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CIN: L15490AP2012PLC080067

Date: 06<sup>th</sup> January, 2023

To  
The General Manager,  
Department of Corporate Services,  
Bombay Stock Exchange Limited,  
PhirozeJeejeebhoy Towers,  
Dalal Street,  
Mumbai- 400001.  
**Scrip Code: 540692**

To  
The General Manager,  
Listing Department,  
National Stock Exchange of India Limited  
Exchange Plaza, Plot No C/1, G Block,  
BandraKurla Complex,  
Bandra (East), Mumbai - 400 051.  
**Scrip Symbol: APEX**

Dear Sir/Madam,

**Sub: Intimation of SEBI AO order imposing penalties on promoters and KMP'S-Reg**

**Ref:- Disclosure pursuant to Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 - Reg.**

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Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform you that SEBI vide its Adjudication Order No.: BM/GN/2022-23/22612-22616 dated December 29, 2022 has imposed penalty on promoters and Key Managerial Person of Apex Frozen Foods Limited ("Company") Viz. Karuturi Subrahmanya Chowdary and three other connected persons for violation of SEBI (PIT) Regulations, 2015 in connection with trading of shares of the company during period from September 2017 to February 2018.

Please Note that no penalty has been levied on the company.

Copy of aforesaid SEBI Order is attached.

Kindly take the above information on record.

Thanking You,  
For **Apex Frozen Foods Limited**

Satyanarayana Murthy Karuturi  
Executive Chairman  
DIN: 05107525

Encl: A/a

**BEFORE THE ADJUDICATING OFFICER  
SECURITIES AND EXCHANGE BOARD OF INDIA  
[ADJUDICATION ORDER NO. Order/BM/GN/2022-23/22612-22616]**

**UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992,  
READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING  
PENALTIES) RULES, 1995**

**In respect of:**

<b>Noticee No.</b>	<b>Noticee Name</b>	<b>PAN</b>
1	Karuturi Subrahmanya Chowdary	AGTPC7731R
2	Lakshmipathi Raju Mantena	ACDPM9939P
3	Vallepalli Hanumantha Rao	ABGPV0988H
4	Devalla Satya Madhavi	AUUPD2375D
5	P Durga Prasad	BEIPP8619B
6	Apex Frozen Foods Ltd	AAKCA4854D

In the matter of

**Apex Frozen Foods Limited**

**BACKGROUND:**

1. Securities and Exchange Board of India (hereinafter referred to as **SEBI**) conducted an investigation into the scrip of Apex Frozen Foods Ltd. to ascertain whether the entities have traded in the scrip of Apex Frozen Foods Ltd. while in possession of UPSI thereby violating the provisions of Securities and Exchange of India Act, 1992 (hereinafter referred to as **SEBI Act**) and SEBI (Prohibition of Insider Trading) Regulations, 2015 {hereinafter referred to as '**SEBI (PIT) Regulations, 2015**'}. The investigation period is taken as 04/09/2017 to 28/02/2018 (hereinafter referred to as **Investigation Period / 'IP'**).

**APPOINTMENT OF ADJUDICATING OFFICER**

2. SEBI, vide communique dated July 12, 2022, appointed the undersigned as the Adjudicating Officer under Section 19 of the SEBI Act read with Sub-section 1 of Section 15-I of the SEBI Act and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as the **SEBI Rules**) to inquire into and adjudge under -

- i. Section 15G and 15HB of the SEBI Act, 1992 in respect of Karuturi Subrahmanya Chowdary (hereinafter referred to as **Noticee 1**), for the alleged violation of Section 12A(d) and (e) of SEBI Act, 1992 and Regulation 4(1) read with 4(2) of SEBI (PIT) regulations, 2015, Section 12A(e) of SEBI Act, 1992 and Regulation 3(1) of SEBI (PIT) Regulations, 2015 and Clause 6 of the Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders as specified in Schedule B read with Regulation 9(1) of PIT Regulations.
- ii. Section 15G of the SEBI Act, 1992 in respect of Lakshmiipathi Raju Mantena (hereinafter referred to as **Noticee 2**), for the alleged violation of Section 12A(d) and (e) of SEBI Act, 1992 and Regulation 4(1) read with 4(2) of SEBI (PIT) regulations, 2015.
- iii. Section 15G and 15HB of the SEBI Act, 1992 in respect of Vallepalli Hanumantha Rao (hereinafter referred to as **Noticee 3**), for the alleged violation of Section 12A(d) and (e) of SEBI Act, 1992 and Regulation 4(1) read with 4(2) of SEBI (PIT) regulations, 2015, Section 12A(e) of SEBI Act, 1992 and Regulation 3(2) of SEBI (PIT) Regulations, 2015 and Clause 6 of the Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders as specified in Schedule B read with Regulation 9(1) of PIT Regulations.
- iv. Section 15G and 15HB of the SEBI Act, 1992 in respect of Devalla Satya Madhavi (hereinafter referred to as **Noticee 4**) for the alleged violation of Section 12A(d) and (e) of SEBI Act, 1992 and Regulation 4(1) read with 4(2) of SEBI (PIT) regulations, 2015, Section 12A(e) of SEBI Act, 1992 and Regulation 3(2) of SEBI (PIT) Regulations, 2015 and Clause 6 of the Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders as specified in Schedule B read with Regulation 9(1) of PIT Regulations.
- v. Section 15G and 15HB of the SEBI Act, 1992 in respect of P Durga Prasad (hereinafter referred to as **Noticee 5**) for the alleged violation of Section 12A(d) and (e) of SEBI Act, 1992 and Regulation 4(1) read with 4(2) of SEBI (PIT) regulations, 2015 and Clause 6 of the Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders as specified in Schedule B read with Regulation 9(1) of PIT Regulations.
- vi. Section 15A(a) of the SEBI Act, 1992 in respect of Apex Frozen Foods Ltd (hereinafter referred to as **Noticee 6 / AFF / company**), for the alleged violation of Section 11(2)(ia) of the SEBI Act, 1992. Noticee 1 to Noticee 6 are collectively referred to as **Noticees**.

## **SHOW CAUSE NOTICE, REPLY AND HEARING**

3. Show Cause Notice (hereinafter referred to as “**SCN**”) dated August 30, 2022 was issued to the Noticees under rule 4(1) of the SEBI Rules to show cause as to why an inquiry should not be held against them in terms of Rule 4 of Adjudication Rules read with Section 15-I (1) & (2) of SEBI Act, and penalty, if any, be not imposed on Noticee 1, Noticee 3, Noticee 4 and Noticee 5 under Section 15G and Section 15HB of the SEBI Act, on Noticee 2 under Section 15G of the SEBI Act and on Noticee 6 under Section 15A(a) of the SEBI Act.
4. The allegations levelled against the Noticees are summarized below:

### **Corporate Announcements made by the company relating to Financial Results for the quarter ended September 30, 2017**

- i. During investigation, it was observed that the company made a profit of ₹ 2,204.32 lakh in the quarter ended September 2017. In quarter ended December 2017, company made a profit of ₹1,883.79 lakhs.
- ii. Company had submitted to the Exchange, the financial results for the period ended September 30, 2017 on November 14, 2017. Subsequently, on November 15, 2017 at NSE, the scrip opened at 1.08% higher than the previous day’s closing price and closed at 4.98% higher than the previous day’s closing price. Increase in volume was also observed.

### **Price volume Analysis**

- iii. Closing price on November 14, 2017 was Rs. 461.85 (BSE). From November 15, 2017 onwards, the price of the scrip breached circuit limit of 5% until November 22, 2017 and touched high price of Rs. 608.60 which is an increase of 31.77%. Subsequently, the price of the scrip closed at Rs. 740.70 on November 30, 2017 which is an increase of 60.38%. The price of the scrip also touched a high price of Rs. 939 on December 07, 2017. It appears from above, that there was significant impact post the said announcement on the price of the company.

### **Unpublished price Sensitive Information (UPSI)**

5. The term "unpublished price sensitive information" has been defined in Regulation 2(1)(n) of SEBI (PIT) 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: –*

*(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*

6. Thus the corporate announcement on November 14, 2017 on financial results is considered as Unpublished Price Sensitive Information in terms of Regulation 2(1)(n)(vi) of SEBI (PIT) Regulations, 2015.

### **Chronology of events pertaining to announcement related to UPSI.**

7. The chronology of events with regard to the corporate announcement of Financial Result for the quarter ended September 30, 2017 was obtained from the company. After perusing the replies of company, the chronology of events with respect to the said corporate announcement is given below –

<b>Sl No</b>	<b>Event</b>	<b>Date</b>
1	Management had informally took concurrence of Directors to convene the Board meeting on 14th November 2017 for considering the Un Audited financial results for the half year ended 30th September 2017	3 <sup>rd</sup> and 4 <sup>th</sup> November 2017
2	company has informed to BSE regarding date of Board meeting, which was held on 14.11.2017	05.11.2017
3	published notice about date of board meeting in Andhra Bhoomi & DECCAN CHRONICLE news papers	05.11.2017

4	sent notice of Board meeting to all the Directors	06.11.2017
5	company has informed to NSE regarding date of Board meeting, which was held on 14.11.2017	06.11.2017
6	Audit committee meeting & Board meeting held and approved un-audited financial results for the second quarter and half year ended on 30.09.2017	14.11.2017

8. Chronology of events starting from the initiation of the preparation of financial results of the company for the period ended September 2017 till the declaration of the same by the company on November 14, 2017 was also sought from the statutory auditors of the company i.e Boda Ramam & Co. The Statutory Auditors viz. Boda Ramam & Co vide email dated September 29, 2021 submitted the below mentioned chronology of events –

Date	Details of names and designation of persons present in the discussion	PAN	Particulars(Details of matter discussed, conclusions)	Relationship with the company (Apex Frozen Foods Ltd.)	
04.11.2017 to 10.11.2017	Ch Vijaya Kumar P. Durga Prasad Boda Anand Kumar, B.Com., FCA R V S N Sastri - Sr Staff of Boda Ramam & Co.,	ADKPC5204F BEIPP8619B ABUPB4997L BLKPS4804G	Various items of the Trial Balance are discussed	CFO Manager Accounts Statutory Auditor firm - partner Paid-executive of Statutory Auditor firm	
11.11.2017 TO 12.11.2017	All above three + Noticee 1- Whole Time Director	AGTPC7731R		Certain Important clarifications are called for and information made available is discussed.	Whole Time Director
13.11.2017 TO 13.11.2017	All above four + Karuturi Satyanarayana Murthy- Chairman & Managing Director	ACRPK5406D		Certain Important clarifications are called for and information made available is discussed. Draft financial statements are discussed.	Chairman & Managing Director
14.11.2017	All the above attended along with below mentioned persons Karuturi Neelima M.Lakshmi Pathi D Venkata Subba S.Sarojini - Company secretary	NA CNAPK0472R ACDPM9939P AEFPD2054J ELXPS6223K		Audit committee meeting held on 14.11.2020, Members of audit committee has inter alia reviewed and recommended un-audited financial results for quarter 30.09.2017	NA whole time director Independent director Independent director Company secretary

### **Timing of UPSI getting published**

#### **9. UPSI (Quarterly Financial Results for the quarter ended September 30, 2017)**

- i. UPSI was published on November 14, 2017 (Tuesday) at 16:45 hrs on NSE and 16:36 hrs on BSE via corporate announcement.
- ii. There was significant increase in the revenue and income of the company during the quarter ended September 30, 2017 as compared to the earlier quarter of March 2017.
- iii. The key driving factor for the increase in profit was informed by the company as increase in the company's revenue from operations was due to the increase in demand for supply of processed shrimp from India which is one their core business.
- iv. The company had also come out with their IPO in September 2017.
- v. Since the announcement was price sensitive coupled with rise in price of the scrip due to the above driving factors, detailed analysis was carried out to identify clients whose trading pattern pointed towards trading on the basis of unpublished price sensitive information.
- vi. From the chronology of events submitted by the company and their auditors, it is observed that the start date of preparation of the financial results for the Quarter ended September 30, 2017 was November 3, 2017.
- vii. Investigation observed that the promoters/director/KMPs by virtue of their positions in the company had information w.r.t to the positive outcome of financial results before the end of the quarter. Hence, it is alleged that these entities were privy of the UPSI much before the date of chronology of events as submitted by the company. This is demonstrated in the trading pattern of the suspected entities which started in the month of October 2017. Accordingly, in the instant case, the period of UPSI is taken as the first date of the relevant quarter i.e. October 3, 2017 to November 14, 2017. Thus, period from October 3, 2017 to November 14, 2017 has been taken as the UPSI Period.

**List of persons as Insiders /entities privy to UPSI:**

10. As defined in Regulation 2(g) of PIT Regulations:

“Insider” means any person who is (i) a connected person, or (ii) in possession of or having access to unpublished price sensitive information.

11. As per the information received from the company vide letter dated July 11, 2019 the following persons were involved in the preparation and discussion of the financial information of the company and who were privy of the UPSI for the quarter ended September 30, 2017. The details are as follow-

Sl. No.	Full Name	Designation	PAN	Employee / Organization concerned
1	Ch Vijaya Kumar	CFO	ADKPC5204F	Apex Frozen Foods Ltd.,
2	P. Durga Prasad	Manager accounts	BEIPP8619B	Apex Frozen Foods Ltd.,
3	Boda Anand Kumar	Partner of Statutory Audit firm	ABUPB4997L	N A
4	R V S N Sastri	Sr Staff of Statutory Audit firm	BLKPS4804G	Boda Ramam & Co.,
5	Karuturi Subrahmanya Choudary	Whole-time Director	AGTPC7731R	Apex Frozen Foods Ltd.,
6	Karuturi Satyanarayana Murthy	Chairman & Managing Director	ACRPK5406D	Apex Frozen Foods Ltd.,
7	Smt. Karuturi Neelima Devi	Whole -time Director	CNAPK0472R	Apex Frozen Foods Ltd.,
8	M.Lakshmipathi Raju	Independent Director	ACDPM9939P	NA
9	D. Venkata Subba Raju	Independent Director	AEFPD2054J	NA
10	S.Sarojini	Company Secretary	ELXPS6223K	Ram Kumar & Associates

12. Considering the submissions of the company, the above mentioned 10 entities are allegedly considered as insiders as per Regulation 2(1)(g) of SEBI (PIT) Regulations, 2015.

**Trading by Designated Persons of AFF**

13. The trade log provided by Exchanges in respect of the entities who were privy to the information as reported by the Company was examined. It is observed that out of the above



insiders who were privy to the information the following insiders have traded in the scrip of the company during the UPSI period: The trade details of the four alleged insiders, in the scrip of the company during the UPSI is detailed below –

Sl. No.	Client Name	PAN	UPSI Period (03/10/2017 to				Net Vol.	buy Value(₹)	Sell Value(₹)
			Gr. Buy Vol.		Gr. Sell Vol.				
			BSE	NSE	NSE	BSE			
<b>1</b>	Satyanarayana Murthy Karuturi	ACRPK5406D	12522	10978	<u>0</u>	<u>0</u>	23500	99,72,146	<u>0</u>
<b>2</b>	Noticee 1	AGTPC7731R	2000	2000	<u>0</u>	<u>0</u>	<b>4000</b>	<b>18,40,000</b>	<u>0</u>
<b>3</b>	Noticee 2	ACDPM9939P	<u>0</u>	<b>2350</b>	<b>950</b>	<u>0</u>	<b>1400</b>	<b>9,34,906</b>	<b>3,11,550</b>
<b>4</b>	<b>Noticee 5</b>	BEIPP8619B	<b>3360</b>	<u>0</u>	<u>0</u>	<u>0</u>	<b>3360</b>	<b>15,27,680</b>	<u>0</u>

**Entity wise Trading Pattern Analysis of Noticees in the scrip of the company and their replies.**

14. In order to check whether the noticees had traded in the scrip of the company prior to / during / post UPSI period based on UPSI, the trading history of the noticees in the scrip of the company and their replies with regard to the summons replies and statement recordings was analysed. Bank statement Transaction statements of the noticees were also analysed. Entity wise analysis of Noticees are placed below –

**Noticee 1– Promoter and Whole time Director -Insider**

15. Following is the summary of observations based on information/records available:

**Relationship of Noticee 1 with AFF-**

- i. Noticee 1 is the promoter, and Whole time Director of AFF and therefore a connected person as per Regulation 2(1)(d)(i) and insider in terms of Regulation of 2(1)(g)(i). Further, he is appearing in the list of insiders as provided by the company and hence privy to UPSI, Therefore he is allegedly termed as Insider as per Regulation 2(1)(g)(ii) of PIT Regulation.
- ii. Noticee 1 is the son of Satyanarayana Murthy Karuturi (promoter, chairman and insider) and Padmavathi Karuturi (promoter).
- iii. Noticee 1 is also the husband of Karuturi Neelima Devi who is also an insider as per company's response.

**Examination of KYC/UCC, bank statements, trade log and reply/submissions of the entity**

- i. As per bank statements of Noticee 1, it was observed that significant deposits were made by him to another employee i.e Noticee 4 who traded in the shares of AFF during the UPSI period.
- ii. As per KYC /UCC, Noticee 1 was registered under the trading member HDFC Securities Ltd on September 16, 2017 with income details between 1 to 5 Lacs.

**Following are noted from the trades of Noticee 1 which is tabulated below**

16. Date-wise dealings of the entity during pre-UPSI, UPSI and post-UPSI period are given below:

**Pre-UPSI period (4/9/2017 to 29/9/2017)**

Date	Exchange	Buy Qty	Wt average Buy Price (in Rs.)	Buy Value	Sell Qty	Wt average sell Price (in Rs.)	Sell Value(in Rs.)
No trades at NSE and BSE							

**UPSI period (03/10/2017 to 14/11/2017)**

Date	Exchange	Buy Qty	Wt average Buy Price (in Rs.)	Buy Value	Sell Qty	Wt average Sell Price (in Rs.)	Sell Value (in Rs.)
19-Oct-2017	BSE	2000	460	9,20,000	0	0	0
19-Oct-2017	<b>NSE</b>	2000	460	9,20,000			
	<b>Total</b>	4000		18,40,000			

**Post UPSI period (15/11/2017 to 29/12/2017)**

Date	Exchange	Buy Qty	Wt average Buy Price (in Rs.)	Buy Value	Sell Qty	Wt average sell Price (in Rs.)	Sell Value (in Rs.)
No Trades at NSE and BSE							

Following are noted from the trades of Noticee 1 -

17. Noticee 1 had 100% concentration in the scrip of AFF during the UPSI period. Further he had only buy trades during UPSI. He did not trade during the pre-UPSI and post-UPSI period in the scrip.

18. Noticee 1 bought a total of 4000 shares at an average price of ₹460 per share during UPSI period.

**Analysis of bank Statement Of Noticee 1:**

19. On analyzing the statement for account no. 371\*\*\*\*16, it was observed that there were fund transfers (04 transactions) to the extent of ₹80 Lakh from his account to the account of Noticee 4 during the investigation period.

20. It was observed that Noticee 1 had received a total of ₹96,00,000 from AFF through fund transfers on September 26, 2017 and the same was immediately transferred to the account of Noticee 4 who then allegedly used the money for trading in the scrip of AFF during the UPSI period. Prior to these receipts, the account had a zero balance in the account.

