audit committee members resulting in publication of misrepresented/ misstated financial statements. However, I note that the SCN did not allege their active involvement in the manipulation of

the financial statements. Additionally, Allam Raghunath has been alleged to be liable for submitting a false declaration to BGL stating that he meets the criteria for independence.

16. Therefore, the issues before me are as follows:

Issue (1): Whether the Noticees failed to discharge their duties as BGL's audit committee members resulting in publication of misstated financial statements?

Issue (2): Whether Mr. Allam Raghunath submitted false declaration to BGL that he meets the criteria for independence?

Issue (3): Whether imposition of monetary penalty under sections 11(4A) and 11B(2) of the SEBI Act are warranted?

17. The Noticees have been alleged to be in violation of Listing agreement/ LODR Regulations. Regulation 18(3) read with Part C of Schedule II of LODR Regulations specifies the role of audit committee which *inter alia* includes ensuring that the published financial statements are in accordance with the applicable accounting standards and presented a 'true and fair view' of the financials of the company. Regulation 16(1)(b) of LODR Regulations defines an "independent director" by providing specific criteria, including that neither the individual nor his relatives should hold, or have held, the position of a key managerial personnel or an employee for the preceding three financial years.

(1) Whether the Noticees are responsible for BGL's failure to comply with Accounting Standards as its audit committee members?

18. The designation held by the Noticees in BGL and their respective tenures as per the SCN are as under:

Table no. 3

Noticee no.	Name of the Director	Designation	From	To
1	Mr. Allam Raghunath	Non-Executive Independent Director	26/06/2012	26/12/2021
2	Mr. Subrato Saha		14/08/2015	25/10/2017

19. The details of meetings of board of directors of BGL that took place during FY 2014-15 to FY 2019-20 and the attendance details of the Noticees are as follows:

Table no. 4

Name of the Director	2014-15		2015-16		2016-17		2017-18		2018-19		2019-20	
	E	A	E	A	E	A	E	A	E	A	E	A
Mr. A. Raghunath	7	6	3	3	1	1	6	6	8	8	10	10
Mr. Subrato Saha	NA	NA	1	2	1	1	3	0	NA	NA	NA	NA

20. The details of audit committee meetings that took place during FY 2014-15 to FY 2019-20 and the attendance details of the Noticees are as follows:

Table no. 5

Financial Year		2014-15		2015-16		2016-17		2017-18		2018-19		2019-20	
Total No of Meetings		4		4		5		4		4		4	
Dates of Meetings		28.05.2014 26.06.2014 28.10.2014 02.02.2015		25.05.2015 10.08.2015 13.11.2015 05.02.2016		09.05.2016 27.05.2016 11.09.2016 13.12.2016 13.12.2016		30.05.2017 14.08.2017 11.11.2017 13.02.2018		29.05.2018 11.08.2018 14.11.2018 12.02.2019		27.05.2019 14.08.2019 14.11.2019 14.02.2019	
SN	Name of Audit Committee Member	E^	A^^	E^	A^^	E^	A^^	E^	A^^	E^	A^^	E^	A^^
1	#Mr. A.Raghunath	4	3	2	2	1	1	4	4	4	4	4	4
2	\$Mr. Subrato Saha*	Not Applicable		2	1	5	1	2	0	Not Applicable		Not Applicable	
<i>E^ = Eligible to Attend</i>													
<i>A^^ = Attended</i>													
<i>* Appointed as members w.e.f. September 29, 2015.</i>													
<i>#Appointed as member w.e.f. December 27, 2016 & as Chairman w.e.f. February 14, 2017</i>													
<i>\$ Mr. Subrato Saha ceased to be a member w.e.f. October 25, 2017.</i>													

Role of Allam Raghunath

21. From the tables above, it can be seen that Mr. Allam Raghunath was identified/ described by BGL as a Non-executive independent director of BGL from June 26, 2012 to December 26, 2021 (i.e. for 9 years). He was a member of the Audit committee with effect from December 27, 2016 (i.e. for 5 years) and Chairman of the audit committee from February 14, 2017 (i.e. for 4 years). He had attended all the board meetings and audit committee meetings but for one, during the investigation period. Additionally, he also signed the financial statement for FY 2019-20 in his capacity as an independent director.
22. Mr. Allam Raghunath has contended that he was not involved in the day to day affairs or decision making of the company. Further, he has stated that the financial statements were

undertaken under the advice of qualified Chartered Accountants and Statutory Auditors. The Noticee has submitted that he was an audit committee member and not a forensic auditor and that he was not a part of the finance team.

