

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: PRASHANT SARAN, WHOLE TIME MEMBER**

IN THE MATTER OF SHRI VIKAS GANESHMAL BENGANI, V B INVESTMENT (PROPRIETOR: SHRI VIKAS GANESHMAL BENGANI) AND K. K. FINTRADE LTD.

IN THE MATTER OF BRIJLAXMI LEASING AND FINANCE LIMITED

Date of hearing: 06.07.2009

Appearances:

For Shri Vikas G. Bengani and V B Investment: Shri Vikas G. Bengani

For SEBI: Dr. Pradnya Saravade, Officer on Special Duty,
Shri Bibhudutta Samal, Assistant General Manager, and
Shri Amitesh Kumar, Legal Officer.

ORDER

Under Section 11B and 11(4) of the Securities and Exchange Board of India Act, 1992 and Regulation 11 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003

1. Securities and Exchange Board of India (hereinafter referred to as SEBI) conducted an investigation into the trading in the shares of Brijlaxmi Leasing and Finance Limited (hereinafter referred to as BLFL/the company) for the period from January 01, 2002 to June 06, 2002 and from February 03, 2004 to July 14, 2004.
2. The investigation revealed that during the first period i.e. from January 01, 2002 to June 06, 2002, the price of the shares of BLFL increased from Rs.42.70 to Rs.93.75 i.e. by 120%, in 63 trading days. During this period, Shri Vikas Ganeshmal Bengani, K. K. Fintrade Ltd. and V B Investment had purchased 63,800 shares (54.62% of the gross purchase) and sold 8,100 shares (6.93% of the gross sale). It was further revealed that Shri Vikas Ganeshmal Bengani was related to the other two as he was shown as the

authorized person of K. K. Fintrade Ltd. as per the KYC form and is the proprietor of V B Investment (hereinafter referred to as Shri Vikas Bengani and related entities).

3. During the second period i.e., February 03, 2004 to July 14, 2004 when the price of the share decreased from Rs.119.40 to Rs.10.20, Shri Vikas Bengani had purchased 1,79,554 shares and sold 6,300 shares. In between the two periods when the price stabilized between Rs.90 to Rs.120, Shri Vikas Bengani and related entities purchased large quantity of shares at a very high price.
4. It was, therefore, alleged that Shri Vikas Bengani and related entities had influenced the price through their trades at higher level. They purchased large quantity of shares at higher prices and thereby were instrumental in creating artificial volume in illiquid share like BLFL. The volume created in the first period along with price rise also attracted more number of brokers and clients in the subsequent period.
5. Accordingly, SEBI issued show cause notice (SCN) dated March 18, 2008 to Shri Vikas Bengani and related entities alleging to contravene the provisions of Regulation 4 (a), (b), (c) & (d) of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 (hereinafter referred to as PFUTP Regulations 1995) and corresponding provisions as contained in Regulation 4(1), 4(2) (a), (b), (e) & (g) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as PFUTP Regulations 2003), pursuant to repeal of PFUTP Regulations, 1995. Vide this SCN, the noticees were called upon to show cause as to why suitable directions under Section 11 & 11 B of SEBI Act, 1992 read with Regulation 11 of PFUTP Regulations including direction of restraining them from accessing the securities market and prohibiting them from buying, selling or dealing in the securities should not be passed against them.
6. In reply to the SCN, Shri Vikas Bengani and V B Investment submitted that they intend to apply under consent proceedings. Accordingly, they applied for consent. However, the consent application filed by them was rejected.

7. An opportunity of personal hearing was granted to Shri Vikas Bengani and V B Investment on July 06, 2009 before me during which Shri Vikas Bengani appeared and made oral as well as written submissions. He has *inter alia* submitted as under:

- Merely buying a share did not mean that he has raised the price. Prices are decided by the demand and the supply in the particular share. If the demand is more than the supply, price will go up and if the demand is low and the supply is more, then the price will come down.
- He had not stopped or encourage to any person or entity not to sell or buy in the shares of BLFL when the prices was going up. All were free to sell and they have sold when they thought that this is the right price to sell. Nobody had complained about this.
- No relationship was found between him and others who were active during the period of investigation.
- He was not on both side of a trade when the trade executed. If someone doing artificial volume then it requires that he should be on both side or the person on the opposite side should belong to him.
- In the second period he sold only 6300 shares and bought 1,79,554 shares. In this period, the price came down heavily in the share from Rs.119 to Rs.10. Since he is not a major seller in the said period, he is not responsible for any decrease in the price.
- He had done delivery based transaction. So the charges of “entering into a transaction in securities without intention of performing it or without intention of change of ownership of such security” and “dealing in a security not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress or cause fluctuations in the price of such security for wrongful gain or avoidance of loss” are totally baseless.

8. I have carefully considered the SCN, the written as well as oral submissions and other relevant material on record. I note that Shri Vikas Bengani in his written submission has stated that he was the authorized signatory of K. K. Fintrade Ltd. but after 2005, he has

no connection or relation of any kind with it and therefore, returned the SCN issued to K. K. Fintrade Ltd. on the address of Shri Vikas Bengani. The notice dated June 22, 2009 for personal hearing sent to K. K. Fintrade also returned undelivered. Since the SCN and the personal hearing notice could not be served upon K. K. Fintrade Ltd., the notice was published in newspapers Nai Dunia on August 09, 2009 and in Hindustan Times on August 13, 2009 advising it to reply or appear within 15 days from the date of publication of the notice in the newspaper failing which the matter would be decided ex-parte. K. K. Fintade has neither replied nor appeared before me till date. Therefore, I am proceeding ex-parte against K. K. Fintrade Ltd.

9. On perusal of facts of the case, I find that BLFL is a Vadodara based company engaged in leasing, hire purchase, capital market operations etc. The company came up with an Initial Public Offer (IPO) on July 16, 1996, with an issue size of Rs.4,04,99,760 (Rs.10 per share offered at par). Post IPO, the paid up equity capital of the company was Rs.5,64,85,000. From the financial performance of the company, it is observed that the company had made losses for the financial years ended March, 2001 and March, 2002.
10. The investigation in the shares of BLFL was conducted for 2 periods i.e. from January 01, 2002 to June 06, 2002 and February 03, 2004 to July 14, 2004. During the first period i.e. from January 01, 2002 to June 06, 2002, the price of the share increased from Rs.42.70 to Rs.93.75 i.e. by 120%, in 63 trading days. During this period, 18 brokers and 27 clients were active on the buy side and 15 brokers and 29 clients were active on the sale side. Shri Vikas Bengani and related entities had purchased 63,800 shares (54.62% of the gross purchase) and sold 8,100 shares (6.93% of the gross sale). The details of purchase and sale made by them during this period is mentioned in the table below:

SI No	Name of the Client (Client Code)	Name of Broker (Member Code)	Gross Purchase	Gross Sale
1.	Vikas Bengani (V019).	Sanchya Fincom Ltd (204).	16,500	5,600
2.	Vikas Bengani (G036).	Crescent Finstock Ltd (186)	6,000	0
3.	K K Fintrade Ltd (31k020).	Sunidhi Consultancy Services Ltd (291).	31,900	1,600
4.	V B Investment (V028)	Sanchay Fincom Ltd (204)	9,400	900

11. During this period, Shri Vikas Bengani and related entities appeared on the buy side on 25 trading days, out of which, on 22 trading days, their contribution to market volume was more than 50% and on 16 days their contribution was 100%. The details are tabulated as under:

Trade Date	Buy Volume	Market Volume	% Of The Market Buy Volume
1-Jan-02	1000	1000	100
15-Jan-02	1000	1000	100
21-Jan-02	1000	1000	100
22-Jan-02	2000	2000	100
24-Jan-02	2000	2000	100
25-Jan-02	2000	2000	100
28-Jan-02	2000	2000	100
29-Jan-02	2000	2000	100
30-Jan-02	2000	2000	100
5-Feb-02	1000	1000	100
8-Feb-02	1500	1500	100
27-Feb-02	100	1100	9
7-Mar-02	200	500	40
12-Mar-02	600	600	100
13-Mar-02	500	500	100
20-Mar-02	2600	3000	87
22-Mar-02	200	200	100
17-Apr-02	8000	8000	100
18-Apr-02	9800	11000	89
19-Apr-02	9700	10200	95
22-Apr-02	10000	10000	100
29-Apr-02	200	300	67
7-May-02	500	4500	11
9-May-02	2000	3400	59
13-May-02	1900	3400	56
Total	63,800		

12. Further, from the analysis of opening trades, it is observed that on 14 days, Shri Vikas Bengani and related entities appeared in the opening trades on the buy side. On 12 days, the buy orders were placed at a higher level than the last traded price (LTP) and on 12 days the buy orders were placed prior to the sale orders. On 6 days, the opening trade was the only trade executed on that day. From the LTP analysis, it is observed that during the period January 01, 2002 to June 06, 2002, on 40 instances the price increased by 1% or more in comparison to LTP and Vikas Bengani and related entities were found to be involved in 13 such instances on buy side. The details of these are tabulated as under:

More Than + 1% Change In Comparison To Last Traded Price								
Date	Buy Member Code	Buy Client Code	Sale Member Code	Sale Client Code	Traded Qt	Traded Price	Diff with LTP	More than 1% Change
15-Jan-02	D0204	Vikas Bengani	D0062	S333	100	49.4	1.90	4.00
28-Jan-02	D0186	Vikas Bengani	D0062	S333	500	49.15	0.65	1.34
29-Jan-02	D0186	Vikas Bengani	D0425	H001	500	50.1	0.95	1.93
30-Jan-02	D0186	Vikas Bengani	D0425	H001	100	51.1	1.00	2.00
5-Feb-02	D0204	Vikas Bengani	D0275	4205	1000	53.55	0.65	1.23
8-Feb-02	D0204	Vikas Bengani	D0062	S333	100	57.75	2.20	3.96
12-Mar-02	D0204	Vikas Bengani	D0062	S333	200	75	2.00	2.74
13-Mar-02	D0204	Vikas Bengani	D0062	S333	100	77.5	2.00	2.65
17-Apr-02	D0291	K K Fintrade Ltd	D0421	42/6521	200	86.95	1.45	1.70
18-Apr-02	D0204	V B Investment	D0421	42/6552	300	86.25	1.00	1.17
29-Apr-02	D0204	V B	D0361	33331	100	88.1	0.95	1.09

		Investment						
7-May-02	D0291	K K Fintrade Ltd	D0204	V028	500	86.9	1.00	1.16
13-May-02	D0291	K K Fintrade Ltd	D0062	S333	500	88.5	1.70	1.96

Why will a person place buy order in so many instances at a price higher than the LTP if he had genuine intention and therefore, it is not an instance of mere buying of shares in genuine manner as submitted by Shri Vikas Bengani.

13. During the second period i.e., February 03, 2004 to July 14, 2004 when the price of the shares of BLFL decreased from Rs.119.40 to Rs.10.20, Shri Vikas Bengani had purchased 1,79,554 shares and sold 6,300 shares. In between the two periods when the price stabilized between Rs.90 to Rs.120, Shri Vikas Bengani and related entities purchased large quantity of shares at a very high price. V B Investment dealing through Sanchay Fincom purchased 3,00,183 shares in the price range of Rs.93 to Rs.118 during the period June 13, 2002 to September 25, 2003. Similarly, K. K. Fintrade Ltd. dealing through Sunidhi Consultancy purchased 1,03,785 shares in the price range of Rs.93 to Rs.108 during the period June 07, 2002 to December 20, 2002.
14. Since Vikas Bengani and related entities had purchased large quantity of shares at high prices, their transaction details were quite crucial to reach at any conclusion. Therefore, summons were issued to Shri Vikas Bengani asking for transactions details in the shares of BLFL. However, the required information/documents were not provided by Shri Vikas Bengani.
15. In the present case, Shri Vikas Bengani has consistently bought the shares of BLFL in both the periods. In the first period prices were rising while in the second period the prices were falling. The only logical explanation could be that he wanted possession of the shares for their voting rights, irrespective of the financial loss it might involve.
16. Shri Bengani has not provided any explanation to his unusual behaviour but has stated that there are no charges of synchronized/circular/reversal trading. He has also submitted that no other person has been named with him in these tradings. I, however,

note that in absence of any cogent explanation of unusual (and apparently irrational) behaviour, it gives rise to conclusion that Shri Bengani was acting to artificially prop up the prices of scrip of BLFL by consistently buying (irrespective of the fact whether prices were rising or falling). The investigation could not establish his links with any other person to complete the overall pattern of market manipulation. However, it refers to his purchases being supported by cash deposits in his account.

17. Since cash is an anonymous counter party, there is a strong presumption that Shri Bengani was acting as a part of a larger operation. During the proceedings before me, Shri Bengani was asked whether he still had the shares purchased by him. He said that he didn't have the shares. Thus, the only logical way of explaining his unusual behaviour that he wanted the beneficial possession of the shares does not appear to be possible.
18. I further note that it is not always necessary for a person to be on both sides of a trade in order to create artificial volume in the shares as contended by Shri Vikas Bengani. In illiquid scrip when the intention is to increase the price and volume, the buyer puts the buy order at higher level and gives leverage to other entities who are ready to sell the shares as it provides them an opportunity to exit. The buyer continuously repeats this process till it achieves the desired result. So, the buyer may not always require a counterparty seller to manipulate or create artificial volume in an illiquid loss making scrip like BLFL.
19. I, however, agree with the submission that Shri Vikas Bengani and related entities have done delivery based transactions wherein the shares were transferred to other entities by way of change in ownership. The investigation could not establish that the entities to whom the shares have been transferred by Shri Vikas Bengani were related to him. Thus, the alleged violation of Regulation 4(d) of PFUTP Regulations, 1995 and Regulation 4 (2) (b) & (g) of PFUTP Regulations, 2003 by Shri Vikas Bengani and related entities is not established.
20. From the details mentioned above, it is evident that the Shri Vikas Bengani and related entities had influenced the price through their trades at higher level. They purchased large quantity of shares of a loss making company at higher prices and thereby became instrumental in creating artificial volume in illiquid loss making scrip like BLFL. The volume created in the first period along with price rise also attracted more number of

brokers and clients in the subsequent period. The trading by Shri Vikas Bengani and related entities is not genuine as evidenced from their trading pattern. In spite of several summons and even after imposition of monetary penalty vide order dated December 30, 2005 in this regard by SEBI which was also upheld by the Hon'ble SAT, Shri Vikas Bengani neither provided the required information nor clarified his position. Moreover, his non cooperation during investigation delayed the investigation process.

21. Thus, from the aforesaid acts of omission and commission, I am of the view that charges against Shri Vikas Bengani, V B Investment and K. K. Fintrade of violation of the provisions of Regulations 4(a), (b) & (c) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 1995 and Regulations 4 (1), 4 (2) (a) & (e) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 are established.
22. On taking into consideration the case in its totality and the nature of the violations committed, I, in exercise of the powers conferred upon me under Section 19 read with Sections 11(4) and 11B of the Securities and Exchange Board of India Act, 1992 and Regulation 11 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, do hereby restrain Shri Vikas Ganeshmal Bengani (PAN No.– AFJPB9973R), V B Investment (Proprietor - Shri Vikas Ganeshmal Bengani) and K. K. Fintrade Ltd. from buying, selling or dealing in the securities market in any manner whatsoever or accessing the securities market, directly or indirectly, for a period of one year from the date of this order.
23. A copy of this order shall be served on all recognized stock exchanges and depositories to ensure that the noticees do not undertake transactions prohibited in Para 22 above.
24. This order shall come into force with immediate effect.

Place: Mumbai
Date: September 15, 2009

PRASHANT SARAN
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA