



Ref: BCG/SE/2023/June-02

Date: June 05, 2023

To

**BSE Limited**

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

To

**National Stock Exchange of India Limited**

Exchange Plaza, Bandra Kurla Complex,  
Bandra (E), Mumbai – 400 051.  
NSE Symbol: BCG

**Sub: Clarification on the Article published in an online financial website.**

Dear Sir/Madam,

We hereby submit our response to the article published in an online financial website on June 02, 2023, regarding the Company's accounting procedures, reporting, corporate governance, and other areas.

We request you to take note of the above information on record and acknowledge the receipt of the same.

Thanking you,

Yours Truly,

**For Brightcom Group Limited**

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**Rajesh Vankadara**

Company Secretary & Compliance Officer





June 05, 2023

Dear Sir/Madam,

We are writing to you today to address the concerns raised in a recent article published by an online financial publisher, on 2nd June 2023, regarding our company's financial reporting. We want to reassure you about our commitment to upholding the best standards of corporate governance and financial reporting/transparency.

The article focuses on financial matters, notably an interim order and Show Cause Notice issued by the Securities and Exchange Board of India (SEBI) concerning our financial statements. We assure you that we are fully cooperating with SEBI, taking their observations seriously, and working diligently to address all the points mentioned in their Show Cause Notice.

One key concern raised in the report revolves around the role of our auditors. Our auditors are independent, accredited firms, ensuring a transparent and unbiased auditing process. We also understand the importance of transparency regarding the auditors' access to our subsidiary companies' financials.

We have classified the issues / questions raised in the article into the following categories and provided our responses:

1. **Issue:** The financials of subsidiaries seem to be locked and inaccessible.

**Response:** We have uploaded the audited financials of our material subsidiaries on our website, and they are now accessible and fully visible.

2. **Issue:** Financial statements of 14 out of 16 subsidiaries were not audited, according to the auditor's statement.

**Response:** Given the complexity of our operations across different countries and jurisdictions, we comply with local laws in each subsidiary, necessitating the involvement of multiple auditors for the audit function. Ultimately, the statutory auditor audits the standalone financials of the company and consolidates the subsidiary accounts. Rest assured that Brightcom Group adheres to all regulatory requirements and international best practices for corporate governance, ensuring comprehensive disclosure of financial details for our Group subsidiaries in our consolidated financial reports. For instance, the books of accounts of significant subsidiaries, such as Online Media Solutions (OMS) in Israel (about 40% of our business) have been audited by reputable audit firms like EY. The audited financial statements of the subsidiaries are now available on our website.

3. **Issue:** The total comprehensive income stood at -177 crore rupees in FY20, with asset impairment not reflected as an expense in the P&L.

**Response:** The observed comprehensive income for FY20 can be attributed to the impact of the GDPR regulations on our online advertising business. These regulations compelled companies worldwide to retire certain features in their products to comply with GDPR requirements. Consequently, our subsidiaries had to rework and retire numerous features of their existing platforms. Per the BGL Audit Committee's recommendation, all products were tested for impairment at their respective locations. This exercise was conducted in FY19-20, resulting in asset impairment recognition in the subsidiaries' financial statements. The total impairment impact of Rs. 868.30 Crores was recognized across ten subsidiaries as per the local laws in their respective countries/jurisdictions. It was not expected to impact





the parent company's profit and loss account directly. Our accounting treatment aligns with all local laws and Ind AS 36, and the impairment losses are recognized as per the accounting standards.

4. **Issue:** The nature of assets that led to such a significant impairment charge.

**Response:** Brightcom Group consistently invests in its AdTech platforms to stay abreast of the changing tech landscape, including upgrading existing products and developing new ones. Expenditure related to these activities is recognized appropriately based on the product development status. It falls under categories such as Other Current Assets, Intangible Assets Under Development, and Other Intangible Assets, depending on the stage of development and launch. Asset impairment charges are complex accounting treatments, and we assure you that all instances have been handled diligently with appropriate professional judgment.

5. **Issue:** Lack of clarity on the constituent of "other advances" in the balance sheet.

**Response:** We appreciate your concern about the transparency of our financial statements. We are actively refining our reporting to provide a more detailed breakdown of the "others" category, ensuring greater clarity and granularity to the accounting principles.

6. **Concern:** Defaults on payments to Axis banks and tax dues despite being cash-rich.

**Response:** The loan recall issue stemmed from the third-party collateral owners, who withdrew their support, leading us to close the loans. We closed these loans by March 2021. We are proud to share that we have been a debt-free company since then. Our priority has always been to continue investing and maintain momentum. This approach has allowed us to seize opportunities in the market, resulting in a substantial increase of approximately 76% in revenues for the FY ending March 31, 2022, amounting to Rs. 5,019 crores.

At Brightcom Group, maintaining our investors' trust and confidence while upholding corporate governance standards is of utmost importance to us. We remain committed to keeping our investor community regularly updated and open to their questions and feedback.

Thank you for your continued support and trust in Brightcom Group.

Yours sincerely,

**S L Narayana Raju**  
Chief Financial Officer

