

**BEFORE THE ADJUDICATING OFFICER**

**SECURITIES AND EXCHANGE BOARD OF INDIA**

**[ADJUDICATION ORDER NO.IVD-ID4/IGPL/AO/DRK/AKS/EAD-3/194-09/97-10]**

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**UNDER SECTION 15 I OF SECURITIES AND EXCHANGE BOARD OF INDIA  
ACT, 1992 READ WITH RULE 5(1) OF SECURITIES AND EXCHANGE  
BOARD OF INDIA (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING  
PENALTIES BY ADJUDICATING OFFICER) RULES, 1995**

**Against:**

**Smt. Jayanthi Chandrasekaran  
Plot no 21, Ankit,  
Unit no.1, Sector-28, Vashi,  
Navi Mumbai-400 073  
PAN No. AEWPJ8217N**

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**FACTS IN BRIEF**

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') conducted an investigation into the trading in the scrip of I G Petrochemicals Ltd. (herein after referred to as '**company**'). It was observed that entities related to the company dealt in the scrip in huge numbers prior to the announcement of issue of debentures to the Spinnaker Group. On most of the days price of the scrip moved with the first trade. The price of the scrip had moved by around 224% during the period of investigation which was

from February 10, 2006 to May 05, 2006 (hereinafter referred to as '**Investigation Period**').

2. The investigation was carried on to ascertain whether the company or promoter related entities have traded on the basis of unpublished price sensitive information. In this regard it was alleged in the Investigation report (hereinafter referred to as '**IR**') that Smt. Jayanthi Chandrasekaran, wife of Shri Rajagopal Chandrasekaran, President Finance of the company during the investigation period (here in after referred to as '**the noticee**') had traded prior to the announcement of issue of debentures by the company to Spinnaker Group.

### **APPOINTMENT OF ADJUDICATING OFFICER**

3. I was appointed as the Adjudicating Officer, (subsequent to the transfer of Shri P.K. Bindlish) vide order dated February 24, 2009 under Section 15 I of the SEBI Act read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as '**Rules**') to inquire into and adjudge under Section 15G of the SEBI Act, the violation of Regulation 3 (i) of SEBI (Prohibition of Insider Trading) Regulations, 1992 (herein after referred to as '**Insider Trading Regulations**') alleged to have been committed by the noticee.

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

4. A Show Cause Notice (herein after referred to as '**SCN**') dated September 29, 2008 was served on the noticee by "Registered Post Acknowledgement Due" in terms of the provisions of Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 requiring her to show cause as to why an inquiry should not be held against her and why penalty, if any, should not be

imposed on him under Section 15G of the SEBI Act. In the said notice, it was alleged that the noticee had traded prior to the announcement of issue of debentures by the company to Spinnaker Group which has led to the violation of Insider Trading Regulations.

5. The noticee vide her letter dated October 16, 2008 submitted that she has not done any insider trading and she had bought and sold the shares based on the advice of her husband, Shri Rajagopal Chandrasekaran. She also stated that she is in agreement with whatever has been stated by Shri Rajagopal Chandrasekaran in his reply dated October 16, 2008 in the same matter, which is as follows-

- The company had undertaken the restructuring exercise in the year 2002-2003. However, no one was aware when the process will be completed.
- Mr. N. Dhanuka, MD of the company was directly involved in the restructuring activity and the employees were not privy to any of the information. The noticee was not aware of the term sheet signed by Mr. Dhanuka.
- Restructuring activity of any company cannot be clubbed with other price sensitive information where there is neither a record date nor a book closure since the success of the restructuring activity depends upon the cooperation of external agencies and is beyond the control of the company.
- The restructuring process takes place over a long period of time, hence there is no meaning in the market price impacts unlike other price sensitive information where everything happens before the record date.
- The terms of Spinnaker funds were that the funds would be made available only to settle with the Banks. Hence the group would have never subscribed to the debentures had the Bankers were not settling the debt.

- While issuing notice to the stock exchange on February 23, 2006 nothing was clear as far as restructuring exercise is concerned and any transaction during the period shall not be construed as an insider trading activity.
  - Restructuring activity was already in the public domain, as the activity involves many people of Banks, Financial Institutions and Fund managers. Moreover whenever there was any approval from Banks and Financial Institutions, the company has put the same in public domain by informing stock exchanges while publishing quarterly results.
  - Investments were purely an investment activity out of savings.
  - Had it been his intention to gain, then she would not have sold shares in distress.
6. An opportunity of personal hearing was granted to the noticee vide hearing notice dated August 27, 2009 to appear on September 15, 2009. In response to this the noticee vide her letter dated September 10, 2009 submitted that she wants to avail the consent proceedings. Vide letter dated April 13, 2010, the noticee was intimated that her consent application was rejected by High Powered Advisory Committee and the noticee was given an opportunity of hearing vide notice dated July 20, 2010 to appear on August 10, 2010. The noticee vide her letter dated July 27, 2010 sought an adjournment of the hearing. Noticee's request was accepted vide notice dated August 11, 2010, and she was given a final opportunity of hearing on September 08, 2010. In response to the personal hearing notice, the noticee vide her letter dated August 25, 2010 had authorized her husband Shri Rajagopalan Chandrasekran to appear as her Authorised Representative. (herein after referred to as '**AR**').
7. During the personal hearing the AR submitted that the financial restructuring process had started from the year 2003 onwards and the information was in

the public domain by way of publication in the company's quarterly results and balance sheet since 2002-2003. The AR stated that the entire terms and conditions of the negotiations with the Spinnaker group were exclusively handled by Shri Nikunj Dhanuka, MD of the company and only he was privy to the information. The AR submitted that the noticee had no intention of doing any insider trading. If she had any intention of doing any insider trading, she would have bought large chunks of shares at a lower price, instead, she dealt in small quantities and at relatively higher prices. The AR stated that the noticee had bought the shares based on increase in the market volume of the shares and the market buzz and not based on unpublished price sensitive information as alleged in the show cause notice. Further, the AR stated that the noticee has not traded during the period of trading window closure.

### **CONSIDERATION OF EVIDENCE AND FINDINGS**

8. I have taken into consideration the facts and circumstances of the case and the material made available on record. The issue in the present case is that whether the noticee has dealt in the scrip when she was in possession of unpublished price sensitive information.
9. It is observed from the IR that the company had appointed Ernest & Young as their financial consultants in May 2005 who had introduced the Spinnaker Group to the company and held joint discussions with them. The company also informed SEBI that the term sheet containing the terms and conditions with respect to the issue of debentures for Rs. 125 crores were dated January 23, 2006.
10. The noticee has contended that the restructuring process of the company was known to the public through the filing of the quarterly results by the company with Bombay Stock Exchange Ltd. and publishing of the same in

the newspapers (under the heading 'note') since September, 2003. Since the information was already in the public domain as stated, I am of the opinion that it cannot be said that the information was unpublished when the noticee had bought the shares in the month of February, 2006. In view of the above facts and submissions, I tend to agree with the noticee's contention.

11. It is noted from the term sheet dated January 23, 2006, the same is signed by Mr. N. Dhanuka, MD of the company. The noticee has also submitted that the entire restructuring activity was handled only by Mr. N. Dhanuka and she was not privy to any information, therefore, the noticee's submission may be accepted.
12. Further, the noticee submitted that the restructuring activity of any company cannot be clubbed with other price sensitive information where there is neither a record date nor a book closure since the success of the restructuring activity depends upon the cooperation of external agencies and is beyond the control of the company. In the given case, nothing was clear as far as restructuring exercise was concerned. This can be gathered from the fact that Bank of Baroda, the lead consortium bank of the lenders accorded their approval only at the last moment i.e. on March 31, 2006 at 08:09 p.m. Had the lead consortium bank had not agreed, the whole settlement process would have been futile. Moreover other banks / financial institution such as Canara Bank, Dena Bank, LIC, United Bank of India, IDBI (SASF) Bank of India etc. had given their sanction only after March 15, 2006.
13. The noticee submitted that it was never her intention to do insider trading as she bought only 4,000 shares before February 23, 2006. Further, she stated that if she was in possession of the unpublished price sensitive information,

she would have bought a large chunk of shares at a lower price, instead, she dealt in small quantities and at relatively higher prices.

14. In view of the above facts it can be concluded that the noticee has not dealt in the scrip when he was in possession of unpublished price sensitive information and therefore, it can be held that the noticee has not violated Regulation 3 (i) of SEBI (Prohibition of Insider Trading) Regulations, 1992.

## **ORDER**

15. Considering the facts and circumstances and the evidence made available on record, the violation of Regulation 3 (i) of SEBI (Prohibition of Insider Trading) Regulations, 1992 is not established against Smt. Jayanthi Chandrasekaran in the present adjudication proceedings and accordingly the present adjudication proceedings are disposed of.

16. In terms of the provisions of Rule 6 of the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules 1995, copies of this order are being sent to Smt. Jayanthi Chandrasekaran and also to the Securities and Exchange Board of India, Mumbai.

**Place: Mumbai**

**Date: September 28, 2010**

**D. RAVI KUMAR  
CHIEF GENERAL MANAGER &  
ADJUDICATING OFFICER**