21. Noticee 4 informed SEBI during the statement recording that she borrowed ₹80 Lakh from Noticee 1 to buy AFF shares during UPSI period. It was informed that she sold her land to Noticee 1 at a consideration of ₹95,00,000/- towards that loan.

22. On the basis of examination of KYC/UCC, tradelog, information provided by AFF/ Noticee 1, trading and fund flow analysis of the bank statements of Noticee 1 funded Noticee 4 (who is also KMP and Designated Person and traded during UPSI period) it is alleged that his trading in the scrip during UPSI Period was done while in possession of UPSI.

23. Regulation 4(1) of SEBI (PIT) Regulations, 2015 stipulates that “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.

24. In this regard, Noticee 1 is the promoter and Whole time Director of AFF and allegedly a connected person as per Regulation 2(1)(d)(i) and an alleged insider in terms of Regulation of 2(1)(g)(i). Further, he is appearing in the list of insiders as provided by the company and hence privy to UPSI with respect to the financial results of September 30, 2017 and traded during the period October 3, 2017 to November 14, 2017, Therefore he is allegedly termed as Insider as per Regulation 2(1)(g)(ii) of PIT Regulation.

25. Noticee 1 is an alleged insider, privy to UPSI and also traded for himself as well as allegedly lend ₹80,00,000 to Noticee 4 (who was reporting to him and worked in the company for 16 years) to trade in the scrip of AFF during the UPSI period. As per statement recording of

to Noticee 4, she stated that Noticee 1 lend her money to trade in the scrip of AFF during the UPSI period. In view of the same, since Noticee 1 funded and was the reported boss of Noticee 4, it is preponderance of probability that he allegedly communicated the UPSI to Noticee 4 and also to Noticee 3 (father-in-law- details are mentioned below) and hence allegedly violated regulation 3(1) of PIT Regulations.

26. Noticee 1 is an Insider and is in possession of UPSI and applied for pre-clearance of trades and traded in the scrip of AFF when in possession of UPSI in alleged violation of (a) Regulation 4(1) of PIT Regulations and (b) Clause 6 of the Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders as specified in Schedule B read with Regulation 9(1) of PIT Regulations.

27. Noticee 1 had earned alleged unlawful gains on 4000 shares while in possession of unpublished price sensitive information during UPSI period. Total alleged unlawful gains made calculated on the closing price on the following day of announcement works out to ₹1 lakh.

28. Being Insiders, the trading pattern and timing of trades during the investigation period, it is alleged that Noticee 1 wanted to earn profit from price rise post announcement of financial results by AFF.

29. In view of the above, Noticee 1 allegedly traded, communicated and applied for pre-clearance during the period October 3, 2017 to November 14, 2017 while in possession of UPSI is allegedly considered in violation of Section 12 A (d) and (e) of SEBI Act, 1992 and Regulation 3(1), 4(1) read with 4(2) & Clause 6 of the Minimum Standards for code of conduct to Regulate, Monitor and Report Trading by Insiders as Specified in Schedule B read with Regulation 9(1) of SEBI (PIT) Regulations, 2015.

### **Noticee 2 – (Independent Director and Insider)**

#### **Relationship of Noticee 2 with AFF -**

30. It is observed that Noticee 2 is an Independent Director of AFF is a connected person as per Regulation 2(1)(d)(i) and insider in terms of Regulation of 2(1)(g)(i). Further, he is appearing in the list of insiders as provided by the company and hence allegedly privy to UPSI. Therefore he is allegedly termed as Insider as per Regulation 2(1)(g)(ii) of PIT Regulation.

31. During the UPSI period, Noticee 2 bought a total of 2350 shares at an average price of ₹417.99 per share and sold 950 shares at an average of Rs 327.95. Notional profit realised by Noticee 2 on buying 2350 shares at an average sell price of ₹417.99 stands at ₹9.82 lakhs. However, the total alleged unlawful gains made for the entire buy quantity (2350) based on the closing price (₹485) on the following day of announcement works out to ₹1.57 lakhs. It is observed that during the six months prior to these trades, he had traded in other scrips but not traded in the scrip of AFF. Further he traded only in the scrip of AFF during the pre-UPS I period and UPS I period.
32. Regulation 4(1) of SEBI (PIT) Regulations, 2015 stipulates that “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.
33. Noticee 2 (Independent Director) is a connected person as per Regulation 2(1)(d)(i) and insider in terms of Regulation of 2(1)(g)(i). Further, he is appearing in the list of insiders as provided by the company and hence privy to UPS I, Therefore termed as Insider as per Regulation 2(1)(g)(ii) of PIT Regulation. Being Insider, he was alleged to be in possession of UPS I with respect to the financial results of September 30, 2017 and allegedly traded during the period October 3, 2017 to November 14, 2017.
34. Noticee 2 had allegedly earned unlawful gains on 2350 shares bought while in possession of unpublished price sensitive information during UPS I period. Total alleged unlawful gains made calculated on the closing price on the following day of announcement works out to ₹1.57 Lakh.
35. In view of the above, the purchase and sale of shares of the company by Noticee 2 during the period October 3, 2017 to November 14, 2017 while in possession of UPS I is allegedly considered in violation of Section 12 A (d) and (e) of SEBI Act, 1992 and Regulation 4(1) of SEBI (PIT) Regulations, 2015.
36. In view of the same, Noticee 2 allegedly being Insider as per Regulation 2(1)(g) of PIT Regulation allegedly traded in the scrip of AFF while in possession of the UPS I. Therefore, he allegedly violated Section 12A (d) and (e) of Securities and Exchange Board of India Act, 1992 and Regulation 4(1) read with 4(2) of the PIT Regulations, 2015.

### **Noticee 3 - Promoter (father-in law of Noticee 1)**

#### **Relationship of Noticee 3 with AFF -**

37. As per the information provided by the company Noticee 3 is not observed to be insider of the company. However, as per the examination conducted by SEBI, it is observed that Noticee 3 is the Promoter of the company. Further he is the father-in-law of Noticee 1 (Whole time Director /Insider) and father of Karuturi Neelima Devi, (Whole time Director /Insider). Noticee 3 share a common email address with Ms Karuturi Neelima Devi (WTD / Insider) i.e neelu2710@gmail.com. Therefore, based on the proximity /relationship/ connecton with Noticee 1 and Karuturi Neelima Devi, it is alleged that Noticee 3 was privy to the UPSI and therefore it is alleged that he is an Insider as per Regulation 2(1)(g)(ii) of PIT Regulation.
38. Noticee 3 bought a total of 4600 shares (for 01 days viz November 3, 2017) during the UPSI period. He did not trade during the pre-UPSI period and post UPSI period. Therefore the holdings which were purchased on UPSI period i.e 4600 shares are taken into consideration while calculating the alleged unlawful gains which is ₹2.64 Lakh.
39. As per ITR of 2018-19, it is observed that Noticee 3 income is ₹6, 50,329/- p.a. However he was observed to have a gross traded value of ₹ 19.61 lakh in the scrip at NSE during IP.
40. Examination of KYC/UCC, trade log, information provided by AFF/ trading of Noticee 3 during the UPSI period establishes that he was having 100% concentration of trading in the scrip of AFF and also being an insider by virtue of being connected to connected person i.e information communicated by daughter (insider) and son-in law (insider) who share the same email id confirms that his alleged trading in the scrip during UPSI Period was done while in possession of UPSI.
41. During investigation, it was observed that Noticee 3 bought a net quantity of 4600 shares during UPSI period while in possession of unpublished price sensitive information. Hence, the total alleged unlawful gains made on the net buy quantity of 4600 shares calculated on the closing price on the following day of announcement works out to ₹2.69 lakh.
42. Noticee 3 (Promoter) is the father-in-law of Noticee 1 (Whole time Director /Insider) and father of Karuturi Neelima Devi, (Whole time Director /Insider). Noticee 3 share common

email address with Ms Karuturi Neelima Devi (WTD / Insider). Therefore, based on the relationship/connection between Noticee 3 with Noticee 1 and Karuturi Neelima Devi. It is alleged that Noticee 3 was privy to the UPSI and therefore he is allegedly an Insider as per Regulation 2(1)(g)(ii) of PIT Regulation. Being Insider, allegedly he was in possession of UPSI with respect to the financial results of September 30, 2017 and allegedly traded during the period October 3, 2017 to November 14, 2017.

43. By procuring the UPSI from Noticee 1, Noticee 3 has allegedly violated the provisions of Regulation 3(2) of PIT Regulations, 2015.
44. Noticee 3 was allegedly in possession of the UPSI being Insider, he had applied for pre-clearance of trades and traded in the scrip of AFF when allegedly in possession of UPSI in alleged violation of (a) Regulation 4(1) of PIT Regulations and (b) Clause 6 of the Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders as specified in Schedule B read with Regulation 9(1) of PIT Regulations.
45. During the UPSI period, Noticee 3 had 100% trading activity in the scrip of AFF. Further he did not trade in any other scrip in post-UPSI period. The alleged unlawful gains made for the shares bought in UPSI period stood at ₹ 2.69 lakh.
46. Regulation 4(1) of SEBI (PIT Regulations), 2015 stipulates that “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.
47. In view of the above, the purchase of shares of the company by Noticee 3 during the period October 3, 2017 to November 14, 2017 while in possession of UPSI is allegedly considered in violation of Section 12 A (d) and (e) of SEBI Act, 1992 and Regulation 4(1) of SEBI (PIT) Regulations, 2015.
48. In view of the above, it is alleged that being Insider as per Regulation 2(1)(g)(ii), Noticee 3 had traded while in possession of the UPSI and bought 4600 shares and made unlawful gains of ₹ 2.69 Lakh.
49. In view of the above, Noticee 3 allegedly violated Section 12A (d) and (e) of Securities and Exchange Board of India Act, 1992 and Regulation 4(1) read with 4(2) of the PIT Regulations, 2015 and Regulation 3(2) of SEBI (PIT) regulations, 2015 and Clause 6 of

the Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders as specified in Schedule B read with Regulation 9(1) of PIT Regulations.

#### **Noticee 4 - KMP and Designated Person**

Following is the summary of observations based on information/records available:

#### **Relationship of Noticee 4 with AFF:-**

50. Noticee 4 is the employee (Quality Assurance Manager) of the company. Vide email dated February 17, 2022 to SEBI, it was informed by the company that Noticee 4 is a designated employee and KMP and might have possession of material information pertaining to the company.
51. She worked for AFF for 16 years and was reporting to Satyanarayana Murthy Karuturi (MD and Insider) and Noticee 1 (WTD and insiders) Hence, she is a connected person in terms of Regulation 2(1)(d)(i). Being in close proximity while working with Satyanarayana Murthy Karuturi and Noticee 1. Further, she received funds of ₹80 Lakh from the account of Noticee 1 (Insider) to trade in AFF during the UPSI period. Therefore, based on the proximity/connection/fund transfer, she had with Satyanarayana Murthy Karuturi and Noticee 1 (who are privy to UPSI), it is alleged that Noticee 4 was privy to the UPSI and therefore she is an Insider as per Regulation 2(1) (g) (ii) of PIT Regulation.
52. It was observed during investigation that Noticee 4 bought a total of 16,992 shares of the company at an average price of Rs.437.76 from BSE (2 days) and NSE (4 days) during UPSI period. She did not trade in the scrip of AFF during Pre-UPSI period and post UPSI period. Further it was also been observed that she held 2800 shares of company before the pre-UPSI period. The percentage of activity of the client Noticee 4 in the scrip on gross basis vis-à-vis entire trading activity during the analysis period was 100%. Thus she allegedly made a square off notional profit of ₹11.13 lakh.
53. Noticee 4 has applied for pre-clearance on 18/10/2017 and 28/10/2017 for 17000 shares. The same was approved on 19/10/2017 and 30/10/2017. Noticee 4 allegedly being an insider as per Regulation 2(1)(g)(i)(ii) of PIT Regulation, should not have applied for pre-clearance and traded in the scrip during this period. She has therefore allegedly in violation of (a) Regulation 4(1) and (b) Clause 6 of the Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders as specified in Schedule B read with



Regulation 9(1) PIT Regulations.

54. On analysing the Bank statement of Noticee 4, it is observed that there were alleged fund transfers (06 transactions) to the extent of ₹80 Lakh from the account of Noticee 1 (promoter and one of the insider) to the account of Noticee 4 during the investigation period.
55. It is observed that Noticee 4 had received a total of ₹80 Lakh from Noticee 1 (six fund transfers from October 19, 2017 to November 13, 2017 (UPSI period) and the same was immediately transferred to her account of Karvy Stock Broking Ltd and used for trading in the scrip of AFF during the UPSI period. Prior to these receipts, the account had a balance of ₹ 22.07.
56. With regard to the source of funds used for trading in the scrip of AFF, Noticee 4 declared during her statement recording that she borrowed ₹80 Lakh from Noticee 1 to buy shares of AFF. She sold her land to Noticee 1 at a consideration of ₹ 95,00,000/- towards that loan. Evidence of the sale deed was submitted.
57. Examination of KYC/UCC, tradelog, information provided by AFF/statement recording and replies of Noticee 4, trading and fund flow analysis of the bank statements of Noticee 4 establishes that she had connections with Noticee 1 who is an insider and it is thereby, alleged that her trading in the scrip during UPSI period was done while in possession of UPSI.

**Summons to appear in person and submission of documents –**

58. Vide summon dated February 02, 2022, Noticee 4 was summoned to appear alongwith documentary evidence on February 08, 2022 at 11.30 a.m. During the statement recording she stated the following –
- i. She started trading in shares when AFF came out with their IPO. She decided on her own to trade after looking at websites to know more about trading. During the period of investigation she traded only in the scrip of AFF. She had a demat account with Karvy and used to place her order on her own through the online system.
  - ii. She submitted that she has traded in AFF with the borrowed money from her director of the company viz. Noticee 1. She paid back the loan by selling off her agricultural land. Copy of the sale deed was provided.

- iii. She worked for AFF for 16 years and was reporting to both the directors viz Noticee 1 and Satyanarayana Murthy Karuturi.
59. Noticee 4 had earned alleged unlawful gains on 16992 shares bought while in possession of unpublished price sensitive information during UPSI period. Allegedly total unlawful gains made calculated on the closing price on the following day of announcement works out to ₹8.57 lakh.
60. Vide email dated February 17, 2022, it was informed by the company that Noticee 4 was a designated employee and KMP might have possession of material information pertaining to the company.
61. As per bank statements of client Noticee 4, it was observed that significant deposits were made by Noticee 1 (promoter and one of the insider), to the extent of ₹80 Lakh to the account of Noticee 4 during the UPSI period.
62. Noticee 4 worked with AFF for 16 years as a Quality Manager and was reporting to Satyanarayana Murthy Karuturi and Noticee 1 (both insiders). On the basis of being in close proximity while working with Satyanarayana Murthy Karuturi and Noticee 1 and observance of funds transfers of ₹80 Lakh from the account of Noticee 1 (Insider) to the account of Noticee 4 to trade in AFF during the UPSI period. It is alleged that Noticee 4 was privy to the UPSI and allegedly she is an Insider as per Regulation 2(1) (g) (ii) of PIT Regulation and it is clear that Noticee 4 had traded on the basis of having the information with respect to the financial results of September 30, 2017 and traded during the period October 3, 2017 to November 14, 2017 thereon to allegedly make notional profit of ₹8.57 lakh Lakh.
63. By procuring the UPSI from Noticee 1, Noticee 4 allegedly violated the provision of Regulation 3(2) of SEBI (PIT) regulations, 2015.
64. Noticee 4 was an insider as per Regulation 2(1)(g)(ii) of PIT Regulation and privy to UPSI, applied for pre-clearance of trades and traded in the scrip of AFF when in possession of UPSI allegedly in violation of (a) Regulation 4(1) and (b) Clause 6 of the Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders as specified in Schedule B read with Regulation 9(1) of PIT Regulations.

65. Noticee 4 had earned unlawful gains on 16992 shares bought while in possession of unpublished price sensitive information during UPSI period. Total alleged unlawful gains made calculated on the closing price on the following day of announcement works out to ₹8.57 lakh.
66. In view of the above, Noticee 4 allegedly being insider violated Section 12 A (d) and (e ) of SEBI Act, 1992 and Regulation 4(1) read with Regulation 4(2) SEBI (PIT) Regulations, 2015 and Regulation 3(2) of SEBI (PIT) Regulations, 2015 and Clause 6 of the Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders as specified in Schedule B read with Regulation 9(1) of SEBI (PIT) Regulations, 2015.

### **Noticee 5 - (Manager Accounts)**

#### **Relationship of Noticee 5 with AFF-**

67. It is observed that Noticee 5 is the Operations Manager of the company hence connected person as per Regulation 2(1) (d) (i) of PIT Regulations and insider in terms of Regulation of 2(1)(g)(i). Further, he is appearing in the list of insiders as provided by the company and allegedly privy to UPSI and therefore termed as Insider as as Regulation 2(1)(g)(ii) of PIT Regulation.
68. During the UPSI period, Noticee 5 bought a total of 3360 shares through off market route (for 2 days) and bought 2800 shares through off market route (for 01 days viz November 21, 2017). He did not trade during the pre-UPSI period.
69. Noticee 5 bought a net quantity of 3360 shares through off market route during UPSI period while in possession of unpublished price sensitive information. Hence, the total unlawful gains made on the net buy quantity of 3360 shares calculated on the closing price on the following day of announcement allegedly works out to ₹1.11 lakh. Further, he also bought 2800 through off market route in the post UPSI period.
70. Regulation 4(1) of SEBI (PIT) Regulations, 2015 stipulates that “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.

71. Noticee 5 being Insider, he was allegedly in possession of UPSI with respect to the financial results of September 30, 2017 and allegedly traded during the period October 3, 2017 to November 14, 2017 which is considered as trading while in possession of UPSI.
72. Further, he allegedly applied for pre-clearance of trades and allegedly traded in the scrip of AFF during the period October 3, 2017 to November 14, 2017 when in possession of UPSI. Thus he is in alleged violation of clause 6 of the Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders as specified in Schedule B read with Regulation 9(1) of PIT Regulations.
73. In view of the above, the purchase and sale of shares of the company by Noticee 5 during the period October 3, 2017 to November 14, 2017 while in possession of UPSI is allegedly considered in violation of Section 12 A (d) and (e) of SEBI Act, 1992 and Regulation 4(1) read with regulation 4(2) of SEBI (PIT) Regulations, 2015.
74. Being an insider, he had allegedly earned unlawful gains on 3360 shares while in possession of UPSI during UPSI period. Alleged total unlawful gains made calculated on the closing price on the following day of announcement works out to ₹1.11 lakh.
75. Therefore, Noticee 5 allegedly violated Section 12A (d) and (e) of Securities and Exchange Board of India Act, 1992 and Regulation 4(1) read with 4(2) of the PIT Regulations, 2015 and clause 6 of the Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders as specified in Schedule B read with Regulation 9(1) of PIT Regulations.
76. SEBI observed that the start date of preparation of the financial results for the Quarter ended September 30, 2017 was November 3, 2017. Vide email dated September 14, 2021 information was sought from the company's auditor viz, Boda Raman & Co wherein it was informed that they had no record of the date of accounting entries when the unaudited financial results were finalized. They also did not have copies of communications / correspondences with the company with regard to the review of the financial results. Information was also sought from the company and auditors to determine the commencement of the UPSI and was asked to provide various Management Information System (MIS) Reports or any other reports with regard to financial performance of the company, generated/ prepared during the quarter ended September 30, 2017. However, both the company and its auditor have informed that they did not maintain any record of

email correspondences of the person involved in the finalization of financial results, date of sharing various reports generated and shared with insiders. In view of the same, it is alleged that the Noticee 6 has violated Section 11(2)(ia) of the SEBI Act, 1992.