- 23.** I note that as per Regulation 18(3) read with Part C of Schedule II of LODR Regulations, the Audit committee is responsible for ensuring that the published financial statements comply with the applicable accounting standards and present a 'true and fair view' of the financials of the company. This includes monitoring financial reporting and ensuring proper disclosures to safeguard investors' interests. While independent directors are not required to be involved in the company's day-to-day functioning, they are required to exercise due diligence. As an audit committee member, Mr. Allam Raghunath failed to question why impairment assessments were not undertaken when GDPR compliance was announced. Further, as the audit committee chairman, he failed to question why impairment losses recorded by BGL much later did not affect its profit and loss. In fact, Mr. Allam Raghunath was also a signatory (in his capacity as an independent director) to the financial statements for FY 2019-20, which incorrectly recognized the GDPR impairment loss.
- 24.** The enactment of GDPR in April 2016, its enforcement in May 2018, and the District Court of New York's order in May 2018 directing YMA (subsidiary of BGL) to handover its equity in Lycos worth USD 38 million to Daum Global Holdings Corporation, were all widely reported in the media. Given the scale and the ramifications of these events for BGL's business, I find it highly improbable that they went unnoticed by him despite being a director from 2012 and audit committee member from 2016. On preponderance of probabilities, although the Noticee was neither a forensic auditor nor a part of the finance team of BGL, his long tenure as an independent director of BGL for 10 FYs, including his role 4 FYs as audit committee member and 3 FYs as its chairman during which he attended all meetings, makes it unbelievable that he was oblivious of significant events such as GDPR implementation or the failed acquisition by YMA. Despite this, his reliance solely on the auditor's opinion without seeking clarifications constituted a failure of due diligence. As held in *Official Liquidator v. P.A. Tendolkar* (1973) 1 SCC 602 by the Hon'ble Supreme Court, directors cannot shut their eyes to irregularities that are obvious to anyone examining the company's affairs, even superficially.
- 25.** Mr. Allam Raghunath is an IT professional with over 25 years of experience and is technically proficient in the functioning of companies in the IT industry. BGL is an IT company providing a platform for digital marketing services. Presently, Mr. Raghunath is

an Executive Director of BGL, which underscores that he is seen as being well acquainted with the company's business. Given his expertise and background, and given the media coverage and discourse around the impact of GDPR, by preponderance of probability, Mr Allam Raghunath failed to discharge his duties with due care and diligence as an independent director and as chairman of the audit committee. A person of his experience, standing and continuous longstanding involvement in the company cannot plead ignorance or reliance on others. Consequently, these significant lapses can only be regarded as serious derelictions of duty.

26. Mr. Allam Raghunath has contended that only 'officers in default' can be held liable for any violation by the company and he cannot be termed as an 'officer in default' as defined Companies Act, 2013. I note that the allegation in the SCN is that the Noticee failed to exercise due diligence as an audit member in approving financial statements and not that he was directly responsible for the violations committed by BGL. Accordingly, I find this contention of the Noticee to be without merit.
27. Additionally, Allam Raghunath has submitted that there was no irregularity in his appointment as an independent director in BGL in 2017. In this regard, I note that the allegations with respect to irregularity in his appointment were made against the company and not against him. Therefore, I find his submissions in this regard are misplaced.
28. Considering the long period of misstatement overlapping with the Noticee's tenure as an audit committee member and also as audit committee chairman, the Noticee is liable for failure to exercise due diligence in approving the misrepresented/ misstated financial statements of the company. Accordingly, I find that Allam Raghunath has violated clause 49 III D of the erstwhile listing agreement and regulation 18(3) read with Part C of Schedule II of the LODR Regulations.

