

SECURITIES AND EXCHANGE BOARD OF INDIA

FINAL ORDER

Under Sections 11(1), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992

In respect of

NOTICEE	PAN
Maheshwari Financial Services Limited	AAACM9185B

In the matter of **Aplaya Creations Ltd.**

Background:

1. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”), had issued a show cause notice dated June 14, 2017 (“**SCN**”) to Aplaya Creations Ltd. (“**ACL**” / “**the Company**”), Shri Ramawtar Gupta (Managing Director of ACL), Shri Promod Kumar Gupta (Director and CFO of ACL), Maheshwari Financial Services Ltd. (“**MFSL**” / “**the Noticee**”) and Vemuri Finvest Pvt. Ltd. (“**VFPL**”) alleging that the said entities had indulged in fraudulent and unfair trade practices by trading in the scrip of ACL and had violated the provisions of Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2)(a) and (e) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (“**PFUTP Regulations, 2003**”). The SCN alleged *inter alia* the following.
2. The scrip of ACL was listed at BSE w.e.f January 14, 1985. As per the disclosures available on BSE website, on March 20, 2013, Westfield Apparels Pvt. Ltd. (**WAPL**) became a Promoter of ACL by acquiring 1,76,450 shares (65.35% of share capital) from Shri Sanjay Salunkhe (ex-promoter of the Company) vide share purchase agreement dated December 29, 2012.

3. On the basis of a reference received from the Principal Director of Income Tax (Investigation), Kolkata, SEBI conducted an investigation in the trading in the scrip of ACL to ascertain whether there were any violations of the provisions of SEBI Act, 1992 and PFUTP Regulations, 2003 by certain entities in the scrip of ACL during the period April 17, 2014 to July 31, 2015 (hereinafter referred to as "Investigation Period"). As per the findings in the investigation report (herein after referred to as "IR"), prior to the investigation period, the scrip had traded only on three days during September 19, 2005 to April 16, 2014. However, during the investigation period, the shares of ACL were traded for an average volume of 70,123 shares per trading day and the total volume was 2,17,38,040 shares in 23,088 trades for a total of 310 days. During the Investigation period, price of the scrip increased from Rs. 18/- (opening price) to Rs. 490/- (high price). However, there was no significant change in the fundamentals / financials of the Company.
4. From the shareholding pattern available on the BSE website for quarter ending March 2013, it was observed that the Company had issued a total of 2,70,000 shares. As a result of preferential allotments made on May 02, 2013 (of 67,30,000 shares at Rs. 15/- to 47 entities other than Promoters) and on September 13, 2013 (of 73,80,000 shares at Rs. 15/- to 1 Promoter and 46 entities other than Promoters), the total number of shares issued by ACL increased to 1,43,80,000 shares. The shares allotted to Promoter group and entities other than promoter group were under lock-in for various periods.
5. On analysis of the KYC, off-market transfers and details on MCA website, two groups were identified - a Group of 18 buyers and 2 sellers (total 20 entities - hereafter referred as Group-1 – which included the Noticee and VFPL) and a group of 7 entities (hereafter referred as Group-2). On analysis of the Details such as addresses, directors, telephone numbers etc. available on the MCA website, it was observed that Group-1 was connected to ACL.
6. The price-volume data during the IP was analysed. Based on price trend (rise/fall), the IP was split into 3 patches, details of which are given below:

