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**IN THE HIGH COURT OF JUDICATURE AT BOMBAY
ORDINARY ORIGINAL CIVIL JURISDICTION**

WRIT PETITION NO. 2195 OF 2015

Hetal Rajesh Patel

...Petitioner

Versus

The Securities and Exchange Board of India ...Respondent

Mr Simil Purohit, Senior Advocate with Mr. Dharam Juman,
Mr. Suraj Iyer, Ms. Gauri Joshi i/b Ganesh and Co., for
Petitioner.

Mr Shiraz Rustomjee, Senior Advocate with Mr. Prateek Pai,
Mr. Yash Sutaria i/b M/s. K. Ashar and Co., for
Respondent No. 1- SEBI.

CORAM: M.S. Sonak &
Jitendra Jain, JJ.

DATED: 09 July 2025

PC:-

1. Heard the learned Counsel for the parties.
2. The Petitioner challenges the rejection of its Consent Application dated 4th March 2011 by the Respondent and seeks directions to the Respondent to issue a Consent Order on the same.
3. In 2009, the Respondent initiated an investigation into trading in the scrip of RTS Power Corporation Ltd (“RTS”) during the period from 1st September 2008 to 11th February

2009. The Petitioner was among those who had traded in the scrip.

4. In February 2009, certain buy-side stockbrokers in the RTS scrip filed Suit No. 3022 of 2009 in this Court seeking to annul certain RTS trades. Relief is also sought in terms of restraint on pay-outs to the sell side parties, refund of the amounts paid by the stockbrokers, and other related relief. The Petitioner and Respondent herein are Defendants in the said suit.

5. By an order dated 11th May 2012, the BSE was directed to deposit the pay-out amounts lying in an escrow account in Fixed Deposits of a nationalized bank and to renew the deposits from time to time. By an order dated 15th December 2015, the Fixed Deposit Certificates were directed to be deposited with the Court and the Prothonotary and Senior Master was directed to renew the Fixed Deposits from time to time until further orders.

6. In the meantime, by an Ad-Interim Ex Parte Order dated 5th June 2009, the Respondent, *inter alia*, restrained the Petitioner and other entities from buying, selling or dealing in securities and directed the BSE to withhold pay-outs in respect of the trading in the scrip. This order was confirmed by a subsequent Interim Order dated 26th October 2009.

7. Thereafter, the Respondent issued a Show Cause Notice to various parties including the Petitioner under sections 11 and 11B of the SEBI Act in respect of the alleged fraud in the

trading in the RTS scrip. The Respondent also issued a Show Cause dated 8th December 2010 in respect of the alleged fraud under section 15I proposing the imposition of penalty on various parties including the Petitioner. The Show Cause Notice also stated that it was open to the Petitioner to apply for consent order.

8. On 4th March 2011, the Petitioner made an application to the Respondent under the prevailing consent procedure. Thereafter, the Petitioner revised its offer of settlement by offering payment of Rs.25,00,000/- and an abstention from dealing in securities for a period of three years. The Petitioner stated that this was on the understanding that the payout of Rs.3,44,62,569/- claimed by the Petitioner as a sell-side client in respect of the trades would be released to the Petitioner on passing of the Consent Order.

9. On 24th February 2012, the Respondent issued a communication, *inter alia*, stating that in view of the recommendations of the High Powered Advisory Committee, it had, in principle, agreed to accept the terms of the consent proposed by the Petitioner.

10. On 7th March 2012, the Petitioner sent the Respondent a Demand Draft for Rs.25,00,000/- stating that this was towards payment of the settlement charges in the matter.

11. Thereafter, the Petitioner requested the Respondent to issue the Consent Order. The Respondent did not issue the Consent Order; it made reference to the order of this Court

dated 11th May 2012 and requested the Petitioner to attend a meeting of the Internal Committee in respect of the Settlement Application. The Petitioner disputed the validity of this procedure, contending that the settlement had been accepted by the Respondent and the settlement amount paid by the Petitioner. Ultimately, the Respondent issued the impugned communication/ rejection dated 27th June 2014 wherein Respondent stated that the Consent Application had been rejected, *inter alia*, in view of the orders of this Court in the pending suit and representations received from Stockbrokers. The Demand Draft submitted by the Petitioners was returned along with the communication.

12. The present petition was filed in January 2015. By an order dated 16th April 2015, ad-interim relief was granted in terms of prayer (c), staying the operation of the impugned communication dated 27th June 2014. By an order dated 27th October 2020, the petition was admitted and the ad-interim relief granted earlier was directed to continue during the pendency of the petition. The order also recorded the statement made on behalf of the Petitioner that she would, without prejudice to her rights, participate and co-operate in the adjudication proceedings pursuant to the Show Cause Notices dated 29th October 2010 and 8th December 2010. It was directed that the final orders passed in the adjudication proceedings qua the Petitioner would not be enforced till the final disposal of the present petition.

13. On 18th June 2021, the Adjudicating Officer of the Respondent passed an order on the Show Cause Notice dated 8th December 2010, *inter alia*, imposing a penalty of Rs. 10,00,000/- on the Petitioner. It was held that as per the order of this Court dated 27th October 2020, the Order would not be enforceable qua the Petitioner till the final disposal of the present petition. On 27th October 2021, the Whole Time Member of the Respondent passed an order on the Show Cause Notice dated 29th October 2010, *inter alia*, debarring the Petitioner from buying, selling or dealing in securities for a further period of two years from the date of the order. It was directed that in compliance with the order of this Court dated 27th October 2020, the direction qua the Petitioner would not take effect till the final disposal of the present petition and would be subject to the decision thereon.

14. After the matter was heard for some time, we put it to the learned Counsel for the parties whether the parties they represent would be agreeable to the disposal of this Petition primarily by allowing the Suit No. 3022 of 2009 pending in the Civil Court to be decided on its own merits, uninfluenced by the orders dated 18 June 2021 and 27 October 2021 passed by the SEBI and further, by the SEBI issuing the consent order without prejudice to their rights and contentions in the suit.

15. The learned Counsel for the parties had then applied for a short adjournment to consider this Court's suggestion and

after that, based on instructions, submitted before us that this Petition could be disposed of by making the following order:-

ORDER

(A) The Petitioner agrees and undertakes to furnish a fresh Pay Order of Rs. 25,00,000/- to the Respondent on or before 25th July, 2025 towards the settlement charges mentioned in the Respondent's letter dated 24th February, 2012 (*Exhibit F to the Petition*).

(B) The Petitioner undertakes to this Court that she has not bought, sold or dealt in securities since the dates of issuance of the Show Cause Notices to her, and has therefore satisfied the requirement of being debarred from doing so for a period of three years as set out in the terms of consent. The Petitioner shall hereafter be at liberty to access the capital markets and/or deal in securities forthwith.

(C) The Respondent undertakes to this Hon'ble Court that it shall pass a Consent Order allowing the Consent Application, subject to the modifications set out herein, within a period of 2 weeks from the date of receipt of the Pay Order.

(D) Upon the passing of the Consent Order, the proceedings initiated under the said Show Cause Notices shall stand settled and the Orders dated 18th June 2021 and 27th October 2021 passed by SEBI as mentioned in paragraph 12 above shall not be enforced against the Petitioner.

(E) The Consent Order neither absolves nor incriminates the Petitioner of any offence or violation of the SEBI Act and/ or SEBI Regulations.

(F) All issues and matters arising in the pending Suit No. 3022 of 2009 filed by Network Stock Broking Pvt. Ltd. & Ors. (subsequently transferred to the City Civil Court and renumbered as Suit No. 1343 of 2024) shall be decided by the Court on their own merits, uninfluenced by the passing of the Consent Order by SEBI and /or the Orders dated 18th June, 2021 and 27th October, 2021 mentioned in clause (D) above in so far as they apply to the Petitioner. This will include the issue as to whether the amount of Rs.3,44,62,569/- claimed by the Petitioner or any part thereof may be paid over to the Petitioner and the Petitioner shall be at liberty to apply to the City Civil Court for release of the amount of Rs. 3,44,62,569/- or part thereof which are presently deposited under the orders dated 11th May, 2012 and 15th December, 2015 or such other reliefs as are open to it to claim in accordance with law. All rights and contentions of all parties in the suit are kept open in that regard.

16. According to us, the above agreed terms appeared to be reasonable given the peculiar facts and circumstances of this case. If this Petition is disposed of by accepting the above terms proposed by the parties, then the interests of all the parties would be sufficiently protected. The suit, as noted

above, can then proceed and be decided on its own merits, uninfluenced either by the consent order that the SEBI shall now make or the orders referred to in clause (D) above in paragraph 15.

17. Accordingly, we dispose of this Petition on the terms set out in paragraph (A) to (F) above in paragraph 15.

18. No costs. All concerned to act on an authenticated copy of this order.

(Jitendra Jain, J)

(M.S. Sonak, J)