Role of Subrato Saha

29. Mr. Subrato Saha was a Non-executive independent director of BGL from August 14, 2015 to October 25, 2017. He was a member of the audit committee between September 29, 2015 and October 25, 2017. He attended two out of six board meetings and two out of eight audit committee meetings held during his tenure in the investigation period.
30. Mr. Subrato Saha has argued that his term ended in 2017 and the primary allegations in the SCN pertains to the period of FY 2019-20. As stated earlier, I note that GDPR was

enacted in April 2016 and BGL was required to make impairment assessment in 2016 itself. Further, BGL's incorrect asset recognition practice continued from FYs 2015-16 to 2019-20. The aforesaid violations overlap with the tenure of Subrato Saha as an audit committee member. Therefore, I do not find any merit in this contention.

31. Mr. Subrato Saha has submitted that he was in Dubai during his tenure in BGL and relied on Mr. Suresh Kumar Reddy (i.e. the Promoter and CMD) and he was not involved in the management of the company. Additionally, he has stated that he had no reason to doubt the figures in the financials as its correctness was attested by the CMD and CFO. He has further submitted that he was not invited to each and every meeting of the audit committee the reason for which is undiscernible. He has claimed that the agenda of the meeting was also not provided in advance. Since he did not perceive any exclusion, he has stated that he did not raise any objection.
32. The Noticee being an independent director is duty bound to abide by the provisions specified in Schedule IV referred in Section 149 (8) of the Companies Act. Schedule IV contains the code for Independent Directors and it includes guidelines of professional conduct, role and functions and also specifies the duties. The duties include to strive to attend all meetings of the Board of Directors and Committees of which he is a member, to participate, constructively and actively in the committees of the board in which he is a Chairperson or a Member. Further, an independent director is required to exercise independent judgment and reasonable care, skill and diligence – to satisfy himself that the Financial statements reflect the 'true and fair view' and comply with the applicable accounting standards. However, Mr. Subrato Saha, by his own admission, has failed to perform his duties as an independent director in a diligent manner by not participating in the meetings. Independent directors are expected to act as strategic advisors and watchful monitors, which requires active participation in Board and committee functions. The Hon'ble SAT Order dated October 24, 2024 reinforces this principle wherein the following was held: *"Both appellants having clearly admitted that they were the Independent Directors of the Company were duty bound to attend the meetings and to contribute for proper corporate governance."* The Noticee should not have completely relied on the opinion of other directors / company officials in approving the financial statements without ensuring due diligence on his part.
33. Mr. Subrato Saha is an NRI professional with over 20 years of experience in the chemical industry and has held senior *positions* in several Fortune 100 companies. Although he is

not an expert in the IT industry, his extensive professional background indicates a clear understanding of corporate governance and the responsibilities inherent in leadership roles. However, he did not adequately participate in the affairs of the company or exercise the level of diligence required of an independent director. The lapses in his case are of omission, arising from a lack of active participation and oversight. Ignorance of the law cannot be a valid defence when one has voluntarily assumed fiduciary responsibilities as an independent director. Had he exercised requisite diligence and involvement, the issues in question could reasonably have come to his attention. A person of his standing and experience ought to have safeguarded shareholder interests, particularly in matters concerning the financials of the company. Accordingly, his inaction reflects a failure to discharge his duties with due care and diligence as required under law.

34. Subrato Saha has argued that the Forensic audit is based on limited information and that the genuineness of the information was not verified. Further, he has contended that the impairment of assets, which was the focus of the audit, was an incomplete procedure based on limited data. He has also stated that the audit report could not neither ascertain the impairment calculation nor confirm the rationale of accounting treatment. It is pertinent to note that these limitations and issues recorded in the Forensic Audit report were solely due to the non-cooperation by BGL. They do not, in any manner, undermine the findings, which were based on the data provided by the company. Therefore, I find the contentions of the Noticee are untenable.
35. In view of the foregoing, I find that Mr. Subrato Saha's lack of attendance and passive role reflect a failure to fulfil his obligations as an audit committee member. Consequently, Subrato Saha is liable for violation of clause 49 III D of the erstwhile listing agreement and regulation 18(3) read with Part C of Schedule II of the LODR Regulations.

Issue (2): Whether Mr. Allam Raghunath submitted false declaration that he meets the criteria for independence?

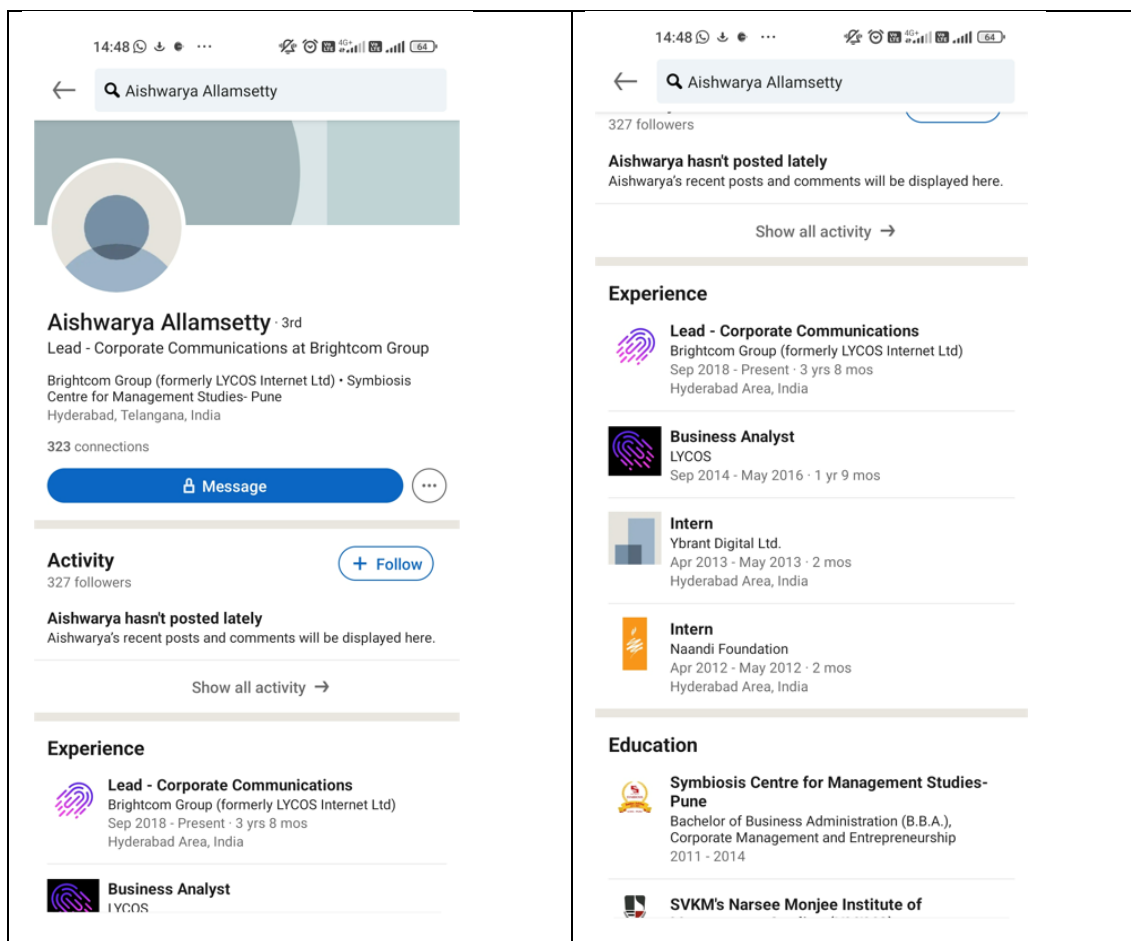
36. The SCN alleges that Mr. Allam Raghunath's daughter was associated with BGL thereby rendering him not qualified to be considered as an 'independent director' from FY 2015-16. Mr. Allam Raghunath in his statement given to SEBI on April 27, 2022 has stated the following with respect his daughter's employment history:

Table no. 6

Company	Designation	Years
Ybrant Digital Ltd.	Intern	April, 2013 to May, 2013
Lycos Internet Limited	Business Analyst	September, 2014 to May, 2016
*From September, 2018, she has shown in her LinkedIn profile that she is working as Lead-Corporate Communication in BGL for resume purposes, however, she was not working during that time.		

37. This information was corroborated from the LinkedIn profile of Ms. Aishwarya Allamshetty, screenshots of which are reproduced below.

Image 1



38. The Noticee – Allam Raghunath has contended that his daughter was never employed by the company or any of its group entities and that no pecuniary relationship existed. Further, he has submitted that internship does not constitute employment and provided the following details with respect his daughter's employment:

38.1. Internships with Ybrant Digital Ltd. (April 2013–May 2013) and Lycos (Sep 2014– May 2016) – both clearly academic, non-remunerative, and temporary engagements.

38.2. Project-based freelance contract with LIL Projects Pvt. Ltd. (2018–2019), a private subsidiary, not in the nature of full-time employment.

39. Regulation 16(1)(b)(vi) of LODR Regulations which came into effect from December 01, 2015 states the following

“Definitions. 16.

(1) For the purpose of this chapter, unless the context otherwise requires

(b) "independent director" means a non-executive director, other than a nominee director of the listed entity:

(vi) who, neither himself, nor whose relative(s)—

(A) holds or has held the position of a key managerial personnel or is or has been an employee of the listed entity or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed.”

(emphasis supplied)

The definition of “relative” under LODR Regulations is as under:

“2(1)(zd) “relative” means relative as defined under sub-section (77) of section 2 of the Companies Act, 2013 and rules prescribed there under.”

The definition of “relative” under the Companies Act, 2013 is as follows:

“2(77) “relative”, with reference to any person, means anyone who is related to another, if—(i) they are members of a Hindu Undivided Family;

(ii) they are husband and wife; or

(iii) one person is related to the other in such manner as may be prescribed”

The phrase “as may be prescribed” means:

“A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely: -

(1) Father:

Provided that the term “Father” includes step-father.

(2) Mother:

Provided that the term "Mother" includes the step-mother.

(3) Son:

Provided that the term "Son" includes the step-son.

(4) Son's wife.

(5) Daughter.

(6) Daughter's husband.

(7) Brother:

Provided that the term "Brother" includes the step-brother;

(8) Sister:

Provided that the term "Sister" includes the step-sister."

(emphasis supplied)

- 40.** I note that earlier Mr. Allam Raghunath (an independent director) had admitted under oath before the IA that his daughter (relative) was employed as a Business Analyst with Lycos Internet Limited (now known as BGL) from September 2014 to May 2016. Further, he had also submitted his daughter's employment certificate from LIL Projects Limited (subsidiary of BGL) for the period from September 2018 to May 2019. The daughter on her LinkedIn profile has corroborated the evidence submitted by Allam Raghunath himself. Now, he has contradicted his own statement and the aforesaid employment certificate by claiming that his daughter was never an employee of the Company or any of its group entities but provided no supporting documents.
- 41.** I note that the statements made on oath by Mr. Allam Raghunath are supported by employment certificate and his daughter's LinkedIn profile. However, no proof has been submitted in support of the contradictory submission made before me. Therefore, I am inclined to only place reliance on the material available on record.
- 42.** Since Ms. Aishwarya Allamshetty, daughter of Mr. Allam Raghunath was employed as a business analyst in Lycos Internet Limited (now BGL) from September 2014 to May 2016, Mr. Allam Raghunath could not have submitted declaration for independence in terms of LODR Regulations from December 01, 2015. Accordingly, I find that Mr. Allam Raghunath has submitted false declaration to BGL that he meets the criteria for independence from FY 2015-16 in contravention of regulation 16(1)(b) of LODR Regulations.

(3) Whether imposition of monetary penalty under sections 11(4A) and 11B(2) of the SEBI Act are warranted?

43. I note that the SCN had *inter alia* called upon the Noticees to show cause as to why appropriate penalty should not be imposed upon them under sections 15A(b), 15HA and 15HB of the SEBI Act for the violation of provisions of SEBI Act, LODR Regulations and Listing agreement. The relevant extracts of sections 15A(b), 15HA and 15HB of the SEBI Act is as under:

SEBI Act

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

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

(c) to maintain books of account or records, fails to maintain the same, 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.

Sec 15HA. Penalty for fraudulent and unfair trade practices.

If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.

Sec 15HB. Penalty for contravention where no separate penalty has been provided.

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.

44. The charge in the SCN (based on the investigation report) against Mr. Allam Raghunath is of violation of listing agreement and LODR Regulations. Since no specific penal provision is prescribed for the violations of listing agreement and LODR Regulations established against the Noticee, the residual provision i.e. 15HB of the SEBI Act, would apply. Although

Section 15HB was not expressly cited in the SCN, I note that no prejudice is caused to the Noticee as this is a residual provision applicable in the absence of a specific penal provision.

45. BGL's non-compliance with accounting standards resulted in misrepresentation of its financial statements for the FYs 2014-15 to 2019-20 and there was a significant delay in the recognition of material adverse impairment of assets. The accounting irregularities led to artificial inflation of headline profits to the extent of INR 1,280.06 crore (INR 860.30 crore in FY 2019-20 and INR 411.76 Crore in FY 2018-19) during FYs 2018-19 and 2019-20.
46. The members of the audit committee have been entrusted with certain legal obligations and such obligations cannot be discharged in a perfunctory manner. They are expected to act independently, remain vigilant and ensure that the financial statements comply with applicable standards. The Noticees were involved in the approval of the misrepresented financial statements and have failed to raise any objections to any of the accounting irregularities in BGL. By failing to exercise due diligence, they have breached their fiduciary duty as independent directors and audit committee members.
47. Allam Raghunath was an audit committee member for four financial years and Subrato Saha was an audit committee member for three out of the six financial years covered in the investigation period. Allam Raghunath was also the audit committee chairman during the period when impairment losses were incorrectly recorded leading to inflated headline profits. Further, Mr. Allam Raghunath submitted false declarations stating that he qualifies to be an independent director when his daughter was employed in Brightcom Group Limited. Considering the same, I am of the view that he deserves a more stringent penalty in comparison to Mr. Subrato Saha.
48. I note that section 15J of the SEBI Act provide for factors which are required to be considered for adjudging quantum of penalty. Section 15J of the SEBI Act reads as follows:

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"Factors to be taken into account while adjudging quantum of penalty.

15J. 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.*

Explanation. —For the removal of doubts, it is clarified that the power to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.”

- 49.** The SCN does not allege that the Noticees have made any illegal gains as result of the misrepresented financial statements. Further, I find that the material available on record does not indicate the amount of specific loss caused to investors as a result of the acts of the Noticees or the repetitive nature of such violation.
- 50.** Mr. Allam Raghunath has contended that the alleged violations did not have a market-wide impact, did not cause losses to a large number of investors, and did not affect the integrity of the market. Financial Statements play a critical role in influencing investors decisions regarding a listed company’s stock and also affects all the investors of a listed company, irrespective of whether they traded in the scrip during the violation period or not. In the instant case, the financial statements were misrepresented by inflating profits thereby depriving investors of a true, fair, and timely assessment of financial position of the company. Such misstatements interfere with the normal mechanism of price discovery and integrity of the securities market. Further, the promoters of BGL had also offloaded their shares at elevated prices, thereby impacting the investors at large which could not have been possible without the unjustifiable gross negligence and dereliction of duty by the Noticees. Therefore, I do not find any merit in the mitigating factors advanced by the Noticee.

E. ORDER

- 51.** In view of the aforesaid findings and having regard to the facts and circumstances of the case, I, in exercise of the powers conferred upon me under Sections 11(4A) and 11B(2) read with Section 15A(b) and 15HB of the SEBI Act, direct as under:

51.1. The Noticees are hereby imposed with the penalties as specified hereunder:

Noticee No.	Noticee name	Penalty amount (in INR.)
1.	Mr. Allam Raghunath	30 lakh
2.	Mr. Subrato Saha	5 lakh

51.2. The Noticees shall pay the respective penalty imposed on them within a period of forty-five (45) days from the date of receipt of this Order.

51.3. The Noticees shall pay the monetary penalty by online payment through following path on the SEBI website: www.sebi.gov.in/ENFORCEMENT → Orders → Orders of Chairman / Members → Click on PAY NOW. In case of any difficulties in payment of penalties, the Noticees may contact the support at portalhelp@sebi.gov.in.

51.4. The Noticees shall forward details of the online payment made in compliance with the directions contained in this Order to the Division Chief, CFID, SEBI, SEBI Bhavan II, Plot no. C -7, “G” Block, Bandra Kurla Complex, Bandra (E), Mumbai-400 051” and also to e-mail id: tad@sebi.gov.in in the format as given in table below:

Case Name	
Name of the Payee	
Date of Payment	
Amount Paid	
Transaction No.	
Bank Details in which payment is made	
Payment is made for:	Penalty

51.5. A copy of this Order shall be served on the Noticees.

Sd/-

DATE: OCTOBER 06, 2025

ANANTH NARAYAN G.

PLACE: MUMBAI

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA