

**BEFORE THE ADJUDICATING OFFICER**

**SECURITIES AND EXCHANGE BOARD OF INDIA**

**[ADJUDICATION ORDER NO. MC/AO- 17/2010]**

---

**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 BY ADJUDICATING OFFICER) RULES, 1995**

**In Respect of**

Sayaji Hotels Ltd  
**(PAN: AADCS2086A )**  
**In The Matter of**  
**M/s Sayaji Hotels Ltd**

---

**BRIEF BACKGROUND**

1. The shares of Sayaji Hotels Ltd. were listed on the Bombay Stock Exchange (hereinafter referred to as “**BSE**”), Ahmedabad Stock Exchange (hereinafter referred to as “**ASE**”), Madhya Pradesh Stock Exchange & the Stock Exchange Vadodara during the period from May 02, 2005 to September 06, 2005. SEBI conducted an investigation in respect of buying, selling and dealing in the shares of Sayaji Hotels Ltd. (hereinafter referred to as ‘SHL’) during the aforesaid period, hereinafter referred to as the investigation period.
2. The price of the scrip increased from Rs.18.35 on May 2, 2005 to Rs.67.60 on September 6, 2005 i.e. an increase of 268% while the Sensex increased from 6195 to 7946 i.e. by 28.2% during the same period.
3. Average daily volume in SHL during May 2005 was 36,632 shares, during June 2005 was 92,926 shares, during July 2005 was 83,943 shares, during August 2005 was 160869 shares, and during September 2005 was 4,36,792 shares. Average daily traded volume during the period May 2, 2005 to September 6, 2005 was 1,08,883 shares.

4. From the shareholding pattern filed with exchanges, it was observed that from the quarter ending June 30, 2005 to quarter ending September 30, 2005, the shareholding of promoters decreased from 45,03,528 shares (57.3%) to 30,11,048 shares (38.31%). The shareholding of promoter Sajid Razak Dhanani decreased from 16,05,300 shares (20.42%) to 13,38,408 shares (17.03%) and the shareholding of promoter Suchitra Dhanani decreased from 90,00,00 shares (11.45%) to 320,000 shares (4.07%).
5. As per the investigation report, Sajid Razak Dhanani sold 75,000 shares on August 22, 2005, 1,00,000 shares on August 25, 2005, 50,000 shares on August 26, 2005, 300,000 shares on August 28, 2005, 50,000 shares on August 29, 2005 through market transaction. Suchitra Dhanani had sold 50,000 shares on September 2, 2005, 40,000 shares on September 5, 2005, 75,000 shares on September 6, 2005, 150,000 shares on September 15, 2005, 1,25,000 shares on September 16, 2005, and 300,000 shares on September 20, 2005 through market transaction. Disclosure of these transactions was made under regulation 7(1) of SEBI (Substantial Acquisition of Shares and Takeover) Regulations 1997.
6. However no proof was furnished by the company regarding disclosures required to be made under Regulation 13(6) of SEBI (Prohibition of Insider Trading) Regulations 1992 for the above transactions by Sajid Dhanani and Suchitra Dhanani.
7. Thus, the noticee was alleged to have violated Regulations 13 (6) of SEBI (Prohibition of Insider Trading) Regulations, 1992 (hereinafter referred to as "PIT Regulations").

#### **APPOINTMENT OF ADJUDICATING OFFICER**

8. I was appointed as Adjudicating Officer, vide order dated July 03, 2009 under section 15 I of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "SEBI Act") to enquire into and adjudge the alleged violations of the SEBI (Prohibition of Insider Trading) Regulations, 1992 by Sayaji Hotel Limited as observed during the investigations conducted into the trading in the scrip of M/s Sayaji Hotels Ltd. for the period from May 02, 2005 to September 06, 2005.

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

9. A show cause notice dated April 13, 2010 was issued to Sayaji Hotels Limited in the matter wherein the noticee was asked to show cause as to why an inquiry should not be held against it in terms of Rule 4 of the SEBI (Procedure for Holding Enquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 read with Section 15 I of the SEBI Act, 1992. A notice of inquiry was also sent on October 21, 2010 and opportunity for personal hearing in the matter was provided.
10. In response to the show cause notice, the noticee submitted written reply vide letter dated April 27, 2010. It was contended by the noticee in the written submission that they had complied with all statutory declarations to the stock exchange and copies of the same were submitted with the letter, including the following:
  - a. A copy of disclosures made by the noticee in terms of Regulation 13(6) of PIT Regulations made to the stock exchange relating to transactions made by Sajid Razak Dhanani for dates 25/08/2005, 27/08/2005, 29/08/2005 and 02/09/2005.
  - b. A copy of disclosures made by the noticee in terms of Regulation 13(6) of PIT Regulations to the stock exchange relating to transactions made by Suchitra Dhanani for dates 02/09/2005, 05/09/2005, 06/09/2005 and 15/09/2005, 16/09/2005, 17/09/2005, 20/09/2005.

## **CONSIDERATION OF ISSUES**

11. On perusal of the Show Cause Notice, and other material available on record, I have the following issues for consideration, viz,
  - (1) Whether the noticee has violated Regulations 13(6) of PIT Regulations.
  - (2) Whether the noticee is liable for monetary penalty under sections 15 A of the SEBI Act.
  - (3) What quantum of monetary penalty should be imposed on the noticee, taking into consideration the factors mentioned in section 15J of SEBI Act

## **FINDINGS**

12. On perusal of the materials available on record and giving regard to the facts and circumstances of the case, I record my findings hereunder.

**Issue 1: Whether the noticee has violated Regulation 13(6) of PIT Regulations.**

**Disclosure by company to stock exchanges**

*13(6). Every listed company, within five days of receipt, shall disclose to all stock exchanges on which the company is listed, the information received under sub-regulations (1), (2), (3) and (4) in the respective formats specified in Schedule III.*

13. I find that the noticee has submitted copies in respect of most of the transactions mentioned in the investigation report. In respect of one or two of transactions which were reported under the SEBI (SAST) Regulations, copies of disclosures under PIT Regulations were missing.
14. In view of the submissions made by the noticee, I am inclined to accept their contention that necessary disclosures under the PIT Regulations were complied with. Further, as the content of disclosures was in any case made in respect of the SAST Regulations, there is substantive compliance with the requirement of disclosing transactions by the promoters to the market.
15. In view of the foregoing, I am of the opinion that the charge of violation of Regulations 13(6) of PIT Regulations is not established.
16. As the allegations against the noticee stand are not established, he is not liable for monetary penalty under Section 15 A of the SEBI Act, 1992,

**ORDER**

1. After taking into consideration all the facts and circumstances of the case, it is felt that no penalty needs to be imposed on the noticee.
2. In terms of rule 6 of the Rules, copies of this order are sent to the noticee and also to the Securities and Exchange Board of India.

**Date: December 29, 2010**

**Place: Mumbai**

**Maninder Cheema  
Adjudicating Officer**