77. In view of the discussion above, it is alleged that Noticee 1, Noticee 2, Noticee 3, Noticee 4 and Noticee 5 are Insiders and traded while in possession of UPSI. They allegedly violated Section 12A(d) and (e) of SEBI Act, 1992 and Regulation 4(1) read with Regulations 4(2) of SEBI (PIT) Regulations, 2015,
78. Noticee 1 being insiders allegedly communicated UPSI and allegedly violated Regulation 3(1) of PIT Regulations. Noticee 1, Noticee 3, Noticee 4 and Noticee 5 being Insiders allegedly traded while in possession of UPSI. After obtaining approval/pre-clearance of trades they allegedly violated Clause 6 of Schedule B read with Regulation 9 (1) of the PIT Regulations. Noticee 3 and Noticee 4 being insiders allegedly procured UPSI and therefore violated regulation 3(2) of SEBI (PIT) regulations, 2015.
79. The SCNs were issued at the last known addresses of Noticees through Speed Post Acknowledgment Due (SPAD) which was delivered. SCNs were also sent through Digitally Signed E-mail dated September 09, 2022 which was delivered and the delivery of the notice are on record. Vide email dated September 23, 2022 Noticee 6(company) replied on behalf of all the Noticees and made the following submissions-

*i. We confirm that the contents of Paragraph 3 and Paragraph 4 of the Letter.*

*ii. We confirm the shareholding of the Promoters as given in Paragraph 5 of the Letter. Further, we would like to confirm that there has been an increase in the shareholding of the members of the promoter group as pointed out by you in Paragraph 6. However, the increase is within the creeping acquisition limit of 5% in a financial year as provided by Regulation 3 (2) of the SAST Regulations, 2011 and have been done only to consolidate the promoter holding in the Company. We would also like to submit that the increase was only marginal by 0.41% over 2 quarters and further the holding of the promoters was within the Maximum permissible Promoter Holding as per the Securities Contract Regulation (Rules) 1957 read with Regulation 38 of the SEBI (LODR) Regulations, 2015.*

- iii. We confirm the financial performance of the Company during the quarter ended September 2017 and December 2017 as provided by you in Paragraph 7 of the letter.*
- iv. We have noted the contents of Paragraph 8 and have nothing to submit on the same.*
- v. We note the price volume analysis as provided by you in Paragraphs 9, 10 and 11 of the letter and the increase in price post the announcement of financial results on November 14, 2017 is probably due to the good financial performance of the Company in the quarter ended September 30, 2017.*
- vi. We have noted the definition of UPSI in Paragraph 12 and have also noted that declaration of quarterly financial results has been considered as an UPSI in Paragraph 13.*
- vii. We note the chronology of events as provided in Paragraph 14 and in Paragraph 15 by the Statutory Auditors and note that the financial results were finalised during the period November 03, 2017 till the announcement of the same to the stock exchanges on November 14, 2017. With regard to your observation regarding the timing of the UPSI in Pages 10 to 11 of the Letter, we would like to submit the following:*
- a. The Company had come out with an IPO which opened on August 22, 2017 and closed on August 24, 2017. The Shares of the Company were listed on September 04, 2017 and the details of the financial results as on March 31, 2017 were included in the Prospectus.*
- b. Since our Company was listed only on September 04, 2017, there was no creation of MIS and other reports pertaining to the financial results at that time.*
- c. The Auditors have also confirmed that there were no copies of communications / correspondences with the Company with regard to the unaudited financial results for the quarter ended September 30, 2017.*
- d. It has further been confirmed by both the Company and by the Statutory Auditors Boda Ramam & Co., Chartered Accountants that the start date for the preparation of results began only on November 03, 2017.*

- e. Hence, the allegation that promoters / directors / KMPs by virtue of their positions in the Company had information with reference to positive outcome of the financial results before the end of the quarter has been made without any evidence / proof and is an allegation without basis.
- f. We therefore refute this allegation as having been made without any basis and reconfirm that the financial results have been prepared only from November 03, 2017 and not earlier as provided in the letter.
- viii. We note the definition of Insiders as given in Paragraph 17 of the Letter and confirm that the list of person given in Paragraph 18 of the letter were privy to the UPSI for the quarter ended September 30, 2017. We also note that these persons are treated as Insiders. Request to take note in point No 18, S Sarojini is company Secretary of the company not an employee of Ramkumar & Associates.
- ix. We have taken note of the trading in the scrip of Apex Frozen Foods Limited by the designated persons as specified in Paragraph 20 from 03.10.2017 to 14.11.2017. We have no comments on Paragraph 21

#### **Trades of Mr Karuturi Subramanya Chowdary**

- x. With regard to the relationship outlined in Paragraph 22, we confirm that Noticee 1 Mr Karuturi Subramanya Chowdary is the promoter and whole time director of our company. He is the son of Mr Satyanarayana Murthy Karuturi and Ms Padmavathi Karuturi, both of whom are the promoters of the Company. He is also the husband of Karuturi Neelima Devi.
- xi. With regard to the observation regarding deposit into the account of employee Ms Devalla Satya Madhavi, it was due to her long working relationship with the company, requested for the requirement of funds as such transferred without knowing the reason, later she sold Agriculture land and repaid the money to Mr Karuturi Subramanya Chowdary.
- xii. With regard to the trading details given in Paragraph 23 to 26, there were no trades in the pre-investigation period as our scrip was listed on the Exchanges only on September 04, 2017. He had purchased 2000 shares on the BSE and 2000 shares on NSE on October 19, 2017 only to consolidate his holding. He did not buy any further

shares up to December 29, 2017 as the price was not attractive. There are no other reasons for the purchase of the shares of Apex Frozen Foods Limited. We would also like to reiterate that these 4000 shares were not sold by him during the investigation period and he continued to hold them till date.

xiii. With regard to the bank account statement provided in Paragraph 27 to 31, we would like to state that Rs.80,00,000 was lent to Ms Madhavi as she was in need of fund and there was no intention to fund Ms Madhavi to purchase shares of our Company.

xiv. We have no submissions on Paragraph 32

xv. With regard to your allegation in paragraphs 33 to 42 we do not agree with your calculation of unlawful gain as Mr Karturi Subramanya Chowdary has not sold the shares which were acquired by him. He was not in possession of any UPSI on October 19, 2017 as the details of the financials became available only on November 03, 2017. We also deny that Mr Karuturi Subramanya Chowdary funded Ms Madhavi to purchase the shares. She had taken the loan for personal requirement and there was no intention to fund her purchases of the shares of Apex Frozen Foods Limited. We deny the allegation made in Paragraph 42 that the intention behind the purchase of the shares was to earn profits from the price rise post announcement. If that were so, Mr Karuturi Subramanya Chowdary would have sold the shares and further bought the shares at a price much lower than the average price of Rs.460 as indicated by the price volume data given in Paragraph 8 and 9 of the Letter.

xvi. We deny that Mr. Karuturi Subramanya Chowdary has allegedly traded, communicated and applied for pre-clearance during the period October 03, 2017 to November 14,2017 while being in possession of UPSI and hence has not violated Regulation 3(1), 4(1) read with 4(2) and Clause 6 of the Minimum Standards for code of conduct to Regulate, monitor and report trading by Insiders as specified in Schedule B read with Regulation 9(1) of SEBI (PIT) Regulations, 2015.

#### **Trades by Mr Lakshmipathi Raju Mantena**

xvii. With regard to the allegation against Notieee 2 in Paragraoh 43, Mr Lakshmipathi Raju Mantena is an independent director of the Company. We deny that he is an insider as he was not involved in the preparation of the quarterly financial results of the Company.



*With regard to your allegations in paragraphs 44 to 47 it can be seen that Mr Lakshmipathi Raju Mantena had bought and sold the shares during the pre-investigation period and during the investigation period on the NSE. Hence we would like to rely on the SAT Order in the matter of Chandrakala Vs SEBI ( Rasi Electrodes Limited), the Hon'ble SAT while allowing the appeal held that the trading pattern with regular buys and sells indicates that the trades were not induced by possession of UPSI. It can also be seen from paragraph 45 that he has traded in other scrips also during the investigation period.*

*xviii. On the basis of submission in Paragraph 17 above, we would like to reiterate that Mr Laskhmipathi Raju Mantena has not traded on the basis of UPSI, he was not in possession of any information regarding financials for the quarter ended September 30, 2017, he was a regular investor in the stock market and was buying I selling the shares of the Company. Hence we deny the contents of Paragraph 50 regarding unlawful gains made. With regard to the allegations in Paragraph 52 to 57, we deny that Mr Laskhmipathi Raju Mantena has violated Section 12A(d) and (e) of SEBI Act, 1992 and Regulation 4(1) and 4(2) of SEBI (PIT) Regulations, 2015.*

#### **Trades by Mr Vallepalli Hanumantha Rao**

*xix. With regard to the allegation in Paragraph 58, regarding Mr Vallepalli Hanumantha Rao, Noticee 3, we deny he is an insider as he is not a KMP or director of the Company. The allegation that he be treated as an Insider merely due to the proximity of the relationship has been made without any concrete evidence I proof. We also deny that he had access to any UPSI.*

*xx. With regard to the allegation in Paragraphs 59 to 64, it is confirmed that Mr Hanumantha Rao bought 4,600 shares on November 03, 2017 and he did not sell these shares till date. These shares were purchased only to make profits from investment as there was very little return from fixed deposits. He had not traded in the six-month period prior to the trading date because the shares were not listed during the period.*

*xxi. With regard to the allegation in Paragraph 65 to 67 we disagree with the calculation of the notional gains as he has not sold the shares and had merely bought the shares only as an investment.*

xxii. We deny all the allegations made in Paragraphs 68 to 75 and we deny that Mr Hanumantha Rao has violated Section 12A(d) and (e) of SEBI Act, 1992 and Regulation 4(1) and 4(2) and Clause 6 of the Minimum Standards for code of conduct to Regulate, monitor and report trading by Insiders as specified in Schedule B read with Regulation 9(1) of SEBI (PIT) Regulations, 2015 of SEBI (PIT) Regulations, 2015.

#### **Trades of Ms Madhavi**

xxiii. With regard to the allegations made in Paragraph 77 and 78 we confirm that Mr Davella Satya Madhavi was employed in our Company for 16 years and was reporting to Mr Karturi Satyanarayana Murthy and Mr Karturi Subramanya Chowdary. It was due to her long standing employment that funds were given to request not knowing the reason. To allege that she was privy to UPSI due to the proximity is a figment of imagination and has been made without any basis.

xxiv. We have no comments to offer on the details provided in Paragraph 79 and 80 on the trades done by Mr Madhavi.

xxv. With regard to your allegation in Paragraph 81, she applied for pre-clearance, as she was required to take pre-clearance whenever trades were being done by her. She applied for pre-clearance when the trading window was open and we therefore deny that she has violated provisions of Regulation 4(1) and 4(2) and Clause 6 of the Minimum Standards for code of conduct to Regulate, monitor and report trading by Insiders as specified in Schedule B read with Regulation 9(1) of SEBI (PIT) Regulations, 2015 of SEBI (PIT) Regulations, 2015.

xxvi. We have no comments to submit on the allegations in Paragraph 82 and 83.

xxvii. With regard to the allegation in Paragraphs 84 to 89, although we do not deny that Rs.80,00,000 was transferred to her, the same has been repaid by her to Mr Karturi Subramanya Chowdary and she had purchased the shares as an investment only with no malafide intention. As confirmed by her submissions to SEBI and reproduced in Paragraph 90, she sold her agricultural land to repay the loan taken and the decision to buy the shares was entirely her own and was not fuelled by being in possession of UPSI. It can be seen all the trades were done before November 03, 2017 much before the financial information was made available to all the insiders.

- xxviii. *With regard to the allegation in Paragraph 95 and 96 we disagree with the calculation of the notional gains as she has not sold the shares and had merely bought the shares only as an investment.*
- xxix. *We have no comments to offer on Paragraph 97 to 99 of the letter.*
- xxx. *We deny the allegation in Paragraph 100 in totality and would like to reiterate that she had not procured any UPSI from any of the directors or employees of the company.*
- xxxi. *We deny all the allegations made in Paragraphs 101 to 104 and we deny that Ms Madhavi has violated the provisions of Section 12A(d) and (e) of SEBI Act, 1992 and Regulation 4(1) and 4(2) and Regulation 3(2) and Clause 6 of the Minimum Standards for code of conduct to Regulate, monitor and report trading by Insiders as specified in Schedule B read with Regulation 9(1) of SEBI (PIT) Regulations, 2015 of SEBI (PIT) Regulations, 2015.*

#### **Trades of Mr P Durga Prasad**

- xxxii. *We confirm that Mr P Durga Prasad was the Manager Accounts and was an Insider as per the PIT Regulations.*
- xxxiii. *With regard to the trading pattern of Mr P Durga Prasad as provided in paragraph 105 it can be seen that he had bought 3360 shares on 16.10.2017 and 23.10.2017 (off market) which was before the unaudited financial results came into being on November 03, 2017 and he had further purchased shares of 2800 shares on 21.11.2017 through off market mechanism at Rs.589.45 per share.*
- xxxiv. *It can be seen from Paragraph 107 of your letter that Mr Durga Prasad was a regular investor in the stock market and had invested in other scrips as well. We further would like to submit that Mr Durga Prasad had bought the shares off market as the seller had borrowed money from him and this transaction was used to settle the dues.*
- xxxv. *We deny the allegation in Paragraph 108 regarding the unlawful gains made. We would once again rely on the decision by the SAT in the matter of Chandrakala Vs SEBI where in the SAT while allowing the appeal had relied on the trading pattern of Ms Chandrakala. Since Mr Durga Prasad had continued to buy the shares after the investigation period and had invested in other scrips his trades were not done on the*

*basis of possession of UPSI. Hence we do not agree with the calculation of unlawful gains as specified in this paragraph and in Paragraph 109 of the letter.*

*xxxvi. We deny all the allegations made in Paragraphs 110 to 116 and deny that Noticee 5 Mr Durga Prasad has violated the provisions of Section 12A(d) and (e) of SEBI Act, 1992 and Regulation 4(1) and 4(2) of SEBI (PIT) Regulations, 2015.*

***Allegation against Noticee 6 --Apex Frozen Foods Limited***

*xxxvii. With regard to your allegation in Paragraph 117 we deny that we have violated Section 11 (2)(ia) of the SEBI Act, 1992. We were just listed in September 2017 and this was the first quarter wherein the unaudited results had to be published in accordance with the SEBI Listing Regulations. We were merely familiarising with the requirements and hence the MIS / other reports were put in place from November 03, 2017.*

*xxxviii. In view of the submission made in the earlier paragraphs, we deny all the allegations against Noticees 1 to 5 in Paragraphs 118 and 119.*

80. In the interest of Natural Justice, opportunity of hearing was given to Noticees on October 19, 2022 vide hearing Notice dated September 28, 2022. The Noticee nominated an authorized representative (hereinafter referred to as **AR**) to appear on its behalf for hearing on October 19, 2022 vide e-mail dated October 14, 2022.

81. On the date of hearing, the AR appeared on behalf of the Noticee. The AR reiterated the submissions made by the Noticees vide letter dated September 22, 2022. AR also sought extension till October 28, 2022 for making additional submission of the following information / documents:-

- a) Whether Noticee 1, Noticee 2, Noticee 3, Noticee 4 and Noticee 5 bought shares in the scrip of Apex Frozen Foods Limited after the UPSI period, if yes, then details of such trades.
- b) Where the Noticees have not bought shares after the UPSI period then reason for purchasing the shares in the abovementioned scrip during the UPSI period.

82. AR of the Noticee vide email dated November 01, 2022 provided the details of trades of the Noticees in the scrip of the company during and after the UPSI period, which are as follows-

Name of Person	Number of Securities Acquired/Disposed /Pledge etc.	Transaction Type ( Buy/ Sale/Pledge /Revoke/ Invoke)	Date of acquisition of shares/sale of shares/Date of Allotment (From date)
Noticee 1	9600000	Opening	
Noticee 1	2000	Acquisition	19-Oct-17
Noticee 1	2000	Acquisition	19-Oct-17
Noticee 1	12000	Acquisition	11-Feb-19
Noticee 1	2764	Acquisition	12-Feb-19
Noticee 1	1500	Acquisition	12-Feb-19
Noticee 1	79	Acquisition	14-Feb-19
Noticee 1	3158	Acquisition	14-Feb-19
Noticee 1	125	Acquisition	15-Feb-19
Noticee 1	4820	Acquisition	18-Feb-19
Noticee 1	2987	Acquisition	18-Feb-19
Noticee 1	1000	Acquisition	21-Feb-19
Noticee 1	453	Acquisition	21-Feb-19
Noticee 1	1056	Acquisition	25-Feb-19
Noticee 1	1000	Acquisition	16-Aug-19
Noticee 1	1000	Acquisition	19-Aug-19
Noticee 1	200	Acquisition	21-Aug-19
Noticee 1	20	Acquisition	21-Aug-19
Noticee 1	7170	Acquisition	23-Mar-20
Noticee 1	496	Acquisition	23-Mar-20
Total as on 30.09.2022	9643828		
Noticee 2	3350		
Noticee 2	-500	Disposal market	21-Nov-19
Noticee 2	-1000	Disposal market	22-Nov-19
Noticee 2	-1850	Disposal market	25-Nov-19
Total as on 30.09.2022	0		
Noticee 3	24000		

Noticee 3	4600	Acquisition	03-Nov-17
Total as on 30.09.2022	28600		
Noticee 4	2800	IPO	
Noticee 4	2000	Acquisition	19-Oct-17
Noticee 4	7500	Acquisition	23-Oct-17
Noticee 4	3800	Acquisition	24-Oct-17
Noticee 4	524	Acquisition	31-Oct-17
Noticee 4	3103	Acquisition	31-Oct-17
Noticee 4	65	Acquisition	03-Nov-17
Noticee 4	50	Acquisition	31.-Jan -18
Total	19842		
Total as on 30. 09.2022	19842		
Noticee 5	2800	Acquisition	31-Aug-17
Noticee 5	2800	Acquisition	16-Oct-17
Noticee 5	560	Acquisition	23-Oct-17
Noticee 5	2800	Acquisition	21-Nov-17
Noticee 5	-2240	off market sale	03-Sep-18
Total	6720		
Total as on 30.09.2022	6720		

## **ISSUES FOR CONSIDERATION, EVIDENCE AND FINDINGS**

83. I have taken into consideration the facts and circumstances of the case and the material available on record. The issues that arise for consideration in the present case are:

**ISSUE I: Whether Noticee1, Noticee 2, Noticee 3, Noticee 4 and Noticee 5 violated the provisions of Section 12A(d) and (e) of SEBI Act, 1992 and regulation 4(1) read with 4(2) of SEBI (PIT) regulations, 2015, whether Noticee 1 violated the provisions of Section 12A(e) of SEBI Act, 1992 and Regulation 3(1) of SEBI (PIT) Regulations, 2015 and Noticee 3 and Noticee 4 violated the provision of Section 12A(e) of SEBI Act, 1992 and Regulation 3(2) of SEBI (PIT) Regulations, 2015 and whether Noticee 1, Noticee 3, Noticee 4 and Noticee 5 violated the provisions of Clause 6 of the Minimum Standards for code of conduct to Regulate, Monitor and Report trading by Insiders as specified in Schedule B read with Regulation 9(1) of PIT Regulations and whether Noticee 6 violated the provision of Section 11(2)(ia) of the SEBI Act, 1992?**

**ISSUE II: Does the violation, if any, on part of the Noticee 1, Noticee 3, Noticee 4 and Noticee 5 attract penalty under Section for 15G and 15HB of SEBI Act, for Noticee 2 under Section 15G of SEBI Act, 1992 and for Noticee 6 under Section 15A(a) of the SEBI Act, 1992 ?**

**ISSUE III: If so, how much penalty should be imposed on the Noticees taking into consideration the factors mentioned in Section 15J of the SEBI Act?**

84. Before proceeding further, it will be appropriate to refer to the relevant provisions of SEBI Act, 1992 and SEBI (PIT) Regulations, 2015 which are reproduced hereunder:-

*SEBI Act-*

*Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.*

*12A. No person shall directly or indirectly—*

*(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;*

*Section 11- Functions of Board.*

*11 (2) Without prejudice to the generality of the foregoing provisions, the measures referred to therein may provide for—*

*[(ia) calling for information and records from any person including any bank or any other authority or board or corporation established or constituted by or under any Central or State Act which, in the opinion of the Board, shall be relevant to any investigation or inquiry by the Board in respect of any transaction in securities;]*

*SEBI (PIT) Regulations, 2015*

*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

3(2) No person shall procure from or cause the communication by any insider of unpublished price sensitive information, relating to a company or securities listed or proposed to be listed, except in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.

NOTE: This provision is intended to impose a prohibition on unlawfully procuring possession of unpublished price sensitive information. Inducement and procurement of unpublished price sensitive information not in furtherance of one's legitimate duties and discharge of obligations would be illegal under this provision.

Code of Conduct.

9.(1)The board of directors of every listed company and [the board of directors or head(s) of the organisation of every intermediary shall ensure that the chief executive officer or managing director] shall formulate a code of conduct [with their approval] to regulate, monitor and report trading by its [designated persons and immediate relatives of designated persons] towards achieving compliance with these regulations, adopting the minimum standards set out in Schedule B [(in case of a listed company) and Schedule C (in case of an intermediary)] to these regulations, without diluting the provisions of these regulations in any manner.

[Explanation –For the avoidance of doubt it is clarified that intermediaries, which are listed, would be required to formulate a code of conduct to regulate, monitor and report trading by their designated persons, by adopting the minimum standards set out in Schedule B with respect to trading in their own securities and in Schedule C with respect to trading in



*other securities.]*

*NOTE: It is intended that every company whose securities are listed on stock exchanges and every [intermediary] registered with SEBI is mandatorily required to formulate a code of conduct governing trading by [designated persons and their immediate relatives]. The standards set out in the [schedules] are required to be addressed by such code of conduct.*

## **SCHEDULE B**

*Minimum Standards for Code of Conduct [for Listed Companies] to Regulate, Monitor and Report Trading by [Designated Persons.*

*6. When the trading window is open, trading by designated persons shall be subject to pre-clearance by the compliance officer, if the value of the proposed trades is above such thresholds as the board of directors may stipulate.*

*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:*

*[Explanation—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.]*

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

*(i) the transaction is an off-market inter-setransfer between 18[insiders]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.*

*[Provided that such unpublished price sensitive information was not obtained under sub-regulation (3) of regulation 3 of these regulations.*

*Provided further that such off-market trades shall be reported by the insiders to the company within two working days. Every company shall notify the particulars of such trades to the stock exchange on which the securities are listed within two trading days*

*from receipt of the disclosure or from becoming aware of such information.];*

*[(ii) the transaction was carried out through the block deal window mechanism between persons who were in possession of the unpublished price sensitive information without being in breach of regulation 3 and both parties had made a conscious and informed trade decision;*

*Provided that such unpublished price sensitive information was not obtained by either person under sub-regulation (3) of regulation 3 of these regulations.*

*(iii) the transaction in question was carried out pursuant to a statutory or regulatory obligation to carryout a bona fide transaction.*

*(iv) the transaction in question was undertaken pursuant to the exercise of stock options in respect of which the exercise price was pre-determined in compliance with applicable regulations.]*

*(v) 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;*

*(vi) 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.*

## **FINDINGS**

85. On perusal of the material available on record and giving regard to the facts and circumstances of the case and submissions of the Noticees I record my findings hereunder:

**ISSUE I: a) Whether Noticee1, Noticee 2, Noticee 3, Noticee 4 and Noticee 5 violated the provisions of Section 12A(d) and (e) of SEBI Act, 1992 and regulation 4(1) read with 4(2) of SEBI (PIT) regulations, 2015, whether Noticee 1 violated the provisions of Section 12A(e) of SEBI Act, 1992 and Regulation 3(1) of SEBI (PIT) Regulations, 2015 and Noticee 3 and Noticee 4 violated the provision of Section 12A(e) of SEBI Act, 1992 and Regulation 3(2) of SEBI (PIT) Regulations, 2015 and whether Noticee 1, Noticee 3, Noticee 4 and Noticee 5 violated the provisions of Clause 6 of the Minimum Standards for code of conduct to Regulate, Monitor and Report trading by Insiders as specified in Schedule B read with Regulation 9(1) of PIT Regulations and whether Noticee 6 violated the provision of Section 11(2)(ia) of the SEBI Act, 1992?**

### **Background of the company**

86. The company are integrated producer and exporter of shelf stable quality aquaculture products. They supply ready-to-cook products to a diversified customer base consisting of food companies, retail chains, restaurants, club Frozen stores and distributors spread across the developed markets of USA, UK and various European Countries.

### **Management of the company**

87. Following were the Directors of the company during the investigation period:

Full Name	Designation	DIN/PAN
Subrahmanya Chowdary Karuturi	Wholetime Director	3619259
Satyanarayana Murthy Karuturi	Managing Director	5107525
Neelima Devi Karuturi	Wholetime Director	6765515
Chandrasekhar Raju Datla	Director	7714265
Lakshmipathi Mantena Raju	Director	7717931
Venkata Subba Datla Raju	Director	7717952
Sarojini Samayamantula	Company Secretary	ELXPS6223K
Vijay Kumar Chittavarjula	CFO(KMP)	ADKPC5204F

### Shareholding Pattern

88. Details of shareholding pattern of company as at the end of quarters from September 2017 to March 2018, are as follows:

Name Of The Share Holder	March 2018		December-2017		September-2017	
	Number of shares	Shares as a percentage of total number of shares	Number of shares	Shares as a percentage of total number of shares	Number of shares	Shares as a percentage of total number of shares
<b>Promoters (A)</b>	22654232	72.49	22628283	72.41	22526000	72.08
<b>Public</b>	8595768	27.51	8621717	27.59	8724000	27.92
<b>Total Share</b>	<b>31250000</b>	<b>100</b>	<b>31250000</b>	<b>100</b>	<b>31250000</b>	<b>100</b>

### Promoters Shareholding pattern:

89. The following are observed from the above table –

- (i) There has been change in the holding of the promoter group as observed at the end of quarters June 2017 to March, 2018.
- (ii) There has been an increase in the holding of Noticee 3 to the extent of 4600 shares when compared to the shareholding at the end of September 2017.
- (iii) Further, Satyanarayan Murthy Karuturi increased his holding by 7, 25,000 shares at the end of September quarter and further increased his holding by 20,279 shares in the December quarter.

(iv) Padmavathi Karuturi increased her holding by 70,183 shares in the quarter December 2017 and increased her holding by 5670 in the quarter March 2018.

(v) Noticee 1 increased his holding by 4000 shares in the quarter December 2017.

### Financial Performance of the company

90. Analysis of financial results during the investigation period is as given below:

Particulars	31-Mar -18 (in lakhs)	31-Dec-17(in lakhs)	30-Sep-17 (in lakhs)	30-Jun-17(in lakhs)
<b>Total Income</b>	20603.38	26,718.33	29,217.07	25,312.05
<b>Net Profit(+)/Loss (-)</b>	<b>1749.52</b>	<b>1,883.79</b>	<b>2,204.32</b>	<b>1664.44</b>

91. It was observed that the company made a profit of ₹ 2,204.32 lakh in the quarter ended September 2017. In quarter ended December 2017, company made a profit of ₹1,883.79 lakhs.

### Corporate Announcements made by the company relating to Financial Results for the quarter ended September 30, 2017

S No.	Name of the Promoter Entity	No. of Shares (% to the total shares)			
		As on June 30, 2017	As on September 30, 2017	As on December 31, 2017	As on March 31, 2018
1	Satyanarayana Murthy Karuturi	96,00,000 (40.00)	88,75,000 (38.40)	88,98,500 (28.48)	89,18,779 (28.54)
2	Noticee 1	96,00,000 (40.00)	96,00,000 (30.72)	96,04,000 (30.73)	96,04,000 (30.73)
3	Padmavathi Karuturi	47,04,000 (19.60)	39,79,000 (12.73)	40,49,183 (12.96)	40,54,853 (12.98)
4	Noticee 3	24,000 (0.10)	24,000 (0.08)	28,600 (0.09)	28,600 (0.09)
5	Karuturi Neelima Devi.	24,000 (0.10)	24,000 (0.08)	24,000 (0.08)	24,000 (0.08)
6	Anitha Devi Sankuratri	24,000 (0.10)	24,000 (0.08)	24,000 (0.08)	24,000 (0.08)
<b>Total (Promoter Shareholding)</b>		<b>2,39,76,000(99.99)</b>	<b>2,25,26,000 (72.09)</b>	<b>2,26,28,283 (72.42)</b>	<b>2,26,54,232 (72.50)</b>

92. The following table provides the details of corporate announcements made by AFF for the financial results for the quarter ended September 30, 2017 and its impact on the scrip price on BSE and NSE.

SI No.	Date and time of announcement	Announcement	Market price/No. of shares traded						Impact on Price
1	14-11-2017 16:36 (BSE)	Apex Frozen Foods Limited has submitted to the Exchange, the financial results for the period ended September 30, 2017.	<b>BSE</b>						On November 15, 2017 at BSE, the scrip opened at 1.10% higher than the previous day's closing price and closed at 4.9% higher than the previous day's closing price. Increase in volume was also observed.
			<b>Date</b>	<b>O</b>	<b>H</b>	<b>L</b>	<b>C</b>	<b>No. of shares traded</b>	
			14/11/2017	479.8	479.8	455.95	461.85	48969	
			15/11/2017	484.9	484.9	475	484.9	53217	
2	14-11-2017 16:45(NSE)	Apex Frozen Foods Limited has submitted to the Exchange, the financial results for the period ended September 30, 2017.	<b>NSE</b>						On November 15, 2017 at NSE, the scrip opened at 1.08% higher than the previous day's closing price and closed at 4.98% higher than the previous day's closing price. Increase in volume was also observed.
			<b>Date</b>	<b>O</b>	<b>H</b>	<b>L</b>	<b>C</b>	<b>No. of shares traded</b>	
			14/11/2017	480	481.95	456	461.95	279595	
			15/11/2017	485	485	475	485	444123	

### Price volume Analysis

93. The price movement prior, during and after the Investigation Period at BSE and NSE is summarized below:

Investigation Period	Exchange	Open	High	Low	Close	Avg Daily Mkt
<b>Pre-UPSI Period</b> (04/09/2017 to 30/09/2017)	<b>NSE</b>	202	343.3	202	309.25	82,08,613
		04-Sept-17	18-Sep-17	04-Sep-17	29-Sep-17	
	<b>BSE</b>	199.9	355	195	310.25	18,48,803
		04-Sept-17	18-Sep-17	04-Sep-17	29-Sep-17	
<b>UPSI Period</b> (03/10//2017 to 14/11/2017)	<b>NSE</b>	315	484.4	305.1	461.95	1,29,91,256
		03-Oct-17	18-Oct-17	03-Oct-17	14-Nov-17	
	<b>BSE</b>	315	484.45	305.5	461.85	26,45,079
		03-Oct-17	18-Oct-17	04-Oct-17	14-Nov-17	
<b>Post-UPSI Period</b>	<b>NSE</b>	485	939	475	841.65	1,52,53,099
		15-Nov-17	07-Dec-17	15-Nov-17	29-Dec-17	
			484.9	941.4	475	838.85

(15/11/2017 to 31/12/2017)	BSE	15-Nov 17	07-Dec-17	15-Nov-17	29-Dec-17	26,52,271
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Oct 1<sup>st</sup> and Oct 02 are trading holidays, Dec 30 and Dec 31 are trading holidays

94. Closing price on November 14, 2017 was Rs. 461.85 (BSE). From November 15, 2017 onwards, the price of the scrip breached circuit limit of 5% until November 22, 2017 and touched high price of Rs. 608.60 which is an increase of 31.77%. Subsequently, the price of the scrip closed at Rs. 740.70 on November 30, 2017 which is an increase of 60.38%. The price of the scrip also touched a high price of Rs. 939 on December 07, 2017. It appears from above, that there was significant impact post the said announcement on the price of the company.

95. As on February 28, 2018, the closing price of the scrip was Rs. 713.90 at NSE and Rs.714.65 at BSE.

96. I note that it has been alleged against Noticee 1, Noticee 2, Noticee 3, Noticee 4 and Noticee 5 in the SCN, that being insider they traded in the scrip of the company while being in possession of UPSI and thereby violated Section 12 A (d) and (e) of SEBI Act, 1992 and Regulation 4(1) read with 4(2) of SEBI (PIT) regulations, 2015.

97. I find that there are three important things needs to be established for attracting the provisions of Section 12A (d) & (e) of SEBI Act, 1992 and Regulation 4(1) read with 4(2) of SEBI (PIT) Regulations, 2015 which are as follows:-

a) There was Unpublished Price Sensitive Information (UPSI) during the IP,

b) Noticees were an insider of the company during the IP, and

c) Noticees traded while in possession of UPSI during the UPSI period.

**a. There was Unpublished Price Sensitive Information (UPSI) during the IP**

98. The term "unpublished price sensitive information" has been defined in Regulation 2(1)(n) of SEBI (PIT) 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: –*

*(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.*

99. As mentioned above, Regulation 2(1)(n)(i) of SEBI (PIT) Regulations, 2015 defines UPSI which, inter alia, includes information relating to “financial results”. Company Apex Frozen Foods Limited have made the corporate announcement on November 14, 2017 of financial results of the company for the second quarter ended September 30, 2017. There was a significant impact post the said announcement on the price of the company. The price of the scrip was observed to have moved from a closing price of ₹ 485 on November 15, 2017 to a close price of ₹.841.65 on December 29, 2017 i.e. it registered a rise of 73.54% in 32 trading days after touching a high price of ₹ 939 on December 07, 2017. Therefore, I observe that financial results of the company for the second quarter ended September 30, 2017, which was not generally available to the public, affected the price of the securities when it became public and is Unpublished Price Sensitive Information in terms of Regulation 2(1)(n)(i) of SEBI (PIT) Regulations, 2015.

100. Furthermore, I note that the company had submitted the financial results for the period ended September 30, 2017 on November 14, 2017. Subsequently, on November 15, 2017 at BSE, the scrip opened at 1.10% higher than the previous day’s closing price and closed at 4.9% higher than the previous day’s closing price, and at NSE the scrip opened at 1.08% higher than the previous day’s closing price and closed at 4.98% higher than the previous day’s closing price. Increase in trading volume was also observed. In view of the same, I conclude that there was UPSI during the IP.



## Period of UPSI

Chronology of events pertaining to announcement related to UPSI.

101. The chronology of events with regard to the corporate announcement of Financial Result for the quarter ended September 30, 2017 was obtained from the company. After perusing the replies of company, the chronology of events with respect to the said corporate announcement is given below –

SI No	Event	Date
1	Management had informally took concurrence of Directors to convene the Board meeting on 14th November 2017 for considering the Un Audited financial results for the half year ended 30th September 2017	3 <sup>rd</sup> and 4 <sup>th</sup> November 2017
2	company has informed to BSE regarding date of Board meeting, which is to be held on 14.11.2017	05.11.2017
3	Published notice about date of board meeting in Andhra Bhoomi & DECCAN CHRONICLE news papers	05.11.2017
4	sent notice of Board meeting to all the Directors	06.11.2017
5	company has informed to NSE regarding date of Board meeting, which was held on 14.11.2017	06.11.2017
6	Audit committee meeting & Board meeting held and approved un-audited financial results for the second quarter and half year ended on 30.09.2017	14.11.2017

102. Chronology of events starting from the initiation of the preparation of financial results of the company for the period ended September 2017 till the declaration of the same by the company on November 14, 2017 was also sought from the statutory auditors of the company i.e Boda Ramam & Co. The Statutory Auditors viz. Boda Ramam & Co vide email dated September 29, 2021 submitted the below mentioned chronology of events

–

Date	Details of names	PAN	Particulars(Details of	Relationship
04.11.2017 to 10.11.2017	Ch Vijaya Kumar	ADKPC5204F	Various items of the Trial Balance are discussed	CFO
	P. Durga Prasad	BEIPP8619B		Manager
	Boda Anand Kumar, B.Com., FCA	ABUPB4997L		Statutory Auditor firm - partner
	R V S N Sastri - Sr Staff of Boda Ramam & Co.,	BLKPS4804G		Paid-executive of Statutory Auditor firm

11.11.2017 TO 12.11.2017	All above three + Noticee 1- Whole Time Director	AGTPC7731R	Certain Important clarifications are called for and information made available is discussed.	Whole Time Director
13.11.2017 TO 13.11.2017	All above four + Karuturi Satyanarayana Murthy- Chairman & Managing Director	ACRPK5406D	Certain Important clarifications are called for and information made available is discussed. Draft financial statements are discussed.	Chairman & Managing Director
14.11.2017	All the above attended along with below mentioned persons	NA	Audit committee meeting held on 14.11.2020, Members of audit committee has inter alia reviewed and recommended un-audited financial results for quarter 30.09.2017	NA
	Karuturi Neelima	CNAPK0472R		whole time
	M.Lakshmi Pathi	ACDPM9939P		Independent
	D Venkata Subba	AEFPD2054J		Independent
	S.Sarojini -Company secretary	ELXPS6223K		Company secretary

103. From the chronology of events submitted by the company and their auditors, it is observed that the start date of preparation of the financial results for the Quarter ended September 30, 2017 was November 3, 2017. Vide email dated September 14, 2021 information was sought from the company's auditors viz. Boda Raman & Co wherein it was informed that they had no record of the date of accounting entries when the unaudited financial results were finalized. They also did not have copies of communications / correspondences with the company with regard to the review of the financial results.
104. Noticee 6 (company) vide reply dated September 22, 2022, submitted that the allegation that promoters / directors / KMPs by virtue of their positions in the Company had information with reference to positive outcome of the financial results before the end of the quarter, has been made without any evidence / proof and is an allegation without basis and reconfirmed that the financial results have been prepared only from November 03, 2017 and not earlier as provided in the letter.
105. The Noticee 6 (company) vide email dated September 14, 2021 was asked to provide various Management Information System (MIS) Reports or any other reports with regard

to financial performance of the company, generated/ prepared during the quarter ended September 30, 2017. They were also asked to provide the details of the Directors / KMPs to whom such reports were provided along with dates (complete details like date of email / letter, date of receipt etc.).

106. I note that vide letter dated September 23, 2021, Noticee 6 has informed that during the quarter ended September 30, 2017, following reports were generated – Sales report, purchase report, Inventory valuation, Outstanding debtors, Outstanding creditors and Export incentive reports. Further, these reports were shared with Noticee 1 and Noticee 5 among others. Noticee 6 (company) further submitted that it is common practice to share the reports among staff, auditors and management for finalization of books of accounts and declaration of results. However, Noticee 6 (company) informed that they did not have date of sharing those reports or written communications etc. Noticee 6 i.e. the company in its reply submitted that the start date for preparation of financial results for the quarter ended September 30, 2017 was November 3, 2017 and the results were declared on November 14, 2017 i.e. within ten days. It may be noted that the general practice of starting preparation of financial results for a particular quarter starts within 2 weeks of the end of the quarter. Further I observe that the MIS reports were already generated during the quarter ended September 30, 2017 and were circulated to the K. Satyanarayana Murthy, K. Subrahmanya Chowdhary (Noticee 1), Ch. Vijaya Kumar, P. Durga Prasad (Noticee 5) and B. Anand Kumar auditor. Hence the submission of Noticee 6 that the financial results preparation started only 10 days before board meeting scheduled on November 14, 2017 to consider the unaudited results is not tenable.
107. From the above information, I observe that any recipient of the reports, generated and shared by the company with the Directors / CFO / Auditor and their respective staff, would have had an understanding of the financial performance of the company. Thus, by the end of the quarter, any person with whom the reports mentioned earlier were shared, would have known whether the company had made profit in the said quarter. Accordingly, while the account finalization process (as per the company) would have started from November 04, 2017, the price sensitive information regarding the company making noticeable profits during the quarter ended September 30, 2017, was known to every person who had access to the reports generated by the company as mentioned above. As already noted, the company disclosed its financial results for the quarter ended September 30, 2017 on November 14, 2017 after market hours. Considering the

above, the period, during which the price sensitive information remained unpublished, has been reckoned from first working day of the relevant quarter i.e. October 03, 2017 to November 14, 2017. Thus, period from October 03, 2017 to November 14, 2017 has been taken as the UPSI period.

108. Based on the above, the following periods has been taken as pre-UPSI, UPSI and post-UPSI periods:

Pre-UPSI Period	UPSI Period	Post-UPSI Period
04/09/2017 to 30/09/2017	03/10/2017 to 14/11/2017	15/11/2017 to 31/12/2017

AFF got listed on 04/09/2017; 01/10/2017 and 02/10/2017 were trading holidays; 30/12/2017 and 31/12/17 were trading holidays

**b. Noticees were Insiders of the company during IP**

109. I note that the provisions of PIT Regulations lays down a pre-requisite that a person alleged to have indulged in insider trading has to be an insider. In this respect, it is noted above that the term "insider" is defined under regulation 2(1)(g) of PIT Regulations. The relevant portion of the said provision is reproduced hereunder:

**2(1)(g)** "insider" means any person who is:

*i) a connected person; or*

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

110. The above definition provides that there can be two categories of insiders i.e. first one who is a connected person of the company and second one who is in possession of or having access to unpublished price sensitive information. The term 'connected person' is further defined under regulation 2(1)(d) of the PIT Regulations as under:-

**2(1)(d)** "connected person" means,-

*(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.*

111. From the perusal of the aforesaid governing provisions, the definition of a 'connected person' is self-explanatory which does not need further elaboration and apart from a connected person, an insider also includes any other person who though may not be connected directly or indirectly to the company but can also become an insider, if he is in possession of or is having access to UPSI. In this respect, it is worthwhile to add here that to qualify as an "insider", it is not material to show as to how the said insider has come in possession of or has access to such unpublished information.

112. In view of the above, I observe that the promoters/director/KMPs by virtue of their positions in the company had information w.r.t to the positive outcome of financial results after the end of the quarter of September 2017. As per the information received from the company vide letter dated July 11, 2019 the following persons were involved in the preparation and discussion of the financial information of the company and who were privy of the UPSI for the quarter ended September 30, 2017. The details are as follow:-

Sl. No.	Full Name	Designation	PAN	Employee / Organization concerned
1	Ch Vijaya Kumar	CFO	ADKPC5204F	Apex Frozen Foods Ltd.,
2	P. Durga Prasad	Manager accounts	BEIPP8619B	Apex Frozen Foods Ltd.,
3	Boda Anand Kumar	Partner of Statutory Audit firm	ABUPB4997L	N A
4	R V S N Sastri	Sr Staff of Statutory Audit firm	BLKPS4804G	Boda Ramam & Co.,
5	Karuturi Subrahmanya Choudary	Whole-time Director	AGTPC7731R	Apex Frozen Foods Ltd.,
6	Karuturi Satyanarayana Murthy	Chairman & Managing Director	ACRPK5406D	Apex Frozen Foods Ltd.,
7	Smt. Karuturi Neelima Devi	Whole -time Director	CNAPK0472R	Apex Frozen Foods Ltd.,
8	M.Lakshmi pathi Raju	Independent Director	ACDPM9939P	NA
9	D. Venkata Subba Raju	Independent Director	AEFPD2054J	NA

10	S.Sarojini	Company Secretary	ELXPS6223K	Ram Kumar & Associates
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113. I note that promoters/director/KMPs are in charge of managing the operations of a company, they are responsible for the planning, directing and controlling the functioning of a company. They are the decision-makers and responsible for the company's smooth functioning. In view of the above table, submissions of the company and keeping in view the definition of 'insider', I note as follows:
114. Noticee 1 is the Whole Time Director of the company, is a connected person, also was in charge of the day to day operations of the company and thus directly associated with the company. This association with the Company allowed him direct access to the UPSI i.e. unaudited financial results for the quarter ended September 30, 2017. Further, I observe that Noticee 1 is the son of Satyanarayana Murthy Karuturi (promoter, chairman and insider) and Padmavathi Karuturi (promoter) and also the husband of Karuturi Neelima Devi who is also an insider as per company's response. Noticee 1 is therefore an Insider in terms of PIT Regulations.
115. Noticee 2 is the Independent Director and being a connected person is an Insider. While Company in its reply during investigation submitted that Noticee 2 is an insider and was involved in the preparation of the quarterly financial results of the company, subsequently in its reply to the SCN Company denied Noticee being an Insider. However as per definition of Regulation 2(1)(d) PIT Regulation Noticee 2 is an Insider and hence Company's submission to SCN is not acceptable.
116. Noticee 3 is the Promoter of the company. Further Noticee 3 is the father-in-law of Noticee 1 (Whole time Director /Insider) and father of Karuturi Neelima Devi, (Whole time Director /Insider). Noticee 3 share a common email address with Ms Karuturi Neelima Devi (WTD /Insider) i.e neelu2710@gmail.com. Therefore, based on the proximity/relationship/connection with Noticee 1 and Karuturi Neelima Devi, I observe that Noticee 3 was privy to the UPSI and therefore he is an Insider as per Regulation 2(1)(g)(ii) of PIT Regulation.
117. Noticee 4 is the employee (Quality Assurance Manager) of the company. Vide email dated February 17, 2022 to SEBI, it was informed by the company that Noticee 4 is a designated employee and KMP and might have possession of material information

pertaining to the company. Noticee 4 worked for AFF for 16 years and was reporting to Satyanarayana Murthy Karuturi (MD and Insider) and Noticee 1 (WTD and insiders). Further, Noticee 4 received funds of ₹80 Lakh from the account of Noticee 1 (Insider) to trade in AFF during the UPSI period. Therefore, based on the proximity/connection/fund transfer, Noticee 4 had with Satyanarayana Murthy Karuturi and Noticee 1 (who are privy to UPSI), I observe that Noticee 4 was privy to the UPSI and therefore she is an Insider as per regulation 2(1)(g)(ii) of PIT Regulation. With regard to the Noticee 3 and Noticee 4, company has submitted that they are not the insiders of the company, however, no justification has been by the company for the same.

118. Noticee 5 is the accounts manager of the company, furthermore, the company submitted vide letter dated July 11, 2019 that Noticee 5 among others was involved in the preparations and discussions of the financial information of the company and was privy of the UPSI for the quarter ended September 30, 2017. With regard to the Noticee 5, company in reply to the SCN has confirmed that the Noticee 5 was an insider of the company as per the PIT Regulations. Thus, Noticee 5 is insider as per the PIT regulations.

119. In view of the above, I observe that the Noticee 1, 2, 3, 4 and 5 are insiders as per Regulation 2(1)(g) of SEBI (PIT) Regulations, 2015.

**c. Trading while in possession of UPSI during the UPSI period.**

120. It is alleged in the SCN that during the UPSI period Noticees 1, 2, 3, 4 & 5 had traded in the scrip of the Company. The details of trades are as follows:

Noticee 1 (Karuturi Subrahmanya Chowdary):-

Date	Exchange	Buy Qty	Wt average Buy Price (in Rs.)	Buy Value	Sell Qty	Wt average Sell Price (in Rs.)	Sell Value (in Rs.)
19-Oct-2017	BSE	2000	460	9,20,000	0	0	0
19-Oct-2017	NSE	2000	460	9,20,000			
	<b>Total</b>	4000		18,40,000			

Noticee 2 (Lakshmiipathi Raju Mantena):-

Date	Exchange	Buy Qty	Wt average Buy Price	Buy Value	Sell Qty	Wt average	Sell Value(in Rs.)
04-	NSE	0	0	0	950	327.95	3,11,550
05-	NSE	900	348.77	3,13,889	0	0	
18-	NSE	100	460.00	46,000	0	0	
24-	NSE	100	427.98	42,798			
25-	NSE	355	413.69	1,46,861	0	0	
27-	NSE	655	432.67	2,83,397			
30-	NSE	240	424.84	1,01,961	0	0	
	<b>Total</b>	<b>2350</b>	<b>417.99</b>	<b>9,34,906</b>	<b>950</b>	<b>327</b>	<b>3,11,550</b>

Noticee 3 (Vallepalli Hanumantha Rao):-

Date	Exchange	Buy Qty	Wt average Buy Price (in Rs.)	Buy Value	Sell Qty	Wt average sell Price (in Rs.)	Sell Value(in Rs.)
03-Nov-2017	NSE	4,600	426.49	19,61,858	0	0	0
	<b>Total</b>	<b>4,600</b>		<b>19,61,858</b>	<b>0</b>		<b>0</b>

Noticee 4 (Devalla Satya Madhavi):-

Date	Exchange	Buy	Wt average	Buy Value	Sell Qty	Wt	Sell Value(in Rs.)
19-Oct-	NSE	2,000	460.3	9,20,777	0	0	0
23-Oct-	NSE	7,500	449.35	33,12,500	0	0	0
24-Oct-	NSE	3,800	430.31	17,06,000	0	0	0
31-Oct-	NSE	524	416.59	2,17,882	0	0	0
	<b>Total (NSE)</b>	<b>13824</b>		<b>61,57,159</b>			
31-Oct-	BSE	3103	415.5	12,91,979.5	0	0	0
01-Nov-	BSE	65	416.15	27,300			
	<b>Total (BSE)</b>	<b>3168</b>					
	<b>Total (NSE + BSE)</b>	<b>16992</b>		<b>74,76,438.50</b>	<b>0</b>		<b>0</b>

Noticee 5 (P Durga Prasad):-

Date	Exchange	Buy Qty	Wt average Buy Price (in Rs.)	Buy Value	Sell Qty	Wt average sell Price (in Rs.)	Sell Value(in Rs.)
NIL trades at NSE and BSE							
16-Oct-2017	Off Market	2800	454.5	1282540	0	0	0
23-Oct-2017	Off Market	560	449.35	246036	0	0	0
	<b>Total</b>	<b>3360</b>	<b>451.92</b>	<b>15,18,451</b>	<b>0</b>	<b>0</b>	<b>0</b>



121. The trades of Noticee 1, 2, 3, 4 and 5 in the scrip of the company during pre UPSI period, UPSI period and post UPSI period was also examined in terms of quantity and value. The details of the trades are as given below:

Noticee 1 (Karuturi Subrahmanya Chowdary):-

**Pre-UPSI period (4/9/2017 to 29/9/2017)**

Date	Exchange	Buy Qty	Wt average Buy Price (in Rs.)	Buy Value	Sell Qty	Wt average sell Price (in Rs.)	Sell Value(in Rs.)
No trades at NSE and BSE							

**UPSI period (03/10/2017 to 14/11/2017)**

Date	Exchange	Buy Qty	Wt average Buy Price (in Rs.)	Buy Value	Sell Qty	Wt average Sell Price (in Rs.)	Sell Value (in Rs.)
19-Oct-2017	BSE	2000	460	9,20,000	0	0	0
19-Oct-2017	NSE	2000	460	9,20,000			
	<b>Total</b>	4000		18,40,000			

**Post UPSI period (15/11/2017 to 29/12/2017)**

Date	Exchange	Buy Qty	Wt average Buy Price (in Rs.)	Buy Value	Sell Qty	Wt average sell Price (in Rs.)	Sell Value (in Rs.)
No Trades at NSE and BSE							

Noticee 2 (Lakshmi pathi Raju Mantena) :-

**Pre-UPSI period (4/9/2017 to 29/9/2017)**

Date	Exchange	Buy	Wt average Buy	Buy	Sell	Wt average sell	Sell Value(in
04-Sep-2017	NSE	450	205.37	92,415	0	0.00	0
08-Sep-2017	NSE	1,100	251.93	2,77,120	0	0.00	0
15-Sep-2017	NSE	0	0.00	0	505	315.20	1,59,178
18-Sep-2017	NSE	500	330.00	1,65,000	0	0.00	0
20-Sep-2017	NSE	0	0.00	0	200	330.00	66,000
22-Sep-2017	NSE	0	0.00	0	300	281.06	84,318
26-Sep-2017	NSE	0	0.00	0	500	278.16	1,39,078
27-Sep-2017	NSE	950	311.17	2,95,614	0	0.00	0
	<b>Total</b>	<b>3000</b>		<b>8,30,149</b>	<b>1505</b>		<b>4,48,574</b>

\*No trades at BSE

**UPSI period (03/10/2017 to 14/11/2017)**

Date	Exchange	Buy Qty	Wt average Buy Price (in Rs.)	Buy Value	Sell Qty	Wt average sell Price (in Rs.)	Sell Value(in Rs.)
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04-Oct-2017	NSE	0	0	0	950	327.95	3,11,550
05-Oct-2017	NSE	900	348.77	3,13,889	0	0	
18-Oct-2017	NSE	100	460.00	46,000	0	0	
24-Oct-2017	NSE	100	427.98	42,798			
25-Oct-2017	NSE	355	413.69	1,46,861	0	0	
27-Oct-2017	NSE	655	432.67	2,83,397			
30-Oct-2017	NSE	240	424.84	1,01,961	0	0	
	<b>Total</b>	<b>2350</b>	<b>417.99</b>	<b>9,34,906</b>	<b>950</b>	<b>327</b>	<b>3,11,550</b>

**\*NO Trades at BSE**

**Post UPSI period (15/11/2017 to 29/12/2017)**

Date	Exchange	Buy Qty	Wt average Buy Price (in Rs.)	Buy Value	Sell Qty	Wt average sell Price (in Rs.)	Sell Value (in Rs.)
No trades at NSE and BSE							

Noticee 3 (Vallepalli Hanumantha Rao):-

**Pre-UPSI period (4/9/2017 to 29/9/2017)**

Date	Exchange	Buy	Wt average	Buy Value	Sell Qty	Wt average	Sell
No trades at NSE and BSE							

**UPSI period (03/10/2017 to 14/11/2017)**

Date	Exchange	Buy Qty	Wt average Buy Price (in Rs.)	Buy Value	Sell Qty	Wt average sell Price (in Rs.)	Sell Value(in Rs.)
03-Nov-2017	NSE	4,600	426.49	19,61,858	0	0	0
	<b>Total</b>	<b>4,600</b>		<b>19,61,858</b>	<b>0</b>		<b>0</b>

**No trades at BSE**

**Post UPSI period (15/11/2017 to 29/12/2017)**

Date	Exchange	Buy	Wt average	Buy Value	Sell Qty	Wt average	Sell Value (in
No Trades at NSE and BSE							

Noticee 4 (Devalla Satya Madhavi):-

**Pre-UPSI period (4/9/2017 to 29/9/2017)**

Date	Exchange	Buy Qty	Wt	Buy Value	Sell	Wt average	Sell Value(in
No Trades at NSE and BSE							

**UPSI period (03/10/2017 to 14/11/2017)**

Date	Exchange	Buy Qty	Wt average Buy Price (in Rs.)	Buy Value	Sell Qty	Wt average sell Price (in Rs.)	Sell Value(in Rs.)
19-Oct-2017	NSE	2,000	460.3	9,20,777	0	0	0
23-Oct-2017	NSE	7,500	449.35	33,12,500	0	0	0
24-Oct-2017	NSE	3,800	430.31	17,06,000	0	0	0
31-Oct-2017	NSE	524	416.59	2,17,882	0	0	0

	<b>Total (NSE)</b>	<b>13824</b>		<b>61,57,159</b>			
31-Oct-2017	BSE	3103	415.5	12,91,979.5	0	0	0
01-Nov-2017	BSE	65	416.15	<b>27,300</b>			
	<b>Total (BSE)</b>	<b>3168</b>		<b>13,19,279.50</b>			
	<b>Total (NSE + BSE)</b>	<b>16992</b>		<b>74,76,438.50</b>	<b>0</b>		<b>0</b>

**Post UPSI period (15/11/2017 to 29/12/2017)**

Date	Exchange	Buy Qty	Wt average Buy Price (in Rs.)	Buy Value	Sell Qty	Wt average buy Price (in Rs.)	Sell Value (in Rs.)
No Trades at NSE and BSE							

Noticee 5 (P Durga Prasad):-

**Pre-UPSI period (4/9/2017 to 29/9/2017)**

Date	Exchange	Buy Qty	Wt average Buy Price (in Rs.)	Buy Value	Sell Qty	Wt average sell Price (in Rs.)	Sell Value(in Rs.)
No Trades at NSE							

**UPSI period (03/10/2017 to 14/11/2017)**

Date	Exchange	Buy Qty	Wt average Buy Price (in Rs.)	Buy Value	Sell Qty	Wt average sell Price (in Rs.)	Sell Value(in Rs.)
NIL trades at NSE and BSE							
16-Oct-2017	Off Market	2800	454.5	1282540	0	0	0
23-Oct-2017	Off Market	560	449.35	246036	0	0	0
	<b>Total</b>	<b>3360</b>	<b>451.92</b>	<b>15,18,451</b>	<b>0</b>	<b>0</b>	<b>0</b>

No Trades at BSE and NSE

**Post UPSI period (15/11/2017 to 29/12/2017)**

Date	Exchange	Buy Qty	Wt average Buy Price (in Rs.)	Buy Value	Sell Qty	Wt average sell Price (in Rs.)	Sell Value (in Rs.)
No Trades at NSE and BSE							
21-Nov-2017	Off Market	2800	589.45	16,50,460	0	0	0
	<b>Total</b>	<b>2800</b>	<b>589.45</b>	<b>16,50,460</b>	<b>0</b>	<b>0</b>	<b>0</b>

122. In view of the above observations, it is alleged in the SCN that Noticees No. 1, 2, 3, 4 and 5 had traded in the scrip of the company during UPSI period on the basis and in possession of UPSI. Further Noticee 1 is alleged to have communicated the UPSI to Noticee No. 3 and 4.
123. In this regard, I note that Regulation 4(1) of the PIT Regulations, 2015 provided that no insider shall trade in securities that are listed or proposed to be listed on a stock exchange when in possession of UPSI. The proviso to the said Regulation provides that any insider may prove his innocence by demonstrating the circumstances mentioned there under. Further, Regulation 4(2) of the PIT Regulations, 2015 provides that in the case of connected persons the onus of establishing, that they were not in possession of UPSI, shall be on such connected persons and in other cases, the onus would be on the Board. It is clear from the language of the Regulation that the legislative intent behind the Regulation 4(1) is that trading by any insider of the company, in the scrip of the said company during the UPSI period would be presumed to be on the basis of UPSI only. Further, in terms of legislative Note appended to Regulation 4 (1), it is presumed that the trading by such insider is motivated by the knowledge and awareness of UPSI in his/her possession. The legislative intent, as contained in the Note appended to Regulation 4(1), was further clarified by amendment to regulation which inserted explanation to Regulation 4(1) which states that “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.

**Entity wise Trading Pattern Analysis of Noticees in the scrip of the company and their replies.**

124. In order to check whether the Noticees had traded in the scrip of the company prior to / during / post UPSI period based on UPSI, the trading history of the Noticees in the scrip of the company and their replies with regard to the summons replies and statement recordings was analysed. Bank statement, transaction statements of the noticees with depositories were also analysed. Entity wise analysis of Noticees are placed below –

## **Noticee 1– Promoter and Whole time Director -Insider**

125. Date-wise dealings of the Noticee during pre-UPSI, UPSI and post-UPSI period are given below:

### **Pre-UPSI period (04/09/2017 to 29/9/2017)**

Date	Exchange	Buy Qty	Wt average Buy Price (in Rs.)	Buy Value	Sell Qty	Wt average sell Price (in Rs.)	Sell Value(in Rs.)
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### **UPSI period (03/10/2017 to 14/11/2017)**

Date	Exchange	Buy Qty	Wt average Buy Price (in Rs.)	Buy Value	Sell Qty	Wt average Sell Price (in Rs.)	Sell Value (in Rs.)
19-Oct-2017	BSE	2000	460	9,20,000	0	0	0
19-Oct-2017	<b>NSE</b>	2000	460	9,20,000			
	<b>Total</b>	4000		18,40,000			

### **Post UPSI period (15/11/2017 to 29/12/2017)**

Date	Exchange	Buy Qty	Wt average Buy Price (in Rs.)	Buy Value	Sell Qty	Wt average sell Price (in Rs.)	Sell Value (in Rs.)
No Trades at NSE and BSE							

Following are noted from the trades of Noticee 1-

126. All the trades were executed in the trading account maintained with Stock Broker HDFC securities Ltd. Noticee 1 had 100% concentration in the scrip of AFF during the UPSI period. Further he had only buy trades during UPSI. He did not trade during the pre-UPSI and post-UPSI period in the scrip.

127. It is also observed that during the six months prior to these trades, Noticee 1 had not traded in the scrip of AFF. Further during this six month period, he traded in other scrip in September 2017 (sold 616 shares in the scrip of ICICI Lombard General Insurance Company Limited).

128. Noticee 1 bought a total of 4000 shares at an average price of ₹460 per share during UPSI period. With regard to the rationale for trading by Noticee 1 in the scrip of AFF he

stated that he purchased these shares considering the future prospects of the company with a view to increase promoter shareholdings and decided on his own to buy the scrip of AFF. Thus, I observe from the material available before me that Noticee 1 traded during the UPSI period.

129. During Investigation Noticee 1 submitted the following –

- i. He is one of the promoters and Executive Director of AFF.
- ii. The basis on which he had traded was considering the future prospects of the company with a view of increase promoter shareholding. He decided to trade on his own decision.
- iii. He held 96,00,000 shares of AFF prior to the investigation period under various allotments.
- iv. He traded only in AFF during the investigation period.

130. Vide reply dated September 22, 2022, to the SCN with regard to the trading details of Noticee 1, Noticee 6(company) submitted that there were no trades in the pre-investigation period as scrip of the company was listed on the Exchanges only on September 04, 2017. Noticee 1 had purchased 2000 shares on the BSE and 2000 shares on NSE on October 19, 2017 only to consolidate his holding. Noticee 1 did not buy any further shares up to December 29, 2017 as the price was not attractive, there are no other reasons for the purchase of the shares of AFF. Noticee 6(company) further submitted that these 4000 shares were not sold by Noticee 1 during the investigation period and he continued to hold them till date.

131. As established in the foregoing paragraphs that Noticee 1 is the insider of the company, further, he traded while being in possession of UPSI during the UPSI period. Further, I note that Noticee 1 in his reply dated December 08, 2021 submitted that he traded in the scrip of the company during UPSI period considering the future prospect of the company and with a view to increase promoter shareholding. Further, I note that Noticee 6(company) vide reply dated September 22, 2022 admitted that Noticee 1 had purchased 2000 shares on the BSE and 2000 shares on NSE on October 19, 2017 i.e. within the UPSI period. I note that reason given by the Noticee 1 for trading during the UPSI and while being an insider is not sufficient to establish that Noticee 1 traded without any ulterior motive. I further observe that, closing price on November 14, 2017 was Rs. 461.85 (BSE), the price of the scrip even reached circuit limit of 5% until November 22, 2017 and touched high price of Rs. 608.60 which is an increase of 31.77%. Subsequently, the price of the scrip closed at Rs. 740.70 on November 30, 2017 which is an increase of 60.38%. The price of the scrip also touched a

high price of Rs. 939 on December 07, 2017. It was submitted that Noticee did not buy any further shares upto December 2017 as the price was not attractive, which is not justified as seen from the price of the scrip in December, 2017. Therefore, I observe that there was significant impact on the price of the company post the announcement of the financial results of the company for the quarter ending on September, 2017. I further observe that holding of shares which were bought during the UPSI period while being an insider of the company, is not an excuse to trade during the UPSI period while being an insider, as the Noticee has already taken the benefit of the positive UPSI by buying the shares of the company at the much lower price than the current price of the shares. Therefore, the contentions of the Noticee 1 is not tenable.

132. In view of the foregoing, I observe that Noticee 1 traded while being in possession of UPSI, during UPSI period and thereby violated section 12A(d) and (e) of SEBI Act, 1992 and regulation 4(1) read with 4(2) of SEBI (PIT) regulations, 2015.

### **Trades of Noticee 2 – (Independent Director and Insider)**

The trades of Noticee 2 is tabulated below -

#### **Pre-UPSI period (4/9/2017 to 29/9/2017)**

Date	Exchange	Buy	Wt average	Buy	Sell	Wt	Sell Value(in
04-Sep-	NSE	450	205.37	92,415	0	0.00	0
08-Sep-	NSE	1,100	251.93	2,77,120	0	0.00	0
15-Sep-	NSE	0	0.00	0	505	315.20	1,59,178
18-Sep-	NSE	500	330.00	1,65,000	0	0.00	0
20-Sep-	NSE	0	0.00	0	200	330.00	66,000
22-Sep-	NSE	0	0.00	0	300	281.06	84,318
26-Sep-	NSE	0	0.00	0	500	278.16	1,39,078
27-Sep-	NSE	950	311.17	2,95,614	0	0.00	0
	<b>Total</b>	<b>3000</b>		<b>8,30,149</b>	<b>1505</b>		<b>4,48,574</b>

\*No trades at BSE

#### **UPSI period (03/10/2017 to 14/11/2017)**

Date	Exchange	Buy Qty	Wt average Buy Price (in Rs.)	Buy Value	Sell Qty	Wt average sell Price (in Rs.)	Sell Value(in Rs.)
04-Oct-	NSE	0	0	0	950	327.95	3,11,550
05-Oct-	NSE	900	348.77	3,13,889	0	0	
18-Oct-	NSE	100	460.00	46,000	0	0	
24-Oct-	NSE	100	427.98	42,798			
25-Oct-	NSE	355	413.69	1,46,861	0	0	
27-Oct-	NSE	655	432.67	2,83,397			
30-Oct-	NSE	240	424.84	1,01,961	0	0	
	<b>Total</b>	<b>2350</b>	<b>417.99</b>	<b>9,34,906</b>	<b>950</b>	<b>327</b>	<b>3,11,550</b>

\*NO Trades at BSE

**Post UPSI period (15/11/2017 to 29/12/2017)**

Date	Exchange	Buy Qty	Wt average Buy Price (in Rs.)	Buy Value	Sell Qty	Wt average sell Price (in Rs.)	Sell Value (in Rs.)
No trades at NSE and BSE							

From the table above following are noted about the trades of Noticee 2-

133. All the trades were executed in the trading account maintained with Stock Broker Kotak Securities Ltd. No trades were observed during post-UPSI period. Noticee 2 held 450 shares before the Investigation Period which was allotted to him through IPO. No off market transfers were observed. Noticee 2 traded in three other scrips at NSE during the UPSI period viz. KSK Energy Ventures Limited, LYCOS, Tanla Platforms Limited totalling 33,293 sell trades of these scrip. At BSE he traded in 1 other scrip during the UPSI period viz. Lancor totalling to 2221 buy trades of these scrips.
134. With regard to the rationale for trading by Noticee 2 in the scrip of AFF, vide letter dated December 3, 2021 he stated that these trades were purchased on the intention of making some profit above the interest rate on bank deposit. He mentioned that he sold the shares with loss or to minimize loss and did not make a reasonable gain in this share. It is observed that during the six months prior to these trades, he had traded in other scrips but not traded in the scrip of AFF. Further he traded only in the scrip of AFF during the pre-UPSI period and UPSI period.
135. While Noticee 6 (company) submitted during investigation that Noticee 2 was involved in the preparation and discussion of the financial information of the company and who were privy to the UPSI for the quarter ended September 30, 2017, however vide reply dated September 22, 2022, to the SCN, it submitted that Noticee 2 is an independent director of the Company and he is not an insider as he was not involved in the preparation of the quarterly financial results of the Company. They further submitted that Noticee 2 had bought and sold the shares during the pre- investigation period and during the investigation period on the NSE.
136. Further, Noticee 6 relied upon SAT Order in the matter of Chandrakala Vs SEBI ( Rasi Electrodes Limited), the Hon'ble SAT while allowing the appeal held that the trading pattern with regular buys and sells indicates that the trades were not induced by possession of UPSI. Further, Noticee 6 submitted that Noticee 2 has traded in other



scrips also during the investigation period.

137. I note that as per the information submitted by the company vide letter dated July 11, 2019, and as already established at paragraph 158, Noticee 2 is the Independent director and an insider of the company in terms of Regulation 2(1)(g) of SEBI (PIT) Regulations, 2015. However, I note that independent directors are not involved in day to day management of a company, they can be held liable only in respect of such acts of omission or commission by a company which had occurred with their express/ implied or tacit knowledge, consent and connivance or where they had not acted diligently. I further note that Ministry of Corporate Affairs (MCA) vide general circular dated 2<sup>nd</sup> March, 2020 had issued clarification that the liability of an independent director (ID) or a non-executive director (NED) not being promoter or key managerial personnel would be only in respect of such acts of omission or commission by a company which had occurred with his knowledge, attributable through Board processes, and with his consent or connivance or where he had not acted diligently.
138. In the instant case, first meeting regarding unaudited financial results for the quarter ending September 2017 were held on 3<sup>rd</sup> November, 2017. From the chronology of event submitted by the Noticee 6, I observe that the information relating to financials of company came to the knowledge of Noticee 2 during Audit committee meeting which was on November 14, 2017. Therefore, I observe that this information regarding the increase in the profit of the company first came into the knowledge of the Independent director i.e. Noticee 2 on November 3, 2017, as the Independent director is not involved in the day to day management of the company. I further note from the reply of the company that the MIS reports pertaining to sales and purchases during the period, inventory valuation, outstanding debtors, outstanding creditors and export incentive reports were not circulated to Noticee 2. The last trade of Noticee 2 in the scrip of the company was on October 30, 2022 which is before the date Noticee 2 was made aware of the unaudited financials of the company i.e. November 3, 2017. Therefore, I observe that the trades in the scrip of the company by Noticee 2 in the month of October 2017 was not motivated by the UPSI.
139. Further, I observe that Noticee 2 was trading in pre UPSI period as well on NSE and Noticee 2 has traded in other scrips also during the investigation period, therefore the trading pattern of Noticee 2 does not demonstrate the trading of the Noticee 2 was based on the Unpublished Price Sensitive Information.

140. In view of the above, it cannot be held that the Noticee 2 traded in violation of the Section 12A(d) and (e) of SEBI Act, 1992 and Regulation 4(1) read with 4(2) of SEBI (PIT) regulations, 2015. Hence, the violation of Section 12A(d) and (e) of SEBI Act, 1992 and Regulation 4(1) read with 4(2) of SEBI(PIT) Regulations, 2015, as alleged against the Noticee 2 is not established.

### **Trades of Noticee 3 - Promoter (father-in law of Noticee 1)**

#### **Analysis of Trading Pattern of Noticee 3 is tabulated below :**

The trades of Noticee 3 is tabulated below:

#### **Pre-UPSI period (4/9/2017 to 29/9/2017)**

Date	Exchange	Buy	Wt average	Buy	Sell Qty	Wt average	Sell
No trades at NSE and BSE							

#### **UPSI period (03/10/2017 to 14/11/2017)**

Date	Exchange	Buy Qty	Wt average Buy Price (in Rs.)	Buy Value	Sell Qty	Wt average sell Price (in Rs.)	Sell Value(in Rs.)
03-Nov-2017	NSE	4,600	426.49	19,61,858	0	0	0
	<b>Total</b>	<b>4,600</b>		<b>19,61,858</b>	<b>0</b>		<b>0</b>

No trades at BSE

#### **Post UPSI period (15/11/2017 to 29/12/2017)**

Date	Exchange	Buy	Wt average	Buy	Sell Qty	Wt average	Sell Value
No Trades at NSE and BSE							

141. I note from the table above that Noticee 3 bought a total of 4600 shares (for 01 days viz November 3, 2017) during the UPSI period. He did not trade during the pre-UPSI period and post UPSI period.

142. As per ITR of 2018-19, it is observed that Noticee 3 income is ₹6, 50,329/- p.a. However he was observed to have a gross traded value of ₹ 19.61 lakh in the scrip at NSE during IP.

143. With regard to the rationale for trading by Noticee 3 in the scrip of AFF, he stated that these trades were undertaken on his own decision. However, it is observed that during the six months prior to these trades he had not traded in the scrip of AFF and not traded

in any other scrip.

144. Examination of KYC/UCC, tradelog, information provided by AFF/ trading of Noticee 3 during the UPSI period establishes that he was having 100% concentration of trading in the scrip of AFF and also being an insider by virtue of being connected to connected person i.e daughter (insider) and son-in law (insider) who share the same email id confirms that his alleged trading in the scrip during UPSI Period was done while in possession of UPSI.
145. Vide Letter dated December 6, 2021, Noticee 3 had submitted that he is related to Mrs Karuturi Neelima Devi (daughter and insider) he is related to Noticee 1 (son-in-law and insider). He has traded in the scrip of AFF on his own decision with a view that company will grow and provide fixed dividend and long term prospects. He did not transfer or receive shares through off market route during the period.
146. Vide reply dated September 22, 2022 Noticee 6 submitted that they deny that Noticee 3 is an insider as he is not a KMP or director of the Company. The allegation that he be treated as an Insider merely due to the proximity of the relationship has been made without any concrete evidence / proof. They also denied that he had access to any UPSI.
147. Noticee 6(company) further submitted that Noticee 3 bought 4,600 shares on November 03, 2017 and he did not sell these shares till date. These shares were purchased only to make profits from investment as there was very little return from fixed deposits. He had not traded in the six-month period prior to the trading date because the shares were not listed during the period.
148. Noticee 3 (Promoter) is the father-in-law of Noticee 1 (Whole time Director /Insider) and father of Karuturi Neelima Devi, (Whole time Director /Insider). Noticee 3 share common email address with Ms Karuturi Neelima Devi (WTD / Insider). Therefore, based on the relationship/connection between Noticee 3 with Noticee 1 and Karuturi Neelima Devi, I conclude that Noticee 3 was privy to the UPSI and therefore he is an Insider as per Regulation 2(1)(g)(ii) of PIT Regulation. Being Insider, he was in possession of UPSI with respect to the financial results for the quarter ending on September 30, 2017 and traded during the period October 3, 2017 to November 14, 2017. I further observe that the as per the letter dated July 17<sup>th</sup>, 2017, on 3<sup>rd</sup> November, 2017, the Management had informally took concurrence of Directors to convene the Board meeting on 14<sup>th</sup> November

2017 for considering the UnAudited financial results for the half year ended 30<sup>th</sup> September 2017, therefore, even as per the company, the UPSI regarding the financial result for the quarter ended on September 2017 was known to the directors (which includes Noticee 1, son-in-law of Noticee 3) by November 03, 2017 and Noticee 3 executed the trades on the same day. Therefore the contention of Noticee 3 is not tenable.

149. As established above, Noticee 3 is closely related to Noticee 1. Given the close relationship between Noticee 1 and Noticee 3 there is no scope for irrefutable proof of violation or collecting direct evidence of communication or procurement of UPSI, since UPSI would not be overtly communicated and instead every communication or procurement would be covertly done, without leaving behind any evidentiary communication trails like emails, messages, letters etc. In view of the above as also observing the trading behavior, I am of the view that Noticee 3 has procured UPSI from Noticee 1, which is in violation of the provisions of Regulation 3(2) of PIT Regulations, 2015.

150. In view of the above, I observe that Noticee 3 violated Section 12A (d) and (e) of Securities and Exchange Board of India Act, 1992 and Regulation 4(1) read with 4(2) of the PIT Regulations, 2015 and Regulation 3(2) of SEBI (PIT) regulations, 2015

#### **Trades of Noticee 4 - KMP and Designated Person**

#### **Analysis of Trading Pattern of Noticee 4:**

151. Date-wise dealings of the Noticee 4 during pre-UPSI, UPSI and post-UPSI period are given below:

#### **Pre-UPSI period (4/9/2017 to 29/9/2017)**

Date	Exchange	Buy Qty	Wt	Buy Value	Sell	Wt average	Sell
No Trades at NSE and BSE							

#### **UPSI period (03/10/2017 to 14/11/2017)**

Date	Exchange	Buy	Wt average	Buy Value	Sell Qty	Wt	Sell
19-Oct-2017	NSE	2,000	460.3	9,20,777	0	0	0
23-Oct-2017	NSE	7,500	449.35	33,12,500	0	0	0
24-Oct-2017	NSE	3,800	430.31	17,06,000	0	0	0
31-Oct-2017	NSE	524	416.59	2,17,882	0	0	0
	<b>Total (NSE)</b>	<b>13824</b>		<b>61,57,159</b>			

31-Oct-2017	BSE	3103	415.5	12,91,979.5	0	0	0
01-Nov-2017	BSE	65	416.15	<b>27,300</b>			
	<b>Total (BSE)</b>	<b>3168</b>		<b>13,19,279.50</b>			
	<b>Total (NSE + BSE)</b>	<b>16992</b>		<b>74,76,438.50</b>	<b>0</b>		<b>0</b>

### Post UPSI period (15/11/2017 to 29/12/2017)

Date	Exchange	Buy Qty	Wt average Buy Price (in Rs.)	Buy Value	Sell Qty	Wt average buy Price (in Rs.)	Sell Value (in Rs.)
No Trades at NSE and BSE							

Following are noted from the trades of Noticee 4–

152. It is noted from the table above that Noticee 4 bought a total of 16,992 shares of the company at an average price of Rs.437.76 from BSE (2 days) and NSE (4 days) during UPSI period. She did not trade in the scrip of AFF during Pre-UPSI period and post UPSI period. Further it was also been observed that she held 2800 shares of company before the pre-UPSI period. The percentage of activity of the Noticee 4 in the scrip on gross basis vis-à-vis entire trading activity during the analysis period was 100%.
153. With regard to the rationale for trading by Noticee 4 in the scrip of AFF, Noticee 4 stated that these trades were undertaken in the ordinary course of business. However, it is observed that during the six months prior to these trades, Noticee 4 had not traded in any other scrips.
154. The income declared by the Noticee 4 is below ₹1.00 lacs as per KYC details, however Noticee 4 was observed to have a gross traded value of ₹74.76 lacs in the scrip at NSE and BSE which is disproportionate to her income.
155. During the statement recording at the time of investigation Noticee 4 stated the following–
- She started trading in shares when AFF came out with their IPO. She decided on her own to trade after looking at websites to know more about trading. During the period of investigation she traded only in the scrip of AFF. She had a demat account with Karvy and used to place her order on her own through the online system.
  - She submitted that she has traded in AFF with the borrowed money from her director of the company viz. Noticee 1. She paid back the loan by selling off her agricultural land. Copy of the sale deed was provided.

- iii. She worked for AFF for 16 years and was reporting to both the directors viz Noticee 1 and Satyanarayana Murthy Karuturi.
156. On examination of the KYC/UCC, tradelog, information provided by AFF/statement recording and replies of Noticee 4, trading and fund flow analysis of the bank statements of Noticee 4 establishes that she had connections with Noticee 1 who is an insider and it is thereby, alleged that her trading in the scrip during UPSI period was done while in possession of UPSI.
157. Vide email dated February 17, 2022, it was informed by the company that Noticee 4 was a designated employee and KMP, might have possession of material information pertaining to the company.
158. Vide reply dated September 22, 2022, to the SCN Noticee 6 confirmed that Noticee 4 worked with AFF for 16 years as a Quality Manager and was reporting to Satyanarayana Murthy Karuturi and Noticee 1 (both insiders). Noticee 6(company) further submitted that it was due to her long standing employment that funds were given to request, not knowing the reason.
159. On the basis of the above, I observe that Noticee 4 was a designated employee and KMP and was in possession of material information pertaining to the company. Further she was working with AFF for 16 years as a Quality Manager and was reporting to Satyanarayana Murthy Karuturi and Noticee 1 (both insiders). Therefore, as per section 2(1)g of the PIT, she is a connected person and an insider. I further observe that Noticee 1 transferred fund to Noticee 4 for the purchase of shares of the company during the UPSI period while being in possession of UPSI and accordingly Noticee 4 traded in the shares of company during the UPSI period.
160. Therefore, I observe that Noticee 4 was privy to the UPSI and she is an Insider as per Regulation 2(1) (g) (ii) of PIT Regulation, she traded on the basis of having the information with respect to the financial results of September 30, 2017 during the period October 3, 2017 to November 14, 2017.
161. It is alleged that Noticee 4 violated Regulation 3(2) of SEBI (PIT) Regulations 2015. Given the close relationship of Noticee 1 with Noticee 4 by virtue of their work relations, trading behavior of Noticee 4 and the funds transfer between them I am of the view that

Noticee 4 procured the UPSI from Noticee 1 which is in violation of the provision of Regulation 3(2) of SEBI (PIT) regulations, 2015.

162. In view of the above, I conclude that Noticee 4 being insider violated Section 12 A (d) and (e) of SEBI Act, 1992 and Regulation 4(1) read with Regulation 4(2) SEBI (PIT) Regulations, 2015 and regulation 3(2) of SEBI(PIT) Regulations, 2015.

### **Trades of Noticee 5 - (Manager Accounts)**

#### **Analysis of Trading Pattern of Noticee 5:**

The trades of Noticee 5 is tabulated below -

#### **Pre-UPSI period (4/9/2017 to 29/9/2017)**

Date	Exchange	Buy Qty	Wt average Buy Price (in Rs.)	Buy Value	Sell Qty	Wt average sell Price (in Rs.)	Sell Value(in Rs.)
No Trades at NSE							

#### **UPSI period (03/10/2017 to 14/11/2017)**

Date	Exchange	Buy Qty	Wt average Buy Price (in Rs.)	Buy Value	Sell Qty	Wt average sell Price (in Rs.)	Sell Value(in Rs.)
NIL trades at NSE and BSE							
16-Oct-2017	Off Market	2800	454.5	1282540	0	0	0
23-Oct-2017	Off Market	560	449.35	246036	0	0	0
	Total	<b>3360</b>	<b>451.92</b>	<b>15,18,451</b>	0	0	0

**No Trades at BSE and NSE**

#### **Post UPSI period (15/11/2017 to 29/12/2017)**

Date	Exchange	Buy Qty	Wt average Buy Price (in Rs.)	Buy Value	Sell Qty	Wt average sell Price (in Rs.)	Sell Value (in Rs.)
No Trades at NSE and BSE							
21-Nov-2017	Off Market	2800	589.45	16,50,460	0	0	0
	Total	2800	589.45	16,50,460	0	0	0

Following are noted from the trades of Noticee 5–

163. Noticee 5 was registered under the trading member Sharekhan Ltd. He traded in 19 other scrips during the UPSI period. He did not hold any shares of the scrip before the investigation period. It is noted from the table above that during the UPSI period, Noticee 5 bought a total of 3360 shares through off market route (for 2 days) and bought 2800 shares through off market route (for 01 days viz November 21, 2017). He did not trade during the pre-UPSI period.
164. With regard to the rationale for trading by Noticee 5 in the scrip of AFF, Noticee 5 vide letter dated December 12, 2021 stated that these trades were undertaken based on his own decision and he had traded through off market route as the counter party had borrowed money from him. It is observed that during the six months prior to these trades Noticee 5 had not traded in the scrip of AFF however, he had traded in other scrips (19 other scrips). As per ITR of FY 2018-2019, Noticee 5 has an income of ₹ 25.55 lacs p.a. however he was observed to have gross traded value of ₹31.78 lacs in the scrip during IP.
165. Vide reply dated September 22, 2022 Noticee 6(company) submitted that Noticee 5 was the Manager Accounts and was an Insider as per the PIT Regulations. It further submitted that with regard to the trading pattern of Noticee 5 it can be seen that he had bought 3360 shares on 16.10.2017 and 23.10.2017 (off market) which was before the unaudited financial results came into being on November 03, 2017 and he had further purchased shares of 2800 shares on 21.11.2017 through off market mechanism at Rs.589.45 per share. Noticee 6(company) relied upon SAT Order in the matter of Chandrakala Vs SEBI.
166. In this regard, I note that in the matter of Chandrakala vs SEBI, the Hon'ble SAT while allowing the appeal held that the trading pattern with regular buys and sells indicates that the trades were not induced by possession of UPSI. However, in the present case, Noticee 5 did not buy any shares of the company in the pre-UPSI period and bought shares off-market only once in the post UPSI period, therefore, it cannot be said that the trading by Noticee 5 was regular buy and sale trades, therefore, the matter of Chandrakala vs SEBI passed by Hon'ble SAT is not relevant for the trades of Noticee 5 in the present matter.



167. Noticee 6(company) further submitted that Noticee 5 was a regular investor in the stock market and had invested in other scrips as well. It further submitted that Noticee 5 had bought the shares off market as the seller had borrowed money from him and this transaction was used to settle the dues. However, I note that no documentary evidence has been submitted by the Noticee 5 or 6 which provides that the seller of the shares had borrowed money from the Noticee 5 and Noticee 5 bought the shares of the company to settle the dues with the seller.
168. I further observe that Noticee 5 was the Manager Accounts and was the Operations Manager of the company hence connected person as per Regulation 2(1) (d) (i) of PIT Regulations and insider in terms of Regulation of 2(1)(g)(i). Further, he is appearing in the list of insiders as provided by the company and hence privy to UPSI and therefore termed as Insider as Regulation 2(1)(g)(ii) of PIT Regulation. I further observe that reports with respect to the sales, purchase, inventory valuation, outstanding debtors, outstanding creditors and export incentives of the quarter ending September 30, 2017 were shared with Noticee 5 among others, which is sufficient to have an understanding of the financial performance of the company. I further note that the accounts manager of the company manages the accounting staff who are responsible for financial reporting and is in charge of reporting an organization's financials correctly. Therefore, I observe that being an accounts manager of the company and an Insider, he was in possession of UPSI and privy to the information pertaining to the financial results of September 30, 2017 and traded during the period October 3, 2017 to November 14, 2017 i.e. the UPSI period. Noticee 5 contended that he traded in the off-market based on his own decision and bought shares as the seller has borrowed money from him. Noticee 5 has not been able to submit any documentary evidence to support his claim. Hence, his submissions are not tenable.
169. Therefore, I conclude that Noticee 5 violated Section 12A (d) and (e) of Securities and Exchange Board of India Act, 1992 and Regulation 4(1) read with 4(2) of the PIT Regulations, 2015.

#### **Fund transfer from Noticee 1 to Noticee 4**

170. Further, it has been alleged in the SCN that Noticee 1 had received a total of ₹96,00,000 from company through fund transfers on September 26, 2017 and the same was transferred to the account of Noticee 4 who then used the money for trading in the scrip of

AFF during the UPSI period. However, Noticee 1 has not made any submission with regard to the purpose for which he received the fund of Rs. 96,00,000 from the company.

171. On analysis of the bank statement of Noticee 1, it has been observed that Noticee 1 had linked his Kotak Mahindra Bank account with the trading account maintained with HDFC Securities Ltd. On analyzing the statement for account no. 371\*\*\*\*816, it was observed that there were fund transfers (04 transactions) to the extent of ₹80 Lakh from his account to the account of Noticee 4 during the investigation period. Further, there was a credit of ₹30 Lakh from the account of AFF to Noticee 1 on 4.12.2017 and 11.12.2017 (post UPSI period).

172. Summary of fund transfers observed in the account of Noticee 1 are tabulated below:

Date	Narration	Debit	Credit	Balance
26-9-2017	Balance Brought Forward....			00
26-9-2017	BY CLG CH NO 035051-BOI		9,600,000.00	9,600,000.00(Cr)
19-10-2017	MB:NEFT TRANSFER TO D MADHAVI	10,00,000		22,471
23-10-2017	IB:RTGSKKBKR52017102300878958- D MADHAVI	50,00,000		22,412
31-10-2017	IB:RTGSKKBKR52017103100882281- D MADHAVI	15,00,000		2,00,22,412
13-11-2017	MB:NEFT TRANSFER TO D MADHAVI	5,00,000		1,75,22,412
04-12-2017	RTGS BKIDR52017120400211946 APEX FROZEN FOODS L		15,00,000	75,22,412
11-12-2017	RTGS BKIDR52017121100797854 APEX FROZEN FOODS L		15,00,000	

173. From the above table, it is observed that Noticee 1 had received a total of ₹96,00,000 from AFF through fund transfers on September 26, 2017 and the amount of Rs. 80,00,000/- was transferred to the account of Noticee 4 in four installments on October 19, 2017, October 23, 2017, October 31, 2017 and November 13, 2017 who then used the money for trading in the scrip of AFF during the UPSI period. Prior to these receipts, the account had a zero balance in the account.

174. Summary of fund transfers observed in the Axis Bank account of Noticee 4 are tabulated below:

Date	Narration	Debit	Credit	Balance
04-09-2027	Balance brought forward....			22.07
19/10/2017	NEFT/KKBKH17292738766/KARUTURI SUBRAHMANYA CHOWDAR		500000	503338
19/10/2017	RTGS/KKBKR52017101900741005/KARUTURI SUBRAHMANYA C		500000	1003338.19
19/10/2017	KARVY STOCK BROKING	500000		5033388.19
19/10/2017	KARVY STOCK BROKING	500000		3338.19
23/10/2017	RTGS/KKBKR12017102300878958/KARUTURI CHOWDARY		3000000	3002361.39
23/10/2017	KARVY STOCK BROKING	2000000		1002361.39
23/10/2017	RTGS/KKBKR12017102300881056/KARUTURI CHOWDARY		2000000	3002361.39
23/10/2017	KARVY STOCK BROKING	3000000		2361.39
31/10/2017	RTGS/KKBKR12017103100882281/KARUTURI CHOWDARY		1500000	1504361.39
31/10/2017	KARVY STOCK BROKING	1500000		4361.39
13/11/2017	NEFT/KKBKH17317626901/KARUTURI SUBRAHMANYA CHOWDAR		500000	504373.19
14/11/2017	BALANCE			4232

175. From the above table, It is observed that Noticee 4 had received a total of ₹80 Lakh from Noticee 1 (six fund transfers from October 19, 2017 to November 13, 2017 (UPSI period) and the same was immediately transferred to her broking account of Karvy Stock Broking Ltd and used for trading in the scrip of AFF during the UPSI period. Prior to these receipts, the account had a balance of ₹ 22.07.

176. Noticee 4 informed SEBI during the statement recording on February 08, 2022 that she borrowed ₹80 Lakh from Noticee 1 to buy AFF shares during UPSI period. It was informed that she sold her land to Noticee 1 at a consideration of ₹95,00,000/- towards that loan. Evidence of the sale deed was submitted.

177. With regard to the deposit of fund into the account of Noticee 4, Noticee 6(company) submitted that, it was due to long working relationship of Noticee 4 with the company, she requested for the requirement of funds and such fund transferred to her without knowing the reason, later Noticee 4 sold Agriculture land and repaid the money to Noticee 1. Noticee further submitted that Rs.80,00,000 was lent to Noticee 4 as she was

in need of funds and there was no intention to fund Noticee 4 to purchase shares of our Company.

178. I observe that the submission of Noticee 1 that he transferred fund of Rs. 80 Lakh to Noticee 4 without knowing the reason of transfer is insufficient to discard the charges, as no prudent person can transfer such a big amount without knowing the reason for such transfer. I further note that during statement recording on February 08, 2022 Noticee 4 admitted that she borrowed Rs 80 Lakh from Noticee 1 to buy AFF shares during UPSI period and then she sold her land and repaid consideration of Rs. 95 lakh that loan. However no documentary evidence has been submitted to substantiate the claim that the money was taken as loan.
179. Further, as can be observed from the summary of fund transfers of Noticees 1 and 4, Noticee 1 transferred fund to Noticee 4 and the Noticee 4 immediately transferred that fund to her broker to trade in the shares of the company. Therefore, it can be reasonably inferred that the funds were transferred for the purpose of trading only and subsequently Noticee 4 sold her land at the consideration of Rs. 95,00,000/- to repay that money.
180. In view of the foregoing, I observe that Noticee 1 funded and was the reported boss of Noticee 4 therefore he communicated the UPSI to Noticee 4 hence violated regulation 3(1) of PIT Regulations. Further, Noticee 4 procured UPSI from Noticee 1 to trade in the scrip of the company during UPSI and hence violated regulation 3(2) of PIT Regulations.
181. In view of the discussion above, I conclude that Noticee 1, Noticee 3, Noticee 4 and Noticee 5 are Insiders and traded while in possession of UPSI. They violated Section 12A(d) and (e) of SEBI Act, 1992 and Regulation 4(1) read with Regulations 4(2) of SEBI (PIT) Regulations, 2015. Further Noticee 1 communicated UPSI and violated Regulation 3(1) of PIT Regulations, 2015 and Noticee 3 and Noticee 4 procured UPSI from Noticee 1 and therefore violated regulation 3(2) of SEBI (PIT) regulations, 2015.

#### **Pre-clearance of trades**

182. It has been alleged in the SCN that Noticee 1, Noticee 3, Noticee 4 and Noticee 5 while being an insider and in possession of UPSI applied for pre-clearance of trades and traded in the scrip of AFF when in possession of UPSI in alleged violation of Clause 6 of

the Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders as specified in Schedule B read with Regulation 9(1) of PIT Regulations.

183. As per Clause 6 of the Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders as specified in Schedule B read with Regulation 9(1) of PIT Regulations, the board of directors of every listed company shall formulate a code of conduct to regulate, monitor and report trading by its designated persons and immediate relatives of designated persons towards achieving compliance with PIT regulations, without diluting the provisions of PIT regulations in any manner. I note that as per regulation 4(1) read with 4(2) of PIT regulations, 2015, no insider shall trade in securities that are listed or proposed to be listed on a stock exchange while in possession of UPSI.
184. I observe from the application submitted by the Noticees for pre-clearance of trade to the company and on the basis of the material available before me, that the Noticee 1 applied for pre clearance on October 18, 2017 to deal in the securities from October 19, 2017 to October 25, 2017, Noticee 3 applied for pre-clearance of trades on November 02, 2017 to trade in securities on November 03, 2017, Noticee 4 applied for pre-clearance on 18/10/2017 and 28/10/2017 for 17000 shares and the same was approved by the company on 19/10/2017 and 30/10/2017, Noticee 5 applied for pre-clearance of trades on October 15, 2017 to trade in securities within one week from the date of approval of application for pre-clearance by the company, and the same was approved by the company on October 15, 2017 itself.
185. Noticee 6(company) vide reply dated September 22, 2022 to the SCN, denied that Noticee 1 and Noticee 3 violated clause 6 of the Minimum Standards for code of conduct to regulate, monitor and report trading by insiders as specified in Schedule B read with Regulation 9(1) of PIT Regulations, 2015. However, no justification has been given by the company for the abovementioned contention. With regard to Noticee 4, company submitted that Noticee 4 applied for pre-clearance, as she was required to take pre-clearance whenever trades were being done by her, she applied for pre-clearance when the trading window was open and therefore the company denied that she has violated clause 6 of the Minimum Standards for code of conduct to regulate, monitor and report trading by insiders as specified in Schedule B read with Regulation 9(1) of PIT Regulations, 2015. However, I note that, as observed earlier, Noticee 4 was the connected person as per PIT regulations and was in possession of UPSI, hence should not have applied for pre-clearance of trades, therefore, I observe

that Noticee 4 has violated the clause 6 of the Minimum Standards for code of conduct to regulate, monitor and report trading by insiders as specified in Schedule B read with Regulation 9(1) of PIT Regulations, 2015.

186. Further, I note that no submission / justification has been made by the Noticee 6(company) with respect to violation of clause 6 of the Minimum Standards for code of conduct to regulate, monitor and report trading by insiders as specified in Schedule B read with Regulation 9(1) of PIT Regulations, 2015 by Noticee 5. Hence, it can be reasonably presumed that the company has accepted that the Noticee 5 is in violation of clause 6 of the Minimum Standards for code of conduct to regulate, monitor and report trading by insiders as specified in Schedule B read with Regulation 9(1) of PIT Regulations, 2015.
187. As observed above, that Noticees 1, 3, 4 and 5 were insiders of the company and were in possession of UPSI while trading in the scrip of the company. Therefore, I observe that the application for pre-clearance of trades by the Noticees 1, 3, 4 and 5 while being in possession of UPSI and being an insider should not have been made and hence not in compliance with the provisions of PIT regulations.
188. In view of the foregoing paragraphs, I conclude that Noticee 1, 3, 4 and 5 is an Insider and is in possession of UPSI and applied for pre-clearance of trades and traded in the scrip of AFF when in possession of UPSI in violation of Clause 6 of the Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders as specified in Schedule B read with Regulation 9(1) of PIT Regulations. Thus the allegation of violation of Clause 6 of the Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders as specified in Schedule B read with Regulation 9(1) of PIT Regulations by Noticee 1, 3, 4 and 5 stands established.

#### **Noticee 6 --Apex Frozen Foods Limited**

189. It has been alleged in the SCN that Information was sought from Noticee 6 to determine the commencement of the UPSI and was asked to provide various Management Information System (MIS) Reports or any other reports with regard to financial performance of the company, generated/ prepared during the quarter ended September 30, 2017. However Noticee 6 informed that they did not maintain any email correspondences of persons involved in the finalization of financial results, date of sharing various reports generated which were shared with insiders. In view of the same

it has been alleged that Noticee 6 did not provide proper information related to chronology of event and information and allegedly violated Section 11(2)(ia) of the SEBI Act, 1992.

190. It is observed that during investigation the following information was inter-alia sought from Noticee 6 vide email dated September 14, 2021 under Section 11(2) in order to ascertain the UPSI period and the insiders who were privy to the UPSI.
- a) The date on which the limited review of the financial results by the Statutory auditor commenced and to what extent the financial results for the quarter ended September 30, 2017 had been prepared before the commencement of the review by the auditor?
  - b) The date on when the accounting entries were completed and the date when unaudited financial results were finalized for the quarter ended September 30, 2017 for the review by the auditor.
  - c) The details of the meetings of the audit committee during the quarter ended September 30, 2017 along with the copies of the minutes of such meetings.
  - d) Details of the various Management Information System (MIS) Reports or any other reports with regard to financial performance of the company were generated/ prepared during the quarter ended September 30, 2017. Also the details of the Directors/ KMPs to whom such Reports were provided along with the dates (complete details like date of email/ letter, date of receipt etc.)
  - e) Whether any reports/ information/ data pertaining to the financial performance of the company was shared with the Promoters and/or the members of the promoter group during the quarter ended September 30, 2017. If yes, provide the details of such reports/ information/ data along with the date of sharing and details of persons with whom these were shared.
191. In response to the email sent to Noticee 6 during investigation, with regard to paragraph 190, they informed that the Statutory Auditor commenced review of financials from 04/11/2017 and completed by 14/11/2017 and further submitted that accounting entries for the quarter ended September 30, 2017 were mostly completed by November 04, 2017 and financial results were finalised and reviewed by Auditors on November 14, 2017.

192. With regard to the sharing of information / data / reports pertaining to the financial performance of the company, Noticee submitted that no material information/data/reports pertaining to the financial performance of the company was shared with the promoters and/or the members of the promoter group during the quarter ended September 30, 2017 other than executive Directors of the company. With regard to any MIS reports generated during the quarter ended September 30, 2017, Noticee 6 provided the list of reports and with whom those reports were shared however they did not have data such as date of sharing those reports, written communications etc.
193. Noticee 6 vide reply dated September 22, 2022 to the SCN denied that they have violated Section 11 (2)(ia) of the SEBI Act, 1992. They further submitted that they were just listed in September 2017 and this was the first quarter wherein the unaudited results had to be published in accordance with the SEBI Listing Regulations. They were merely familiarising with the requirements and hence the MIS/other reports were put in place from November 03, 2017.
194. I note that under section 11(2)(ia) of the SEBI Act, 1992, information was sought from Noticee 6 vide email dated September 14, 2022. Noticee 6 replied to the email by submitting information regarding the dates on which the statutory auditor have commenced and completed review of financials of the company, what reports were generated during the quarter ended September, 2017 and with whom those reports were shared, details of all on market and off market trades undertaken by the directors, promoters, KMP, compliance officer of the Company. However, Noticee 6 did not submit data such as date of sharing information/data/reports pertaining to the financial performance of the company with the promoters or the members of the promoter group, written communications etc. during the quarter ended September 30, 2017 stating that they were putting in place MIS and other reports from November 3, 2017. I observe that Noticee 6 submitted reply to SEBI queries raised in email dated September 14, 2021 however did not submit the documents pertaining to date of sharing information/data/reports pertaining to the financial performance of the company with the promoters or the members of the promoter group, written communications etc. as the same were not available with them. It has been alleged that Noticee 6 did not provide proper information however what is proper information has not been defined anywhere in the investigation report (IR). Thus the allegation against Noticee 6 is vague and not maintainable. I



observe that Noticee submitted the information available with them and cooperated with the investigation.

195. In view of the same I find that the allegation of violation of Section 11(2)(ia) does not stand established against Noticee 6.

**Unlawful gains:**

196. It is observed in the SCN since the UPSI regarding AFF's Financial Results for the quarter ended September had appeared in the electronic media by two announcements made by AFF about the same on November 14, 2017 at 16:36 at BSE and 16.45 at NSE. (Time of dissemination Exchange website), the closing price as on November 15, 2017 i.e. ₹485 has been considered for calculation of unlawful gains made.

**Formula used for calculation of unlawful gains in case of positive news:**

<b>Unlawful gains Made</b>	<b>=</b>	[No. of shares bought while in possession of UPSI x Closing price on the following day of announcement]*	<b>Minus(-)</b>	[No. of shares bought while in possession of UPSI x Weighted Average Buy Price ]

\* Since announcement made after trading hours

197. It was observed that since the UPSI regarding AFF's Financial Results for the quarter ended September 2017 had appeared in the electronic media by two announcements made by AFF about the same on November 14, 2017 at 16:36 at BSE and 16:45 at NSE (time of dissemination on Exchange website), the closing price as on November 15, 2017 i.e. Rs. 485 has been considered for calculation of unlawful gain.

**Unlawful gains made by Noticee 1:**

198. Based on the abovementioned formula, unlawful gains made by Noticee 1 by trading during UPSI Period is as follows:

Sl. No.	Entity Name	No. of shares Buy(Net)	No. of shares Sell(Net)	Wt. Avg. Buy Price (in ₹)	Wt. Avg. Sell Price (in ₹)	Closing Price on 15/11/2017 (in ₹)	Total Buy Value (in ₹)	Total Sell Value (in ₹)	Value of as on 15/11/2017 (in ₹)	Unlawful gains (in ₹)
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Noticee 1	4000	0	460	0	485	1840000	0	1940000	100000
<b>Total Unlawful gains made</b>										100,000

199.As observed from the table above, Noticee 1 had earned unlawful gains on 4000 shares which was bought while in possession of unpublished price sensitive information during UPSI period. Total unlawful gains made calculated on the closing price on the following day of announcement works out to ₹1 Lakh.

200.Noticee 6(company) submitted that they do not agree with calculation of unlawful gain as Noticee has not sold the shares which were acquired by him. Noticee 1 was not in possession of any UPSI on October 19, 2017 as the details of the financials became available only on November 03, 2017. Noticee 6(company) further submitted that they deny the allegation that the intention behind the purchase of the shares was to earn profits from the price rise post announcement. If that were so, Noticee 1 would have sold the shares and further bought the shares at a price much lower than the average price of Rs.460 as indicated by the price volume data.

201.As observed earlier, Noticee 1 traded while being in possession of UPSI during the UPSI period, for making the profit on the basis of positive UPSI it is not necessary to sale the shares immediately, the only activity which is necessary to establish that the Noticees traded during the UPSI period, is to buy the shares or sale the shares during the UPSI period (depending on the positive or negative UPSI) while being in possession of UPSI. Therefore, I observe that, by buying the shares during the UPSI period, Noticee 1 has earned unlawful gains on 4000 shares and made an unlawful gain of Rs1 Lakh.

### **Unlawful gains made by Noticee 3**

Unlawful Gains made by Noticee 3 by trading during UPSI Period is as follows:

Sl. No.	Entity Name	No. of shares Buy(Net)	No. of shares Sell(Net)	Wt. Avg. Buy Price (in ₹)	Wt. Avg. Sell Price (in ₹)	Closing Price on 15/11/2017 (in ₹)	Total Buy Value (in ₹)	Total Sell Value (in ₹)	Value of as on 15/11/2017 (in ₹)	Unlawful gains (in ₹)
		(A)	(B)	(C)	(D)	(E)	(F) (A x C)	(G) (B x D)	(H) (B x E)	(I) (H - F)
1	Noticee 3	4600	0	426.49	0	485	1961854	0	2231000	2,69,146
<b>Total Unlawful gains made</b>										2,69,146

202. I observe from the table above, Noticee 3 bought a net quantity of 4600 shares during UPSI period while in possession of unpublished price sensitive information. Hence, the total unlawful gains made on the net buy quantity of 4600 shares calculated on the closing price on the following day of announcement works out to ₹2.69 lakh.

#### **Unlawful gains made by Noticee 4:**

Unlawful Gains made by Noticee 4 by trading during UPSI Period is as follows:

Sl. No.	Entity Name	No. of shares Buy(Net)	No. of shares Sell(Net)	Wt. Avg. Buy Price (in ₹)	Wt. Avg. Sell Price (in ₹)	Closing Price on 15/11/2017 (in ₹)	Total Buy Value (in ₹)	Total Sell Value (in ₹)	Value of as on 15/11/2017 (in ₹)	Unlawful gains (in ₹)
		(A)	(B)	(C)	(D)	(E)	(F) (A x C)	(G) (B x D)	(H) (B x E)	(I) (H - F)
1	Noticee 4	16992	0	434.56	0	485	7384043.52	0	8241120	8,57,076.48
<b>Total Unlawful gains made</b>										8,57,076.48

203. As observed from the table above, Noticee 4 had earned unlawful gains on 16992 shares bought while in possession of unpublished price sensitive information during UPSI period. Total unlawful gains made calculated on the closing price on the following day of announcement works out to ₹8.57 lakh.

### **Unlawful gains made by Noticee 5:**

Unlawful Gains made by Noticee 5 by trading during UPSI Period is as follows:

Sl. No.	Entity Name	No. of shares Buy(Net)	No. of shares Sell(Net)	Wt. Avg. Buy Price	Wt. Avg. Sell Price	Closing Price on 15/11/2017 (in ₹)	Total Buy Value (in ₹)	Total Sell Value (in ₹)	Value of as on 15/11/2017 (in ₹)	Unlawful gains (in ₹)
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	Noticee 5	3360	0	451.92	0	485	15,18,451	0	16,29,600	1,11,148.8
<b>Total Unlawful gains made</b>										1,11,148.8

204. As observed from the table above, that Noticee 5 bought a net quantity of 3360 shares through off market route during UPSI period while in possession of unpublished price sensitive information. Hence, the total unlawful gains made on the net buy quantity of 3360 shares calculated on the closing price on the following day of announcement works out to ₹1.11 lakh.

**ISSUE II: Does the violation, if any, on part of the Noticee 1, Noticee 3, Noticee 4 and Noticee 5 attract penalty under Section for 15G and 15HB of SEBI Act, for Noticee 2 under Section 15G of SEBI Act, 1992 and for Noticee 6 under Section 15A(a) of the SEBI Act, 1992 ?**

205. As has been established in foregoing paragraphs that Noticee1, Noticee 3, Noticee 4 and Noticee 5 violated the provisions of Section 12A(d) and (e) of SEBI Act, 1992 and regulation 4(1) read with 4(2) of SEBI (PIT) regulations, 2015, Noticee 1 violated the provisions of Section 12A(e) of SEBI Act, 1992 and Regulation 3(1) of SEBI (PIT) Regulations, 2015 and Noticee 3 and Noticee 4 violated the provision of Section 12A(e) of SEBI Act, 1992 and Regulation 3(2) of SEBI (PIT) Regulations, 2015, Noticee 1, Noticee 3, Noticee 4 and Noticee 5 violated the provisions of Clause 6 of the Minimum Standards for code of conduct to Regulate, Monitor and Report trading by Insiders as specified in Schedule B read with Regulation 9(1) of PIT Regulations and the SCN dated August 30, 2022 has been disposed of against Noticee 2 and Noticee 6.

206. The Hon'ble Supreme Court of India in the matter of SEBI vs. Shri Ram Mutual Fund interalia held *"once the violation of statutory regulations is established, imposition of penalty becomes sine qua non of violation and the intention of parties committing such violation becomes totally irrelevant. Once the contravention is established then the penalty is to follow."*

207. Therefore, I am convinced that it is a fit case for imposition of penalty under the provisions of Section 15G and 15HB of the SEBI Act, which reads as given below:

***Penalty for insider trading***

*15G. If any insider who,—*

*(i) either on his own behalf or on behalf of any other person, deals in securities of a body corporate listed on any stock exchange on the basis of any unpublished price-sensitive information; or*

*(ii) communicates any unpublished price-sensitive information to any person, with or without his request for such information except as required in the ordinary course of business or under any law; or*

*(iii) counsels, or procures for any other person to deal in any securities of any body corporate on the basis of unpublished price-sensitive information,*

*shall be liable to a penalty [which shall not be less than ten lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of insider trading, whichever is higher].*

***15HB- Penalty for contravention where no separate penalty has been provided:-***  
*Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be [liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.]*

**ISSUE III: If so, how much penalty should be imposed on the Noticee taking into consideration the factors mentioned in Section 15J of the SEBI Act?**

208. While determining the quantum of penalty under sections 15HA and 15HB of the SEBI Act, it is important to consider the factors stipulated in section 15J of SEBI Act, which reads as under:-

*15J - Factors to be taken into account by the adjudicating officer*

*While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely:-*

*(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*

*(b) the amount of loss caused to an investor or group of investors as a result of the default;*

*(c) the repetitive nature of the default.”*

209. As stated above Noticee 1 made an unlawful gain of Rs. 1,00,000/- Noticee 3 made an unlawful gain of Rs. 2,69,146 Noticee 4 made an unlawful gain of Rs. 8,57,076 and Noticee 5 made an unlawful gain of Rs. 1,11,148. However, I note that investigation did not bring out any loss caused to any specific investor or group of investors, as a result of violation committed by the Noticees. With respect to the repetitive nature of default, I find that there is nothing on record to indicate any past violations committed by the Noticees. However, the consequences of violations committed by the Noticees are grave in nature and are prejudicial to the interests of the investors in the securities market. This violation of the Noticees, if dealt with lightly could seriously undermine investors confidence in the securities market and has to be viewed seriously and calls for appropriate penalty.

## **ORDER**

210. Having considered the facts and circumstances of the case, the material available on record, the factors mentioned in Section 15J of the SEBI Act, the purpose of SEBI PIT Regulations 2015, taking note of Section 15G and 15HB of the SEBI Act, and also taking into account judgment of the Hon'ble Supreme Court in *SEBI vs. Bhavesh Pabari (2019) 5 SCC 90* and in exercise of power conferred upon me under section 15-I of the SEBI Act, 1992 read with rule 5 of the Adjudication Rules, 1995, I hereby impose following penalty under section 15G and 15HB of the SEBI Act, 1992 on the Noticees:

S. No.	Name of entity	Penalty Provisions	Penalty (Rs.)
1	Karuturi Subrahmanya Chowdary (Noticee 1)	Section 15G of SEBI Act, 1992	Rs. 10,00,000/- (Rupees Ten Lakh Only)
		Section 15HB of SEBI Act, 1992	Rs. 1,00,000/- (Rupees One Lakh Only)
2	Vallepalli Hanumantha Rao (Noticee 3)	Section 15G of SEBI Act, 1992	Rs. 10,00,000/- (Rupees Ten Lakh Only)
		Section 15HB of SEBI Act, 1992	Rs. 1,00,000/- (Rupees One Lakh Only)
3	Devalla Satya Madhavi (Noticee 4)	Section 15G of SEBI Act, 1992	Rs. 17,14,000/- (Rupees Seventeen Lakh Fourteen Thousand only)
		Section 15HB of SEBI Act, 1992	Rs. 1,00,000/- (Rupees One Lakh Only)
4	P Durga Prasad (Noticee 5)	Section 15G of SEBI Act, 1992	Rs.10,00,000/- (Rupees Ten Lakh Only)
		Section 15HB of SEBI Act, 1992	Rs. 1,00,000/- (Rupees One Lakh Only)

211. I am of the view that the said penalty is commensurate with the lapse/omission on the part of the Noticees.

212. The Noticees shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of Demand Draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, OR through online payment facility available on the website of SEBI, i.e. [www.sebi.gov.in](http://www.sebi.gov.in) on the following path, by clicking on the payment link: ENFORCEMENT → Orders → Orders of AO → PAY NOW. In case of any difficulties in payment of penalties, Noticee may contact the support at [portalhelp@sebi.gov.in](mailto:portalhelp@sebi.gov.in).

213. The aforesaid Noticees shall forward said Demand Draft or the details / confirmation of penalty so paid to “The Division Chief (Enforcement Department 1 DRA-2), Securities and Exchange Board of India, SEBI Bhavan, Plot No. C/7, “G” Block BKC, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051.” The Noticees shall also provide the following details while forwarding DD / payment information:

1. Case Name:	
2. Name of payee:	
3. Date of payment:	
4. Amount paid:	
5. Transaction no.:	
6. Bank details in which payment is made:	
7. Payment is made for:  (like penalties/ disgorgement/ recovery/ settlement amount and legal charges along with order details)	

214. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under section 28A of the SEBI Act, 1992 for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.

215. In terms of the provisions of rule 6 of the Adjudication Rules, a copy of this order is being sent to the Noticees and also to the Securities and Exchange Board of India.

**Place: Mumbai**

**Date: December 29, 2022**

**BARNALI MUKHERJEE  
ADJUDICATING OFFICER**