

SECURITIES AND EXCHANGE BOARD OF INDIA

IMPOUNDING ORDER

UNDER SECTION 19 READ WITH SECTIONS 11(1), 11(4)(D) AND SECTION 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH REGULATION 10 OF THE INSIDER TRADING REGULATIONS, 2015–

In the matter of Divi's Laboratories Limited.

In respect of –

	ENTITY	PAN
1.	Praveen Lingamneni	AAWPL9203A
2.	L Kishore Babu	AAFPL6754R
3.	Nagesh Lingamaneni	ABJPL5533F
4.	Sri Lakshmi Lingamaneni	ACZPL7827K
5	Radhika Dronavalli	AKGPR0018R
6	D. Srinivasa Rao	AEXPD7683R
7	Gopichand Lingamaneni	ABPPL4081Q
8	Pushpa Latha Devi	AEVPL9622G

BACKGROUND

- Securities and Exchange Board of India (“SEBI”) had conducted an investigation into suspected insider trading activities of certain entities in the scrip of Divis Laboratories Limited (“**Divis/ Company**”) for the period July 07, 2017 – July 10, 2017 (“Investigation Period”) to ascertain whether certain entities had traded in the scrip on the basis of unpublished price sensitive information (“UPSI”) in contravention of the provisions of SEBI Act, 1992 (**SEBI Act**) read with SEBI (Prohibition of Insider Trading) Regulations, 2015 (**Insider Trading Regulations, 2015**).
- Divis was incorporated under the Companies Act, 1956 on 12 October 1990. The registered office of the company is 1-72/23(P)/DIVIS/303, Divi Towers, Cyber Hills, Gachibowli, Hyderabad, Telangana, 500032. The equity shares of Divis are listed on the BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE).
- The Board of Directors (Management) of Divis during the Investigation Period were as under –

Table 1	
Name	Designation

Dr. Murali K. Divi	Chairman and Managing Director
N. V. Ramana	Executive Director
Madhusudana Rao Divi	Whole-Time Director
Kiran S Divi	Whole-Time Director
Nilima Motaparti	Whole-Time Director
Dr. G. Suresh Kumar	Non-executive Independent Director
R. Ranga Rao	Non-executive Independent Director
K. V. K. Seshavataram	Non-executive Independent Director
Dr. Ramesh B. V. Nimmagadda	Non-executive Independent Director
L. Kishore Babu	Chief Financial Officer
P V Lakshmi Rajani	Company Secretary & Compliance Officer

4. The shareholding pattern of Divis for the quarters prior to, during and subsequent to the Investigation period is provided below –

Table 2						
Quarterly Shareholding/ Categories	Mar 2017		June 2017		Sept 2017	
	Number of shares	% Shares	Number of shares	% Shares	Number of shares	% Shares
Total Promoter Holding	13,82,31,232	52.07	13,82,31,232	52.07	13,82,31,232	52.07
Non Promoter Holding	12,72,37,348	47.93	12,72,37,348	47.93	12,72,37,348	47.93
Total	26,54,68,580	100	26,54,68,580	100	26,54,68,580	100

5. The annual and quarterly financial results of Divis for the quarters which covered the investigation period are as under:

Table 3(Amount in Rs Crores)				
Description	F.Y	Q.E		
	2017-18	March 2017	June 2017	September 2017
Revenue	3,837.23	1,066.67	821.2	890.2
Other Income	112.48	20.93	29.68	33.59
Total Income	3,949.71	1,087.60	850.88	923.79
Net Profit	869.58	259.29	176.54	206.78

6. Divis had made an announcement on July 10, 2017 (Corporate Announcement) during market hours on the exchange platform titled ‘USFDA to Lift Import Alert 99-32 on the company's Unit-II at Visakhapatnam’. The price and volume data for the scrip, just before and after these announcements, is tabulated below:

Date & Time	Particulars	Price Impact						Remarks
10-Jul-2017 Exchange Disseminated Time: 11:50:35	Divi's Laboratories Limited has informed the Exchange regarding decision of USFDA to Lift Import Alert 99-32 on the Company's Unit-II at Visakhapatnam.							Closing price increased by 7.77% compared to opening price. Volume of trades increased by 32 times of previous day.
		Date	Open	High	Low	Close	No. of shares traded	
		07/07/2017	Rs 655.2	Rs 685.65	Rs 654.55	Rs 680.15	2,17,322	
		10/07/2017	Rs 681.25	Rs 816.15	Rs 681.25	Rs 734.15	71,13,516	

7. It can be observed from the table above that the Corporate Announcement had a positive impact on the price of the scrip.

Unpublished Price Sensitive Information (“UPSI”)

8. The term "unpublished price sensitive information" is defined in Regulation 2(1)(n) of the Insider Trading Regulations, 2015 as under:

"unpublished price sensitive information" means any information, relating to a company or its securities, directly or indirectly, that is not generally available which upon becoming generally available, is likely to materially affect the price of the securities and shall, ordinarily including but not restricted to, information relating to the following: –

- $$\begin{array}{l} \textcircled{\text{I}} \dots\dots\dots \\ \textcircled{\text{II}} \dots\dots\dots \\ \textcircled{\text{III}} \dots\dots\dots \\ \textcircled{\text{IV}} \dots\dots\dots \end{array}$$

(v).....

(vi) *material events in accordance with the listing agreement;*

9. The Corporate Announcement was made by the Company under Regulation 30 of SEBI (LODR) Regulations, 2015. Regulation 30 of SEBI (LODR) Regulations, 2015, which provides that,-
“Every listed entity shall make disclosures of any events or information which, in the opinion of the board of directors of the listed company, is material.....”.
10. The Company had treated the aforesaid information as ‘material’ and disclosed it under Regulation 30 of SEBI (LODR) Regulations, 2015.
11. The information about to the lifting of the US FDA import restrictions leading to the Corporate Announcement falls within the definition of UPSI as per Regulation 2(1)(n)(vi) of SEBI (PIT) Regulations, 2015, which covers material events in accordance with the listing agreement.

CHRONOLOGY OF EVENTS

12. As per the information /documents provided by Divis during investigation, the chronology of events leading up to the aforesaid announcement, is as under –

Table 5	
Date and Time(IST)	Particulars/Events
July 7 2017 at 04:36:23	Email received by Divis (Kiran Devi) from its Regulatory Counsel (who interacted with US FDA) that 99–32 import alert is being lifted.
July 7 2017 at 06:52 AM	The aforementioned email was forwarded by Kiran Divi to four other in Divis including YTS Prasad, General Manager.
July 7 2017 at 8:23 AM	YTS Prasad forwards aforementioned email to six other people in the Company
July 7 2017 at 8:43 AM	YTS Prasad forwards aforementioned email to two more people in the Company
July 10, 2017 around 10:00 am-11:40 am	Materiality of the information is discussed in a meeting. The text of the draft announcement to the exchanges is approved by about 11:40 am
July 10, 2017 11:40 am	After conclusion of the meeting, submission is made to the stock exchange.

THE PERIOD OF UPSI

13. **When did UPSI come into existence** - From the chronology of events provided above, it can be noted that the UPSI come into existence on July 07, 2017 pre-trading hours when Kiran Divi (director of Divis) received an email from the regulatory counsel of Divis about the lifting of the import alert.

14. When did UPSI get published – As per the corporate announcement available on BSE website, the announcement regarding USFDA to Lift Import Alert 99-32 on the Company's Unit-II at Visakhapatnam was made on July 10, 2017 at 11:50 am

15. Period of UPSI – In view of the above, the period of UPSI was identified as July 07, 2017 – 04:36 am to July 10, 2017 - 11:50 am.

INSIDERS

16. Regulation 2(1)(g) of Insider Trading Regulations, 2015 defines the term “insider” as under:

"insider" means any person who is:

i) a connected person; or

ii) in possession of or having access to unpublished price sensitive information;

NOTE: Since “generally available information” is defined, it is intended that anyone in possession of or having access to unpublished price sensitive information should be considered an “insider” regardless of how one came in possession of or had access to such information. Various circumstances are provided for such a person to demonstrate that he has not indulged in insider trading. Therefore, this definition is intended to bring within its reach any person who is in receipt of or has access to unpublished price sensitive information. The onus of showing that a certain person was in possession of or had access to unpublished price sensitive information at the time of trading would, therefore, be on the person leveling the charge after which the person who has traded when in possession of or having access to unpublished price sensitive information may demonstrate that he was not in such possession or that he has not traded or he could not access or that his trading when in possession of such information was squarely covered by the exonerating circumstances.

17. As per Regulation 2(1)(d) of Insider Trading Regulations, 2015, “connected person” has been defined as:

(i) Any person who is or has during the six months prior to the concerned act been associated with a company, directly or indirectly, in any capacity including by reason of frequent communication with its officers or by being in any contractual, fiduciary or employment relationship or by being a director, officer or an employee of the company or holds any position including a professional or business relationship between himself and the company whether temporary or permanent, that allows such person, directly or indirectly, access to unpublished price sensitive information or is reasonably expected to allow such access.

(ii) Without prejudice to the generality of the foregoing, the persons falling with the following categories shall be deemed to be connected persons unless the contrary is established –

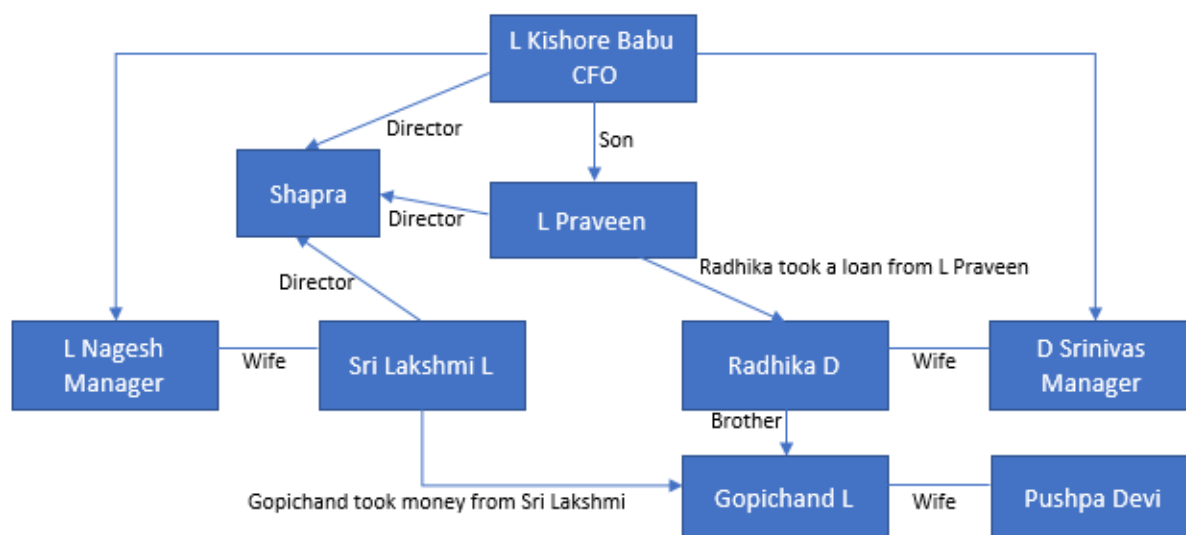
(a) an immediate relative of connected persons specified in clause (i);

(b)

(c)

- (j) a concern, firm, trust, Hindu undivided family, company or association of persons wherein a director of a company or his immediate relative or banker of the company, has more than ten per cent. of the holding or interest;

18. Based on investigation conducted by SEBI, L Kishore Babu, Praveen Lingamneni, Nagesh Lingamaneni, Sri Lakshmi Lingamaneni, D. Srinivasa Rao, Radhika Dronavalli, Gopichand Lingamaneni and Pushpa Latha Devi were identified as “insiders” who had, directly or indirectly, traded in the scrip during the Investigation Period.



19. The details of their connection is as follows:

L Kishore Babu

- a. L Kishore Babu was the CFO of the company and he was reasonably expected to have access to the UPSI for following reasons:
 - 1) L Kishore Babu is a ‘key managerial personnel’ in the company by virtue of his designation as the Chief Financial Officer (CFO). CFO comes under the definition of ‘key managerial personnel’ in section 2(51) of the Companies Act 2013.
 - 2) As the CFO of the company, L Kishore Babu is reasonably expected to know major updates related to the import alert which has significant impact on the financials of the company. He is reasonably expected to have access to the UPSI from July 07, 2017 itself as the information has a significant impact on the financials of the Company. Further,

L Kishore Babu directly reports to Murali Krishna Prasad Divi, Chairman and Managing Director of the Company, who was among the first people from the Company who became privy to information on July 07, 2017

- 3) Further, it was observed that the UPSI had filtered down to the manager level in the organisation before announcement on the exchange platform; so L Kishore Babu being the CFO of the company is reasonably expected to be aware of the said information.
- 4) As per the Minutes of the board meeting dated May 26, 2017, L Kishore Babu was present in the meeting where developments relating to the US-FDA inspection under item # 21 was discussed. Extract of the same is provided below:

“...FDA has issued an import alert (IA) on 20th March 2017 under clause 66-40 and 99-32.Chairman stated that the company has responded to the observations in Form-483 issued by USFDAThe company engaged reputed consultants, subject matter experts as also legal attorneys for advising on the deviations observedHe further stated that the considerable progress has been made with the help of the consultants for analysing the observations and appropriately responding to the US-FDA.”
- 5) L Kishore Babu has confirmed during statement recording before SEBI that he had participated in the said meeting and had heard Chairman saying that considerable progress has been made with the help of the consultants for analysing the observations and appropriately responding to the US-FDA.
- 6) L Kishore Babu was involved in settling the bill of Greenleaf Inc (Regulatory counsel of Divis) as evident from an email dated June 06, 2017. Greenleaf Inc was entrusted the work related to the lifting of import alert 99-32 along with other regulatory compliance work of Divis. This further confirms that he was aware that the company has started the process of getting the import alert lifted.
- 7) L Kishore Babu was also involved during announcements in relation to the imposition of the import alert 99-32. L Kishore Babu was privy to the announcements dated March 22, 2017 and April 08, 2017 as per the submissions of the company dated May 31, 2019 and

May 18, 2018. The said announcements are related to the updates related to import alert 99-32.

- 8) The company claimed that Kiran Divi (director of Divis) met the other two whole time directors of the company at around 10 am on July 10, 2017 to discuss regarding materiality of the information related to lifting of import alert received by the company from their US attorney and the draft of the announcement was given to L Kishore Babu, CFO for intimating the Stock exchange at about 11:40 am on July 10, 2017. However, the company neither provided the minutes of the aforesaid meeting nor any proof of communication by the directors to CFO for disclosure to the exchange. Therefore, in absence of any supporting documents, the contention of the company that L Kishore Babu became privy to UPSI only at 11:40 am on July 10, 2017 and not before that, is not acceptable.
 - 9) Both the Company and L Kishore Babu claimed that Email records of L Kishore Babu during UPSI period have been deleted by L Kishore Babu. Further, the company stated that they don't maintain all email backup from exchange server as per their company practice. They take full backup of Exchange server on every Saturday into a tape and it will be overwritten in subsequent week which will be used for recovery purpose only. Hence, the backup may contain old mails only if the user maintains them in their mailbox. If the user deletes them, they will not be in the backup. It is further observed from the data dump provided by the company that full back up of emails (received/sent) were not maintained in their system by the people who were privy to the UPSI. Hence, the information exchange related to UPSI through the emails could not be verified. It is to be noted here that there is no documentation regarding the process/procedures followed for emails backup for every week as stated in the statement recording of Mr. Manoranjan Jasti, AGM in IT department and Mr. Ramesh Babu L., Chief Information officer.
- b. Praveen Lingamneni is the son of L Kishore Babu. Further, it was also observed that L Kishore Babu has funded the trades of Praveen Lingamneni. Therefore, Praveen Lingamneni and L

Kishore Babu are insiders as per Regulation 2(1)(g)(i) and 2(1)(g)(ii) respectively of the SEBI (PIT) Reg., 2015. Praveen Lingamneni had traded in the scrip of Divis during the UPSI period.

- c. Trading details of Praveen in the scrip of Divis during the period of UPSI is as under:

Table 6

Date	Trading member	Exchange	Instrument Type	Buy Quantity	Sell Quantity
07/07/2017	Kotak Securities Ltd	NSE	Equity	18000	0
07/07/2017	Kotak Securities Ltd	NSE	Stock Future	28000	0
10/07/2017	Kotak Securities Ltd	BSE	Equity	10000	0

Pursuant to above buy trades during UPSI period, following trades of sell were observed with in few days of post announcement wherein all the buy trades during UPSI were either squared off or sold.

Table 7

Date	Trading member	Exchange	Instrument Type	Buy Quantity	Sell Quantity
10/07/2017	Kotak Securities Ltd	BSE	Equity	0	20,000
10/07/2017	Kotak Securities Ltd	NSE	Stock Future	0	20,800
11/07/2017	Kotak Securities Ltd	NSE	Stock Future	0	7,200
11/07/2017	Kotak Securities Ltd	NSE	Equity	0	5,000
12/07/2017	Kotak Securities Ltd	NSE	Equity	0	3,000

Further, it was also observed that Praveen Lingamneni had 100% trading concentration in the scrip of Divis during UPSI period.

- d. Nagesh Lingamaneni who is closely associated with L Kishore Babu had placed the orders in the account of Praveen Lingamneni and the trade confirmation sms was sent to a mobile number registered in the name of L Kishore Babu.
- e. L Kishore Babu had failed to disclose the trades (trade value exceeds Rs 10 Lakhs) executed by his immediate relative Praveen Lingamneni to the company.
- f. L Kishore Babu and Praveen Lingamneni were required to apply for pre-clearance under code of conduct of the company as follows:
 - i. L Kishore Babu, CFO of Divis, is a designated person of the company. His immediate relative Praveen Lingamneni had traded in the scrip of Divis and value of such trade had exceeded ten lakh rupees. Hence, he is required to apply for pre-clearance from the company for such trades executed by his immediate relative.
 - ii. Praveen Lingamneni is the son of L Kishore Babu, a designated person of the company, and he had traded in the scrip of Divis and value of such trade had exceeded ten lakh rupees. Hence, being an immediate relative of L Kishore Babu, designated person, Praveen Lingamneni is required to apply for pre-clearance from the company for such trades.
- g. L Kishore Babu and Praveen Lingamneni did not apply for pre-clearance for their trades as required under the Code of conduct of the company framed in pursuance to the Regulation 9(1) of SEBI (PIT) Reg., 2015.

Sri Lakshmi Lingamaneni and Nagesh Lingamaneni

- a. Sri Lakshmi Lingamaneni, L Kishore Babu (CFO of Divis) and his son, Praveen Lingamneni are the directors of M/s Shapra Innovations India Pvt Ltd.
- b. Nagesh Lingamaneni, husband of Sri Lakshmi Lingamaneni, works in Divis as Manager in Banking and reported to M. Visweswara Rao – AGM (Finance) who further reported to L Kishore Babu, CFO during UPSI period.

- c. Nagesh Lingamaneni had been working in the department headed by L Kishore Babu for last 24 years and there has been direct and frequent communication between them during the past six months prior to the announcement dated July 10, 2017.
- d. Name of Nagesh Lingamaneni has been mentioned as a reference for making further enquiries as per the account opening form of L Kishore Babu received from SBI vide email dated September 03, 2019.
- e. Nagesh Lingamaneni is a connected person as per Regulation 2(1)(d)(i) of SEBI (PIT) Reg., 2015 and hence an insider as per Regulation 2(1)(g) of SEBI (PIT) Reg., 2015.
- f. Sri Lakshmi Lingamaneni, being wife of Nagesh Lingamaneni, is a connected person as per Regulation 2(1)(d)(ii)(a) and 2(1)(d)(i) of SEBI (PIT) Reg., 2015 and hence an insider as per Regulation 2(1)(g)(i) and 2(1)(g)(ii) of SEBI (PIT) Reg., 2015.
- g. Trading details of Sri Lakshmi in the scrip of Divis during the period of UPSI is as under:

Table 8

Date	Trading Member	Exchange	Instrument Type	Buy Quantity	Sell Quantity
07/07/2017	Zen Securities Limited	NSE	Stock Future	16,000	0

Pursuant to above trades during UPSI period, following trades of sell are observed within few hours of post announcement wherein all the buy trades were squared off:

Table 9

Date	Trading Member	Exchange	Instrument Type	Buy Quantity	Sell Quantity
10/07/2017	Zen Securities Limited	NSE	Stock Future	0	16,000

Further, it was also observed that Sri Lakshmi Lingamaneni had 100% concentration in the trading in the scrip of Divis during UPSI period.

- h. Nagesh Lingamaneni had placed the orders for the trade executed during UPSI period through the account of Sri Lakshmi and had also funded the trades.
- i. Nagesh Lingamaneni had also placed the orders on behalf of Praveen Lingamneni in the scrip of Divis during UPSI period. It leads to a strong presumption that L Kishore Babu had communicated the UPSI to Nagesh Lingamaneni.
- j. Nagesh Lingamaneni had failed to disclose the trade (trade value exceeds Rs 10 Lakhs) executed by his immediate relative Sri Lakshmi to the company. Yes, If the company s code of Conduct mandates so.

Radhika Dronavalli

- a. D. Srinivasa Rao, husband of Radhika Dronavalli, works in Divis as Manager in Licensing and reports to B. Lakshmi Narayana– AGM (Bills) who further reports to L Kishore Babu, CFO during UPSI period.
- b. D. Srinivasa Rao had been working in the department headed by L Kishore Babu for last 24 years and there has been direct and frequent communication between them during the past six months prior to the announcement dated July 10, 2017.
- c. Name of D. Srinivasa Rao has been also mentioned as a reference, in addition to Nagesh Lingamaneni, for making further enquiries as per the account opening form of L Kishore Babu received from SBI vide email dated September 03, 2019. This indicates proximity between D. Srinivasa Rao and L Kishore Babu.
- d. D. Srinivasa Rao is an authorised person for the trading account of Radhika Dronavalli and he had placed the orders during UPSI in the scrip of Divis.
- e. Additionally, Radhika Dronavalli has taken loan from Praveen Lingamneni (Son of L Kishore Babu, CFO of the company) and also in turn loaned money to Sri Lakshmi. This indicates close relationship of Radhika Dronavalli with Praveen Lingamneni and Sri Lakshmi. Both Praveen Lingamneni and Sri Lakshmi had traded in the scrip of Divis during UPSI period.

- f. Srinivasa Rao is a connected person as per Regulation 2(1)(d)(i) of SEBI (PIT) Reg., 2015 and hence an insider as per Regulation 2(1)(g)(i) and 2(1)(g)(ii) of SEBI (PIT) Reg., 2015.
- g. Radhika Dronavalli being wife of D. Srinivasa Rao is a connected person as per Regulation 2(1)(d)(ii)(a) of SEBI (PIT) Reg., 2015 and hence an insider as per Regulation 2(1)(g)(i) and 2(1)(g)(ii) of SEBI (PIT) Reg., 2015.
- h. Trading details of Radhika Dronavalli in the scrip of Divis during the period of UPSI is as under:

Table 10

Date	Trading Member	Exchange	Instrument Type	Buy Quantity	Sell Quantity
07/07/2017	Zen Securities Limited	NSE	Stock Future	16,000	0

Pursuant to above trades during UPSI period, following trades of sell are observed with in few hours of post announcement wherein all the buy trades were squared off:

Table 11

Date	Trading Member	Exchange	Instrument Type	Buy Quantity	Sell Quantity
10/07/2017	Zen Securities Limited	NSE	Stock Future	0	16,000

Further, it was also observed that Radhika Dronavalli had 100% concentration in the trading in the scrip of Divis during UPSI period.

- i. D. Srinivasa Rao had placed the order for the trade executed during UPSI period through the account of Radhika.
- j. D. Srinivasa Rao had failed to disclose the trade (trade value exceeds Rs 10 Lakhs) executed by his immediate relative Radhika Dronavalli to the company.

Gopichand Lingamaneni and Pushpa Latha Devi

- a) Gopichand Lingamaneni and Pushpa Latha Devi are husband and wife. Gopichand Lingamaneni is the brother of Radhika Dronavalli, who is an insider.

- b) Gopichand Lingamaneni takes money from Sri Lakshmi, an insider, for investment and business needs from time to time.
- c) Gopichand Lingamaneni is a connected person as per Regulation 2(1)(d)(ii)(a) of SEBI (PIT) Reg., 2015 and an insider as per Regulation 2(1)(g)(i) and 2(1)(g)(ii) of SEBI (PIT) Reg., 2015.
- d) Pushpa Latha Devi being wife of Gopichand Lingamaneni is a connected person as per Regulation 2(1)(d)(ii)(a) of SEBI (PIT) Reg., 2015 and hence an insider as per Regulation 2(1)(g)(i) and 2(1)(g)(ii) of SEBI (PIT) Reg., 2015.
- e) Trading details of Gopichand Lingamaneni in the scrip of Divis during the period of UPSI is as under:

Table 12

Date	Trading Member	Exchange	Instrument Type	Buy Quantity	Sell Quantity
07/07/2017	Sharekhan Ltd	NSE	Stock Future	25,600	-
07/07/2017	Sharekhan Ltd	NSE	Call Option	800	800
07/07/2017	Sharekhan Ltd	NSE	Put Option	-	800
10/07/2017	Sharekhan Ltd	NSE	Stock Future	8,000	-

- f) Gopichand Lingamaneni borrowed money from Radhika Dronavalli and Sri Lakshmi in addition to his own funds.
- g) Trading details of Pushpa Latha Devi in the scrip of Divis during the period of UPSI is as under:

Table 13

Date	Trading Member	Exchange	Instrument Type	Buy Quantity	Sell Quantity
07/07/2017	Sharekhan Ltd	NSE	Stock Future	5,600	-
07/07/2017	Sharekhan Ltd	NSE	Call Option	11,200	11,200
10/07/2017	Sharekhan Ltd	NSE	Stock Future	-	4,800

20. Charges of Insider Trading

- a. In view of the above, I note that it is *prima facie* established that Praveen Lingamneni, L Kishore Babu and Nagesh Lingamaneni, being insiders having access to the UPSI, or having knowledge of the UPSI had traded in the scrip of Divis through the account of Praveen Lingamneni when in possession of the UPSI, thereby indulging in “insider trading”, in terms of regulation 4(1) of the Insider Trading Regulations, 2015. Therefore, Praveen Lingamneni, L Kishore Babu and Nagesh Lingamaneni have *prima facie* violated Section 12A (d) & (e) of SEBI Act, 1992 and regulations 4(1) of Insider Trading Regulations, 2015.
- b. It is also *prima facie* established that L Kishore Babu , an insider, had passed the UPSI to Nagesh Lingamaneni and Nagesh Lingamaneni had placed the order from the account of his wife Sri Lakshmi. Therefore, L Kishore Babu has *prima facie* violated Section 12A (d) & (e) of SEBI Act, 1992 and regulation 3(1) of Insider Trading Regulations, 2015.
- c. It is *prima facie* established that Sri Lakshmi Lingamaneni and her husband Nagesh Lingamaneni, being insider to the UPSI had engaged in trading in the scrip of Divis when in the possession of UPSI through the account of Sri Lakshmi, thereby indulging in “insider trading”, in terms of regulation 4(1) of the Insider Trading Regulations, 2015. Therefore, Sri Lakshmi Lingamaneni and Nagesh Lingamaneni have *prima facie* violated Section 12A (d) & (e) of SEBI Act, 1992 and regulations 4(1) of Insider Trading Regulations, 2015.
- d. It is *prima facie* established that Radhika Dronavalli and her husband D. Srinivasa Rao, being insider to the UPSI had engaged in trading in the scrip of Divis when in the possession of UPSI through the account of Radhika, thereby indulging in “insider trading”, in terms of regulation 4(1) of the Insider Trading Regulations, 2015. Therefore, Radhika Dronavalli and D. Srinivasa Rao have *prima facie* violated Section 12A (d) & (e) of SEBI Act, 1992 and regulations 4(1) of Insider Trading Regulations, 2015.
- e. It is *prima facie* established that Gopichand Lingamaneni and Pushpa Latha Devi, being insider , in terms of the Insider Trading Regulations, had engaged in trading in the scrip of Divis when in the possession of UPSI, thereby indulging in “insider trading”, in terms of regulation 4(1) of the

Insider Trading Regulations, 2015. Therefore, Gopichand Lingamaneni and Pushpa Latha Devi have *prima facie* violated Section 12A (d) & (e) of SEBI Act, 1992 and regulations 4(1) of Insider Trading Regulations, 2015.

21. Wrongful gains made by insiders

- a. Insiders viz., Praveen Lingamneni, Sri Lakshmi Lingamaneni, Radhika Dronavalli, Gopichand Lingamaneni and Pushpa Latha Devi, had traded through their trading account in the scrip of Divis during the UPSI period and the gains made by them is calculated under:

Table 14

BUY			SELL					
Seg ment	Buy Quanti ty(A)	Buy Value (B)	Actual Sell Quantit y (C)	Remain ing Shares Quantit y unsold (D=A-C)	Actual Sell value(E)	Notional Sell Value (F=D*Cl osing price/Sett lement price on July 10, 2017)	Total Sell Value (G=F+E)	Wrong ful Gains made (in Rs) (H=G-B)
Praveen Lingamneni								
Equit y	28,000	190,00,5 58.75	20,000	8,000	151,52,2 23.10	58,78,240	210,30, 463.10	20,29,9 04.35
Stock Futur es	28,000	191,26,7 60	20,800	7,200	152,45,7 60	53,10,360	205,56, 120	14,29,3 60
Total								34,59,2 24.35
Sri Lakshmi Lingamaneni								
Stock Futur es	16,000	105,69,0 00	16,000	-	117,29,2 00	-	117,29, 200	11,60,2 00
Radhika Dronavalli								
Stock Futur es	16,000	105,63,4 00	16,000	-	117,25,4 00	-	117,25, 400	11,62,0 00
Gopichand Lingamaneni								
Stock Futur es	33,600	230,03,3 20	32,000	1,600	233,69,1 20	11,80,080. 00	245,49, 200	15,45,8 80
Call Opti ons	800	14,600	800	-	15,200	-	15,200	600

Pushpa Latha Devi								
Option Stocks	11,200	1,81,280	11,200	-	2,27,040	-	2,27,040	45,760
Stock Futures	5,600	38,36,040	5,600	0	38,70,400	-	38,70,400	34,360

The methodology used to calculate the wrongful gain is as below :

- 1) Number of shares bought/ buy positions taken when in possession of UPSI (July 07, 2017 to July 10, 2017) is taken as Buy Quantity (A).
- 2) Quantities sold/sell positions taken during July 07, 2017 to July 10, 2017 are considered as Actual Sell Quantity (C).
- 3) The quantities of bought shares/buy positions (A) remaining after deducting the actual sold quantities/sell positions (B) is considered as quantity of remaining shares unsold (D=A-C). For these remaining shares quantity unsold (D) , closing price or the settlement price of the scrip on July 10, 2017 was taken as selling price.
- 4) Notional Sell value (E) is calculated for remaining unsold quantity (C) based upon the closing/settlement price of the scrip on the day of the announcement of UPSI on July 10, 2017.
- 5) As the scrip is listed on both the exchanges BSE and NSE, the average of the closing price on both the exchanges was considered as the closing price for the calculation of wrongful gains. Hence, closing price of the scrip on July 10, 2017 is Rs. 734.775 as the closing price of the scrip was Rs 734.15 and Rs 735.4 on BSE and NSE respectively on July 10, 2017.
- 6) Settlement price in the Stock Future of Divis on July 10, 2017 is Rs 737.55.

b. L Kishore Babu, Nagesh Lingamaneni and Praveen Lingamneni had engaged in insider trading in the scrip of Divis through the trading account of Praveen Lingamneni.; Nagesh Lingamaneni and Sri Lakshmi Lingamaneni had engaged in insider trading in the scrip of Divis through the trading account of Sri Lakshmi Lingamaneni; and D. Srinivasa Rao and Radhika Dronavalli had

engaged in insider trading in the scrip of Divis through the trading account of Radhika Dronavalli. Gopichand Lingamaneni and his wife Pushpa Latha Devi are considered as single unit for purpose of impounding of wrongful gains made by them.

22. As the alleged gains were made during July 07, 2017 to July 10, 2017, it becomes reasonable and necessary to levy an interest at the rate of 12% simple interest per annum. The summary of gains made by in aggregate including interest through trading in the scrip of Divis amounted to **Rs. 96,68,182.14** as under –

TABLE 15			
Entity Name (PAN)	Gain (Rs.)	Interest 12% per annum*	Total (Rs.)
Praveen Lingamneni (AAWPL9203A) jointly and severally with L Kishore Babu (AAFPL6754R) and Nagesh Lingamaneni (ABJPL5533F)	3,459,224.35	1,055,395	4,514,619.48
Sri Lakshmi Lingamaneni (ACZPL7827K) jointly and severally with Nagesh Lingamaneni (ABJPL5533F)	1,160,200	353,972.3	1,514,172.25
Radhika Dronavalli (AKGPR0018R) jointly and severally with D. Srinivasa Rao (AEXPD7683R)	1,162,000	354,521.4	1,516,521.42
Gopichand Lingamaneni (ABPPL4081Q) jointly and severally with Pushpa Latha Devi (AEVPL9622G)	1,626,600	496,269.98	2,122,868.98
Total	7,408,024.35	2,260,157.79	9,668,182.14
*Interest calculated on wrongful gains from July 10, 2017 to January 24, 2020			

23. Other charges:

Disclosure Violations:

- a) It is *prima facie* established that L Kishore Babu, Nagesh Lingamaneni and D. Srinivasa Rao had failed to disclose the trades (exceeds Rs Ten lakhs value) executed by their immediate relatives and hence violated Regulation 7(2)(a) of SEBI (PIT) Reg., 2015 read with Regulation 6(2) of SEBI (PIT) Reg., 2015.

Code of Conduct Violations:

b) It is *prima facie* established that L Kishore Babu and Praveen Lingamneni did not apply for pre-clearance for their trades as required under the Code of conduct of the company framed in pursuance to the Regulation 9(1) of SEBI (PIT) Reg., 2015 and hence violated Clause 6 of the Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders as specified in Schedule B r/w Regulation 9(1) of SEBI (PIT) Reg., 2015.

24. With the initiation of quasi-judicial proceedings, it is possible that the Noticees may divert the unlawful gains which may result in defeating the effective implementation of the direction of disgorgement, if any, that may be passed after adjudication on merits. Non-interference by the Regulator at this stage would therefore result in irreparable injury to interests of the securities market and the investors. It therefore becomes necessary for SEBI to take urgent steps of impounding and retaining the proceeds (wrongful gains) allegedly made by aforementioned insiders, by way of an interim measure. Considering the facts and circumstances of the case, the balance of convenience lies in favour of SEBI.

25. Accordingly, as an interim measure, an Ad-Interim Ex-Parte Order for impounding such alleged profits under Section 11(1) read with 11(4)(d) and 11B(1) of the SEBI Act read with Regulation 10 of the Insider Trading Regulations, 2015 needs to be issued against aforementioned insiders..

Order –

26. In view of the foregoing, I, in exercise of the powers conferred upon me in terms of Section 19 read with Sections 11(1),11(4)(d)and Section 11B(1) of the SEBI Act read with Regulation 10 of the Insider Trading Regulations, 2015, hereby issue the following directions:

a. I hereby impound the alleged unlawful gains of a sum of Rs. 96,68,182.14 (**alleged gains of Rs. 74,08,024.35 + interest of Rs. 22,60,157.79 for the period July 10, 2017 to January 24, 2020 from following entities/persons.**

TABLE 16

ENTITY		PAN
1.	Praveen Lingamneni	AAWPL9203A
2.	L Kishore Babu	AAFPL6754R
3.	Nagesh Lingamaneni	ABJPL5533F
4.	Sri Lakshmi Lingamaneni	ACZPL7827K
5	Radhika Dronavalli	AKGPR0018R
6	D. Srinivasa Rao	AEXPD7683R
7	Gopichand Lingamaneni	ABPPL4081Q
8	Pushpa Latha Devi	AEVPL9622G

- b. Details of wrongful gains plus the interest component being impounded from the respective entities/persons are provided in Table 15.
- c. The Banks are directed that no debits shall be made, without permission of SEBI, in respect of the bank accounts held by all the persons/entities tabulated under Table 16. Further, the Depositories are also directed that no debit shall be made, without permission of SEBI, in respect of the demat accounts held by the above said persons. However, credits, if any, into the accounts maybe allowed. The Banks and the Depositories are directed to ensure that all the above directions are strictly enforced. Further, debits may also be allowed for amounts available in the account in excess of the amount to be impounded. Banks are allowed to debit the accounts for the purpose of complying with this Order.
- d. The persons/ entities tabulated under Table 16 above are also directed not to dispose of or alienate any of their assets/properties/securities, till such time the amount mentioned in paragraph 26(a) is credited to an Escrow Account [“Escrow Account in Compliance with SEBI Order dated July 01, 2020 A/c (in the name of the respective persons/entities)”] created specifically for the purpose in a Nationalized Bank. The Escrow Account/s shall create a lien in favour of SEBI and the monies kept therein shall not be released without permission from SEBI. On production of proof by any of the persons mentioned in Table 16 that the said money is deposited in the Escrow Account, SEBI shall communicate to the Banks and Depositories to defreeze the accounts.

- e. Further, the persons/entities tabulated under Table 16 above are directed to provide, within 7 days of this Order, a full inventory of all their assets and properties and details of all their bank accounts, demat accounts and holdings of shares/securities, if held in physical form and details of companies in which they hold substantial or controlling interest.

27. The observations/findings contained in this Order are made on the basis of Investigation concluded by SEBI in the matter. The findings in this order may be treated as allegations against the respective entities for the purpose of show cause against them. Accordingly, the persons mentioned under Table 16 are advised to show cause as to why suitable directions, including the following, should not be issued/imposed against them under Sections 11(1), 11(4) and 11B(1) of the SEBI Act, 1992 for the alleged violations of the provisions of Sections 12A(d) & (e) of the SEBI Act, 1992 and regulations 4(1) of Insider Trading Regulations, 2015:

- a. Directing them to disgorge an amount equivalent to the total gains made on account of insider trading in the scrip of Divis along with interest,
- b. Directing them to refrain from accessing the securities market and prohibiting them from buying, selling or otherwise dealing in securities for an appropriate period.

28. Praveen Lingamneni is also called upon to show cause as to why appropriate directions for imposing penalty under section 11B(2) and 11(4A) read with section 15G and 15 HB of the SEBI Act, 1992 and read with Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 should not be issued against him for the alleged violations of the aforementioned provisions of SEBI Act and PIT, 2015.

29. L Kishore Babu is also called upon to show cause as to why appropriate directions for imposing penalty under section 11B(2) and 11(4A) read with section 15G, 15A(b) and 15 HB of the SEBI Act, 1992 and read with Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 should not be issued

against him for the alleged violations of the aforementioned provisions of SEBI Act and PIT, 2015.

30. Nagesh Lingamaneni and D. Srinivasa Rao are also called upon to show cause as to why appropriate directions for imposing penalty under section 11B(2) and 11(4A) read with section 15G and 15A(b) of the SEBI Act, 1992 and read with Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 should not be issued against them for the alleged violations of the aforementioned provisions of SEBI Act and PIT, 2015.
31. Sri Lakshmi Lingamaneni, Radhika Dronavalli, Gopichand Lingamaneni and Pushpa Latha Devi are also called upon to show cause as to why appropriate directions for imposing penalty under section 11B(2) and 11(4A) read with section 15G of the SEBI Act, 1992 and read with Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 should not be issued against them for the alleged violations of the aforementioned provisions of SEBI Act and PIT, 2015.
32. The persons/ entities mentioned under Table 16 may file their replies to SEBI within 30 days from the date of receipt of this order. They may also indicate in their replies whether they wish to avail an opportunity of personal hearing in the matter.
33. This Order shall come into force with immediate effect and shall be in force till further Orders.
34. This Order shall be served on all Recognized Stock Exchanges, Depositories and Registrar and Share Transfer Agents and Banks to ensure necessary compliance perusal.

Place: Mumbai
Date: July 01, 2020

G.MAHALINGAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA