

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA**

**ORDER**

**Under Sections 11(1), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992  
in the matter of Sabero Organics Gujarat Limited**

**In respect of Mr. A. Vellayan, Mr. A.R. Murugappan, Mr. Gopalakrishnan C. and V. Karuppiah (HUF)**

- 
1. SEBI on receipt of certain complaints alleging therein that the unpublished price sensitive information (hereinafter referred to as 'UPSI') pertaining to the acquisition of the shares of one Sabero Organic Gujarat Limited (hereinafter referred to as 'Sabero') by Coromandel International Limited (hereinafter referred to as 'Coromandel') was leaked to certain persons, who were acting in concert with the management of Sabero/ Coromandel, initiated a preliminary examination into the matter. Later, a detailed investigation was conducted by SEBI for the period of May 15, 2011 to June 15, 2011.
  2. Sabero was incorporated in November 1991 and was in the business of manufacturing chemical intermediates for pesticides and flame retardant. The price of the scrip of Sabero at Bombay Stock Exchange (hereinafter referred to as 'BSE') had increased from ₹58 (i.e. the opening price on May 16, 2011) to ₹127 on June 09, 2011 after touching ₹130.50 (intraday high on June 06, 2011). Similarly, the price of the scrip at National Stock Exchange (hereinafter referred to as 'NSE') had increased from ₹57.80 as on May 13, 2011 to ₹126.45 on June 15, 2011 after touching a high of ₹130.90 as on June 14, 2011.
  3. The investigation has revealed that on May 15, 2011, the representatives of Coromandel (including its Chairman, Mr. A. Vellayan) and Sabero attended a meeting, in order to discuss and negotiate the acquisition. I note that on May 15, 2011, Coromandel had appointed 'legal advisors' for carrying out the due diligence exercise in connection with the acquisition of the shares of Sabero. On the same date 'financial advisors' were also appointed by Coromandel to carry out the initial assessment of the financial information provided by Sabero. Thereafter, discussion on other aspects relating to the acquisition were also held, during the period of May 18, 2011 to May 30, 2011. On May 31, 2011, Coromandel had informed the Exchanges about

the acquisition. Sabero on June 02, 2011, informed the Exchanges about the acquisition. On the same day, i.e., June 02, 2011, a public announcement was made by Coromandel regarding the acquisition of Sabero.

4. I note that the information relating to the acquisition of Sabero by Coromandel was a deemed 'price sensitive information' in terms of the Regulation 2(ha)(v) of the SEBI (Prohibition of Insider Trading) Regulations, 1992 (hereinafter referred to as 'Insider Trading Regulations'), till it was published. It is seen that the price sensitive information had come into existence on May 15, 2011, which became public on May 31, 2011.
5. Based on the analysis of the trading pattern in the scrip of Sabero, SEBI identified Mr. Gopalkrishnan C., V. Karupiah (HUF) and a few others (hereinafter referred to as 'suspected entities') based on their trading concentration. During the examination, SEBI had enquired from Coromandel, Sabero and the professional entities involved in the acquisition process about their connection with the suspected entities. However, Coromandel, Sabero and the professional entities confirmed that neither themselves nor the employees who were associated with the takeover process, had any connection with the suspected entities and that they have not passed the UPSI to them.
6. The investigation analysed the trading pattern, KYC documents and bank account statement of the suspected entities including Mr. Gopalkrishnan C. and V. Karupiah (HUF), such examination revealed that:
  - a. Mr. Gopalkrishnan C. had traded in the scrip of Sabero through the broker namely Nirmal Bang Securities Pvt. Limited. The observations regarding him are as under:
    - i. He had traded only at NSE and had purchased 3,19,500 shares for ₹2,72,05,425. In the last two years, he had traded only in one scrip, with gross trade value of around ₹2 lakh only.
    - ii. During the period of investigation, Mr. Gopalkrishnan C. had not traded in any other scrip except Sabero.
    - iii. The trading account was opened on November 19, 2010, wherein the income slab was entered as ₹1 to 5 lakh.
    - iv. An analysis of the bank statement of the bank account of Mr. Gopalkrishnan. C held at ICICI Bank, T. Nagar Branch revealed that he had received ₹1 Crore from one Mr.

Subramaniam. M (maintaining bank account with the same branch) on May 28, 2011. The same amount was utilized by Mr. Gopalkrishnan C. for making payment to the trading member on the same day.

Mr. Subramaniam. M in turn had received the said amount of ₹1 Crore from his father; Mr. A.R. Murugappan on the very same day i.e. May 28, 2011. An examination of the bank account of statement of Mr. A.R. Murugappan held at ICICI Bank, Mylapore Branch revealed that he had pre-maturely closed his fixed deposit on May 28, 2011, which was worth about ₹1 Crore in order to transfer the said amount.

It is important to note that all these transactions had taken place on a single day i.e. May 28, 2011.

- v. After the sale of the discussed shares, Mr. Gopalakrishnan. C had paid ₹1.02 crores to Mr. Subramaniam. M, on June 21, 2011 i.e. after 24 days from the date of receipt of amount. Further, out of the gain i.e. about ₹1.30 crore, ₹1 crore was invested by Mr. Gopalkrishnan C. in fixed deposits with City Union Bank Chennai for a maturity period of 1 year.
- vi. Mr. Gopalkrishnan C. had introduced Mr. Subramaniam M. and Mr. A.R. Murugappan to the broker Nirmal Bang Securities Pvt. Limited during November 2010.
- vii. Mr. Gopalakrishnan. C. had bought 3,19,500 shares of Sabero on May 23, 2011 and May 24, 2011 i.e. before the announcement of UPSI. After the UPSI was announced on May 31, 2011, he had sold all the said shares between June 03, 2011 to June 15, 2011 as detailed herein under:

Date	Buy Quantity	Average Buy price ( )	Sell Quantity	Average Sell Price ( )
<b>UPSI Period</b>				
23/05/2011	1,00,000	82.22	-	-
24/05/2011	2,19,500	86.49	-	-
<b>Post – UPSI Period</b>				
03/06/2011	-	-	44,500	125.00
08/06/2011	-	-	90,000	125.02
14/06/2011	-	-	99,900	127.23
15/06/2011	-	-	85,100	125.96
<b>Total</b>	<b>3,19,500</b>	<b>85.15</b>	<b>3,19,500</b>	<b>125.96</b>

- viii. It is observed that Mr. Gopalakrishnan. C. made gains to the tune of ₹1,30,38,795/- while trading in the shares of Sabero as per details below:

Particulars	Amounts in ₹
Sale Value=3,19,500 shares x Rs.125.96	4,02,44,220/-
<b>Less:</b> Buy Value=3,19,500 shares x Rs.85.15	(-) 2,72,05,425/-
<b>Gains</b>	<b>₹ 1,30,38,795/-</b>

b. V. Karuppiyah (HUF) [Karta: Mr. V. Karuppiyah]:

- i. Mr. V. Karuppiyah is the son-in-law of Mr. A.R. Murugappan. V. Karuppiyah (HUF) had traded on NSE in the scrip of Sabero. The details of the trading are as under:

Date	Buy Quantity	Average Buy price (₹)	Sell Quantity	Average Sell Price (₹)
<b>UPSI Period</b>				
23/05/2011	13,200	80.99	-	-
24/05/2011	10,850	87.80	-	-
25/05/2011	8,000	92.01	-	-
27/05/2011	2,700	90.12	-	-
<b>After UPSI Period</b>				
31/05/2011	6,000	92.24	-	-
10/06/2011	-	-	2,000	127.19
13/06/2011	-	-	4,000	128.00
15/06/2011	-	-	2,000	126.70
15/06/2011	-	-	2,000	126.70
16/06/2011	-	-	3,000	126.50
17/06/2011	-	-	5,750	126.06
21/06/2011	-	-	24,000	126.00
<b>Total</b>	<b>40,750</b>	<b>87.23</b>	<b>40,750</b>	<b>126.33</b>

- ii. V. Karuppiyah (HUF) had traded in five scrips including Sabero in NSE. The trade concentration in the scrip of Sabero was 64.15%.
- iii. Had made a gain of about ₹15.93 lakh on the sale of the scrip of Sabero as per details below:

Particulars	Amounts in ₹ (in lakhs)
Sale Value= 40,750 shares x Rs.126.33	51.48
<b>Less:</b> Buy Value=40,750 shares x Rs.87.23	(-)35.55
<b>Gains</b>	<b>₹15.93/- lakhs</b>

7. Having considered the discussion above, it can be said that the trading pattern of Mr. Gopalakrishnan C. and V. Karuppiyah (HUF) was unusual compared to their regular pattern. I note that Mr. Gopalakrishnan. C, had not traded in any scrip other than Sabero during the investigation period. In the scrip of Sabero, he had traded to an extent of ₹6.74 crore and

made gains of ₹1.30 crore. In addition to this, he had traded earlier only in one scrip that too for ₹2 lakhs, 2 years prior to the investigation period.

8. The timings and pattern of the trades of Mr. Gopalakrishnan. C. gives a clear indication that he had traded based on the UPSI. Mr. Gopalakrishnan. C during the course of investigation vide his email dated October 11, 2013, submitted the reason for his trading in the scrip of Sabero as being the bright prospects of the new products and daily moving average price of the scrip. Vide another email date February 03, 2014, he submitted that the amount of ₹1 crore which he had received from Mr. Subramaniam M. was towards the sale of his flat in Chennai, which could not be effected. Mr. Gopalakrishnan. C. vide his email dated July 30, 2014, submitted that his father Late Mr. S.R. Chandran, was a astrologer by profession and Mr. A.R. Murugappan and his family were his clients. Because of the same he introduced Mr. A.R. Murugappan and his family to broker Nirmal Bang Securities Pvt. Limited.

An analysis of the bank statement of Mr. A.R. Murugappan vis-a-vis the bank account maintained with ICICI Bank, Mylapore Branch, Chennai revealed certain transactions with Mr. A. Vellayan, Chairman, Coromandel. As discussed above, Mr. A. Vellayan was privy to the UPSI about the impending acquisition of Sabero by Coromandel. When a query was made in this regard by SEBI, Mr. A.R. Murugappan vide his letter dated December 20, 2013, submitted that the payment of ₹1 crore to Mr. A. Vellayan was an advance for the purchase of property, however, as the same did not materialize, the money was returned back to him.

9. I note that the investigation in the matter has found that the same was only an arrangement to provide funds to Mr. Gopalakrishnan. C to trade in the scrip of Sabero for the following reasons:
  - As per the agreement for sale, the property value was ₹1.20 crore and advance paid was ₹1 crore. The same is unusual as about 83.33% of the total value has been shown to have been paid by way of advance.
  - At the time of agreement for sale between Mr. Gopalakrishnan. C and Mr. Subramaniam. M., Mr. Subramaniam. M. did not have sufficient funds and his father Mr. A.R. Murugappan had transferred ₹1 crore by pre-mature withdrawal of his fixed deposit on May 28, 2011. On the same day, the funds were transferred by Mr. A.R. Murugappan to Mr. Subramaniam. M and thereon to Mr. Gopalakrishnan. C. From him, the payment was

made to Nirmal Bang Securities Pvt. Limited, towards the purchase of shares of Sabero.

10. Thus, the *prima facie* financial links among Mr. Gopalakrishnan. C, Mr. A.R. Murugappan and Mr. A. Vellayan have been traced. The statement of Mr. A.R. Murugappan was recorded by SEBI during the course of investigations, which revealed that Mr. A. Vellayan's grandfather is the brother of Mr. A.R. Murugappan's mother. Mr. A. Vellayan vide his letter dated February 09, 2015, submitted that Mr. A.R. Murugappan would have been related to him, distantly. The same confirms that Mr. A. Vellayan and Mr. A.R. Murugappan were sharing personal relationship and in all possibilities communicated the UPSI to Mr. A.R. Murugappan, which was shared to Mr. Gopalakrishnan C. Mr. A.R. Murugappan in his statement dated November 26, 2014, has also confirmed that Mr. V. Karuppiyah is his son-in-law (whose HUF is found to be one of the suspected entities during the course of examination).
11. From the above discussed trading behaviour of Mr. Gopalakrishnan C. and V. Karuppiyah (HUF) in the scrip of Sabero, I note certain striking similarities, such as those mentioned below:
  - both shared personal relationship with Mr. A.R. Murugappan;
  - both had started buying shares of Sabero from May 23, 2014;
  - both had not traded in the scrip of Sabero before;
  - the concentration of their trading in the scrip was significant i.e. 100% for Mr. Gopalakrishnan C. and 64.15% for V. Karuppiyah (HUF);
  - both have deviated from their usual pattern of trading.
12. In view of the above and the funding to Mr. Gopalakrishnan C. through layered transactions by person connected with the Chairman of Coromandel, *prima facie* it appears that the trading by Mr. Gopalakrishnan C. was based on the knowledge of UPSI. Further, the trading of V. Karuppiyah (HUF) also appear to be based on the knowledge of UPSI. As detailed above, it appears that the UPSI had passed on from Mr. A. Vellayan and Mr. A.R. Murugappan. I note that the persons/ entities are aware of the investigations as also the likely findings of the investigation, in the light of the evidences gathered and the statements given during the investigation. All these factors point to the possibility that the persons/ entities involved may divert the unlawful gains. Therefore, in order to prevent such persons/ entities from diverting the funds and to safeguard the interests of securities market, it becomes necessary for SEBI to

take urgent preventive steps of impounding and retaining the proceeds by way of an *interim* measure.

13. As the alleged gains were made during the year 2011, it becomes reasonable and necessary to levy an interest at 12% simple interest per annum. The gains along with the interest are calculated as follows:

(a) Amount to be impounded from Mr. Gopalkrishnan C. and others - ₹1,92,07,206/- (alleged gain of ₹1,30,38,795 + interest of ₹61,68,411/-) :

Date of sale	No .of shares sold	Sell Price	Buy Price	Gain in Rs.	Date Till Interest Calculated	Interest at 12% S.I. per annum	Gain along with interest
03/06/2011	44,500	125.96	85.15	1,816,045	20/05/2015	863939.9	2,679,985
08/06/2011	90,000	125.96	85.15	3,672,900	20/05/2015	1741256	5,414,156
14/06/2011	99,900	125.96	85.15	4,076,919	20/05/2015	1924753	6,001,672
15/06/2011	85,100	125.96	85.15	3,472,931	20/05/2015	1638462	5,111,393
<b>Total</b>	319,500			13,038,795		6168411	<b>19,207,206</b>

(b) Amount to be impounded from V. Karuppiyah (HUF) (Karta: Mr. V. Karuppiyah) and others - ₹23,43,219/- (alleged gain of ₹15,93,325/- + interest of ₹7,49,894.10/-) :

Date of sale	No .of shares	sell price	buy price	Gain in Rs.	Date Till Interest Calculated	Interest at 12% S.I. per annum	Gain along with interest
10/06/2011	2,000	126.33	87.23	78200	20/05/2015	37021.81	115,222
13/06/2011	4,000	126.33	87.23	156400	20/05/2015	73889.36	230,289
15/06/2011	2,000	126.33	87.23	78200	20/05/2015	36893.26	115,093
16/06/2011	3,000	126.33	87.23	117300	20/05/2015	55301.33	172,601
17/06/2011	5,750	126.33	87.23	224825	20/05/2015	105920.3	330,745
21/06/2011	24,000	126.33	87.23	938400	20/05/2015	440868	1,379,268
	40,750			15,93,325		<b>749894.1</b>	<b>2,343,219</b>

14. In view of the foregoing, I, in exercise of the powers conferred upon me by virtue of Section 19 read with Sections 11(1), 11(4) and 11(B) of the SEBI Act, 1992, hereby direct to impound the unlawful gains of ₹ 1,92,07,206/- (alleged gain of ₹1,30,38,795 + interest of ₹61,68,411/-) made by Mr. Gopalakrishnan. C. and ₹23,43,219/- (alleged gain of ₹15,93,325/- + interest of ₹7,49,894.10/-) made by V. Karuppiyah (HUF) (Karta: Mr. V. Karuppiyah)] lying in the bank accounts of Mr. Gopalakrishnan. C. [PAN: AAIPG4168P], V. Karuppiyah (HUF) (Karta: Mr. V. Karuppiyah) [PAN: AAFHV4956H], Mr. A.R. Murugappan

[PAN: AAGPM9164P] and Mr. A. Vellayan [PAN: AACPV2231L], with immediate effect. If the funds are found to be insufficient to meet the figure of unlawful gains, as directed above, then the securities lying in the demat account of these persons shall be frozen to the extent of the remaining value.

15. This order is without prejudice to the right of SEBI to take any other action that may be initiated in accordance with law. Further, SEBI is directed to expedite the process of issuing show cause notice, if any, pursuant to the completion of investigation, preferably within three months.
16. The above direction shall come into force with immediate effect.
17. The persons/ entities against whom this order has been passed may file their replies to SEBI within 21 days from the date of receipt of this order, if they so desire. They may also indicate in their replies whether they wish to avail an opportunity of personal hearing in the matter.

**DATE: May 21<sup>st</sup>, 2015**  
**PLACE: MUMBAI**

**PRASHANT SARAN**  
**WHOLE TIME MEMBER**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**