

## Salasar Stock Broking Limited & Ors. Vs Securities and Exchange Board of India

**Court:** Securities Appellate Tribunal Mumbai

**Date of Decision:** Jan. 29, 2025

**Hon'ble Judges:** P. S. Dinesh Kumar Presiding Officer, Dheeraj Bhatnagar Technical Member ,Dheeraj Bhatnagar Technical Member

**Bench:** Full Bench

**Advocate:** P.N. Modi, Neville Lashkari, Keyur Shah, Gaurav Joshi, Ravishekhar Pandey, Ratan Singh, Prapti Kedia , Neha Rautela

**Final Decision:** Dismissed

### Judgement

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Per: Justice P.S. Dinesh Kumar, Presiding Officer",\*\*\*\*\*,

We have heard Shri Pesi Modi, learned Senior Advocate for the appellant and Shri Gaurav Joshi, learned Senior Advocate for the respondent"\*\*\*\*\*,

SEBI.,\*\*\*\*\*,

2. This appeal is directed against the ex-parte interim order-cum-show cause notice dated January 02, 2025 passed by the WTM1, SEBI2, in the",\*\*\*\*\*,

matter of Rohit Salgaocar and 21 others. Appellants are noticees Nos. 4, 11, 16, 17 and 18."\*\*\*\*\*,

3. Brief facts of the case are, SEBI conducted an investigation for the period January 1, 2021 and June 20, 2023 with regard to pattern of trades in"\*\*\*\*\*,

common scrips of various funds of an overseas entity engaged in the business of foreign portfolio investment. In the impugned order, the overseas"\*\*\*\*\*,

entities have been collectively referred to as "Big Client", with a footnote that the name of the Big Client would be supplied to the noticees during"\*\*\*\*\*,

the inspection and to this Tribunal and Courts."\*\*\*\*\*,

4. SEBI conducted a search and seizure operation on June 22, 2023 in the premises of 17 entities during the course of which documentary and"\*\*\*\*\*,

electronic evidences were gathered and statements of various noticees were recorded. The evidence collected during the search and seizure operation,\*\*\*\*\*,

revealed that the noticees, in addition to traditional front-running methods, had used complex trading strategies to take advantage of the prior"\*\*\*\*\*,

knowledge of impending trades of the Big Client and thereby made wrongful gains."\*\*\*\*\*,

1 Whole Time member,,,,,,,,,

2 Securities and Exchange Board of India,,,,,,,,,

Ã,,,,,,,,,

5. Having come to a prima facie opinion that there had been violation of various provisions of the SEBI Act, 1992 and the PFUTP Regulations, SEBI, " ,,,,,,,,,,

by the impugned order, has directed inter alia, the appellants (noticees Nos. 4, 11, 16, 17 and 18) and noticee no. 1 and 2, to deposit jointly and" ,,,,,,,,,,

severally a sum of Rs. 12,45,20,605/- in an interest-bearing savings account with lien marked in favour of SEBI. It is further directed that there shall" ,,,,,,,,,,

be no debits from the bank accounts of these noticees without SEBI's permission.,,,,,,,,,,

6. Shri. Pesi Modi, learned Senior Advocate for the Appellants, submitted that noticee No. 4 is a stock broker entity; that the trades in question have" ,,,,,,,,,,

taken place in 2022 and 2023 therefore, it is unjust and unfair to freeze appellant's bank accounts and demat accounts; that the SEBI has arrived at an" ,,,,,,,,,,

incorrect conclusion that appellant no. 1 has made an illegal gain of Rs. 12,45,20,605/-; that appellants have a good case on merits and the balance of" ,,,,,,,,,,

convenience is in favour of the appellant.,,,,,,,,,,

7. HeÃ, furtherÃ, submittedÃ, thatÃ, theÃ, majorÃ, findingÃ, inÃ, the impugned order is that appellant's proprietary trading account (Salasar Stock ,,,,,,,,,,

Broking Ltd.) was used to execute trades based on non-public information received from noticee No. 2, Ketan Parekh. Appellants deny indulgence in" ,,,,,,,,,,

any front-running of any trade of third party. Appellants were not aware that the information received by them was a non-public information or related ,,,,,,,,,,

to the trades of the Big Client.,,,,,,,,,,

8. Shri Modi further submitted that the interim order has been passed simultaneously with the issuance of show cause notice. The direction to deposit ,,,,,,,,,,

Rs. 12.45 Crores as estimated wrongful profit is harsh and puts appellants into hardship. He submitted that this Tribunal usually directs deposit of 50% ,,,,,,,,,,

of the penalty/disgorgement as a condition to grant interim order and prayed interim order may be passed on similar terms.,,,,,,,,,,