Patches	Period	Particulars	Open	High	Low	Close	Avg. Volume
Pre – IP	17/03/2014 to 16/04/2014	No Trades					
Pre-Split – Low Volume IP* - Patch-1	17/04/2014 to 13/10/2014	Price	18	222.85 [13/10/2014]	18 [17/04/2014]	222.85	2
		Volume	5	37 [13/10/2014]	1 [Multiple Dates]	37	
Pre- Split IP – High Volume IP – Patch-2	14/10/2014 to 10/03/2015	Price	227.3	490.00 [05/03/15]	227.3 [14/10/2014]	478.30	42177
		Volume	27502	108615 [08/12/14]	2 [17/10/2014]	45706	
Post – Split IP- Patch-3	11/03/2015 to 31/07/2015	Price	50.10	51.00 [19/03/15]	42.5 [12/05/15]	43.30	179206
		Volume	110005	840000 [18/03/15]	10000 [24/07/15]	37000	
Post – IP	01/08/2015 to 26/08/2015**	Price	43.25	45.45 [07/08/15]	39.20 [26/08/15]	39.20	55850
		Volume	28540	178081 [26/08/15]	5000 [17/08/15]	178081	

*IP – Investigation Period

** The scrip was suspended from August 27, 2015 to June 13, 2016.

*** Prior to the IP, the scrip had traded only on three days during September 19, 2005 to April 16, 2014.

7. During Patch 1, price of the scrip opened at Rs. 18/- (April 17, 2014) and closed at Rs. 222.85 (October 13, 2014) in 113 days with a volume of 277 shares. The trades of top 10 entities contributing greater than 5% of market positive Last Traded Price (**LTP**) (on buy side) were analyzed and it was observed that two entities of Group – 1 namely MFSL and VFPL were major counterparties (sellers) to the top 6 positive LTP contributing buyers. The top 6 positive LTP contributors (buyers) had contributed 59.53% of the market positive LTP. Of these, MFSL and VFPL were the counterparties to the trades contributing 58.61% of the market positive LTP.
8. From the disclosures on shareholdings, it was observed that MFSL and VFPL acquired 3,500 shares each during the quarter ended March 2013 i.e., quarter in which ACL was acquired by WAPL. It was further observed that these entities traded only in Patch-1 as sellers. A summary of their trades is as under:

PAN	Name	Net LTP			Pos. LTP			Negative LTP			Zero LTP		% of +ve LTP to Mkt	No. of Trading Days
		Net LTP	Trade Qty	No. of Trades	Pos. LTP	Trade Qty	No. of Trades	Neg. LTP	Trade Qty	No. of Trades	Trade Qty	No. of Trades		
AAACV3615M	Vemuri Finvest Private Limited	115.00	110	75	115.00	97	62	0.00	0	0	13	13	55.91	72
AAACM9185B	Maheshwari Financial Services Private Limited	88.85	94	70	88.85	74	50	0.00	0	0	20	20	43.19	66
Total		203.85	204	145	203.85	171	112	0.00	0	0	33	33	99.10	138
Market		205.7	277	151	205.7	185	113	0	0	0	92	38	100	-

9. From the above table, it was observed that MFSL and VFPL had contributed to 99.10% of the positive LTP in 112 trades, all of which were first trades. Of these 112 trades, for 11 trades, sell orders were placed first and for the remaining 101 trades, sell orders were placed at the available buy order prices. Further, all the orders were placed for a quantity ranging from 1 to 5 shares. MFSL and VFPL had contributed positive LTP of ` 203.85/- by placing to sell orders in small quantity ranging from 1 to 5 shares through multiple trades in multiple days. The details are as under:

Sell Order Quantity	No. of trades	No. of Pos. LTP Trades	Positive LTP (in Rs.)	No. of Trading Days
1	94	61	153.40	61
2	45	45	44.40	45
3	5	5	5.20	5
5	1	1	0.85	1
Total	145	112	203.85	112

10. An analysis of top 5 positive LTP contributing trades of MFSL and VFPL during the patch 1 is provided below:

Order Type	Order No	Order Time	Order Qty	Order Price	Counterparty Pending Order Qty Range (total)	Counterparty Pending order Price range	Trade No.	Trade time	Traded Qty	Trade Price	Diff in LTP (in Rs.)	
Buyer:Manbar Singh Negi Seller:Vemuri Finvest Private Limited Date:13/10/2014												
1	Buy	1413171000001250000	09:23:10	50	222.85	0	0					
	Sell	1413171000001250001	09:32:00	1	222.85	50 (50)	222.85	1	09:32:00	1	222.85	4.35
Buyer:Manbar Singh Negi Seller:Maheshwari Financial Services Private Limited Date:10/10/2014												
2	Buy	1412911800004220000	09:17:11	50	218.5	0	0					
	Sell	1412911800004220005	10:25:07	1	218.5	1 - 49 (58)	210.05 - 218.50	1	10:25:07	1	218.5	4.25
Buyer:Manbar Singh Negi Seller:Maheshwari Financial Services Private Limited Date:09/10/2014												
3	Buy	1412825400001252000	09:19:14	100	214.25	0	0					
	Sell	1412825400001252001	09:50:45	1	214.25	99(99)	214.25	1	09:50:45	1	214.25	4.2
Buyer:Kinshul Sanjaykumar Jain Seller:Vemuri Finvest Private Limited Date:08/10/2014												
4	Buy	1412739000001039000	09:00:00	20	210.05	0	0					
	Sell	1412739000001039001	09:23:56	1	210.05	20(20)	210.05	1	09:23:56	1	210.05	4.1
Buyer:Maheshwari Negi Seller:Vemuri Finvest Private Limited Date:07/10/2014												
5	Sell	1412652600002237201	10:19:38	1	205.95	50(50)	201.95					
	Buy	1412652600002237203	10:30:39	2	205.95	1(2)	205.95	1	10:30:39	1	205.95	4

11. From the order logs, it was observed that there were no sell orders in the market. From the orders listed in the table above, it was observed that even

though buy orders of larger quantities were already available in the bid book, Noticee and VFPL had subsequently placed sell orders with minuscule quantities, resulting in trades at prices higher than LTP. From the order log, it was observed that, on sell side, MFSL and VFPL placed orders repeatedly to sell only a few shares ranging from 1 to 5 at prices higher than LTP and contributed to the price rise even when there was buy demand for more shares.

12. It was found during investigation that out of 1,43,80,000 shares issued by ACL as on March 31, 2014, 58,050 shares were held by shareholders in physical form and 1,43,21,950 were held in demat form. Of the shares held in demat form, 1,41,10,000 shares were issued in preferential allotments dated May 02, 2013 (67,30,000 shares) and September 13, 2013 (73,80,000 shares). Accordingly, these shares were under lock-in till May 01, 2014 and October 14, 2014 (October 14, 2016 for promoter group entity) respectively. Remaining 2,11,950 shares were held by Promoter – WAPL (1,76,450 shares) and other 4 entities namely MFSL (3,500 shares) and VFPL (3,500 shares), Ravioday Realtors Pvt. Ltd. (24,500 shares) and Paksh Marketing Pvt. Ltd. (4,000 shares). As stated earlier, MFSL and VFPL were connected to Goup-1 entities and Promoter of ACL. Further, the remaining two entities, viz. Ravioday Realtors Pvt. Ltd. and Paksh Marketing Pvt. Ltd., were also found to be connected to ACL and its Promoter. Thus, 100% of shares in demat form were held by Promoter or its connected entities.
13. The shares in physical form could be sold only in the additional trading window on BSE in “C” group. As the shares available for sale in demat form were held entirely by Promoter and its connected entities, the same had allegedly facilitated MFSL and VFPL to sell few shares and contribute to the price rise. Thus, it is alleged that the primary objective of MFSL and VFPL was to inflate the price. In spite of holding more shares (3,500 shares each), only few shares ranging from 1 to 5 shares of ACL were sold in the market at prices higher than LTP with an intention to increase the price of the scrip.
14. In view of the above, it was alleged that during patch-1, MFSL and VFPL created an artificial price rise by repeatedly selling few shares in spite of buy

depth in the market at prices higher than LTP, thereby manipulating the price of the scrip. Thus, MFSL and VFPL had allegedly violated Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2) (a), (e) of PFUTP Regulations.

