

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under sections 11(1) and 11(2)(h) of the Securities and Exchange Board of India Act, 1992 read with regulation 11(5) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

In the matter of Proposed Acquisition of Shares and Voting Rights in –

TARGET COMPANY	PROPOSED ACQUIRER
Neuland Laboratories Limited	Davuluri Ownership Trust

Background –

1. Neuland Laboratories Limited (hereinafter referred to as the “**Target Company**”) is a company incorporated under the Companies Act, 1956 having its registered office at 11th Floor (5th Level), Phoenix IVY Building, Plot No. 573A-III, Road No. 82, Jubilee Hills, Hyderabad, Telangana-500033. It was incorporated on January 07, 1984. The equity shares of the Target Company are listed on the BSE Ltd. (“**BSE**”) and National Stock Exchange of India Ltd. (“**NSE**”).
2. An Application dated October 24, 2024 (revised on December 17, 2024) along with emails dated November 21, 2024, December 05, 2024, December 18, 2024 and December 19, 2024 (together referred to as “**Application**”) was received by SEBI seeking exemption from the applicability of regulation 3(1) read with regulation 4 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (“**Takeover Regulations, 2011**”) in the matter of proposed direct acquisition of shares and voting rights in the Target Company by Davuluri Ownership Trust (hereinafter referred to as “**Acquirer Trust**” or “**Proposed Acquirer**” or “**Applicant Trust**”).

Details of the proposed acquisition:

3. The Acquirer Trust vide the Application has submitted the following:

- a) The issued share capital is INR 13,02,34,340 /-divided into 1,30,23,434 equity shares of INR 10/-each, subscribed share capital is INR 12,93,31,650/- divided into 1,29,33,165 equity shares of INR 10/-each, and paid-up equity share capital of the Target Company is INR 12,82,98,890/- divided into 12,829,889 equity shares of INR 10/- each. The shareholding pattern of the Target Company, as on the date of application was as under:

Shareholding in the Target Company			
Sr. No.	Name	No. of shares	% shareholding
A.	Promoters & Promoter Group		
1.	Ramamohan Rao Davuluri	27,75,279	21.63
2.	Vijaya Rao Davuluri	613,338	4.78
3.	Sucheth Rao Davuluri	337,542	2.63
4.	Saharsh Rao Davuluri	287,087	2.24
5.	Davuluri Rohini Niveditha Rao	85,780	0.67
6.	Usha Rani Reddy Chevalla	34,634	0.27
7.	Gannabathula Venkata Krishna Rama Rao	31,827	0.25
8.	Gannabathula Veeravenkata Satyanarayanamurty	21,222	0.16
9.	Gannabathula Uma Bala	6,409	0.05
10.	Suryanarayana M Siram	100	0.00
11.	Velugubanti S Prasadaraao	100	0.00
Total Promoter Shareholding		41,93,318	32.68
B.	Public shareholding	86,36,571	67.32
C.	Non Promoter-Non Public (shares held by Employee Trust)	-	-
Total Shareholding		1,28,29,889	100

- b) Davuluri Ownership Trust is an irrevocable trust registered vide trust deed (amended and restated) dated September 27, 2024, settled under the provisions of the Indian Trusts Act, 1882. The details of the Settlers, Trustees and beneficiaries of the Acquirer Trust are tabulated below:

DETAILS OF THE ACQUIRER TRUST (DAVULURI OWNERSHIP TRUST)		
Particulars	Person	Relationship
Settlor	Dr. Ramamohan Rao Davuluri	Self and Promoter of the Target Company
Transferors	Dr. Ramamohan Rao Davuluri (T1)	Self and Promoter of the Target Company
	Mr. Sucheth Rao Davuluri (T2)	Son of T1 and promoter of the Target Company
	Mr. Saharsh Rao Davuluri (T3)	Son of T1 and promoter of the Target Company
	Mrs. Vijaya Rao Davuluri (T4)	Spouse of T1 and promoter group of the Target Company
Trustees	Dr. Ramamohan Rao Davuluri	Self and Promoter of the Target Company
	Mr. Sucheth Rao Davuluri	Son of T1 and promoter of the Target Company
	Mr. Saharsh Rao Davuluri	Son of T1 and promoter of the Target Company
Beneficiaries	Mrs. Vijaya Rao Davuluri	Spouse of T1 and promoter group of the Target Company
	Dr. Ramamohan Rao Davuluri	Self and Promoter of the Target Company
	Mr. Sucheth Rao Davuluri	Son of T1 and promoter of the Target Company
	Mr. Saharsh Rao Davuluri	Son of T1 and promoter of the Target Company

	Mrs. Davuluri Rohini Niveditha Rao	Spouse of T2 and promoter group of the Target Company
	Mrs. Deepthi Davuluri	Spouse of T3
	Lineal Descendants of Mr. Sucheth Davuluri and Mr. Saharsh Davuluri	Grandchildren of T1

- c) The Acquirer Trust propose to acquire interest in the Target Company directly from the promoters of the Target Company. Pursuant to the proposed acquisition of shares and voting rights, the Acquirer Trust shall directly have control over the Target Company.
- d) The direct acquisition of shares and voting rights in the Target Company by the Acquirer Trust is proposed to take place in the following manner:

Sr. No.	Transferor	Acquirer	Number of Shares	Percentage
1.	Ramamohan Rao Davuluri (Promoter)	Davuluri Ownership Trust	25,65,979	20
2.	Vijaya Rao Davuluri (Promoter Group)		608,338	4.74
3.	Sucheth Rao Davuluri (Promoter)		79,573	0.62
4.	Saharsh Rao Davuluri (Promoter)		79,462	0.62
Total			3,333,352	25.98

- e) Pursuant to the proposed acquisition of shares and voting rights by Acquirer Trust, the Acquirer Trust along with other promoters and members of the promoter group shall directly acquire control over the Target Company.
- f) There would be no alteration in total equity share capital of the Target Company as a result of the proposed acquisition. The shareholding pattern of the Target Company before and after the proposed acquisition will be as under:

Particulars	Shareholding before the proposed acquisition		Proposed Transaction		After the proposed acquisition	
	No. of shares	% of shares	No. of shares	% of shares	No. of shares	% of shares
Promoters & Promoter Group (other than Acquirer)						
Ramamohan Rao Davuluri	27,75,279	21.63	(25,65,979)	(20.00)	2,09,300	1.63
Vijaya Rao Davuluri	6,13,338	4.78	(6,08,338)	(4.74)	5,000	0.04
Sucheth Rao Davuluri	3,37,542	2.63	(79,573)	(0.62)	2,57,969	2.01
Saharsh Rao Davuluri	2,87,087	2.24	(79,462)	(0.62)	2,07,625	1.62
Davuluri Rohini Niveditha Rao	85,780	0.67	-	-	85,780	0.67
Usha Rani Reddy Chevalla	34,634	0.27	-	-	34,634	0.27
Gannabathula Venkata Krishna Rama Rao	31,827	0.25	-	-	31,827	0.25
Gannabathula Veeravenkata Satyanarayanamurty	21,222	0.17	-	-	21,222	0.16
Gannabathula Uma Bala	6,409	0.05	-	-	6,409	0.05
Suryanarayana M Siram	100	0.00	-	-	100	0.00
Velugubanti Prasadaraao	100	0.00	-	-	100	0.00
Total (A)	41,93,318	32.68	(33,33,352)	(25.98)	8,59,966	6.70
Promoters & Promoter Group - Acquirer and PAC						
Davuluri Ownership Trust	-	-	33,33,352	25.98	33,33,352	25.98
Total (B)	-	-	33,33,352	25.98	33,33,352	25.98
Total (A+B)	41,93,318	32.68	-	-	41,93,318	32.68
Public						
Public shareholding (C)	86,36,571	67.32	-	-	86,36,571	67.32
Non-promoter & Non-public						
Non-promoter & Non-public (D)	-	-	-	-	-	-
TOTAL(A+B+C+D)	1,28,29,889	100	-	-	1,28,29,889	100

- g) The abovementioned direct acquisition of shares and voting rights by the Acquirer Trust in the Target Company would attract the applicability of the provisions of regulations 3(1) and 4 of the Takeover Regulations, 2011. Vide the Application, the Acquirer Trust has sought exemption from SEBI in respect of the same.

Grounds for seeking exemption -

4. Vide the Application, the Acquirer Trust has, *inter-alia*, provided the following grounds for seeking exemption:
- (a) The Proposed Direct Acquisition is pursuant to a private family arrangement and is being carried out to ensure continued interest of the Promoters in the Target Company, to streamline the Promoter and Promoter Group holdings in the company, smooth succession planning and to avoid the effects of any future family conflicts on the Target Company.
 - (b) The Proposed Direct Acquisition is a non-commercial transaction which will not prejudice the interest of the public shareholders of the Target Company in any manner.
 - (c) The Acquirer Trust is a mirror image of the Promoter group, there will be no change in the control or management of the Target Company. Further, there will be no change in the ultimate shareholding of the Promoter Group in the Target Company as the beneficiaries shall only be individual family members who would fall within the definition of Promoter Group under the extant applicable SEBI Regulations
 - (d) Pursuant to the Proposed Direct Acquisition, no outsider will acquire shares, directly or indirectly, of the Target Company as the acquisition takes place between the individuals that are part of the Promoter and Promoter Group and the Acquirer Trust being a family trust.
 - (e) As Dr. Ramamohan Rao Davuluri and his two sons Mr. Sucheth Rao Davuluri and Mr. Saharsh Rao Davuluri are the Trustees of the Davuluri Ownership Trust, there will be no change in control of the Target Company after the Proposed Direct Acquisition.
 - (f) The Settlor, Trustee, and Beneficiaries of Acquirer Trust are all relatives and/or part of the 'Promoter and Promoter Group' of the Company and shall

always, as per the provisions of the Trust Deed, be the same parties and/or their lineal descendants.

- (g) Under the provisions of the Trust Deed, the beneficiaries of the Acquirer Trust are not entitled and cannot claim to have any right to transfer their beneficial ownership interest in the Trust's property to any person.
- (h) There is no new acquisition of shares by the Promoters and Promoters Group and the pre-acquisition and post-acquisition shareholding of the Promoters and Promoter Group in the Target Company would remain the same at 32.68%.
- (i) The Trust vide Schedule II to Trust Deed have submitted compliance with the criteria stipulated in guidelines stated in Chapter 8 of the Master Circular for Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

Consideration-

5. I have considered the Application submitted by the Acquirer Trust and other material available on record. Before I proceed further, I deem it fit to draw reference to the provisions of regulations 3(1) and 4 of the Takeover Regulations, 2011, which state as under –

“Substantial acquisition of shares or voting rights.

3(1): No acquirer shall acquire shares or voting rights in a target company which taken together with shares or voting rights, if any, held by him and by persons acting in concert with him in such target company, entitle them to exercise twenty-five per cent or more of the voting rights in such target company unless the acquirer makes a public announcement of an open offer for acquiring shares of such target company in accordance with these regulations

Acquisition of control.

4 Irrespective of acquisition or holding of shares or voting rights in a target company, no acquirer shall acquire, directly or indirectly, control over such target company unless the acquirer makes a public announcement of an open offer for acquiring shares of such target company in accordance with these regulations.”

6. Without reiterating the facts as stated above, I note the following:

- (a) The Application submitted is in respect of the proposed direct acquisition of shares and voting rights in the Target Company, i.e., **Neuland Laboratories Limited**. The proposed acquisition as detailed above, which are to be made by the Acquirer Trust, will lead to direct acquisition of control of the Target Company and will attract the provisions of regulations 3(1) and 4 of the Takeover Regulations, 2011.
- (b) The proposed acquisition is in furtherance to an internal reorganization within the Promoter Family and is intended to streamline succession and promote welfare of Promoter Family. The proposed direct acquisition would be non-commercial transactions which would not affect or prejudice the interests of the public shareholders of the Target Company in any manner.
- (c) The trustees and the beneficial owners of the Acquirer Trust are either individual promoters, or their immediate family relatives or lineal descendants.
- (d) There will be no change in control of the Target Company pursuant to the proposed acquisition, as stipulated under the Chapter 8 of SEBI Circular No. SEBI/HO/CFD/PoD-1/P/CIR/2023/31 dated February 16, 2023(**SEBI Circular**).
- (e) The pre-acquisition and post-acquisition shareholding of the promoters and promoter group in the Target Company will remain the same.
- (f) There will be no change in the public shareholding of the Target Company.
- (g) The Target Company shall continue to be in compliance with the Minimum Public Shareholding requirements under the Securities Contracts Regulation Rules, 1957 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- (h) The Acquirer Trust have confirmed that they are in compliance with the Guidelines outlined in the SEBI Circular which contain the following clauses:
 - (i) The Acquirer Trust is in substance, only a mirror image of the promoters' holdings and consequently, there is no change of ownership or control of the shares or voting rights in the target company.
 - (ii) Only individual promoters or their immediate relatives or lineal descendants are Trustees and beneficiaries of the Acquirer Trust.

- (iii) The beneficial interest of the beneficiaries of the Acquirer Trust has not been and will not in the future, be transferred, assigned or encumbered in any manner including by way of pledge / mortgage.
- (iv) In case of dissolution of the Acquirer Trust, the assets will be distributed only to the beneficiaries of the trust or to their legal heirs;
- (v) The Trustees will not be entitled to transfer or delegate any of their powers to any person other than one or more of themselves.
- (vi) Any change in the trustees / beneficiaries and any change in ownership or control of shares or voting rights held by the Acquirer Trust shall be disclosed within 2 days to the concerned stock exchanges with a copy endorsed to SEBI for its record.
- (vii) As far as the provisions of the SEBI Act, 1992 and the regulations framed thereunder are concerned, the ownership or control of shares or voting rights will be treated as vesting not only with the Trustees but also indirectly with the beneficiaries.
- (viii) The liabilities and obligations of individual transferors under the SEBI Act, 1992 and the regulations framed thereunder will not change or get diluted due to transfers to the Acquirer Trust.
- (ix) The Acquirer Trust shall confirm, on an annual basis, that they are in compliance with the exemption order passed by SEBI. The said confirmation shall be furnished to the Target Company which it shall disclose prominently as a note to the shareholding pattern filed for the quarter ending March 31 each year, under regulation 31 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- (x) The Acquirer Trust shall get their compliance status certified from an independent auditor annually and furnish the certificate to the Stock Exchanges for public disclosure with a copy endorsed to SEBI for its records.
- (xi) The proposed acquisition is in accordance with the provisions of the Companies Act, 2013 and other applicable laws.
- (xii) The transferors are disclosed as promoters in the shareholding pattern filed with the Stock Exchanges for a period of at least 3 years prior to the proposed acquisition.

- (xiii) There is no layering in terms of trustees / beneficiaries in case of the Acquirer Trust.
- (xiv) The Trust Deeds do not contain any limitation of liability of the trustees / beneficiaries in relation to the provisions of the SEBI Act, 1992 and all regulations framed thereunder.

7. Considering the aforementioned, I am of the view that exemption as sought for in the Application (read with further submissions) may be granted to the Proposed Acquirer, subject to certain conditions as ordered herein below.

Order –

8. I, in exercise of the powers conferred upon me under section 19 read with sections 11(1) and 11(2)(h) of the SEBI Act, 1992 and regulation 11(5) of the Takeover Regulations, 2011, hereby grant exemption to the Proposed Acquirer, viz., **Davuluri Ownership Trust**, from complying with the requirements of regulation 3(1) read with regulation 4 of the Takeover Regulations, 2011 with respect to the proposed direct acquisition in the Target Company, viz., **Neuland Laboratories Limited**, by way of proposed transaction as mentioned in the Application.
9. The exemption so granted is subject to the following conditions:
- (a) The proposed acquisition shall be in accordance with the relevant provisions of the Companies Act, 2013 and other applicable laws.
 - (b) On completion of the proposed acquisition, the Proposed Acquirer shall file a report with SEBI within a period of 21 days from the date of such acquisition, as provided in the Takeover Regulations 2011.
 - (c) The statements / averments made or facts and figures mentioned in the Application and other submissions by the Proposed Acquirer are true and correct.
 - (d) The Proposed Acquirer shall ensure compliance with the statements, disclosures and undertakings made in the Application. The Proposed Acquirer shall also ensure compliance with the provisions of the SEBI Circular.

- (e) The Proposed Acquirer shall also ensure that the covenants in the Trust Deeds are not contrary to the above conditions. In such case, the Trust Deeds shall be suitably modified and expeditiously reported to SEBI.
10. The exemption granted above is limited to the requirements of making open offer under the Takeover Regulations, 2011 and shall not be construed as exemption from the disclosure requirements under Chapter V of the aforesaid Regulations; compliance with the SEBI (Prohibition of Insider Trading) Regulations, 2015, Listing Agreement / SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable Acts, Rules and Regulations.
11. The exemption granted above from making an open offer in respect of the Proposed Acquisition shall remain valid for a period of one (1) year from the date of this Order and the Applicant shall complete the implementation of the Proposed Acquisition within such period, failing which the granted exemption shall lapse and cease to exist.
12. The Application dated October 24, 2024 (revised on December 17, 2024) read with other submissions, filed by **Davuluri Ownership Trust** is accordingly disposed of.

PLACE: MUMBAI

DATE: JANUARY 3, 2025

ASHWANI BHATIA

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA