



**भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India**

By Speed Post Ack. Due

EAD-4/ADJ/GR/PU/24768/1/2023

June 16, 2023

S.No.	Noticee	S.No.	Noticee
1	Kepler Information Systems Private Limited (PAN:AAECK5818R) <u>Address</u> : 2nd Floor, Jothi Celesta, Plot No. 66, Block B, Kavuri Hills, Jubilee Hills, Hyderabad, Telangana – 500033	2	Kalpna Komati (PAN: ASAPK9943L) <u>Address</u> : 547, SANTA RITA, DR MILPITAS, California, USA 95035
3	Trivikram Kolukuluri (PAN: CVHPK1468G) <u>Address</u> : E Block 1603, Ramky Towers, Opp. Aditya Sarovar Hotel, Gachibowli, Hyderabad Telangana – 500032	✓ 4	Silamkoti Abilash (PAN: GWLPS3968A) <u>Address</u> : 12-11-1019, Warasiguda, Marredpally, Musheerabad, Hyderabad, Telangana – 500061

Sub: Notice under Rule 4(1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 read with Section 15I of the SEBI Act, 1992

1. Securities and Exchange Board of India (SEBI) was in receipt of an alert against Bodhtree Consulting Limited ('BCL' / 'company') a company listed on the Bombay Stock Exchange Limited ("BSE"), alleging trading by an entity in the said scrip in large volume and value, in off market on February 07, 2018 significantly contributing in the exchange volume in the said stock on that date. Further it was also alleged that the source of the said off market transfer of shares was from BCL Employees Benefit Trust.
2. Accordingly, on the advice of SEBI, BSE conducted an examination in the matter and submitted the examination report. Pursuant to which, the matter was taken up for detailed investigation by SEBI to ascertain the aspect of price rise and misuse

सेबी भवन, प्लॉट नं. सी 4-ए, "जी" ब्लॉक, बांद्रा-कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051.
दूरभाष : 2644 9950 / 4045 9950 (आई वी आर एस) , 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in
Show Cause Notice in the matter of Bodhtree Consulting Limited



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of physical shares for sale and transferring the proceeds to the relatives of the Managing Director of the company in violation of the provisions of SEBI Act, 1992 (**SEBI Act**), SEBI (PFUTP) Regulations, 2003 (**PFUTP Regulations**) and Securities Contracts Regulation Act, 1956 (**SCRA, 1956**) in the scrip of BCL during the period January 02, 2017 to March 26, 2018. ("**Investigation Period**" or "**IP**"). However, wherever deemed necessary, reference has been made to outside this period.

3. Based on the above investigation, it was observed that Kepler Information Systems Pvt. Ltd. (**Noticee No.1**), Kalpana Komati (**Noticee No.2**), Trivikram Kolukuluri (**Noticee No.3**) and Silamkoti Abhilash (**Noticee No. 4**) had entered into off market transactions of shares of Bodhtree without complying with the provisions of Spot Delivery Contract. Therefore, they are alleged to have violated the provisions of Section 16 of SC(R)A, 1956 read with SEBI Notification LAD-NRO/GN/2013-14/26/6667 dated October 03, 2013, Section 13 and Section 18 of SCRA, 1956 read with Section 2(i) of SCRA, 1956. Further, it is also alleged that Silamkoti Abhilash (Noticee No. 4), failed to furnish the documents/ information sought by SEBI vide Summons/reminder summons issued u/s 11C (3) of the SEBI Act and thus failed to comply with the same. Accordingly, it is alleged that Noticee No. 4 has also violated Section 11C (3) of the SEBI Act. The aforesaid entities are hereinafter individually referred to by their respective names/Noticee numbers and collectively referred to as "**the Noticees**" unless the context specifies otherwise.
4. Accordingly, SEBI has appointed the undersigned as the Adjudicating Officer (hereinafter referred to as the "**AO**") vide order dated April 18, 2023, communicated on April 18, 2023. (Copy enclosed as **Annexure-1**) under Section 15I (1) of the SEBI Act read with Rule 3 of the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as the "**SEBI Adjudication Rules**") to inquire into and adjudge under Sections 15 A(a) of SEBI Act and Section 23H of the SCRA, 1956, as applicable, for the alleged violations by the Noticees mentioned above.



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Background of the Case

5. During the investigation, it was observed that BCL, was into the in the business of providing consultancy in the area of software. It enables enterprises to transform their business using the power of cloud, analytics and digital solutions. In addition, they streamline key business processes by deploying enterprise applications, integrating applications with their IT infrastructure and maintain them. Further, it was also observed that it got listed in BSE on May 04, 2015.

Details of Directors of BCL

6. The details of the Directors of BCL during the IP and extended period are as under:

Table 1

Source: Annual Report for FY 2016-17 and 2017-18, 2018-19 and Corpository website and reply of company)

Sr. No.	Name of the Director	Type of Directors	PAN No.	DIN No.	Date of Appointment	Date of Cessation
1	Sanjiv Gupta	Non-executive Director	AEFPG3769R	00233040	03/11/1999	--
2	Rajesh Katragadda	Independent Director	AKVPK3486B	02727491	10/05/2013	--
3	L N Ramakrishna*	Managing Director	ADRPL5494M	03623543	24/01/2015	
4	Mrs. Muneashwari Lakkimsetti	Non-executive, Non-Independent Director	ABWPL2445F	07219454	14/11/2015	--
5	Muthukrishnan Swaminathan	Independent Director	AAJPM4805C	00339373	30/05/2015	21/11/2018
6	Krishnan Jayaraman	Non-executive Director	DZEPK3943N	07277651	17/09/2015	11/05/2017
7	Srinivasa Rao Kommineni	Non-executive Director	DUUPK0652M	07655081	14/11/2016	25/05/2017
8	Muninder Raja Arram	Additional Director	AFRPA0759A	07962171	14/11/2018	06/01/2020



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Sr. No.	Name of the Director	Type of Directors	PAN No.	DIN No.	Date of Appointment	Date of Cessation
9	Srinivas Reddy Mallayagari	Independent Director	BZPPR4906M	08070053	16/02/2019	13/08/2021

* Rama Krishna had resigned as Managing Director and continued as the Director (Professional) of the Company w.e.f., July 30, 2021.

Shareholding Pattern

7. The details of the shareholding pattern of BCL during the IP is as below.

Table-2

Particulars	Quarter ended March 2017			Quarter ended June 2017			Quarter ended Sept 2017		
	No. of shareholders	No. of shares	% shareholding	No. of shareholders	No. of shares	% shareholding	No. of shareholders	No. of shares	% shareholding
Promoter and Promoter group Holding	4	1,03,61,600	57.42	4	1,03,61,600	51.92	4	1,03,61,600	51.92
Non Promoter Holding	2,125	76,84,567	42.58	2,324	95,96,636	48.08	2,442	95,96,636	48.08
Total	2,129	1,80,46,167	100.0	2,328	1,99,58,236	100.0	2,446	1,99,58,236	100.0

Table 3

Particulars	Quarter ended Dec 2017			Quarter ended March 2018		
	No. of share holders	No. of shares	% shareholding	No. of share holders	No. of shares	% shareholding
Promoter and Promoter	4	1,03,61,600	51.92	4	1,03,61,600	51.92



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group Holding						
Non Promoter Holding	2,633	95,96,636	48.08	2,918	95,96,636	48.08
Total	2,637	1,99,58,236	100.0	2,922	1,99,58,236	100.0

8. As per the shareholding pattern mentioned in the above table, there was change in total shareholding in the quarter of June 2017 due to the allotment of 1912069 Equity Shares by conversion of Compulsory Convertible Preference Shares (CCPS) on April 26, 2017 to One Share Holder viz. M/s. Prameya World Wide Pvt Ltd. (Source: Reply of RTA-VCC IPL dated January 30, 2020). Thus, shareholding of non-promoter as well as total shareholding of company has increased. Consequently, percentage of promoter shareholding has decreased.

9. The details of promoter shareholding during the investigation period are as under:

Table 4

(Source- BSE Website)

Statement showing shareholding pattern of the Promoter and Promoter Group											
Sr No	Name	March-2017		June- 2017		Sept – 2017		Dec – 2017		Mar – 2018	
		No of shares	Shareholding as a % of total no. of shares	No of shares	Shareholding as a % of total no. of shares	No of shares	Shareholding as a % of total no. of shares	No of shares	Shareholding as a % of total no. of shares	No of shares	Shareholding as a % of total no. of shares
1	Sanjiv Gupta	2134500	11.83	2134500	10.69	2134500	10.69	2134500	10.69	2134500	10.69
2	Monica Gupta	60100	0.33	60100	0.30	60100	0.30	60100	0.30	60100	0.30
3	MAS Trading and Investments Pvt. Ltd.	167000	0.93	167000	0.84	167000	0.84	167000	0.84	167000	0.84
4	Bodhtree Solutions Inc.	8000000	44.33	8000000	40.08	8000000	40.08	8000000	40.08	8000000	40.08
Grand Total		10361600	57.42	10361600	51.91	10361600	51.91	10361600	51.91	10361600	51.91



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10. Thus, there is no change in absolute number of shares held by promoters during the IP. Pursuant to the investigation the following are observed and alleged as under;

Investigation on transfer of physical shares in the off-market and subsequent dealings in the market & transfer of sale proceeds.

It was observed that there were transfers of shares in physical form between certain entities and subsequent sale in the market. Further, the sale proceeds had gone to the entities associated to Rama Krishna, then MD of BCL. The Noticee-wise analysis of off-market/ market transfer/sale of shares and flow of sale proceeds are given as under:

10.1 Kalpana Komati: Noticee No.2

a. Noticee No.2 was one of the shareholders of the Company. She had transferred 1,09,944 physical shares to Noticee No.3 on August 29, 2016 as per the details obtained from RTA viz. Venture Capital and Corporate Investments Private Limited (RTA) (Annexure -2). As per the Share transfer form the consideration to be paid was Rs. 30,78,432 /-. However, as per bank a/c statement (Bank of America a/c no. 0000 4200 3033) of Noticee No.3 submitted along with his reply dated February 11, 2020, USD 5,000 was transferred on December 24, 2012 and USD 45,000 was transferred on December 26, 2012 to Noticee No.2. As per the USD-INR exchange rate of the said dates amount arrived at Rs. 27,53,400 (54.96*5000 + 55.08*45000). (Source of exchange rate-RBI Website).

b. Since it was noted that there has been a delay of 1,342 calendar days between the receipt of consideration and actual transfer of shares, SEBI had sought for the required information and documents, inter alia, regarding the off market transfer of physical shares to Noticee No.3 as well as the delay between the consideration paid and actual transfer of physical shares, relationship with the company/its managing director Rama Krishna and other promoter/directors etc. from Noticee No.2 vide email dated August 30, 2022 on the email id as available in the UCC details. However, Noticee No.2 did not respond to any of the said email. Thereafter, reminder email dated September 30, 2022 was also issued to her, however, no response was received on the same. It is noted that none of the emails returned undelivered.

c. Information was also sought from SBICAP Securities Limited as she was the client of the said Trading Member (TM) and as per the information provided by it vide email dated



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September 30, 2022, her trading account was marked as inactive. Also, the reason for the suo-moto suspension of trading account was "mobile number is missing". (Annexure-3)

10.2 Trivikram Kolukuluri: Noticee No.3

a. Noticee No.3 was Senior Vice President, of BCL during August 13, 2012 to December 31, 2014. It is observed from the Securities Transfer Form (SH-4) dated October 28, 2016 (Annexure-4) obtained from RTA that he had transferred 1,09,944 physical shares to Noticee No.4. The consideration amount for the same was Rs.36,28,152 /-.

b. Accordingly, SEBI sought explanations in this regard, vide Summons dated January 28, 2020 from the Noticee No.3. In this regard, vide his reply dated February 11, 2020, had stated that *"I intended to invest in the equity shares of the company. The transferor Ms. Kalpana Komati is unrelated and not a family friend. I identified Ms. Kalpana Komati through common friend J.P. Vejendla."* Further, vide the said letter Noticee No.3 had also stated that *"The amount of USD 50000 was out of my employment from abroad which was subject to tax. The transfer of shares was made in the year 2016 despite the amount towards the transfer was made in year 2012."* Noticee No. 3 had also responded to SEBI's query regarding the nature of relationship with Noticee No.4 and the consideration received from him.

c. However, the Bank statement of Noticee No.4 (A/C No. 173101000013111 with Indian Overseas Bank) was analysed and it did not reveal such amount paid by him to Noticee No.3. With regard to the same, Summons dated August 29, 2022, followed by reminder summons dated September 26, 2022 were issued to Noticee No. 3 and were duly delivered. However, no response was received from Noticee No.3. Thereafter vide summons dated October 21, 2022, Noticee No.3 was advised to furnish certain information and appear in person before the Investigating Authority (IA) through Speed Post and the said summons was also served to Noticee No.3 on his e-mail. Finally, Vide email dated November 5, 2022, Noticee No.3 responded to the summons, requesting for extension of time to reply to the afore-mentioned summonses. Further he also requested a copy of summons dated January 28, 2020 issued to him and his reply dated February 11, 2020, which were provided to him vide email dated November 07, 2022.

Subsequently, vide his reply dated November 16, 2022, as regards delay between consideration paid and actual transfer of physical shares from Noticee No.2 to him, Noticee



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No.3 stated that *"I would like to clarify that I gave interest-free loan to Komati in 2012. In 2015-16 (exact details not available), she transferred the shares of BCL to me in lieu of that."* Also, as regards the query of non-receipt of consideration from Silamkoti Abilash for transfer of physical shares to him on November 17, 2016 and role of Rama Krishna in the said transfer, Noticee No.3 had submitted that *"My liabilities were set off against the transfer of such shares. Mr Rama had no role in it except that he knew Silamkoti."* Further vide email dated November 18, 2022 he also requested to take on record his response dated November 16, 2022 and exempt him from statement recording at Mumbai on the ground of his work pre-occupancies.

d. It is noted that earlier Noticee No.3 submitted that he did not receive any consideration and later he submitted that his liabilities with Noticee No.4 were set-off. Thus, clarification was sought in this regard vide mail dated November 21, 2020, to which he responded, vide his reply dated November 29, 2022. However, his reply was considered to be evasive as well as contradictory and he also did not provide any documentary evidence with respect to receipt of the said consideration for transfer of physical shares to Noticee No.4.

