WTM/AB/IVD/ID 7/03/2021-22

SECURITIES AND EXCHANGE BOARD OF INDIA

FINAL ORDER

Under Sections 11B of the Securities and Exchange Board of India Act, 1992

In respect of:

S. No.	Name of the Noticee	PAN
1.	Jasti Family Trust	AACTJ0709R
2.	Shri Venkateswarlu Jasti, Chairman & CEO – Suven Life Sciences Ltd.	ACEPJ1919K
3.	Smt Venkata Vajramma Uppalapati	AEYPU0514M
4.	Shri Pardhasaradhi Uppalapati	AGSPC0190K
5.	Shri Lakshmana Rao Veeramachaneni	ABLPV7198J

In the matter of Suven Life Sciences Ltd.

(The aforesaid entities are hereinafter referred to individually, by their respective names/ Noticee numbers and collectively as "the Noticees".)

1. The present proceedings emanate from a show cause notice dated January 11, 2019 (hereinafter referred to as "**SCN**") issued by the Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") to the Noticees asking them to show cause as to why appropriate directions under section 11B of the SEBI Act, 1992 should not be issued against them and Noticee no. 1 was also called upon to show cause as to why appropriate directions, including direction for disgorgement should not be issued against it for the unlawful gains made. The SCN alleged that the Noticees 1, 2, 3, 4, and 5 being insiders of Suven Life Sciences Ltd. (hereinafter referred to as "**Suven**" ***/*** "**the company**") within the definition of the relevant provision of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (hereinafter referred to as "**PIT Regulations, 2015**"), had traded, directly or indirectly, in the scrip of Suven while in possession of unpublished price sensitive information (hereinafter referred to as "**UPSI**") and have thereby allegedly violated Section 12A(d) and (e) of the Securities and

Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act, 1992**") and Regulation 4(1) of the PIT Regulations, 2015.

2. The SCN was came to be issued by SEBI pursuant to an investigation carried out by SEBI into the trading activities of certain entities in the scrip of Suven for the period from June 17, 2015 to September 10, 2015 (hereinafter referred to as "**the investigation period**"/ "**IP**").

3. The brief facts of the case, as mentioned in the SCN are as follows:

3.1. Suven is in the business of design, manufacture and supply of bulk actives, drug intermediaries & fine chemicals, Drug Discovery & Development Support Services and Contract Research & Manufacturing Services catering to the needs of global life science industry, is committed to provide customers with products fulfilling customer's needs and expectations. The company has its registered address at Hyderabad. The shares of the company are listed on BSE & NSE.

3.2. The details of the management of Suven during the investigation period, as per their Annual Report for financial year 2015-2016, are as under:

Table 1

S.No.	Name	Designation	S.No.	Name	Designation
1	Shri Venkateswarlu Jasti	Chairman & CEO	5	Shri D G Prasad	Director
2	Smt Sudha Rani Jasti	Whole-Time Director	6	Prof Seyed E Hasnain	Director
3	Dr. M R Naidu	Director	7	Shri M Gopala Krishna,IAS (Retd.)	Director
4	Dr. K V Raghavan	Director			

3.3. The Shareholding pattern of Suven for the period covering the IP is as follows:

Table 2

Particulars	Q.E Mar 2015			Q.E Jun 2015			Q.E Sept 2015		
	No. of share holders	No. of shares	% of total shareholding	No. of share holders	No. of shares	% of total shareholding	No. of share holders	No. of shares	% of total shareholding
Promoter & Promoter group Holding	6	7,56,57,576	59.44	6	7,56,57,576	59.44	6	7,58,20,000	59.57

Non Promoter Holding	48,424	5,16,24,902	40.56	55,647	5,16,24,902	40.56	59,466	5,14,62,478	33.23
Total Shareholding	48,430	12,72,82,478	100.00	55,653	12,72,82,478	100.00	59,472	12,72,82,478	100.00

Particulars	**Q.E Dec 2015**		
	No. of share holders	**No. of shares**	**% of total shareholding**
Promoter & Promoter group Holding	6	7,58,20,000	59.57
Non Promoter Holding	60,302	5,14,62,478	40.43
Total Shareholding	60,308	12,72,82,478	100.00

3.4. The annual and quarterly financial results of Suven for various quarters which are covered under the IP, are given below:

Table 3
(in `crores)

Description	**F.Y**		**Q.E**			
	2014-15	**2015-16**	**March 2015**	**June 2015**	**September 2015**	**December 2015**
Net Sales	520.86	500.28		101.17	116.93	112.50
Other Income	8.58	19.62		5.14	6.02	3.97
Total Income	529.44	519.90		106.32	122.95	116.47
Profit After Tax	108.75	100.08		20.60	25.24	17.72

3.5. The Price Volume data of the scrip of Suven on BSE for the period pre, during and post IP is given below:

Table 4

Period	**Duration**		**Opening Price(in `)/Vol. on 1st day of period**	**High Price(in `)/Vol. during the period**	**Low Price(in `)/Vol. during the period**	**Closing Price (in `)/Vol. on last day of period**	**Avg. no of shares traded daily during the period**
Pre-Investigation	17/03/2015 – 16/06/2015	Price	305.85	338.50 (15/04/2015)	225 (12/06/2015)	245.55	3,15,099
		Vol.	22,15,189	22,15,189	1,03,428	3,21,546	

				(17/03/2015)	(12/05/2015)		
Investigation	17/06/2015 – 10/09//2015	Price	247.20	277.50 (20/07/2015, 21/07/2015)	192.15 (08/09/2015)	231.55	1,30,501
		Vol.	1,91,317	9,67,406 (01/10/2015)	54,362 (09/09/2015)	7,24,400	
Post-Investigation	11/09/2015-10/12/2015	Price	237.00	308.70 (05/10/2015)	226.30 (14/09/2015)	250.90	1,87,359
		Vol.	3,20,321	9,67,406 (01/10/2015)	53,291 (11/11/2015)	1,28,634	

3.6. The BSE price volume chart for the scrip of Suven during the IP is as follows:

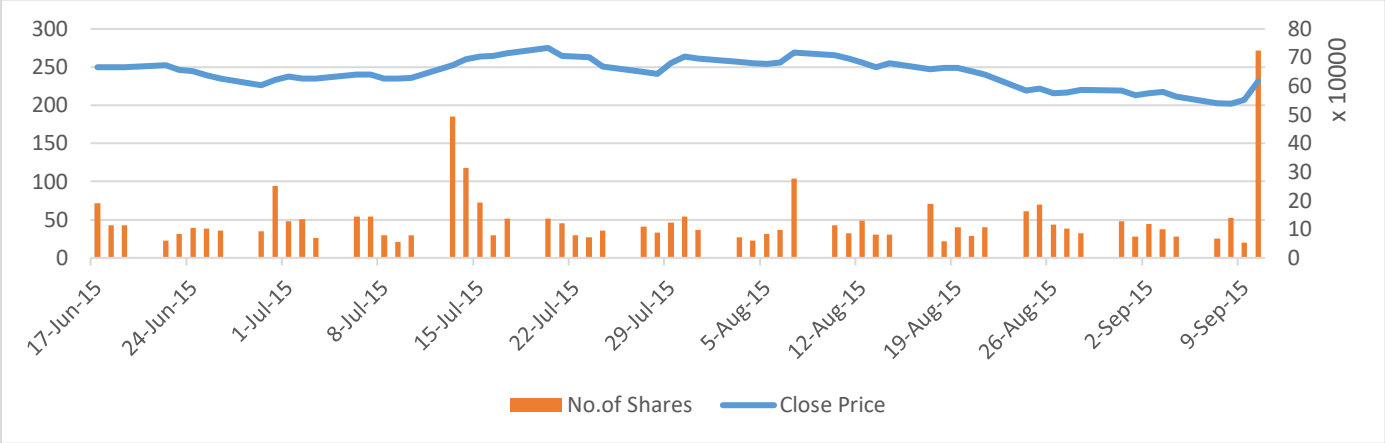

Figure 1

3.7. The closing price of the scrip Suven was Rs.218.45/- on BSE & Rs. 218.25/- on NSE, as on July 04, 2018.

3.8. The details of corporate announcements made by Suven, on September 10, 2015, are as under: -

Table -5

1.	10/09/2015 11:06 (BSE)	Suven secures 5 Product Patents in China, Israel, Mexico, Singapore & Sri Lanka	**Date**	**O**	**H**	**L**	**C**	**No. of shares traded**	The closing price of the scrip increased by 8.46% on the day of announcement in comparison to the previous closing price.
			09/09/2015	206.80	210.80	205.40	206.86	54,362	
			10/09/2015	205.00	234.95	197.60	224.37	7,24,400	

3.9. With regard to the aforementioned corporate announcement, as per the letter dated July 05, 2016 of Suven, the chronology of events in relation to the press release dated September 10, 2015 titled “Suven Life Sciences secures five (5) Product Patents in China, Israel, Mexico, Singapore and Sri Lanka” is as under:

Table 6

Country	Date of Apply to the competent authority	Date - First communication w.r.t the acceptance of the request of patent	E-mail/original letter	Date - first come to know about the approval of the patent	E-mail/original letter
China	03-Sept-2012	18-May-2015	E-mail	20-Aug-2015	Letter
Israel	01-Jul-2012	29-Jan-2015	Letter	28-Jul-2015	E-mail
Mexico	02-Jul-2012	02-Apr-2015	E-mail	17-Jun-2015	Letter
Singapore	03-Sept-2012	24-Dec-2014	E-mail	03-Jul-2015	Letter
Sri Lanka	27-May-2009	Received direct grant		24-Jul-2015	E-mail

3.10. Suven had made 16 corporate announcements in total during FY 2015-16 relating to securing of product patents in every month except August and November. It was also observed from the said corporate announcements that the announcements are similar to one another. However, the corporate announcement dated September 10, 2015 was different from the other like natured corporate announcements made during FY 2015-16 in the following manner:

- Phase 1 candidate SUVN-G3031 for Alzheimer's disease and Schizophrenia was announced as completed in corporate announcement dated September 10, 2015.
- Phase 2 ready developmental candidate SUVN-502 announced as Phase 2 initiated candidate SUVN-502 in corporate announcement dated September 10, 2015.
- Phase 1 initiated candidate SUVN-D4010 for Alzheimer's disease and Schizophrenia was announced for the first time in corporate announcement dated September 10, 2015.

3.11. From the above, it is observed that there was a difference in the nature of the corporate announcement dated September 10, 2015. Further, the said corporate announcement dated September 10, 2015 had materially impacted the scrip price, such that the closing price of the scrip increased by 8.46% on the day of announcement in comparison to the previous closing price.

3.12. It is observed that all the above corporate announcements were concerned with Suven receiving patent approvals. Information regarding the number of patent approvals received by Suven for FY 2014-15, 2015-16 & 2016-17 along with the

market potential for the same was sought from the Company. Suven, vide letter dated August 09, 2017 mentioned that they had secured 120, 195 & 141 patents for the FY 2014-15, 2015-16 & 2016-17, respectively. Further, Suven mentioned that "monetization can take place only after multiple phases of clinical trials in patients affected with the disease and if it is successful then only the sales will occur. The time lines from grant of patent to successful clinical trial ranges anywhere from 7 to 10 years and there is no guarantee of success. As a matter of fact the disease area (Alzheimer's) where we are working has no success since 2003 globally by any pharmaceutical company. It is for the stated reasons the granted patents to our Company have zero market value as of now. While giving news releases we always caution the public/investors that the forward looking statements made herein are subject to many risk factors."

3.13. In this regard, it is observed that considering the nature of the corporate announcement dated September 10, 2015 vis-à-vis the other corporate announcements preceding it in the same financial year, along with the impact of the same on the scrip price, the information pertaining to the press release dated September 10, 2015 titled "Suven Life Sciences secures five (5) Product Patents in China, Israel, Mexico, Singapore and Sri Lanka" is a Price Sensitive Information (hereinafter also referred to as "**PSI**").

3.14. Further, from the chronology of events as discussed above, the PSI related to the securing of 5 Product Patents in China, Israel, Mexico, Singapore and Sri Lanka had come into existence on June 17, 2015 (as chronologically this was the first date when patent was secured in relation to one of the 5 countries, viz. China, Israel, Mexico, Singapore and Sri Lanka).

3.15. It is also observed that the press release pertaining to Suven securing 5 Product Patents in China, Israel, Mexico, Singapore and Sri Lanka was made on September 10, 2015, 11:06 AM. Thus, it is observed that the period from June 17, 2015 to September 10, 2015, 11:06 AM is the period of UPSI.

3.16. Details were sought from Suven with respect to all persons including promoters/directors/employees and/or any other persons (whether connected to Suven or not) who were having access to and/or in possession of the information pertaining to the press release dated September 10, 2015. As per the information submitted by Suven vide its letter dated July 24, 2017, it is observed that the following persons were having access to and/or in possession of the UPSI:

S.No.	Name of Person	Designation	PAN
1.	Shri Ramakrishna Venkata Satya Nirogi	Vice President, Discovery Research	AAEPR0393K
2.	Ms Jyosna Devi Ravula	Senior Principal Scientist, IPM (Intellectual Property Management)	AJDPR1132Q
3.	Shri Dhakshina Moorthy C	Senior Scientist, IPM	AMZPD8721G
4.	Shri Venkateswarlu Jasti	Chairman & CEO	ACEPJ1919K
5.	Ms Padmaja Siddabathula	Executive – Chairman Office	BMSPS8944J
6.	Shri Subramaniam Hariharan	Consultant – Subramaniam & Associates (Law Firm)	AABPH0358K

3.17. During the course of investigation, it was observed that even though none of the entities mentioned at the above table traded in the scrip of Suven in their own account, on BSE & NSE during the IP, certain entities who are related to the entities mentioned in the above table had traded in the scrip of Suven. The details of the said relation and trades are discussed as under:

3.18. Trading details attributed to Smt Venkata Vajramma Uppalapati (hereinafter referred to as "**Smt Vajramma**" **/** "**Noticee No.3**"): It is observed that the trading details of Smt Vajramma on BSE & NSE are as follows:

Exchange - BSE

Date	Buy Qty	Wt. Avg Buy Price (in Rs.)	Sell Qty	Wt. Avg Sell Price (in `)
Prior to UPSI Period (March 17, 2015 – June 16, 2015)				
No trades observed related to Smt Vajramma				
During UPSI Period (June 17, 2015 – September 10, 2015, 11:06 AM)				
14/08/2015	7,192	254.91	-	-
17/08/2015	25,000	244.93	-	-
24/08/2015	2,500	231.99	-	-
Total	**34,692**	**246.06**	-	-
Post UPSI Period (September 10, 2015, 11:06 A.M – December 10, 2015)				
No trades observed related to Smt Vajramma				

Exchange - NSE

Date	Buy Qty	Wt. Avg Buy Price (in Rs.)	Sell Qty	Wt. Avg Sell Price(in `)
Prior to UPSI Period (March 17, 2015 – June 16, 2015)				
No trades observed related to Smt Vajramma				
During UPSI Period (June 17, 2015 – September 10, 2015, 11:06 AM)				
14/08/2015	64,633	254.75	-	-
17/08/2015	94,675	244.73	-	-

24/08/2015	14,044	231.97	-	-
Total	**173,352**	**247.43**	-	-
Post UPSI Period (September 10, 2015, 11:06 A.M – December 10, 2015)				
No trades observed related to Smt Vajramma				

3.19. As seen from the tables above, trades relating to Smt Vajramma in the scrip of Suven were observed during the UPSI period only and no trades were observed to have been done 3 months pre-UPSI period and 3 months post-UPSI period.

3.20. In this regard, it is observed that Smt Vajramma is the mother-in-law of Shri Venkateswarlu Jasti (hereinafter referred to as "**Venkateswarlu**" **/** "**Noticee no. 2**"), the Chairman & CEO of Suven. Further, she shared common address with Shri Venkateswarlu, viz. Plot No. 396, Room No. 22B, Jubilee Hills, Hyderabad – 500 033, during the IP. Therefore, it is observed that she is a connected person as per Regulation 2(1)(d)(ii)(a) of PIT Regulations, 2015 and, hence, an insider as per Regulation 2(1) (g)(i) of PIT Regulations, 2015.

3.21. Vide letter dated February 20, 2018, Smt Vajramma, *inter alia*, stated that:

> "…
>
> *c) Complete addresses (present & past) – Present Address: Plot No. 396, Road No.22B, Jubilee Hills,Hyderabad – 500 033 Telangana*
>
> *d) Date of Birth (in DD/MM/YYYY format) – 21-08-1934*
>
> *e) Educational background – Studied upto 5th standard*
>
> *…*
>
> *g) Complete details regarding profession and/or employment history (since beginning till date) – I did not work anywhere since beginning till date.*
>
> *I have applied for PAN in the month of July 2015 as such there will be no Income Tax Return for the financial year 2014-15….*
>
> *…*
>
> *I knew only Shri Venkateswarlu Jasti who is my son-in-law and Shri Lakshmana Rao Veeramachaneni friend of my son who helps me.*"

3.22. Vide letter dated March 15, 2018, Smt Vajramma, *inter alia*, stated that all orders in her trading account was placed by Shri VL Rao (Noticee no. 5) during the relevant period. The same was confirmed by Noticee no. 5 vide his letter dated March 15, 2018. He stated that the son (viz. Shri Pardhasaradhi Uppalapati/Noticee no. 4) of Smt Vajramma requested him to place orders for investments of funds which were being managed by him for his mother and Smt

Varjamma signed the papers accordingly. He stated that he consented to extend his help at the request of his friend for placing orders since he could not do it on his own as he was based out of USA.

3.23. Further, the stock broker through which the orders in the scrip of Suven relating to Smt Vajramma during the UPSI was being placed stated that the orders in the trading account of Smt Vajramma was being placed by Noticee no. 5 over telephone and provided a copy of the authorization letter in this regard. It was also observed that the date of opening of her trading account with Zen Securities Limited was July 24, 2015, which was during the UPSI period.

3.24. Trading details attributed to Jasti Family Trust (hereinafter referred to as "**JFT**" ***/*** "**Noticee 1**"): The trades attributed to JFT on BSE & NSE are as follows:

Date	Buy Qty	Wt. Avg Buy Price (in Rs.)	Sell Qty	Wt. Avg Sell Price (in `)
Prior to UPSI Period (March 17, 2015 – June 16, 2015)				
No trades observed related to JFT				
During UPSI Period (June 17, 2015 – September 10, 2015, 11:06 AM)				
31/08/2015	56,999	219.74	-	-
Total	**56,999**	**219.74**	**-**	**-**
Post UPSI Period (September 10, 2015, 11:06 A.M – December 10, 2015)				
No trades observed related to JFT				

Exchange - BSE

Date	Buy Qty	Wt. Avg Buy Price (in Rs.)	Sell Qty	Wt. Avg Sell Price (in `)
Prior to UPSI Period (March 17, 2015 – June 16, 2015)				
No trades observed related to JFT				
During UPSI Period (June 17, 2015 – September 10, 2015, 11:06 AM)				
31/08/2015	1,05,425	219.81	-	-
Total	**1,05,425**	**219.81**	**-**	**-**
Post UPSI Period (September 10, 2015, 11:06 A.M – December 10, 2015)				
No trades observed related to JFT				

Exchange - NSE

3.25. As shown in the table above, trades relating to JFT in the scrip of Suven was observed during the UPSI period only and no such trades were observed in the scrip of Suven, 3 months pre-UPSI period and 3 months post-UPSI period.

3.26. Vide letter dated February 23, 2018, JFT *inter alia* mentioned the following:

"…

- *The affairs of Jasti Family Trust are being managed by its sole trustee i.e., M/s Jasti Property and Equity Holdings Pvt Ltd.*
- *The orders were placed by Shri Venkateswarlu Jasti (representing sole trustee) over phone with Zen Securities Ltd, Hyderabad.*

…"

3.27. It is observed from the above that the affairs of JFT were being managed by its sole trustee, viz. M/s Jasti Property and Equity Holdings Pvt Ltd. One of the promoters of the sole trustee was Venkateswarlu Jasti (Noticee no. 2), who was also on the Board of the sole trustee. Further, it is stated that Venkateswarlu Jasti (representing sole trustee) was placing orders over telephone with Zen Securities Ltd for JFT in the scrip of Suven during the UPSI period. The same was confirmed by Zen Securities Limited vide letter dated January 11, 2017. Therefore, after analyzing the replies of the entity JFT and stock broker Zen Securities Limited, it is thus alleged that trades relating to JFT in the scrip of Suven were being placed by, Shri Venkateswralu Jasti (Noticee no. 2). JFT also shared common address with Shri Venkateswarlu, viz. Plot No. 396, Room No. 22B, Jubilee Hills, Hyderabad – 500 033 during the IP. As is noted from Table 7 at Paragraph 2.14, Shri Venkateswarulu Jasti is also the Chairman & CEO of Suven Life Sciences Ltd, and is an insider. Therefore, it is observed that JFT is a connected person as per regulation 2(1)(d)(ii)(j) of PIT Regulations, 2015 and, hence, an insider as per regulation 2(1)(g)(i) of PIT Regulations, 2015.

3.28. Trading details of Lakshmana Rao Veeramachaneni (hereinafter referred to as "**VL Rao**" **/** "**Noticee 5**"): The trading details of VL Rao are as under:

Exchange - NSE

Date	Buy Qty	Wt. Avg Buy Price (in Rs.)	Sell Qty	Wt. Avg Sell Price (in `)
Prior to UPSI Period (March 17, 2015 – June 16, 2015)				
17/03/2015	1,000	308.00	900	303.69
18/03/2015	-	-	100	306.25
17/04/2015	200	317.70	-	-
20/04/2015	200	301.20	-	-
24/04/2015	100	299.20	-	-
04/05/2015	200	286.50	-	-
29/05/2015	300	276.00	-	-
04/06/2015	100	248.00	-	-
12/06/2015	100	229.00	-	-

Total	**2,200**	**295.23**	**1,000**	**303.95**
During UPSI Period (June 17, 2015 – September 10, 2015, 11:06 AM)				
18/06/2015	100	249.50	-	-
29/06/2015	200	226.00	-	-
24/07/2015	100	249.73	-	-
17/08/2015	700	243.55	-	-
21/08/2015	100	237.20	-	-
24/08/2015	200	224.48	-	-
25/08/2015	100	211.00	-	-
08/09/2015	100	194.00	-	-
Total	**1,600**	**234.20**	**-**	**-**
Post UPSI Period (September 10, 2015, 11:06 A.M – December 10, 2015)				
10/09/2015	-	-	100	226.00
Total	**-**	**-**	**100**	**226.00**

3.29. Shri VL Rao, DGM (Accounts) of Suven, vide his letter dated March 15, 2018, *inter alia* stated that he knew the entities listed at S. No. 1-3 & 5 of above, who were employed in Suven. He further stated that he knew Shri Venkateswarlu (Noticee no. 2), as the Chairman & CEO of Suven. He knew the suspected entity Smt Vajramma (Noticee no. 3) as mother of his friend, Shri Pardhasaradhi Uppalapati (Noticee no. 4), and he was placing orders in the trading accounts of Smt Vajramma in the scrip of Suven on the request of Noticee no. 4. He also stated that he knew JFT which was promoted by the promoters of Suven. Shri VL Rao has been associated with Suven since November 02, 1989 when he joined Suven as Accountant and therefore has an association with Suven exceeding 25 years. It is thus observed that Shri VL Rao knew Shri Pardhasaradhi (Noticee no. 4), who in turn is an insider as per regulation 2(1)(d)(ii)(a) read with regulation 2(1)(g)(i) of PIT Regulations, 2015, for more than 25 years and he was the only person who was authorized to place orders on behalf of Smt Vajramma during the IP. Thus, it is observed that Shri VL Rao was a connected person who was reasonably expected to have access to the UPSI as per regulation 2(1)(d)(i) of PIT Regulations, 2015 and, hence, an insider as per regulation 2(1)(g)(i) of PIT Regulations, 2015.

3.30. Vide email dated June 20, 2017, the stock broker (viz. ICICI Securities Ltd) mentioned that Shri VL Rao placed orders through online mode during the relevant period.

3.31. In view of the above facts, it is summarized as under:

i) With respect to the trades attributed to JFT (Noticee no. 1), who is a connected person and an insider, it is alleged that its trades in the scrip of Suven, were being placed by an insider, Shri Venkateswralu Jasti (Noticee no. 2), Chairman & CEO of Suven Life Sciences Ltd.

ii) It is alleged that Shri Venkateswarlu (Noticee no. 2) who was an insider has communicated the UPSI to his brother-in-law Shri Pardhasaradhi (Noticee no. 4), who was taking investment decisions on behalf of his mother, Smt Vajramma (Noticee no. 3).

iii) With respect to the trades attributed to Shri Vajramma (Noticee no. 3) who is a connected person and insider, it is alleged that the orders in the said trading account relating to Smt Vajramma were being placed by Shri VL Rao (Noticee no. 5) upon request of his friend Shri Pardhasaradhi (Noticee no. 4) during the relevant period. It is also observed that Smt Vajramma's son, Shri Pardhasaradhi (Noticee no. 4), takes care of management of her investible funds whereas the role of Smt Vajramma was limited to merely signing necessary papers as and when required. It is therefore alleged that Smt Vajramma had lent her account for trading.

iv) Shri VL Rao (Noticee no. 5) (who is a connected person and insider) was placing orders on her behalf, upon the request of his friend Shri Pardhasaradhi (who is also a connected person and an insider).

3.32. As per Sections 12A(d) and 12A(e) of the SEBI Act, 1992, a person, is prohibited from engaging in insider trading or dealing in securities, either directly or indirectly, while in possession of material or non-public information. In view of the same, it is alleged that Noticees 1, 2, 3, 4, and 5, being insiders within the definition of the relevant provision of PIT Regulations, 2015, had traded, directly or indirectly, in the scrip of Suven while in possession of UPSI and have thereby allegedly violated Regulation 4(1) of the PIT Regulations, 2015 and Section 12A(d) and (e) of the SEBI Act, 1992.

3.33. As per Section 12A(d) and 12A(e), a person is prohibited from directly or indirectly engaging in insider trading and also from communicating material or non-public information to any other person. It is therefore alleged that, Noticee no. 2, being insider within the definition of the relevant provision of PIT Regulations, 2015 had communicated UPSI to Noticee no. 4 and has thereby allegedly violated Regulation 3(1) of the PIT Regulations, 2015 and Section 12A(d) and (e) of the SEBI Act, 1992.

Profits made by Noticee 1 while trading in the scrip of Suven during the UPSI period:

3.34. The Closing Price of the scrip on the day of UPSI becoming Public was Rs. 231.55/- and Rs. 230.80/- on BSE and NSE, respectively. Accordingly, the unlawful notional gains/losses made/incurred by JFT (Noticee no. 1) while trading in the scrip of Suven during the UPSI period was Rs.18.31 lakhs approx. The details are as under:

Table 13

Exchange	Buy Qty	Wt Avy Buy Price	Sell Qty	Unlawful Gains made (in Rs.)	Period of UPSI
Jasti Family Trust					
BSE	56,999	219.74	56,999	**18,31,779**	June 17, 2015 to September 10, 2015
NSE	1,05,425	219.81	1,05,425		
Total Unlawful gains	**1,62,424**	**219.78**	**1,62,424**		

4. The following annexures were provided with the SCN:

Annexures to SCN	
Annexure	**Particulars**
1.	Letter from Suven dated July 05, 2016
2.	Details of the major corporate announcements made by Suven, on BSE, during the FY 2015-16 relating to securing of product patents
3.	Price impact of corporate announcement dated September 10, 2015
4.	Letter from Suven dated August 09, 2017
5.	Letter from Suven dated July 24, 2017
6.	Copy of KYC details of Smt. Vajramma
7.	Letter of Smt. Vajramma dated February 20, 2018
8.	Letter of Smt. Vajramma dated March 15, 2018
9.	Authorization letter with respect to trading on the account of Smt. Vajramma

10.	Letter from JFT dated February 23, 2018
11.	Letter from Zen Securities Limited dated January 11, 2017
12.	Letter from Shri VL Rao, DGM (Accounts) of Suven, dated March 15, 2018
13.	Email dated June 20, 2017 from the stock broker, ICICI Securities Ltd.

5. The SCN was served on all Noticees. Vide a letter dated February 01, 2019 the Noticees sought inspection of documents. An opportunity of inspection of documents was provided to the Noticees on July 16, 2019 which the Noticees availed. Thereafter, an opportunity of hearing was provided to the Noticees on April 08, 2020. The Noticees sought adjournment due to non- availability of their counsel. A final opportunity of hearing was granted to the Noticee on November 06, 2020. The Authorized Representative of the Noticee appeared through video conference on the said date and made submissions.

6. Vide its email dated November 29, 2020 the Noticees made the following reply cum written submissions with respect to the allegations in the SCN:

6.1. The SCN alleges that the purchases of shares of Suven made by Noticee No. 1, Noticee No. 3 and Noticee No. 5 and the sale of shares by Noticee No. 5 (100 shares) between June 17, 2015 and September 10, 2015 (hereinafter referred to as "**UPSI period**") was motivated by possession of allegedly UPSI. Such alleged UPSI is alleged to the contents of the press release issued on September 10, 2015 ("Press Release"). In other words, the allegation is that the underlying contents of the Press Release would *per se* be regarded as UPSI and any and every trade effected when in possession of such contents would be regarded as being violative of the Regulation 4(1) of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 ("PIT Regulations"), and thereby Section 12A (d) and (e) of the SEBI Act, 1992.

6.2. The aforesaid allegation is sought to be supported by an assumption that the Press Release led to a rise in price of the shares of the Company, and thereby the contents of the Press Release are alleged to constitute UPSI.

6.3. The Company is in the business of design, manufacture and supply of bulk actives, drug intermediaries and fine chemicals, drug discovery and development support

services and contract research and manufacturing services and its shares are listed on the BSE Limited ("BSE") and the National Stock Exchange of India Limited ("NSE").

6.4. The drugs research and development by the Company generates intellectual property. A routine and integral feature of such work is to secure and ring-fence such intellectual property from infringement. This is much like a company that manufactures products, building security measures around its factories and warehouses to protect its physical property. The process of protecting and fencing intellectual property is to apply for and secure patents in different jurisdictions. The grant of a patent is a basic activity that registers and records that the Company is the owner of its intellectual property. Whether such intellectual property can actually be monetized and would yield revenues would depend on various subsequent and prolonged processes such as approval from drug regulators, laboratory trials, clinical trials and eventual endorsement of a specific application of a specific molecule of the Company for a specific purpose.

6.5. The Press Release was a routine one much like the multiple press releases the Company issues, covering the subject of getting patents in five specific jurisdictions for five specific molecules. The term "product patent" is a term under patent law that essentially protects the inventor of a molecule from anyone copying the molecule through whichever process is adopted for getting such product. The grant of a "product patent" does not mean there is a ready marketable product on hand – all it means is that a particular product stands identified as being the intellectual property of the patent-holder. The Company routinely applies for and obtains product patents to mark its property rights in the intellectual property generated by the Company. The Press Release merely announced the grant of recognition to such property rights in five countries. There was nothing special about the five countries that would render the registration of the patent as being a material development, nor for that matter was there anything unique about the patents in these five countries that was not already protected in other countries or would be protected in other countries where similar applications for registration are made.

6.6. A short glimpse of how the Company's routine activity is to apply for and secure patents in different jurisdictions is seen from the following:

Sr. No.	Financial Year	Number of Patents Secured Worldwide
1.	2014-15	120
2.	2015-16	195
3.	2016-17	141
	Total	456

6.7. In fact, Annexure 2 to the SCN, inherently shows multiple announcements of the Company having obtained such product patents all around the world and that press releases about them were issued by the Company at regular intervals in Financial Year 201516. So also, Annexure 5 of the SCN shows that unlike decisions that require disclosure under Regulation 30 of the LODR Regulations, or material developments that are discussed by the Board of Directors before issuance of press releases, there was no practice or requirement for holding a Board Meeting for such issuance of routine press releases.

6.8. The press releases issued and summarized in Annexure 2 involved disclosure of receipt of such product patents for the molecules of the Company, each a 'New Chemical Entity' ("NCE") for treatment of disorders associated with neurodegenerative diseases such as Alzheimer, ADHD, Huntington disease, Parkinson's disease and Schizophrenia from jurisdictions all over the world.

6.9. There was nothing unique about the five countries that registered the Company's patents and were disclosed in the Press Release having some special extraordinary incidence of the aforesaid neurodegenerative diseases for the Press Release to become price sensitive in nature. There was nothing unique either about the diseases in question being something new that Company had not hitherto discovered molecules for. Therefore, there is no question of the Press Release's contents being price-sensitive in nature.

6.10. The trades in question were routine creeping acquisitions that were not motivated by any possession of UPSI.

6.11. In the pharmaceutical industry, grant of a product patent only implies that the ownership of the intellectual property i.e. the NCE invented and the process of development of the NCE, is protected by law; Such protection has nothing to do with eventual production of the NCE or its sale thereby generating revenues for the Company – for that to happen, there have to be trials about the effectiveness of the NCE for a stated purpose and recognition of that from the drug regulator; It is only

after successful completion of clinical and other trials and grant of license by the relevant Food and Drug Administration ("FDA") regulator of the relevant country that would lead to a license for production of the NCE. This can take years to obtain; Therefore, disclosure of registration of a product patent is unlikely to impact the price of the scrip – it is quite similar to the setting up of a fence around a land owned by a company, or the installation of an anti-burglary security system in a warehouse;

6.12. The Press Release was similar to previous announcements made by the Company – the announcements that had been made on April 24, 2015, May 13, 2015, May 22, 2015, June 16, 2015, June 30, 2015 and July 13, 2015 were shown in the personal hearing;

6.13. In these announcements, the Company informed the market that: they were granted product patents for NCEs for treatment of disorders associated with Neurodegenerative diseases;

6.14. These granted patents are the exclusive intellectual property of Suven and are achieved through internal discovery research efforts and products out of these inventions may be out-licensed at various phases of clinical development;

6.15. SUVN-502 and SUVN-G3031, 2 clinical stage compounds were in various stages of clinical trial - Phase 1 and Phase 2.

6.16. Its reiterated that the Company has been granted product patents on a regular basis by various countries for the NCEs invented by it. As mentioned in the letter of the Company dated August 9, 2017, during the Financial Year 2014-15, the Company was granted a total of 120 patents and in the next Financial Year, they were granted a total of 195 patents;

6.17. Therefore, grant of the product patents in just these five countries cannot be said to have any material impact on the price of the shares of the Company.

6.18. It is stated that the PSI came into existence on June 17, 2015 as, "… chronologically, this was the first date when the patent was secured in relation to one of the 5 countries i.e. China, Israel, Mexico, Singapore and Sri Lanka." Nothing can be farther from an illogical reading of the Press Release in the context of price-materiality. The very same ICEs secured patent protection in many other countries around the world. Other ICEs secured patent protection in the same five countries and in many other countries. Therefore, the entire foundation of the SCN is flawed – the mere circumstantial reference to a contemporaneous market price movement is being reverse engineered to allege that the Press Release was UPSI, when all

evidence about the contents of the Press Release and about multiple other similar press releases would show that the was nothing price-sensitive in the press release;

6.19. Merely because one country was named for the first time in the Press Release, it would not follow that the information become price-sensitive.

6.20. Since the SCN mentions the date June 17, 2015 as the date on which the alleged UPSI came into existence, from the table in paragraph 2.7 at page 5 of the SCN, it may be assumed that the name of the country is Mexico. It should be noted that a patent registration in Mexico had already taken place, which was announced on May 22, 2015; Sri Lanka is the country whose name is mentioned for the first time in the Press Release. However, there is nothing unique about Sri Lanka for the registration of one product patent for one NCE in Sri Lanka to be considered so special as to have a material impact on the price of the scrip of the Company, for the Press Release to be an announcement of UPSI; and

6.21. The Company's defense is quite consistent with its conduct and there can be no infirmity or element of afterthought in it. It is also pertinent to note that the Company did not consider the information in the Press Release to be price-sensitive at all and consistent with its defense now, even at the relevant time, the Company did not think it necessary to close the trading window.

6.22. In 2014-15, the trading window was closed only from August 6 to 16, 2015 in connection with the declaration of Financial Results in the meeting of the Board of Directors held on August 14, 2015.

6.23. In light of all of the above, the Noticees deny that the contents of the Press Release were price sensitive information as falsely alleged or otherwise and therefore the Noticees deny that there was an UPSI in relation to the information contained in the Press Release in existence during the period June 17, 2015 to September 10, 2015.

6.24. Noticees have consistently stated that grant of patents for their products in various jurisdiction was a "frequent" activity. As stated above, in FY 2015-16, the Company secured 195 patents for its NCEs. These have been regularly and diligently announced in about 17 press releases, from April 24, 2015 to March 14, 2016, by the Company.

6.25. Pertinently, in respect of SUVN-502 product patent was granted by 14 countries in 2015. Announcements made by the Company on various dates on April 24, 2015, May 13, 2015, May 22, 2015, June 16, 2015, June 30, 2015 and July 13, 2015, i.e.

prior to Press Release, and after the Press Release contained the information relating to the grant of patent for the said NCE.

6.26. Procuring patents was a day-to-day activity across several jurisdictions. In fact, it was the first step of a long process (as detailed below). Even though it was a first step, it was not a material step where price movement is concerned. This is evident from the table below:

Sr. No.	Date	Announcement/ News	Price movement	SEBI's comment on price in Annexure 3, SCN
1.	30.06.2015	Suven secures 3 Product Patents in Israel, Japan and South Africa No. of shares traded: - On 29.06.2015 - 92,903 shares - On 30.06.2015 - 2,51,260 shares	29.06.2015: - O: 235.00 - C: 226.35 30.06.2015: - O: 226.00 - C: 233.35	No substantial movement in scrip price
2.	13.07.2015	Suven secures 4 Product Patents for their NCE's in China, Mexico and South Africa No. of shares traded: - On 10.07.2015 - 77,940 shares - On 13.07.2015 - 4,94,337 shares	10.07.2015: - O: 237.00 - C: 235.50 13.07.2015: - O: 236.10 - C: 252.20	No substantial movement in scrip price
3.	14.08.2015	<u>Outcome of Board Meeting</u> BoD at its meeting held on 14.08.2015, inter alia, has authorized to create overseas subsidiary with initial investment of US$25 Mn for clinical development and commercialization of Suven pipeline and in-licensed molecules Financial results with Results Press Release & Limited Review Report for June 30, 2015 No. of shares traded: - On 14.08.2015 - 81,474 shares - On 17.08.2015 - 1,87,722 shares	14.08.2015: - O: 251.90 - C: 255.00 17.08.2015: - O: 243.80 - C: 247.40	No substantial movement in scrip price

4.	17.08.2015	Consolidated results of AGM Suven submitted a copy of consolidated results of 26th AGM held on 14.08.2015 No. of shares traded: - On 14.08.2015 - 81,474 shares - On 17.08.2015 - 1,87,722 shares	14.08.2015: - O: 251.90 - C: 255.00 17.08.2015: - O: 243.80 - C: 247.40	No substantial movement in scrip price
5.	02.09.2015	SUVN-D4010 for Cognition in Alzheimer's disease commenced Phase 1 Clinical Trial in USA under US-IND 126099 No. of shares traded: - On 01.09.2015 - 75,176 shares - On 02.09.2015 - 1,19,326 shares	01.09.2015: - O: 218.10 - C: 212.80 02.09.2015: - O: 215.15 - C: 215.75	No substantial movement in scrip price

6.27. An analysis of the above facts which have also been relied upon by SEBI to issue the SCN, clarifies that the movement of price was not at all to be correlated with the press releases that were identical in character to the Press Release. The charge of insider trading has been levelled by reverse engineering a price rise with the Press Release, which is arbitrary and unreasonable.

6.28. It is noteworthy that the price of the scrip in FY 2014-15, had seen a regular rise and fall and the same cannot be a result of any particular announcements.

6.29. The SCN has determined June 17, 2015 to September 10, 2015 to be the investigation period. It alleges that an announcement made by the Company on September 10, 2015 on the BSE and NSE resulted in a 8.46% increase in the price of the scrip on that day. The said announcement related to the grant of product patents by China, Israel, Mexico, Singapore and Sri Lanka corresponding to NCEs for treatment of disorders associated with Neurodegenerative diseases.

6.30. It is pertinent to note that from the SCN it is evident that SEBI noticed the 8.46% increase in the price of the scrip of the Company on September 10, 2015 and concluded that the Press Release was a price-sensitive announcement;

6.31. As a result, SEBI further probed trades, if any effected by any insiders; Since the Noticees had transparently undertaken marginal trades, SEBI concluded that said Noticees were in violation of the

6.32. Additionally, SEBI noted that the first letter informing the Company about grant of approval of patent in Mexico was dated June 17, 2015 (first out of the 5 grants referred to in announcement dated September 10, 2015), so SEBI decided that UPSI Period shall be from June 17, 2015 to September 10, 2015.

6.33. Therefore, SEBI has, with the benefit of hindsight, completely reverse engineered existence of UPSI to fit its allegation of the small trades being violative of the PIT Regulations. Such reverse engineering a violation, with benefit of hindsight, is wholly irregular.

6.34. It is settled law that the actual price movement is no barometer of whether information is price sensitive. Price discovery in the market is a function of multiple factors including traded volume, macroeconomic factors and industry-specific factors. The question of fact to be answered about interpreting the definition of UPSI and applying it to facts has to be with regard to the content of the information, which has been analyzed in detail above. Merely because price movement occurred, it would not follow that what is evidently not price-sensitive would automatically become price-sensitive.

6.35. No UPSI therefore no violation of PIT Regulations by Noticees Press Release

6.36. As for the connection between the Noticees- Noticee No. 1 is a Trust whose sole Trustee, Jasti Property and Equity Holdings Pvt. Ltd is promoted, *inter alia*, Noticee No.2. Noticee No. 2 is the Chairman and Chief Executive Officer (“CEO”) of the Company; Noticee No. 5 is employed by the Company as Deputy General Manager in the Accounts Department. Noticee No. 3 is the mother of the wife of Noticee No. 2 and the mother of Noticee No. 4 (who handled all her affairs including investment in securities); Noticee No. 5 is a longtime friend of Noticee No. 4.

6.37. Noticee No. 2 placed orders on behalf of Noticee No. 1 and Noticee No. 5 was authorized to and placed orders on behalf of Noticee No.3. Noticee No. 5 also traded in the shares of the Company in his own account.

6.38. Noticee No.1 is a trust that was formed on February 18, 2015 by Shri. Subba Rao Jasti, one of the promoters of the Company with 7,56,45,000 shares of the Company. The beneficiaries of the Trust are four Limited Liability Partnerships

("LLPs"). Partners of the four LLPs are Noticee No. 2, his wife and their daughter. Thus, the Trust holds shares of the Company for the benefit of its promoters.

6.39. As explained by the Noticee No.1 in their letter dated February 23, 2018, the intention of Noticee No. 1 in purchasing shares of the Company was to improve promoter holding in the Company.

6.40. Thus, on August 31, 2015, when the price of the scrip was at a high price during the investigation period, Noticee No. 1 purchased 1,62,424 shares of the Company at Rs. 220.34/- per share (total investment was Rs. 3,57,99,505.20/-) only on one day (i.e. August 31, 2015). This is hardly the conduct of someone seeking to gain from possession of UPSI.

6.41. Contrary to the allegation made in paragraph 4.1 of the SCN, Noticee No. 1 has not sold any shares of the Company. Noticee No. 1 denies that it purchased shares of the Company on the basis of UPSI. Noticee No. 1 denies the allegation that he has violated Regulation 4(1) of the PIT Regulations or Section 12A(d) and Section 12A(e) of the SEBI Act.

6.42. As explained in her letter dated March 15, 2018, Noticee No. 3 received a total sum of Rs. 5,81,53,919/- during the period August 11, 2015 to October 10, 2015. The said amounts were payments on due to her son, a gift from her son and also amount due to her as part of her family settlement.

6.43. Thus, between August 14, 2015 and August 24, 2015, when the price of the scrip was at its highest in the investigation period, Noticee No.1 used these funds to purchase 2,80,044 shares of the Company for a total amount of Rs. 5,15,58,460.45/- and shares of other companies for a sum of Rs. 63,54,640/-. Noticee No. 3 too has not sold any of the shares of the Company purchased by her during the Investigation Period or thereafter and still retains the same. Noticee No. 3 denies that she purchased shares of the Company on the basis of UPSI.

6.44. As set out in his letter dated March 15, 2018, Noticee No. 5 purchased a total of 1,600 shares of the Company during the period June 17, 2015 to September 10, 2015 i.e. during the period when the UPSI was allegedly in existence. He sold 100 shares after the said period, i.e. September 10, 2015.

6.45. Noticee No. 5 had undertaken his substantial trades, i.e. purchased 2,200 shares and sold 1,000 shares of the Company, prior to June 17, 2015, i.e. prior to the investigation period. As further explained in his letter dated March 15, 2018, Noticee No. 5 purchased and sold shares of Suven in order to average the cost of holding

of his investments and hence the purchase and sale. Noticee No. 5 denies that he purchased and sold shares of the Company on the basis of any UPSI as falsely alleged or otherwise.

6.46. It is also pertinent to note that Noticee No. 5 is employed by the Company as a Deputy General Manager, Accounts and was not part of the IPM team which was involved in the research that led to the invention of the NCE in respect of which the product patents were granted. The Company has provided the list of members of the IPM team vide its letter dated July 24, 2017.

6.47. Noticee No. 2 denies that he communicated any UPSI to Noticee No. 4 and puts SEBI to strict proof regarding the same. Noticee No. 2 repeats, reiterates and submits that information relating to the grant of product patents and phases of clinical trial of NCEs invented by the Company are not UPSI.

6.48. The SCN does not give notice of all the specific directions that SEBI proposes to issue in exercise of its powers under Section 11B of the SEBI Act.

6.49. It is submitted that Sections 11B of the Act has been used by SEBI variously to issue an extremely wide range of directions, purporting to act in the interests of the investors and the securities market. It is incumbent for SEBI to provide notice of what specific measure SEBI is contemplating, so that the Noticee is able to present their case on the suitability / appropriateness or otherwise of the specific measure proposed.

6.50. In this regard, Noticee No. 1 repeats, reiterates and submits that it still holds the 1,62,424 shares purchased by it on August 31, 2015 and therefore, the allegation in the SCN that it made profits is erroneous and false. Hence, in addition to the submission that the contents of the Press Release did not constitute UPSI, Noticee No. 1 submits that the proposed direction to disgorge the said alleged unlawful gains made by Noticee No.1 under Section 11B of the SEBI Act is erroneous and unsustainable.

6.51. The Noticees submit that the provisions of sub-section (2) of Section 11B were inserted w.e.f March 8, 2019 also do not lend themselves to an imposition of monetary penalty for the very same reasons set out above.

CONSIDERATION OF SUBMISSIONS AND FINDINGS:

7. I have considered the SCN along with the findings of the investigation stated therein and all annexures to the SCN, submissions made during the hearing and written submissions filed by the Noticees pursuant to the hearing granted to them.

8. I note that SCN alleges that Noticees have violated Section 12A(d)&(e) of the SEBI Act, 1992 and Regulation 4(1) of PIT Regulations, 2015. I also note that the SCN further alleges that Noticee no. 2, being insider within the definition of the relevant provision of PIT Regulations, 2015 had communicated unpublished PSI to Noticee no. 4 and has thereby allegedly violated regulation 3(1) of the PIT Regulations, 2015 and Sections 12A(d) and (e) of the SEBI Act, 1992. The SCN also alleges that Noticee no. 1, through its impugned trades had made ill-gotten gains of Rs. 18,31,779/-.

9. Before proceeding further, it would be appropriate to refer to the provisions of laws which are alleged to have been violated by the Noticees. PIT Regulations, 2015 has been framed under Section 30 read with Section 11(2)(g) and Sections 12A(d) and (e), of the SEBI Act, 1992. Section 12A(d) and (e) of the SEBI Act, 1992 and Regulation 3 (1) and 4(1) of PIT Regulations, 2015, as it existed at the relevant time, provided as under:

> **"Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.**
>
> **12A.** No person shall directly or indirectly—
> (a)…….
> (b)…….
> (c)…….
> (d) engage in insider trading;
> (e) deal in securities while in possession of material or non-public information or communicate such material or non-public information to any other person, in a manner which is in contravention of the provisions of this Act or the rules or the regulations made thereunder;
> …….
>
> **Communication or procurement of unpublished price sensitive information.**

3.(1) No insider shall communicate, provide, or allow access to any unpublished price sensitive information, relating to a company or securities listed or proposed to be listed, to any person including other insiders except where such communication is in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.

NOTE: This provision is intended to cast an obligation on all insiders who are essentially persons in possession of unpublished price sensitive information to handle such information with care and to deal with the information with them when transacting their business strictly on a need-to-know basis. It is also intended to lead to organisations developing practices based on need-to-know principles for treatment of information in their possession.

…….

Trading when in possession of unpublished price sensitive information.

4.(1) No insider shall trade in securities that are listed or proposed to be listed on a stock exchange when in possession of unpublished price sensitive information:

Provided that the insider may prove his innocence by demonstrating the circumstances including the following: –

(I) the transaction is an off-market inter-se transfer between promoters who were in possession of the same unpublished price sensitive information without being in breach of regulation 3 and both parties had made a conscious and informed trade decision.

(ii) in the case of non-individual insiders: –

(a) the individuals who were in possession of such unpublished price sensitive information were different from the individuals taking trading decisions and such decision-making individuals were not in possession of such unpublished price sensitive information when they took the decision to trade; and

(b) appropriate and adequate arrangements were in place to ensure that these regulations are not violated and no unpublished price sensitive information was communicated by the individuals possessing the information to the individuals taking trading decisions and there is no evidence of such arrangements having been breached;

(iii) the trades were pursuant to a trading plan set up in accordance with regulation 5.

> **NOTE:** When a person who has traded in securities has been in possession of unpublished price sensitive information, his trades would be presumed to have been motivated by the knowledge and awareness of such information in his possession. The reasons for which he trades or the purposes to which he applies the proceeds of the transactions are not intended to be relevant for determining whether a person has violated the regulation. He traded when in possession of unpublished price sensitive information is what would need to be demonstrated at the outset to bring a charge. Once this is established, it would be open to the insider to prove his innocence by demonstrating the circumstances mentioned in the proviso, failing which he would have violated the prohibition.
>
> (2) In the case of connected persons the onus of establishing, that they were not in possession of unpublished price sensitive information, shall be on such connected persons and in other cases, the onus would be on the Board.
>
> (3) The Board may specify such standards and requirements, from time to time, as it may deem necessary for the purpose of these regulations.

10. From the above, it is noted that Section 12A(d) of SEBI Act, 1992, provides that no person shall directly or indirectly in indulge in insider trading. The word 'indulge' in this clause is of wide import. This clause also seeks to prohibits any assistance/aiding of insider trading, by any person either directly or indirectly. Section 12A(e) provides that no person shall directly or indirectly deal in securities while in possession of material or non-public information or communicate such material or non-public information to any other person, in a manner which is in contravention of the provisions of this Act or the rules or the regulations made thereunder. The regulation referred to in Section 12A(e) is PIT Regulations, 2015. Regulation 4(1) of PIT Regulations, 2015 provides that no insider shall trade in the securities of a company when in possession of UPSI. Further, Regulation 4(2) provides that if the "insider", as envisaged under Regulation 4(1), is a connected person then the onus of establishing that he was not in possession of UPSI, shall be on such connected persons and in other cases, the onus would be on the SEBI. The Note to Regulation 4(1) clarifies that when a person trades in securities when in possession of UPSI, his trades would be presumed to have been motivated by the knowledge and awareness of such UPSI in his possession. Proviso to Regulation 4(1) provides that despite presence of all the ingredients of Regulation 4(1) of PIT Regulation, 2015, the insider may prove his innocence by

demonstrating the circumstances including those which are mentioned in the said proviso, failing which he would have violated the prohibition.

11. I note that the SCN alleges that Suven made a corporate announcement dated September 10, 2015 titled "Suven Life Sciences secures five (5) Product Patents in China, Israel, Mexico, Singapore and Sri Lanka" and the information pertaining to the same was PSI. In this regard, the SCN states as follows:

> "……..2.9 As shown in Annexure-2, Suven had made 16 corporate announcements in total during FY 2015-16 relating to securing of product patents in every month except August and November. It was also observed from the said corporate announcements that the announcements are similar to one another. However, the corporate announcement dated September 10, 2015 was different from the other like natured corporate announcements made during FY 2015-16 in the following manner:
>
> - Phase 1 candidate SUVN-G3031 for Alzheimer's disease and Schizophrenia was announced as completed in corporate announcement dated September 10, 2015.
> - Phase 2 ready developmental candidate SUVN-502 announced as Phase 2 initiated candidate SUVN-502 in corporate announcement dated September 10, 2015.
> - Phase 1 initiated candidate SUVN-D4010 for Alzheimer's disease and Schizophrenia was announced for the first time in corporate announcement dated September 10, 2015.
>
> From the above, it is observed that there was a difference in the nature of the corporate announcement dated September 10, 2015. Further, the said corporate announcement dated September 10, 2015 had materially impacted the scrip price, such that the closing price of the scrip increased by 8.46% on the day of announcement in comparison to the previous closing price.
>
> 2.10 It is observed that all the above corporate announcements were concerned with Suven receiving patent approvals. Information regarding the number of patent approvals received by Suven for FY 2014-15, 2015-16 & 2016-17 along with the market potential for the same was sought from the Company. Suven, vide letter dated August 09, 2017 mentioned that they had secured 120, 195 & 141 patents for the FY 2014-15, 2015-16 & 2016-17, respectively. Further, Suven mentioned that "monetization can take place only after multiple phases of clinical trials in patients affected with the disease and if it is successful then only the sales will occur. The time lines from grant of patent to successful clinical trial ranges anywhere from 7 to 10 years and there is no guarantee of success. As a matter of fact the disease area (Alzheimer's) where we are working has no success since 2003 globally by any

pharmaceutical company. It is for the stated reasons the granted patents to our Company have zero market value as of now. While giving news releases we always caution the public/investors that the forward looking statements made herein are subject to many risk factors."

2.11 In this regard, it is observed that considering the nature of the corporate announcement dated September 10, 2015 vis-à-vis the other corporate announcements preceding it in the same financial year, along with the impact of the same on the scrip price, the information pertaining to the press release dated September 10, 2015 titled "Suven Life Sciences secures five (5) Product Patents in China, Israel, Mexico, Singapore and Sri Lanka" is a Price Sensitive Information (hereinafter referred to as "PSI").

2.12 Further, from the chronology of events as discussed above, the PSI related to the securing of 5 Product Patents in China, Israel, Mexico, Singapore and Sri Lanka had come into existence on June 17, 2015 (as chronologically this was the first date when patent was secured in relation to one of the 5 countries, viz. China, Israel, Mexico, Singapore and Sri Lanka).

2.13 It is also observed that the press release pertaining to Suven securing 5 Product Patents in China, Israel, Mexico, Singapore and Sri Lanka was made on September 10, 2015, 11:06 AM. Thus, it is observed that the period from June 17, 2015 to September 10, 2015, 11:06 AM is the period of Unpublished Price Sensitive Information (hereinafter referred to as "**UPSI"**)……"

12. The Noticees have contended that the content of the impugned press release on September 10, 2016 was not PSI, nor was it in existence during the period June 17, 2015 to September 10, 2015. In this regard, I note that UPSI has been defined in Regulation 2(1)(n) of the PIT Regulations, 2015 as under:

"……(n) "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: –

(i) financial results;

(ii) dividends;

(iii) change in capital structure;

(iv) mergers, de-mergers, acquisitions, delistings, disposals and expansion of business and such other transactions;

(v) changes in key managerial personnel;

(vi) material events in accordance with the listing agreement.

> **NOTE:** It is intended that information relating to a company or securities, that is not generally available would be unpublished price sensitive information if it is likely to materially affect the price upon coming into the public domain. The types of matters that would ordinarily give rise to unpublished price sensitive information have been listed above to give illustrative guidance of unpublished price sensitive information……"

13. It is not in question that the information contained in the impugned press release pertained to the company. The Noticee's contention *inter alia* is that the Press Release was a routine one much like the multiple press releases the company issues, covering the subject of getting patents in five specific jurisdictions for five specific molecules. It has been further submitted that the term "product patent" is a term under patent law that essentially protects the inventor of a molecule from anyone copying the molecule through whichever process is adopted for getting such product. The grant of a "product patent" does not mean there is a ready marketable product on hand – all it means is that a particular product stands identified as being the intellectual property of the patent-holder. The company routinely applies for and obtains product patents to mark its property rights in the intellectual property generated by the company. The Press Release merely announced the grant of recognition to such property rights in five countries. The press releases issued and summarized in Annexure 2 involved disclosure of receipt of such product patents for the molecules of the Company, each a 'New Chemical Entity' ("NCE") for treatment of disorders associated with neurodegenerative diseases such as Alzheimer, ADHD, Huntington disease, Parkinson's disease and Schizophrenia from jurisdictions all over the world. The Noticees have submitted that in the pharmaceutical industry, grant of a product patent only implies that the ownership of the intellectual property i.e. the NCE invented and the process of development of the NCE, is protected by law; Such protection has nothing to do with eventual production of the NCE or its sale thereby generating revenues for the company – for that to happen, there have to be trials about the effectiveness of the NCE for a stated purpose and recognition of that from the drug regulator; It is only after successful completion of clinical and other trials and grant of license by the relevant Food and Drug Administration ("FDA") regulator of the relevant country that would lead to a license for production of the NCE.

14. Regarding the obtaining of NCE patent by a company, I note that getting the patent for "investigational new drug" or "NCE" is the first step in developing a drug. The receipt of such a patent by a pharmaceutical by in itself does not mean that the company concerned has successfully developed an administrable drug. Such a patent protects the company concerned from copying or use of its NCE, by other persons. After development of NCE, various clinical and other tests for studying the effectiveness of such drug are conducted subject to approval for such trials by the relevant regulatory authority. After successful completion of the tests, approval from the relevant regulatory authority like Central Drugs Standard Control Organisation (CDSO) in India, is taken for commercial production of such drug. Thus, various stages are involved in the development of a drug from "investigational new drug" or "NCE" to final administrable drug and different stages are subject to approvals by the relevant authorities. I note that the SCN itself does not consider the obtaining of the patent by the company as mentioned in the impugned corporate announcement dated September 10, 2015 as a price sensitive information. The SCN specifically mentions only a part of the said corporate announcement as the UPSI and observes that this part of the corporate announcement was different than all other corporate announcements made by the company during FY 2015-16, as follows:

- Phase 1 candidate SUVN-G3031 for Alzheimer's disease and Schizophrenia was announced as completed in corporate announcement dated September 10, 2015.
- Phase 2 ready developmental candidate SUVN-502 announced as Phase 2 initiated candidate SUVN-502 in corporate announcement dated September 10, 2015.
- Phase 1 initiated candidate SUVN-D4010 for Alzheimer's disease and Schizophrenia was announced for the first time in corporate announcement dated September 10, 2015.

15. On a perusal of the corporate announcements which the company had made in the FY 2015-16, I note that all the corporate announcements follow similar format and are divided into four sections. In the first part, the company provides the names of the countries where it has secured the patent, thereafter, it declares

the utility of these NCEs in which the patents are obtained, followed by an overview of how many patents the company holds in the countries where it has obtained the recent patent and lastly the company provides update on the stage of development of the NCEs which is the subject matter of the corporate announcement. Following this same format, the impugned corporate announcement made on September 10, 2015 states as follows:

- "Suven announced the grant of 1 product patent from China, 1 product patent from Israel, 1 product patent from Mexico, 1 product patent from Singapore and 1 product patent from Sri Lanka corresponding to NCEs for the treatment of disorders associated with Neurodegenerative diseases.
- The granted claims of the patents include the class of selective 5-HT compounds discovered by Suven and are being developed as therapeutic agents and are useful in the treatment of cognitive impairment associated with neurodegenerative disorders like Alzheimer's disease, ADHD, Huntington's disease, Parkinson and Schizophrenia.
- With these new patents, Suven has a total of 17 granted patents from China, 7 granted patents from Israel, 20 granted patents from Mexico, 21 granted patents from Singapore and 11 granted patents from Sri Lanka. These granted patents are exclusive intellectual property of Suven and are achieved through the internal discovery research efforts. Products out of these inventions may be out-licensed at various phases of clinical development like at Phase-I or Phase-II.
- **Suven has 3 clinical stage compounds, a phase 2 initiated candidate SUVN-502, Phase 1 completed candidate SUVN-G3031 and Phase 1 initiated candidate SUVN-D4010 for Alzheimer's disease and Schizophrenia. In addition to that the Company has 10 internally-discovered therapeutic drug candidates currently in pre-clinical stage of development targeting conditions such as ADHD, dementia, depression, Huntington's disease, Parkinson's disease and pain."**

16. As per the SCN, what sets the impugned corporate announcement apart from the rest of the corporate announcements made by the company during the FY 2015-16 is the last portion wherein the company provides the stage of development of the NCEs. In this regard, SCN alleges that in the impugned corporate announcement, the company, *inter alia*, for the first time, disclosed that the candidate SUVN-G3031 had completed Phase -1. SCN alleges that SUVN-G3031 was indicated as 'phase 1 candidate' in the previous corporate announcements

made on 24.04.2015, 13.05.2015, 22.05.2015, 16.06.2015, 30.06.2015 and 13.07.2015, and for the remaining financial year after the impugned corporate announcement it has remained in 'Phase 1 completed' stage. Secondly, in the impugned corporate announcement, for the first time the candidate SUVN-502 is denoted as 'phase 2 initiated'. SCN alleges that SUVN-502 was indicated as 'phase 2 ready' in the previous corporate announcements made on 24.04.2015, 13.05.2015, 22.05.2015, 16.06.2015, 30.06.2015 and 13.07.2015, and for the remaining financial year after the impugned corporate announcement it has remained in 'Phase 2 initiated/ undergoing' stage. Therefore, I note from the corporate announcements in the FY 2015-16 that each stage of development of the NCE takes considerable time and thus, it may be reasonably inferred that once one stage is completed or if there is a progress from one stage to the next, it indicates a material progress in the development of the said NCE. In the impugned corporate announcement, the company *inter alia* declared that it had completed the phase 1 for SUVN-G3031 and initiated Phase-2 for SUVN-502. I also note that Phase 1 initiated candidate SUVN-D4010 for Alzheimer's disease and Schizophrenia was also announced for the first time in corporate announcement dated September 10, 2015. Therefore, I find that allegation in the SCN that details about the development of the above NCEs which was not there in the other 16 corporate announcement made by the company during the financial year 2015-16, makes the corporate announcement dated September 10, 2015 as unique and price sensitive, in so far as development stages of these NCEs are concerned. Accordingly, said information before being published on September 10, 2015 was UPSI.

17. Regarding the determination of coming into existence of the aforesaid UPSI, SCN alleges information pertaining to the press release dated September 10, 2015 titled "Suven Life Sciences secures five (5) Product Patents in China, Israel, Mexico, Singapore and Sri Lanka" has been taken as "price sensitive information. As discussed above, this corporate announcement essentially made disclosure about two events. First event was receipt of patent in respect of certain molecules for treatment of certain diseases, in five countries; and second event was change in development stages of certain molecules (NCEs). It is pertinent to mention here that SCN specifically records that during the financial year 2015-16, the company

had made 16 corporate announcement pertaining to receipt of patents by it in different countries. However, the impugned corporate announcement has been considered as "price sensitive" because of the second event pertaining to "change" in development stages of NCEs which was not there in other 15 announcement made in the financial year. Therefore, as per SCN, the said corporate announcement owes its price sensitivity to the disclosure about the change in development stages of different NCEs, as made in the corporate announcement. As the disclosure pertaining to the change in development stages of different NCEs has been considered as "price sensitive information", therefore, in order to determine the period of existence of UPSI, it is necessary to determine as to when the said "price sensitive information" i.e. date when each NCE advanced from its current stage to the advanced stage, came into existence. It is observed from 2.9 of SCN that SCN do not consider receipt of patent as price sensitive information, as it was a routine phenomenon for the company. Accordingly, taking into consideration para 2.9 above of SCN and submissions of the Noticees regarding receipt of patents, as recorded in para 16 above, the period starting from first of the date when each NCEs advanced from its current stage to the advanced stage and till the making of the corporate announcement, should be considered as period of UPSI and not the receipt of patent. Though SCN do not consider receipt of patent as price sensitive information and considers change in the development stage of NCEs as price sensitive information, however, for reckoning the date of coming into existence of price sensitive information pertaining to change in the development stage of NCEs, erroneously takes date of receipt of first patent, as date of coming into existence of price sensitive information. The impugned trades of the Noticees have been alleged to have taken place in the month of August, 2015 whereas the corporate announcement by the company was made on September 10, 2015, therefore, the date of coming into existence of UPSI is crucial for fastening the liability with reference to the trades undertaken by the Noticees on the basis of UPSI relating to second event, as discussed in the following paras.

18. I note that the SCN alleges that the Noticees, who were insiders to the company carried out the trades on the following dates:

Name of Noticee	**Date of trading**	**Buy**	**Weighted average buy price (in Rs.)**	**Sell**
On BSE				
Smt Venkata Vajramma Uppalapati	14/08/2015	7,192	254.91	-
Smt Venkata Vajramma Uppalapati	17/08/2015	25,000	244.93	-
Smt Venkata Vajramma Uppalapati	24/08/2015	2,500	231.99	-
	Total	**34,692**	**246.06**	-
Jasti Family Trust	31/08/2015	56,999	219.74	
	Total	**56,999**	**219.74**	
On NSE				
Smt Venkata Vajramma Uppalapati	14/08/2015	64,633	254.75	
Smt Venkata Vajramma Uppalapati	17/08/2015	94,675	244.73	
Smt Venkata Vajramma Uppalapati	24/08/2015	14,044	231.97	
	Total	**173,352**	**247.43**	
Jasti Family Trust	31/08/2015	1,05,425	219.81	
	Total	**1,05,425**	**219.81**	

19. I note that, in order to determine whether the above-mentioned trades on the aforesaid dates by the Noticees were in violation of Sections 12A(d) and (e), of the SEBI Act, 1992 and Regulation 4(1) of PIT Regulations, 2015, it needs to be established that these Noticees, who were insiders, carried out the above-mentioned trades while in possession of UPSI. The impugned trades of the Noticees have been alleged to have taken place in the month of August, 2015 whereas the corporate announcement by the company was made on September 10, 2015, therefore, in order to determine the violations alleged to have been committed by the Noticees, *inter alia* the precise date, on which the UPSI came

into existence, has to be determined and thereafter, it needs to be analyzed whether the impugned trades were during the "period of UPSI" i.e. the period during which the price sensitive information was not generally available and were in possession of these insiders. On the basis of allegation made in the SCN, it cannot be determined when the UPSI came into existence. In view of the same, it cannot be determined whether the impugned trades carried out by the Noticee were during the existence of UPSI so as to be termed as executed when in possession of UPSI.

20. In this regard, I note that in the matter of Sabero Organics Ltd. (Order dated May12, 2016) when confronted with a situation wherein the material available on record did not help in determination of violations alleged in the SCN, SEBI had directed re-investigation. In the present case also, further investigation needs to be carried out to determine the date of coming into existence of UPSI, so as to determine the violations alleged in the SCN.

DIRECTIONS:

21. 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(1), 11B of the SEBI Act, 1992 read with Section 19 of the SEBI Act, 1992, dispose of the SCN issued against the Noticees. However, SEBI is at liberty to investigate the matter in order to determine the period of UPSI and thereafter, take necessary action, if any, in accordance with law.

22. This Order comes into force with immediate effect.

23. A copy of this Order shall be served to all the Noticees.

Place: Mumbai **ANANTA BARUA**

Date: April 27 , 2021 **WHOLE TIME MEMBER**

SECURITIES AND EXCHANGE BOARD OF INDIA