9. Strongly opposing the interim prayer, Shri Gaurav Joshi, learned Senior Advocate for the SEBI, submitted that the entire front-running has been" ,,,,,,,,,,

orchestrated by the noticee No. 2 Ketan Parekh, who in turn, was issuing trading instructions, based on the non-public information relating to big" ,,,,,,,,,,

client's interest for trading in certain scrips, to other noticees. Ketan Parekh and his group entities were earlier prohibited from dealing in securities" ,,,,,,,,,,

and debarred from associating with the securities market for a period of 14 years vide SEBI's order dated December 12, 2003." ,,,,,,,,,,

10. Prior to execution of suspicious trades, the front-runners were receiving trade instruction through WhatsApp chat or calls from a person, whose" ,,,,,,,,,,

contact numbers were saved in their devices as Jack, Jack New, Jack Latest New, Boss etc. The said numbers belonged to Ketan Parekh, who was" ,,,,,,,,,,

receiving non-public information relating to the big client from Noticee No.1, Rohit Salgaocar. The Front-runners either directly or indirectly, used to" ,,,,,,,,,,

build positions in the same scrips ahead of the impending order of the big client based on the trading instructions received from Ketan Parakh. As and ,,,,,,,,,,

when the substantial impending order of the big client were placed in the market, the Front-runners took counter-positions upon instructions from" ,,,,,,,,,,

Ketan Parakh to match with the position of the big client. This would lead to squaring off their initial positions taken in the scrip or creating excess long ,,,,,,,,,,

or short position in the scrip, which they would eventually square off during the day and thus generated huge illegal gains in a short span of time." ,,,,,,,,,,

11. Shri Joshi further submitted that investigation has revealed that "Big Client" used to place orders containing the scrip name, buy/sell quantity, the" ,,,,,,,,,,

price, etc. through their order messaging system called "FIX". For orders routed through Motilal Oswal and Nuvama, their traders used to execute" ,,,,,,,,,,

the orders. Rohit Salgaocar's company called "SCPL" had entered into referral agreements with Nuvama and Motilal Oswal for revenue sharing ,,,,,,,,,,

of the brokerage earned on the trades of Big Client referred by SCPL. The instructions regarding execution of the trades were directed by Rohit ,,,,,,,,,,

Salgaocar ,,,,,,,,,,

12. Shri Joshi contended that both Rohit Salgaocar and Ketan Parekh have admitted in their statements made on oath that they used to interact with ,,,,,,,,,,

each other over WhatsApp in this regard during the investigation period and the same has been corroborated by the data obtained from IPDR3 of ,,,,,,,,,,

mobile numbers of Ketan Parekh ,,,,,,,,,,

13. Shri Joshi submitted that the trades were executed in the proprietary trading account of Salasar Stock Broking Ltd., as per the instructions given" ,,,,,,,,,,

on the WhatsApp group named "Jack Saro" in which noticees No. 11, 16 and 17 were members. He took us through the screenshots of messages" ,,,,,,,,,,

in the WhatsApp group "Jack Saro" taken from the device of Sumit Sonthalia (noticee No. 1). To a pointed query made by us, Shri P.N. Modi in his" ,,,,,,,,,,

usual fairness, did not dispute that the screenshots were taken from the Sumit Sonthalia's device. 3Internet Protocol Detail Record." ,,,,,,,,,,

14. Adverting to Table No. 55, Shri Joshi submitted that Sumit Sonthalia had asked Ketan Parekh for Rs. 25 Lakhs and the same was delivered by" ,,,,,,,,,,

cash. He took us through other WhatsApp screenshots and submitted that the appellant No. 1 being stock broker has used his proprietary account for ,,,,,,,,,,

front-running the trades. He prayed that in view of admitted facts, appellant's prayer for grant of interim relief subject to deposit of 50% of the" ,,,,,,,,,,

estimated profit may be rejected.....,

15. We have carefully considered rival contentions and perused the records.....,

16. As noted hereinabove, it is not denied that the WhatsAppmessage extracts are taken from the device belonging to Sumit Sonthalia (noticeeNo.".....,

11). The screenshots in Table No. 55 and Table No. 56 clearly show cash transfer of Rs. 25 Lakhs to Sumit Sonthalia and Rs. 50 Lakhs from Sumit.....,

Sonthalia to Ketan Parekh. 17. The statements of noticee No. 1 have been extracted in the impugned order and they read as follows:-.....,

Particu-

lars","Buy /

Sell","Count

Of

Orders","Order

Start Time","Order

End Time","Trade

Start

Time","Trade

End Time","Sum of

Trade

Qty","Average

Trade

Price

Range

(in INR)","Match

Vol.

FR2,Buy,13,10:03:42,10:32:32,10:03:42,10:32:34,"1,00,000","2428.80Ã,

Ã¢â¬

2439.00

(2433.32)","-

Big

Client",Buy,7,11:11:02,11:11:17,11:11:02,11:11:26,"2,50,000",2446,-

FR2,Sell,4,11:11:08,11:11:08,11:11:08,11:11:08,"1,00,000",2446,"99,173