10.3 Silamkoti Abilash (Noticee No.4)

a. As stated above, Noticee No.4 received 1,09,944 physical shares of BCL from Trivikram Kolukuluri (Noticee No.3) through off-market transaction. He dematerialised the said shares on February 07, 2018 and credited in his demat account on February 23, 2018. His demat statement are enclosed as **Annexure-5**. Thereafter, as per the trade log, all these shares were sold in the market by Noticee No.4 on February 26, 2018 and February 27, 2018 and obtained Rs. 96,42,845 as a sale consideration.

b. During the investigation, information was sought from him vide summons dated January 2, 2020 regarding the said off-market transaction and subsequent transfer of sale proceeds to certain entities. In this regard, vide email dated January 28, 2020, Noticee No.4 submitted that *"More than 10 years Back I have given hand loan to seller and my repeated remainders she finally agrees and transfer the shares in my name in the year 2017, subsequently I convert it into Electronic mode and sold in the market."* Further he also submitted that *"I have made agreement for my house purchase and redevelopment I have taken a loan from L Naga Visweswara rao and Munider Raja Arram and others, Once I sold my shares I have cleared all my liabilities and retain my Property. Lot of pressure from those who give me money as loan."*



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c. Thereafter, vide Summons dated August 29, 2022 issued to Noticee No.4, detailed information was sought with regard to the off market transfers issued vide SPAD, which was duly delivered and also the said summons was sent to him vide e-mail dated September 01, 2022, which was duly delivered, but the Noticee did not give his response to the said summons. A reminder summons dated September 26, 2022 was issued to him through speed post AD and the scan copy of the same was also sent to him vide email dated September 28, 2022. While the said physical summons returned undelivered with remarks "addressee moved", the email sent to Noticee No.4 had not return undelivered.

d. It is clear from the above that he did not respond to the abovementioned summons and the non-furnishing of information by him hampered the investigation in the matter.

e. As mentioned above, the Noticee No.4 sold 1,09,944 shares in the market and obtained the sale proceeds of Rs.96,42,845. Out of the said amount, Rs.90,50,000 /- (93.85 %) were transferred to the 3 entities viz. L Naga Visweswara Rao, brother of Rama Krishna (LNV Rao), Muninder Raja Arram (brother-in law of Rama Krishna) and Mallayagari Srinivas Reddy (Independent Director of BCL) who are related/associated with Rama Krishna, MD of the company. Details of fund transferred by him are as given in the following table:

Table 5

Sr. No.	Date	Name	Amount (Rs.)
1	03.03.18	Mallayagari Srinivas Reddy	10,50,000.00
2	03.03.18	LNV Rao	60,00,000.00
3	05.03.18	Muninder Raja Arram	20,00,000.00
		Total	90,50,000.00

f. Further, It was observed during the investigation that Noticee No. 4 did not provide any document in support of consideration paid to Noticee No.3 upon receipt of 1,09,944 shares in off-market. Further, upon analysis of the bank statement of Noticee No.4 (A/C No. 173101000013111 with Indian Overseas Bank) it did not reveal any amount paid by him to Noticee No.3. It was also observed that the trading account of Noticee no.4 is inactive as per BSE email dated September 27, 2022.

Analysis of flow of funds post sale of shares in the market by Silamkoti Abilash (Noticee No.4)



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11. As mentioned above, 1,09,944 shares were sold in the market by Noticee No.4 and received Rs.96,42,845 as a sale consideration. It is noted from the bank account statement of Noticee No.4 (A/C No- 173101000013111 of Indian Overseas Bank) that he has transferred a total of Rs.90,50,000 /- (93.85 %) to the 3 entities viz. LNV Rao (brother of Rama Krishna), Muninder Raja Arram (brother-in law of Rama Krishna) and Mallayagari Srinivas Reddy (Independent Director of BCL) who are related/associated with Rama Krishna, MD of the company. Further, it was observed that LNV Rao had received Rs.60 Lakh on March 03, 2018, Muninder Raja Arram had received Rs.20 Lakh on March 05, 2018 and Mallayagari Srinivas Reddy had received Rs.10,50,000 on March 03, 2022 from Noticee No. 4 and thereafter, LNV Rao had transferred the above received amount entirely to Kepler Information Systems Pvt Limited (Noticee No.1), entity promoted by MD Rama Krishna on March 03, 2018, Muninder Raj Arram had transferred the above amount entirely to Rama Krishna on March 08, 2018 and Mallayagari Srinivas Reddy transferred Rs. 7,00,000/- to Muninder Raja Arram on March 06, 2022, as observed from their respective bank statements.
12. Accordingly, summons was issued to LNV Rao, Muninder Raja Arram and Mallayagari Srinivas Reddy, regarding fund received by them from Noticee No.4, relationship with company/ its promoter/directors, subsequent transfer of the above mentioned money received, etc.,
13. In this regard, Mr.LNV Rao, vide his reply email dated November 16, 2022, had stated that the receipt of funds from Noticee No.4 was a result of an outstanding loan given to him i.e. Noticee No.4 through cash in tranches over a period of time and as regards transfer of Rs.60 Lakh to Noticee No.1, he stated that *"The amount was lent to Kepler."* However, no supporting documentary evidences was submitted by him in support of his claim. Then, Mr. Muninder Raja Arram, vide his reply email dated November 11, 2022, stated that the receipt of funds from Noticee No.4, was result of his outstanding loan that was given to Silamkoti Abilash through cash in different intervals, which accumulated over time. He also mentioned that *"the transactions were undertaken to help friends and family based on trust, not borne out of commercial relationships – agreements were not required."* Further, as regards the transfer of Rs.20 Lakh to L Naga Rama Krishna, Noticee No.4 stated that Mr Rama was his brother-in-law Thereafter, Mr. Mallayagari Srinivas Reddy, vide his reply email dated November 11, 2022, he stated that *"I have no direct relation/association with Mr Silamkoti Venkat Abilash. It was a short-term loan repayment, and I also needed*



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additional funds. So my long-standing friend, Muninder, arranged it. Muninder and I have been financially supporting each other on a need basis for quite some time. He had arranged the funds at my request. After a short while, I returned INR 7Lakh to him. My financial transactions are all accounted for and can be verified from my Bank Statements. Muninder and I have been friends for 15 years and also business partners.” Further he submitted- “I was an independent director in BCL from February 16, 2019 to August 13, 2021.”

Kepler Information Systems Pvt Ltd (Noticee No.1)

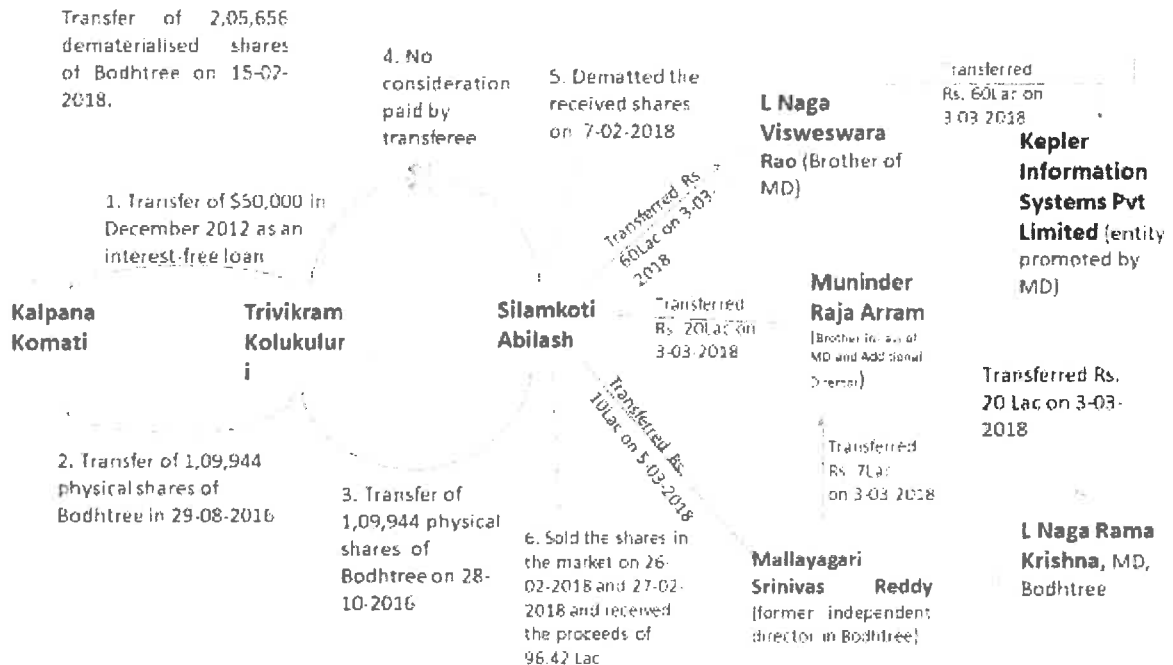
14. Noticee No.1 was incorporated on October 12, 2011 and is an associated company of BCL. Further, Mr. Rama Krishna, the MD of BCL was also the promoter/director of Noticee No.1. Mr. Rama Krishna and Mr. LNV Rao were the promoters/directors of Noticee No.1 at the time of incorporation of Company. Also, Mr. Rama Krishna and Ms. Munaeshwari Lakkimsetti (wife of Rama Krishna) together hold 99.6 % of shares in Noticee No.1. Further, Munaeshwari Lakkimsetti has been the director of Noticee No.1 since January 30, 2018.
15. As already mentioned above, Noticee No.4 had transferred Rs.60,00,000 to LNV Rao, which was subsequently transferred to Noticee No.1, an entity promoted by Rama Krishna on March 03, 2018. Therefore, summons dated February 2, 2023 issued to Noticee No.1, seeking required details in the matter, however, as per India Post, aforementioned summons returned undelivered with remark “addressee left without instructions”. Thus, another Summons dated February 9, 2023 was issued to him on its updated address as per the MCA database. Scan copy of afore mentioned summons was also sent on Noticee No.1’s email and email addresses of its promoter/directors namely Rama Krishna and Munaeshwari Lakkimsetti, vide email dated February 09, 2023. In this regard, Noticee No.1 had submitted its reply vide email dated February 17, 2023, wherein as regards the receipt of funds from LNV Rao, it stated that “said amount was taken as a loan from Mr LNV Rao. Bank Statements are the evidence of the said loan”. However, no details regarding the loan agreements have been furnished by Kepler.
16. The detailed chronology of the events from physical transfer of shares among entities and subsequent sale of shares in the market by Noticee No.4 and transfer of sale proceeds to



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entities related/connected to Rama Krishna is given in **Annexure-6**. The said flow of shares and funds are summarized in the flow chart given below:



17. Vide Summons dated January 23, 2023 BCL was sought the information inter-alia regarding source of shares for Noticee No.2. In its reply vide email dated January 25, 2023, BCL informed that Noticee No.2 became the shareholder of the Company for the first time on December 31, 2012 and she acquired shares through Preferential Allotment on December 31, 2012.

Off-Market transfer in the shares of BCL between Noticee No.1 and Noticee No.2

18. It is observed from the off-market transaction data provided by CDSL vide email dated September 01, 2022 (**Annexure-7**) that off-market transaction took place in the scrip of BCL between Noticee No.1 and Noticee No.2. The details of the said off-market transaction are as follows:

Table 6

Depository	Scrip name	ISIN	Date	Source Client Name	Target Client Name	Source Client PAN	Target Client PAN	Source Client BOID	Target Client BOID	Transferred Qty
CDSL	Bodhtree Consulting Ltd- Equity Shares	INE104F01011	15/02/2018	Kepler Information Systems Pvt Ltd .	Kalpana Komati	AAECK5818R	ASAPK9943L	1301440001497451	1204720013528866	2,05,656



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19. From the above table it is observed that the closing price of the scrip on February 15, 2018 was Rs.104.95 on BSE. Thus, the value of the said transaction should have been approximately Rs.2,15,83,597/-.
20. In this regard, vide mail dated January 25, 2023 DIS slip for the said off-market transaction was sought from the DP viz. IIFL Securities Ltd., vide mail dated January 30, 2023 (**Annexure-8**) informed that – *“In March 2021 the demat accounts of Karvy Stock Broking, has been acquired by IIFL securities Ltd in the form of bidding process conducted by NSDL/ CDSL. The database of accounts were actually made available to IIFL only in the last week of March 2021, therefore the demat operations activities could start only after March 31, 2021. Accordingly, the Delivery Instruction Slip (DIS slip) for the said transaction of the client viz. Kepler Information Systems Pvt Ltd. (PAN AAECK5818R) dated 15/02/2018 is not available with us.”*
21. Accordingly, summons dated February 9, 2023 issued to Noticee No.1, seeking the information inter-alia regarding reasons for such transfer of shares in off market, details of consideration paid along with proof and relationship with the transferee. Noticee No. 1 replied vide email dated February 17, 2023, requesting SEBI for addition information/documents. This is despite the fact that Annexure to summons dated February 9, 2023 issued to Noticee No.1 clearly mentioned the date of transfer, quantity of shares and the name of the transferee. Further, the confirmation regarding the afore-mentioned transaction was obtained from the CDSL vide email dated February 23, 2023. Demat Statements of transaction of Noticee No.1 (**Annexure 9A**) and Noticee No.2 (**Annexure 9B**) shows that the said off-market transactions were dated February 15, 2018.
22. It is noted that, no details/documents were provided by Noticee No.1, regarding reasons for such transfer, consideration paid and relationship with the transferor. Further, banks statements of Noticee No.1 (Indusind Bank a/c statement 201000404261 & 650014059277 and IOB a/c no. 043202000077777) and Noticee No.2 (State Bank of India a/c no. 37043455161) of corresponding period did not reflect the equivalent amount for the said transaction.



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23. It is therefore observed that the afore-mentioned off-market transactions was not in conformity with the 'spot delivery contract' as stipulated u/s 2(i) of SCRA, 1956.

24. The relevant provisions of the SCRA, 1956 and SEBI circulars alleged to have been violated are reproduced as follows:

SCRA, 1956

2. Definitions.

In this Act, unless the context otherwise requires,—

....

(i) "spot delivery contract" means a contract which provides for,—

(a) actual delivery of securities and the payment of a price therefore either on the same day as the date of the contract or on the next day, the actual period taken for the despatch of the securities or the remittance of money therefore through the post being excluded from the computation of the period aforesaid if the parties to the contract do not reside in the same town or locality;

(b) transfer of the securities by the depository from the account of a beneficial owner to the account of another beneficial owner when such securities are dealt with by a depository;

13. Contracts in notified areas illegal in certain circumstances.

If the Central Government is satisfied, having regard to the nature or the Volume of transactions in securities in any [State or States or area] that it is necessary so to do, it may, by notification in the Official Gazette, declared this section to apply to such State or States or area, and thereupon every contract in such State or States or area which is entered into after the date of the notification otherwise than between members of a recognised stock exchange or recognized stock exchanges in such State or States or area or through or with such member shall be illegal:

[Provided that any contract entered into between members of two or more recognised stock exchanges in such State or States or area, shall —

(i) *be subject to such terms and conditions as may be stipulated by the respective stock exchanges with prior approval of Securities and Exchange Board of India;*

(ii) *Require prior permission from the respective stock exchanges if so stipulated by the stock exchanges with prior approval of Securities and Exchange Board of India.]*



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16. Power to prohibit contracts in certain cases.

(1) If the Central Government is of opinion that it is necessary to prevent undesirable speculation in specified securities in any State or area, it may, by notification in the Official Gazette, declare that no person in the State or area specified in the notification shall, save with the permission of the Central Government, enter into any contract for the sale or purchase of any security specified in the notification except to the extent and in the manner, if any, specified therein.

(2) All contracts in contravention of the provisions of sub-section (1) entered into after the date of notification issued thereunder shall be illegal.

18. Exclusion of spot delivery contracts from sections 13, 14, 15 and 17.

(1) Nothing contained in sections 13, 14, 15 and 17 shall apply to spot delivery contracts.

(2) Notwithstanding anything contained in sub-section (1), if the Central Government¹ is of opinion that in the interest of the trade or in the public interest it is expedient to regulate and control the business of dealing in spot delivery contracts also in any State or area (whether section 13 has been declared to apply to that State or area or not), it may, by notification in the Official Gazette, declare that the provisions of section 17 shall also apply to such State or area in respect of spot delivery contracts generally or in respect of spot delivery contracts for the sale or purchase of such securities as may be specified in the notification, and may also specify the manner in which, and the extent to which, the provisions of that section shall so apply.

SEBI Notification No. LAD-NRO/GN/2013-14/26/6667 dated October 3, 2013

In exercise of the powers conferred by subsection (2) of section 28 and sub-section (1) of section 16 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956), read with Government of India notification number S.O. 573(E), dated the 30 th July, 1992 issued under section 29A of the said Act, the Securities and Exchange Board of India (hereinafter referred to as 'the Board') hereby rescinds the notification number S.O.184(E), dated the 1 st March, 2000, except as respects things done or omitted to be done before such rescission, and declares that no person in the territory to which the said Act extends, shall, save with the permission of the Board, enter into any contract for sale or purchase of securities other than a contract falling under any one or more of the following, namely:-



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- (a) spot delivery contract;
- (b) contracts for sale or purchase of securities or contracts in derivatives, as are permissible under the said Act or the Securities and Exchange Board of India Act, 1992 (15 of 1992) and the rules and regulations made under such Acts and rules, regulations and bye-laws of a recognised stock exchange;
- (c) contracts for pre-emption including right of first refusal, or tag-along or drag along rights contained in shareholders agreements or articles of association of companies or other body corporate;
- (d) contracts in shareholders agreements or articles of association of companies or other body corporate, for purchase or sale of securities pursuant to exercise of an option contained therein to buy or sell the securities, where-
- (i) the title and ownership of the underlying securities is held continuously by the selling party to such contract for a minimum period of one year from the date of entering into the contract;
 - (ii) the price or consideration payable for the sale or purchase of the underlying securities pursuant to exercise of any option contained therein, is in compliance with all the laws for the time being in force as applicable; and
 - (iii) the contract is settled by way of actual delivery of the underlying securities:

Provided that the contracts specified in clauses (a) to (d) above, shall be in accordance with the provisions of the Foreign Exchange Management Act, 1999 and rules or regulations made thereunder:

Provided further that nothing contained in this notification shall affect or validate any contract which has been entered into prior to the date of this notification.

Explanation.- It is hereby clarified that the contracts mentioned in clauses (c) and (d) above shall be valid notwithstanding anything contained in section 18 A read with clause (d) of sub-section (1) of section 23 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956):

Provided also that any contract for sale or purchase of government securities, gold related securities, money market securities, contracts in currency derivatives, interest rate derivatives and ready forward contracts in debt securities entered into on the recognised stock exchange shall be entered into in accordance with, —

- (a) the rules or regulations or the bye-laws made under the Securities Contracts (Regulation) Act, 1956 (42 of 1956), or the Securities and Exchange Board of India Act,



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1992(15 of 1992) or the directions issued by the Securities and Exchange Board of India under the said Acts;

(b) the rules made or guidelines or directions issued, under the Reserve Bank of India Act, 1934 (2 of 1934) or the Banking Regulations Act, 1949 (10 of 1949) or the Foreign Exchange Management Act, 1999 (42 of 1999), by the Reserve Bank of India;

(c) the notifications issued by the Reserve Bank of India under the Securities Contracts (Regulation) Act, 1956 (42 of 1956).

25. From the above, it is observed that in order to be a legal transaction, the said off market transaction would have to qualify as a spot delivery contract u/s 2(i) of SCRA, 1956 i.e. actual delivery of shares and the payment of consideration should be on same day as the date of contract or on the next day. In the light of the above provisions of SCRA, 1956 and analysis of off-market transactions done by Noticees No. 1 to 4 are not in conformity with the provisions related to spot delivery contract in SCRA, 1956 as they did not take place within the timeline prescribed for spot delivery contract as specified above. Based on the above finding, relevant details of the off-market transactions of physical shares of BCL between Noticee No.2 & 3 and also Noticee No. 3 & 4, are summarised below:

Table 7

Sr. No	Source Client	Target Client	No of shares	Consideration received by source client (Rs.)	Date of payment by target client	Date of transfer of shares by source client	Delay in days
1	Kalpna Komati (Noticee No.2)	Trivikram Kolukuluri (Noticee No.3)	1,09,944	\$50,000 (approx. Rs.27,50,000 considering the average exchange rate for the given days)	24/12/2012 and 26/12/2012	29/08/2016	1,342
2	Trivikram Kolukuluri (Noticee No.3)	Silamkoti Abilash (Noticee No.4)	1,09,944	No consideration received. Consideration as per the Share transfer form for the said transaction was Rs. 30,78,432.	NA	28/10/2016	NA

*NA- Not Available (Details and proof of consideration not provided)

26. In the light of the provisions of SCRA, 1956 mentioned above, it is observed that the off-market transactions done by Noticee No. 1 to 4 are not in conformity with the provisions



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related to spot delivery contract in SCRA, 1956. Thus, the Noticee No. 1 to 4 are alleged to have violated Section 16 of SCRA, 1956 read with SEBI Notification LAD-NRO/GN/2013-14/26/6667 dated October 03, 2013, Section 13 and Section 18 of SCRA, 1956 read with Section 2(i) of SCRA, 1956.

27. Further, Noticee No. 4 by failing to furnish the documents/ information as sought vide summons dated August 29, 2022 and reminder summons dated September 26, 2022, which were issued under Section 11C(3) of the SEBI Act, he is alleged to have violated the said provision of law.

28. The relevant provisions of the SEBI Act alleged to have been violated is reproduced as follows:

SEBI Act

11 C. Investigation

(3) The Investigating Authority may require any intermediary or any person associated with securities market in any manner to furnish such information to, or produce such books, or registers, or other documents, or record before him or any person authorised by it in this behalf as it may consider necessary if the furnishing of such information or the production of such books, or registers, or other documents, or record is relevant or necessary for the purposes of its investigation.

29. Accordingly, in terms of Rule 4(1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as 'Adjudication Rules'), you are hereby called upon to show cause as to why an inquiry should not be held against you in accordance with Rule 4 of the Adjudication Rules read with Section 15-I of the SEBI Act and why penalty, should not be imposed upon you under Sections 15 A(a) of the SEBI Act and Section 23H of the SCRA, 1956, as applicable, for the alleged aforesaid violations. The provision of Section Sections 15 A(a) of SEBI Act and Section 23H of the SCRA, 1956 which *inter-alia* reads as follows:

SEBI Act

Penalties and Adjudication

15A. Penalty for failure to furnish information, return, etc.



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If any person, who is required under this Act or any rules or regulations made thereunder,-

(a) to furnish any document, return or report to the Board, fails to furnish the same 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;

SCRA, 1956

Penalties and Procedure

23 H. Penalty for contravention where no separate penalty has been provided.

Whoever fails to comply with any provision of this Act, the rules or articles or byelaws or the regulations of the recognised stock exchange or directions issued by the Securities and Exchange Board of India for which no separate penalty has been provided, shall be liable to a penalty which may extend to one crore rupees.

30. Your reply, if any, to this notice along with documentary evidence that you choose to rely upon in support of your submissions, if any, should reach the undersigned, at the address given below in the letterhead of this notice and also in softcopy (in MSWORD format) by e-mail at ramarg@sebi.gov.in and preethiu@sebi.gov.in within 14 days from the date of receipt of this notice. You may also indicate in your reply whether you desire a personal hearing in the matter. In case, a reply to this notice is not received within the stipulated timelines, it shall be presumed that you have no reply to submit and the matter shall be proceeded with further on the basis of the material available on record.
31. You are also advised to submit your email-id and a photocopy of your Income Tax Permanent Account Number Card (PAN Card) for our records. Please also keep the undersigned informed about the change in your correspondence address/ e-mail id, if any, till the proceedings are concluded.



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32. You may also note that a settlement mechanism is provided under the SEBI (Settlement Proceedings) Regulations, 2018. If you wish to avail of the settlement process, you may apply for the same in the manner given in the aforesaid regulations under intimation to the undersigned.

33. The copies of documents relied upon in the Notice have been annexed with this Notice.


G. Ramar
Adjudicating Officer

Encls: As above

<u>List of documents</u>		
Annexure	Documents	Paragraph No.in SCN
1	AO Communication dated April 18, 2023	4
2	Details obtained from RTA viz. Venture Capital and Corporate Investments Private Limited	10.1.a
3	Information provided by TM SBICAP securities Limited vide e-mail dated 30.09.2022	10.1.c
4	Securities Transfer Form (SH-4) dated October 28, 2016 obtained from RTA	10.2.a
5	Demat Statement of Noticee No.4	10.3.a
6	The detailed chronology of the events from physical transfer of shares among entities and subsequent sale of shares in the market by Silamkoti Abilash and transfer of sale proceeds to entities related/connected to Rama Krishna	16
7	The off-market transaction data provided by CDSL vide email dated September 01, 2022	18
8	Mail dated January 30, 2023 IIFL Securities Ltd.	20
9A & 9B	Demat statements of Noticee No. 1 & 2 obtained from CDSL vide e-mail 23.02.2023	21