

**FORWARD MARKETS COMMISSION  
GOVERNMENT OF INDIA**

In the matter of  
M/s Shresth Commodities & Financial Services Pvt. Ltd.  
in  
ENF-LAD/M&S-NCDEX/2011/DEC/SCN-SFSPL

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 Shresth Commodities & Financial Services Pvt. Ltd (hereinafter referred to as 'Member') having office at 676-A, 10<sup>th</sup> C Road, Sardarpura, Jodhpur, Rajasthan 342 003 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 Shresth Commodities & Financial Services Pvt. Ltd, Jodhpur and the inspection of its books of accounts and documents at its office at 676-A, 10<sup>th</sup> C Road, Sardarpura, Jodhpur, Rajasthan 342 003 was carried out on 28/12/2011 under the provisions of the FCRA, 1952. During the course of the said inspection, the statement of Shri Subhash Jain, Director of the said Member viz. M/s Shresth Commodities & Financial Services Pvt. Ltd. was recorded on 28/12/2011 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;



*Handwritten signatures and initials in blue ink.*

4. On scrutiny of the said statement and the documents submitted therein, it has been observed that M/s Shresth Commodities & Financial Services Pvt. Ltd have 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 which amounts to third party funding for clients. (Entities from whom the funds were received in client account :- Sona Devi Chopra, Akash Deep Gupta (HUF), Chopra Guar Gum Industries, Manisha Jain).
- b) Members raising funds from entities which are first reflected in Member's Business account and then the same is transferred in some cases to client account and in some cases to Exchange Settlement Account which is a case of sourcing of funds to meet Exchange obligations, which, inter-alia amounts to funding the clients since Member does not trade in proprietary account. (Unicon Suppliers, Atreyi Wincom Pvt. Ltd, Hemant Jain, Sunita Mehta, Hemant Jain, Punit Daga, Raghunath Kataria etc).

*An amount of Rs. 6.46 crores was received in the Business Account during the year 2011-12 i.e upto 27.12.2011 and the same was used for funding the clients.*

- c) Acceptance of Cash in Business Account from various entities.
- d) *Transfer of funds from client account to non clients i.e funds returned to those entities from whom the funds were received in Client account.*
- e) *MTM funding for most of the top clients who traded in Guar Gum and Guar seed contracts.*
- f) Client Akash Deep Gupta (HUF) is not registered as a client on Exchange. It implies that the member has undertaken trades for that client who is not a registered client with the Member.

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5. Based on the findings of the inquiry, a detailed Show Cause Notice No. ENF-LAD/M&S-NCDEX/2011/DEC/SCN-SCFSPL-1/08 dated 05.01.2012 (hereinafter referred to as "SCN") was issued to Shresth Commodities & Financial Services Pvt. Ltd which, interalia, while communicating the charges as mentioned in the SCN, provided an opportunity of personal hearing before the Commission to make his oral submission and file his written submission on 12.01.2012 at 05.00 pm in the office of the Commission at Mumbai and accordingly Shri. Subhash Jain, Director presented himself before the Commission on the appointed day and time.
6. Shri Subhash Jain filed a written reply dated 07.01.2012 wherein he submitted certain 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 *Transfer of funds to client accounts from such entities who are not clients of the Member which amounts to third party funding for clients* as mentioned at para 4 (a) of the SCN in respect of i.e. Sona Devi Chopra, Akash Deep Gupta (HUF), Chopra Guar Gum Industries, Manisha Jain, it was submitted that apart from Chopra Guar Gum Industries, all others were clients and submitted proof thereof. In respect of Chopra Guar Gum Industries, it was submitted that the same was wrongly credited into the client account instead of business account due to clerical mistake.
- (b) With respect to the charge of *Member raising funds from entities which were first reflected in its Business account and then the same was transferred in some cases to client account and in some cases, to Exchange Settlement Account as mentioned at para 4(b) of the SCN*, it was submitted that the same were inter corporate deposits and unsecured loans from shareholders of the Member. It was further submitted that the Member was required to borrow money to meet the exchange obligations.