15. It was observed that during the investigation period, 72 preferential allottees had sold 1,70,41,854 shares, out of which 69,68,328 shares for value of Rs. 77.09 Crore were purchased by Group-1 and Group-2 entities from 71 preferential allottees. This accounted for 39.90% of shares sold by preferential allottees and 37.04% of the sell value received by the preferential allottees. The IR stated that preferential allottees had sold shares for a total value of Rs. 200.02 Crore. As the company had made two preferential allotments at Rs. 15/- per share and subsequently there was price manipulation by entities connected to the Company, it was evident that some of the preferential allottees sold their shares at manipulated high prices. Of the shares sold by the preferential allottees, the Company connected entities had purchased 26.35% value of shares.
16. In view of the above, it was alleged that the Company and the persons who were its directors at time of preferential allotment (other than Independent and non-executive directors), viz. Shri Ramawtar Gupta (Managing Director) and Shri Promod Kumar Gupta (CFO and Director) were part of scheme to manipulate the price of the scrip to benefit the preferential allottees. Hence the company and its aforesaid 2 Directors were alleged to have have violated Regulations 3 (a), (b), (c) and (d) and Regulations 4(1), 4(2) (a), (e) of PFUTP Regulations, 2003.
17. After a detailed quasi-judicial proceeding, SEBI vide an order dated March 27, 2019 (“**2019 Order**”) found that ACL, its two directors, MFSL and VFPL had violated the above-mentioned provisions of PFUTP Regulations, 2003 and accordingly, *inter alia* restrained the abovementioned entities from accessing the securities market and further prohibited the said entities from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of eight years from the date of the 2019 Order.

18. Thereafter, the Noticee preferred an appeal against the 2019 Order before the Hon'ble Securities Appellate Tribunal ("**SAT**"). The Hon'ble SAT vide its order dated May 13, 2022 found that the Noticee was not served with the SCN and consequently, the proceedings made by the WTM were violative of the principles of natural justice. The Hon'ble SAT, for the abovementioned reason, set aside the 2019 Order qua the Noticee and remitted the matter to the WTM to decide afresh, after serving the SCN to the Noticee. The Hon'ble SAT further directed that the Noticee would appear before the WTM on June 06, 2022 on which date the SCN would be served and from there onwards the matter would proceed and would be decided in accordance with law after giving an opportunity of hearing.

Reply and personal hearing:

19. As directed by the Hon'ble SAT, the SCN was served on the Noticee through its authorized representative, M/s. Alliance Law, on June 06, 2022. However, no reply was received from the Noticee in respect of the allegations in the SCN. A personal hearing for the Noticee was scheduled on August 03, 2022. In response to the same, the Noticee vide email dated August 03, 2022 sought adjournment of the hearing for three weeks so as to enable it to file detailed reply to the SCN. However, even after three weeks, the Noticee failed to submit its reply to the SCN.
20. Thereafter, a personal hearing was again scheduled on December 05, 2022. The Noticee did not attend the said hearing. However, the Noticee vide letter dated December 03, 2022 submitted that its management had changed in the year 2016 whereas the trades that formed part of the investigation period were executed between year 2014 and 2015, i.e. prior to the change in management. Therefore, the current management could not be held liable or responsible for any trades carried out previously. The Noticee further expressed desire to file detailed reply, if required. Further, the Noticee also submitted that vide the 2019 Order, it was debarred for eight years from the securities market. As the SCN was issued on June 14, 2017, the matter was already more than 4 years old and it had already faced debarment for more than 4 years. Further, the Noticee

had also paid penalty for the alleged violations. The Noticee prayed that in light of the above, the proceedings against it be dropped.

21. The Noticee vide letter and email dated November 10, 2023 was asked to submit additional written submissions, if any. The said letter returned undelivered. Since the email was sent to the email id through which the Noticee used to communicate with SEBI, it is apparent that the Noticee had received the email dated November 10, 2023. However, the Noticee has failed to respond to the same.
22. I note that sufficient opportunities have been provided to the Noticee to submit its reply to the allegations in the SCN as well as present its case in person during the scheduled hearings. Since the Noticee has failed to respond to the SCN on merits and attend the personal hearings, I deem it fit to proceed in the matter based on the material available on record.

Consideration of Issues and Findings:

23. I have perused the contents of the SCN and other material available on record.
24. I note that vide the 2019 Order, it has conclusively been established that ACL, its two directors (Shri Ramawtar Gupta and Shri Pramod Kumar Gupta) and VFPL had indulged in fraudulent and unfair trade practices, as alleged in the SCN. As no appeal was filed by the said four entities and the order dated May 13, 2022 of the Hon'ble SAT has set aside the 2019 Order only qua the Noticee, the 2019 Order has attained finality as regards the abovementioned four entities. Accordingly, this order is limited to adjudication of allegations against the Noticee as mentioned in the SCN and shall be read in conjunction with the 2019 Order.
25. I note from the findings of investigation that during the IP, the price of the scrip had increased from Rs.18 to Rs.490, even though the fundamentals of the Company did not witness significant changes. The Company had made a net profit of Rs.0.04 Crore during 2012-13, incurred a loss of Rs.15 Lakh during

2013-14 and made a net profit of Rs.0.28 Crore during 2014-15, which did not justify the abovementioned price rise.

26. I note from the SCN that the Company had carried out preferential allotments of 67,30,000 shares and 73,80,000 shares on May 02, 2013 and September 13, 2013 respectively. The said allotments had taken place at Rs.15 per share. It is alleged that the price of the scrip was manipulated in order to benefit the preferential allottees to offload shares at higher prices. The Noticee had allegedly played a role in manipulation of the price of the scrip through its trades and was part of the said scheme.
27. Before proceeding any further, I deem it appropriate to refer to the relevant provisions of PFUTP Regulations, 2003:

Regulation 3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

(a) buy, sell or otherwise deal in securities in a fraudulent manner;

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;

(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

Regulation 4. Prohibition of manipulative, fraudulent and unfair trade practices

(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.

(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice

if it involves fraud and may include all or any of the following, namely:-

(a) indulging in an act which creates false or misleading appearance of trading in the securities market;

...

(e) any act or omission amounting to manipulation of the price of a security;

28. I note from the SCN that the Noticee had executed sell trades in the scrip of ACL during Patch-1 (April 17, 2014 to October 13, 2014) during which the price had increased from Rs.18 to Rs.222.85. As per the findings of the investigation, the Noticee had acted as a major counterparty to the top 6 buyers who had contributed positively to the last traded price (LTP). I further note that through its sell trades with the said 6 buyers, the Noticee had contributed a rise of Rs.60.15 to the LTP, which was 29.24% of the total market positive LTP.
29. I further note from the SCN that during Patch-1, the Noticee had executed 50 sell trades, which were executed at prices higher than LTP. The Noticee along with VFPL, had executed a total of 112 such trades. All the said trades were first trades for which the orders were placed by the Noticee and VFPL for quantities ranging from 1 to 5 shares. The Table under Para 9 above contains a summary of such orders with quantities of shares.
30. It is noted from the SCN that the Noticee along with VFPL was placing orders with small quantities (in the range of 1 to 5 shares) and executed multiple sell trades on multiple trading days, which ultimately resulted in a cumulative positive contribution of Rs.203.85 to the LTP, out of which the Noticee's contribution was Rs.88.85. An analysis of the top five positive LTP contributing trades of the Noticee and VFPL are provided under paras 10 and 11 above.
31. The SCN has alleged that through sell trades involving shares of minuscule quantities, the Noticee had manipulated the price of the scrip.
32. Having examined the pattern of the trades of the Noticee, I find that the Noticee's trades, which were executed by placing sell orders with small quantities of shares, when buy orders with larger quantities were already

available on the market platform, had created a false and misleading appearance of trading and had resulted in manipulation of the price of the scrip. The Noticee had executed 50 trades at prices above LTP, which had resulted in a cumulative rise of Rs.88.85 in the LTP of the scrip. However, the total number of shares sold through the said 50 trades was only 74. Such trades with low volumes created a false and misleading appearance of trading and contributed to the artificial price rise in the scrip, as trades were being executed at successively increasing prices (i.e. prices higher than LTP).

33. In the above regard, I also note that the Hon'ble SAT in the matter of Tanuj Khandelwal Vs. SEBI (Appeal No. 357 of 2020, Date of Decision: 04.01.2021), while dealing with a similar matter, had held -

“We find that except on three occasions the appellant only sold one share at a time on a daily basis. This trading pattern created misleading appearance with intention to manipulate the market if not the price. Thus, even if there is no connection with the buyer the trading pattern shows a concerted effort to manipulate the market and therefore we are of the opinion that the appellant was not acting as a genuine seller. We also find that the appellant had no bonafide intention to sell because inspite of sufficient buy orders being placed with abundant quantity being available in the market the appellant was only placing sell orders of one share at a time. This clearly shows his intention of manipulating the market for vested reasons.”

34. In light of the abovementioned decision of the Hon'ble SAT, it is evident that the repeated sell trades of the Noticee, involving minuscule quantities of shares, at prices higher than LTP, when buy orders of larger quantities were available on trading platform, were fraudulent and manipulative in nature which created a false and misleading appearance of trading and artificial price rise in the scrip of ACL. The trading pattern of the Noticee clearly indicates that the Noticee was part of a scheme to positively influence the price of the scrip in a fraudulent manner.

35. Apart from the above, I note that the Noticee has failed to rebut the allegations in the SCN with credible explanations. Accordingly, I find that the allegations of violation of provisions of Regulations 3(a), (b), (c), (d), 4(1), 4(2) (a) and (e) of PFUTP Regulations, 2003, as mentioned in the SCN against the Noticee, stand established.
36. I note that the Noticee has not made any submissions on merits. It has merely prayed for dropping of proceedings on the ground that its management has changed after the said trades were executed. However, mere change in management does not absolve a corporate entity of its past liabilities. Accordingly, I do not find merit in the abovementioned contention of the Noticee.
37. The Noticee has also submitted that it has already undergone debarment of more than 3 years as a result of issuance of 2019 Order. I have considered the said plea of the Noticee while issuing appropriate directions in this order.

Directions:

38. I, in exercise of the powers conferred upon me under Sections 11 (1), 11(4) and 11B read with Section 19 of the SEBI Act, 1992 and in compliance with the Order dated May 13, 2022 of the Hon'ble SAT, hereby issue the following directions:

(a) The Noticee, viz. Maheshwari Financial Services Ltd., is restrained from accessing the securities market for a period of eight years from the date of this order and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of eight years, from the date of this order. During the period of restraint, the existing holdings of securities, including units of mutual funds, of the Noticee shall remain frozen. However, the period of restraint / debarment already undergone by the Noticee due to the directions issued in SEBI Order dated March 27, 2019, before it was set aside by the Hon'ble SAT vide order dated May 13, 2022, shall be set off against the period of restraint / debarment directed in this Order.

(b) If the Noticee has any open position in any exchange traded derivative contracts, as on the date of the order, it can close out / square off such open positions within 3 months from the date of this order or at the expiry of such contracts, whichever is earlier. The Noticee is, however, permitted to settle the pay-in and pay-out obligations in respect of transactions, if any, which have taken place before the close of trading on the date of this order.

39. A copy of this Order shall be served on the Noticee and the recognized Stock Exchanges, Depositories and RTAs for ensuring compliance of this Order.

PLACE: MUMBAI

DATE: NOVEMBER 30, 2023

ASHWANI BHATIA

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA