

**FORWARD MARKETS COMMISSION
GOVERNMENT OF INDIA**

In the matter of
M/s Hindustan Technosol Pvt Ltd in
FMC/LAD-ENF/M&S-NCDEX/2011/DEC/SCN-HTPL

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 registered with the FMC under Section 14B of the said Act.
2. M/s Hindustan Technosol Pvt Ltd (hereinafter referred to as 'Member') having office at 402, Royal World, Sansar Chand Road, Jaipur 302001 Rajasthan 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 the Member and the inspection of its books of accounts and documents at Member's office at 402, Royal World, Sansar Chand Road, Jaipur 302001 Rajasthan were carried out on 23/12/2011 under the provisions of the FCRA, 1952. During the course of the said inspection, the statement of Shri Ravikant Kanoongo, Director of the said Member was recorded on 23/12/2011 under the provisions of Section 8(3)(a) of the FCRA, 1952, wherein, inter alia, 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 the Member had inter-alia 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) Transfer of funds to client accounts from such entities who are not clients of the Member e.g. Soliwal Jewellers, Ciba Sales, Samarth Sharma,

Shankar, R N Forging P Ltd, Kailash Malpani, Hemlata, Shashi Singhvi, A S Enterprises, Gopal Ram Pancharia, Hitesh Kumar (Amounts to Third party funding of clients)

- b) Members raising funds from entities (Vikram Proteins Ltd, Joharilal Radha Balla, Anamika Conductors, Shiv Prasad Mills P Ltd, Shri Paras Constructions) which are first reflected in Business account and then the same were transferred in some cases to client account and in some cases to Exchange Settlement Account (case of sourcing of funds to meet exchange obligations which is purely for meeting obligations arising for clients since Member does not trade in PRO account).
- c) The funds transferred from non entities to client accounts are primarily used for clients who are close family relations. This is indicated by the fact that the family concerns (Shri Sameer Sekhar Kanoongo-Client S261 & Ravi Kant Kanoongo, HUF, Jaipur) are having open positions in Guar Seed and Guar Gum.
- d) Transfer of funds from client account to non clients (Manoj Kumar Pankaj Kumar, K C India P Ltd, Neelkanth Polymers, Nitin Gilara, Samarth Sharma, Somesh Khandelwal, Sameer, Shree Commodities, Sunil, Shri Hari Industries, Shah Leafin Co P Ltd, Ganpat, Manoj Kumar Vipin Kumar. Lupin Forging P Ltd)
- e) Non Maintenance of separate bank accounts for MCX and NCDEX

5. Based on the findings of the inquiry, a Show Cause Notice No. ENF-LAD/M&S-NCDEX/2011/DEC/SCN-HTPL-1 dated 05.01.2012 (hereinafter referred to as "SCN") was issued to the Member, which, inter-alia, while communicating the charges as mentioned in the SCN, also provided an opportunity of personal hearing before the Commission to make oral submission and file written submission on 12.01.2012 at 04.00 pm in the office of the Commission at Mumbai. However, the Member conveyed his inability to attend the hearing on 12.01.2012 on the ground of personal incapacity due to the death in the family and sought an adjournment of the personal hearing to 20.01.2012, which was granted by the Commission. Accordingly, the following persons were present before the Commission on the adjourned date and time :

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|----|--------------------------|-------|-------------------------|
| a) | Shri Shahi Kant Kanoongo | | Director |
| b) | Shri Ravi Kant Kanoongo | | Director |
| c) | Shri M S Sahoo | | Advocate for the Member |
| d) | Shri Prakash Shah | | Advocate for the Member |



6. The Member filed a written reply dated 18.01.2012 through its Director Shri Ravikant Kanoongo wherein the Member denied having committed any violation as alleged in the SCN or otherwise, which would warrant initiation or taking action under Section 12B of the FCRA, 1952 and submitted explanation to each of the charges as mentioned in the Show Cause Notice.
7. In addition to the above, the Member, in his oral submissions, reiterated the explanation to each of the charges as submitted in its reply dated 18.01.2012
8. The explanations of the Member in respect of each of the charges are as under:-
 - a) In respect of the charge of transfer of funds from such entities viz Soliwal Jewellers, Ciba Sales, Samarth Sharma, Shankar, R N Forging P Ltd, Kailash Malpani, Hemlata, Shashi Singhvi, A S Enterprises, Gopal Ram Pancharia, Hitesh Kumar, who are not clients of the Member, the member submitted that the entities mentioned at para 4 (a) of the SCN viz Soliwal Jewellers, Samarth Sharma, Shankar, R N Forging P Ltd, Kailash Malpani, Hemlata, Shashi Singhvi, A S Enterprises, Gopal Ram Pancharia were 'clients' and submitted the details of Client code. In respect of Ciba Sales, the Member claimed that it was a client with client code H75 through Smt Hemlata (Proprietress of Ciba Sales) and in case of entity Hitesh Kumar, the Member stated that a client code (S287) has been allotted in the name of M/s Sunny Online Trading Company of which Shri Hitesh Kumar is the sole proprietor.
 - b) With respect to the charge of Members raising funds from entities (Vikram Proteins Ltd, Joharilal Radha Balla, Anamika Conductors, Shiv Prasad Mills P Ltd, Shri Paras Constructions) which were first reflected in Business account and then the same was transferred in some cases to client account and in some other cases to Exchange Settlement Account as mentioned at para 4(b) of the SCN, it was submitted that there is nothing wrong/illegal in raising funds for business purposes and crediting the same to the business account. The Member further claimed that there is no instance of transfer of these funds to clients' accounts, but admitted to transfer of funds from business account to settlement account and vice-versa and claimed that under the extant regulatory framework, a member is liable to settle the obligations irrespective of receipt of funds from the client and that the Member settled the obligations on behalf of the clients by transferring funds from business account to settlement account. It was further stated by the Member that when the money is received in settlement account, the same is transferred to Business account and claimed this kind of transactions as temporary accommodation and a normal business practice.



