

**FORWARD MARKETS COMMISSION  
GOVERNMENT OF INDIA**

In the matter of  
M/s Ganganagar Commodity Ltd.  
in  
FMC/LAD-ENF/M&S-NCDEX/2011/DEC/SCN-GCL-1

**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 Akruiti 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 Forward Markets Commission (hereinafter referred to as 'Commission') under Section 14B of the said Act.
2. M/s Ganganagar Commodity Ltd (hereinafter referred to as 'Member') having office at 15 National Highway, Opp. S.D. College, Sukhadia Circle, Sriganganagar 335001 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 its office at 15 National Highway, Opp. S.D. College, Sukhadia Circle, Sriganganagar 335001 Rajasthan were carried out on 24/12/2011 under the provisions of the FCRA, 1952. During the course of the said inspection, the statement of Shri Vishal Bagadia, Director of the said Member was recorded on 24/12/2011 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 viz. M/s Ganganagar Commodity Ltd 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) Release of funds in excess of the credit in MTM account of the client, thereby transferring the other clients money (e.g. Shubham Commercial being paid in excess of its credit balance on 15.12.2011 and SMR Commodities on 29.12.2011).
- b) Member funded the margin requirement of the clients. (SMR Commodities (SMR) and Mr Pawan Kumar Singal (PA44)). The Member has accepted carrying forward of the clients' position despite shortage of Margin. It is also accepted by the Member that in case of margin shortage, interest has been levied and collected from the clients.
- c) Transfer of funds to and from client accounts from such entities who are not clients of the Member e.g. Sharda Enterprises (Amounts to Third party funding of clients).
5. Based on the findings of the inquiry, a Show Cause Notice No. ENF-LAD/M&S-NCDEX/2011/DEC/SCN-GCL-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 its 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 grounds 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 :

- a) Shri Vishal Bagadia ..... Director
- b) Shri Naresh Gupta ..... Employee

6. The Member filed a written reply dated 11.01.2012 through its Director Shri Vishal Bagadia wherein the Member submitted explanation to each of the charges as mentioned in the Show Cause Notice.
7. In addition to the above, in his oral submissions, the Member reiterated the explanation to each of the charges as submitted in its reply dated 18.01.2012 during the hearing on 20.01.2012.



8. The explanations of the Member in respect of each of the charges are as under:-
- a) In respect of release of funds in excess of the credit in MTM account of the client, thereby transferring other clients money, as indicated at para 4 (a) of the SCN, the member submitted that on 14.12.2011, the client Shubham Commercial had a credit balance of Rs.4.64 crore and the cheque for an amount of Rs.1.5 crore was issued and the balance was Rs.3.14 crore. The next day, i.e. on 15.12.2011, again a cheque of Rs. 5 crore was issued without verifying the balance and therefore, the account of client indicated a debit balance of Rs.1.76 crore which was noticed at the end of the day and the excess money paid to the client was recalled the next day i.e. 16.12.2011 and the client returned the funds on 19.12.2011 i.e. as soon as he received the same. Similarly, the client SMR Commodities was paid Rs.75 lacs when the balance in the client's credit was Rs.68.16 lacs. Thus, the client was paid Rs.6.82 lacs in excess which was also recalled and the same was returned in next 3-4 days. The Member, therefore, claimed that the excess funds were available only for a day and the mistake was due to oversight and due to human error.
- b) With respect to the charge that Member has funded the margin requirement of the clients. (SMR Commodities (SMR) and Mr Pawan Kumar Singal (PA44)) and carried forward the clients' position despite shortage of Margin as mentioned at para 4(b) of the SCN, it was submitted that the position of client was required to be carried forward due to good relationship with client SMR Commodities and Mr Pawan Kumar Singal. The Member has claimed that due to their relationship and past experience they have never felt any risk of recovery and considered them as their valued clients. The Member claimed that there was no intention on their part to disturb the market equilibrium but has tried to retain and accommodate their client.
- c) With respect to the charge of transfer of funds to and from client accounts from such entities who are not clients of the Member e.g. Sharda Enterprises (amounting to Third party funding of clients), the member submitted that one Shri Rajesh Kumar Agarwal is its client with client code BK1. Shri Agarwal is the sole proprietor of M/s Sharda Enterprises and the funds to the client account has been transferred from his proprietary account and both the client Shri Rajesh Kumar Agarwal, as Proprietor and his proprietary firm as one and the same.



