

**FORWARD MARKETS COMMISSION
GOVERNMENT OF INDIA**

In the matter of
M/s Ganpati Multi Commodity Business India Pvt. Ltd.
in
ENF-LAD/M&S-NCDEX/2011/DEC/SCN-GMCBIPL

ORDER

Shri Ramesh Abhishek, Chairman
Dr. M. Mathisekaran, Member

1. M/s. National Commodity and Derivative Exchange of India Ltd (NCDEX) having its office at Akruti Corporate Park, 1st Floor, Near G.E. Garden, L.B.S. Marg, Kanjurmarg (West), Mumbai - 400 078, is an association recognized under Section 6 of the Forward Contracts (Regulation) Act, 1952 and is registered with the FMC under Section 14B of the said Act.
2. M/s Ganpati Multi Commodity Business India Pvt. Ltd. (hereinafter referred to as 'Member') having office at 37, K Block, Sriganganagar, Rajasthan - 335001 is a member of M/s National Commodity and Derivative Exchange of India Ltd (NCDEX).
3. The Commission on receipt of complaints regarding the abnormal price volatility in the Guar Seed and Guar Gum Contracts, ordered an inquiry and in furtherance to the said inquiry, an investigation in relation to the affairs of M/s Ganpati Multi Commodity Business India Pvt. Ltd., Shriganganagar and the inspection of its books of accounts and documents at its office at 37, K Block, Sriganganagar, Rajasthan - 335001 was carried out on 24/12/2011 under the provisions of the FCRA, 1952. During the course of the said inspection, the statement of Shri Devendra Mittal, Director of the said Member viz. M/s Ganpati Multi Commodity Business India Pvt. Ltd. was recorded on 24/12/2011 under the provisions of Section 8(3)(a) of the FCRA, 1952, wherein certain documents were submitted which were taken on record as Annexure(s) to the said statement;
4. On scrutiny of the said statement and the documents submitted therein, it was observed that M/s Ganpati Multi Commodity Business India Pvt. Ltd. have, inter-alia,



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entered into certain *genre* of transactions as detailed below, which apart from being in contravention of the Bye-laws of the Exchange, are prima facie not in the interest of trade or in public interest.

- a) Funding by private entities to clients of Member for dealing in Guar Seed and Guar Gum (M/s Ganpati Trade Link is in receipt of certain payments from M/s Vikas WSP as advance consideration for purchase of Guar Seed). Member M/s Ganpati Multi Commodity Business India Pvt. Ltd. is being funded through M/s Ganpati Trade Link by Vikas WSP. The inter locking transactions between the firms having common Director (Shri. Devender Mittal) and the inter-se movement of funds from the group entities was evidence of indirect funding.
 - b) Transfer of funds to client accounts from such entities who are not clients of the Member. Eg. Muktsar etc. (Amounts to Third party funding for clients)
 - c) Transfer of funds from client account to non clients (Sheath Rajaram Sunder, Nirmal Jain, Krishna Murti, Dhaja Ram Jai Dev)
5. Based on the findings of the inquiry, a detailed Show Cause Notice No. ENF-LAD/M&S-NCDEX/2011/DEC/SCN-GMCBIPL-1/09 dated 05.01.2012 (hereinafter referred to as "SCN") was issued to M/s Ganpati Multi Commodity Business India Pvt. Ltd. which, inter-alia, while communicating the charges as mentioned in the SCN, provided an opportunity of personal hearing before the Commission to make his oral submissions and file his written submission, on 13.01.2012 at 11.00 am in the office of the Commission at Mumbai and accordingly, Shri Devender Mittal, Director presented himself before the Commission on the appointed day and time.
6. Shri. Devender Mittal filed a written reply dated 13.01.2012 wherein he submitted clarifications in respect of each of the charges.
7. The Commission observed that the reply was filed and therefore if anything more had to be added or submitted, the same could be done and therefore the Member was asked to explain his stand on each of the charges mentioned in the SCN.
8. The explanation of the member in respect of each of the charges was as under:-



- (a) With respect to the charge of *Funding by private entities to the clients of Member for dealing in Guar Seed and Guar Gum* as mentioned at para 4 (a) of the SCN, the Member submitted that :
- i. M/s Ganpati Trade Link have executed normal trades of Guar Seed and Guar Gum and no trade had been done in any Director's personal account.
 - ii. M/s Ganpati Trade Link is involved in physical trade of agri-commodities trading for itself and for its client (adhtiya) for the purpose of "adhat" (commission).
 - iii. Payment of Rs. 30,00,000/- received from M/s Vikas WSP was advance consideration against sale of Guar Seed by M/s Neelkanth Polymers, the "adhtiya" of M/s Ganpati Trade Link. The said amount was received on the instructions of M/s Neelkanth Polymers.
 - iv. M/s Ganpati Trade Link had received a sum of Rs. 30,00,000/- on 03.11.2011 in its bank account and there was no transfer of margin amount by M/s Ganpati Trade Link or its proprietor to the Member from 03.11.2011 to 07.11.2011. On 08.11.2011, an amount of Rs. 1,58,38,124/- was credited to the bank account of Devender Mittal HUF upon maturity of its investment in the Reliance Debt fund. Thereafter, Devender Mittal HUF transferred an amount of Rs. 45,00,000/- on the same day to Member company.
 - v. There has been no indirect funding from group entities and all trades that have taken place are normal trades in the ordinary course of business.
- (b) With respect to the charge of *transfer of funds to client accounts from such entities who are not clients of the Member. eg. Muktsar etc.* as mentioned at para 4(b) of the SCN, the Member submitted that the said fund was transferred by Client Puneet Dabra having client code PA4055 from the city Muktsar (Punjab) and bankers erroneously recorded and created the remark "Muktsar" as a receipt entry in the client account of Member.
- (c) With respect to the charge of *Transfer of funds from client account to non clients (Sheath Rajaram Sunder, Nirmal Jain, Krishna Murti, Dhaja Ram Jai Dev as)* mentioned at para 4(c) of the SCN, the member stated that :



- i. The bank has made a typographical / clerical error in recording the name of clients M/s Sheonath Rai Shyam Sunder and M/s Krishan Murari & Company.
 - ii. Dhaja Ram Jai Dev is their client whereas Mrs. Nirmala Jain has paid amount for opening of account with Member but the same amount was returned back as KYC formality was not completed by client.
 - iii. Not a single trade has been executed by Mrs. Nirmala Jain.
9. We have gone through the charges as mentioned in the SCN, the reply filed by the Member, the oral submissions made on 13.01.2012 and have also perused the statement dated 24.12.2011 of Shri. Devender Mittal, Director of the above said M/s Ganpati Multi Commodity Business India Pvt. Ltd. and the documents attached as Annexure to the SCN.
10. Observations/Findings:
The Commission has observed that the Member in his explanation, regarding the transactions mentioned in para 4, has given ample documentary evidence to show that the transactions are not violative of any bye-law or regulation of Exchange. The explanation tendered by the Member before the Commission is found to be consistent with the relevant provisions of the Regulations of the Exchange and seems to be satisfactory.
11. The Commission, therefore, passes the following order.

ORDER

The proceeding initiated against M/s Ganpati Multi Commodity Business India Pvt. Ltd vide SCN ENF-LAD/M&S-NCDEX/2011/DEC/SCN-GMCBIPL-1/09 dated 05.01.2012 is ordered to be dropped.

L. Mathisekaran 27/1/2012
Dr. M. Mathisekaran
Member
27.01.2012

Ramesh Abhishek
Ramesh Abhishek
Chairman
27.01.2012

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