

**FORWARD MARKETS COMMISSION
GOVERNMENT OF INDIA**

In the matter of
M/s Vinod Commodities Ltd.
in
ENF-LAD/M&S-NCDEX/2011/DEC/SCN-VCL

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 FMC under Section 14B of the said Act.
2. M/s Vinod Commodities Ltd (hereinafter referred to as 'Member') having office at 106-110, Adeshwer Towers, Chopasani Road Jodhpur, Rajasthan 342003 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 Vinod Commodities Ltd, Jodhpur and the inspection of its books of accounts and documents at its office at 106-110, Adeshwer Towers, Chopasani Road, Jodhpur, Rajasthan 342003 were carried out on 26/12/2011 under the provisions of the FCRA, 1952. During the course of the said inspection, the statement of Shri Vinod Singhvi, Director of the said Member was recorded on 26/12/2011 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 has been observed that M/s Vinod Commodities 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 is 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



Handwritten signature and initials in blue ink.

account :-Amit Mantri, Dinesh Battar, Shah Oil Mill, Shree Laxmi Udhog, Sushil Kabra, Sanjay Udyog, GGF Industries Pvt. Ltd., Sumit Agarwal, R. K. Industries, Manish Bhandari, Jai Salasar Hanuman, Anil Agarwal).

An aggregate amount of Rs.8.95 Crores were received from the non clients in client account and an amount of Rs.3.36 crores have been paid from client account to Non-clients during 2011-12 upto 20.12.2011

- b) **Member raising funds from entities which were 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 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.** (Entities who have transferred funds to Client account and Business account of Member:- Shir Commodities, R K Industries, Girish Parihar, Santosh, Shri Vallabh, Kamal Kishore, Gayatri Devi, Shri Raj Nakoda Jewellers, Shri Sundar Agro Services, MM industries, Jaswant Jain, Crown Crop Science, City Distributors, Hitesh Capital, Mahashakti Agro Industries, Right Link Infra, Perfect township, Rishi automation Pvt. Ltd., