

Sun Denies Any Wrongdoing

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"The Sun Pharma management said (during the conference call) the position in Silverstreet Developers was taken post the deal. Sebi should have been more active, but unfortunately it is mum on this issue," said Prabhudas Lilladher analyst Surajit Pal.

In a previous statement, Sun Pharma, which will become the biggest drugmaker in India if the Ranbaxy deal is sealed, has denied any wrongdoing. It said then that Sudhir Valia (brother-in-law of Sun Chairman Dillip Shanghvi) "is not and was not a partner of Silverstreet Developers when the shares of Ranbaxy were bought by Silverstreet".

Sun Pharma, which said it is yet to receive any communication from Sebi on the issue, refused to offer comments on the contents of the petition alleging insider trading as "the matter is sub judice". Claiming that the company holds itself to "the highest standards of corporate governance and business ethics", a Sun Pharma spokesperson said, "The matter related to purchase of shares of Ranbaxy Laboratories does not violate insider trading rules."

An email to representatives of Ranbaxy remained unanswered at the time of going to print.

A senior stock trader, who did not want to be identified, said, "If the big guys go unpunished despite blatant front running and insider trading, it sends wrong signals to the market, and small investors and traders will be forced to construe that Sebi is being biased. Sebi should also probe into the alleged ownership interests of Sun Pharma promoters' relatives in certain securities trading firms and its links to alleged insider trading in Ranbaxy shares."

The volume of Ranbaxy shares traded also saw a steep rise during the days prior to the announcement, causing suspicion as there was neither an overall market rally nor a rally in pharma stocks. During March 28 to April 4, Ranbaxy share price rose from Rs 348 to Rs 459.55. On the day the announcement was made, the Ranbaxy share opened 10% up and touched its 52-week high at Rs 505 before closing lower.

Sun Pharma and Ranbaxy in their regulatory filings said Ranbaxy shareholders would receive 0.8 shares of Sun Pharmaceuticals for each share of

Ranbaxy. This represents an implied value of Rs 457 for each Ranbaxy share, a premium of 18% to Ranbaxy's 30-day volume-weighted average share price as of the close of business on April 4.

On Tuesday, Ranbaxy shares gained 0.77% on the BSE at Rs 483.20. Shares of Sun Pharma were up 0.65% at Rs 639.35.

Pointing to the unusual spurt in price and traded volumes of Ranbaxy shares days before the merger announcement was made, the petitioners said over 3.74 crore shares were transacted on BSE and NSE from April 2 to April 4. "This was about five times the daily trading volume which was 23.15 lakh shares per day."

The petitioners told the court that "high volume of transaction of shares and the increase in the price of shares just three days before the announcement of proposed merger clearly demonstrates that there has been extensive trading by people who had prior knowledge about the proposed merger".

The petitioners claimed that Silverstreet Developers and Sun Pharma "were in possession of price-sensitive information as they were actively involved in the merger negotiations".

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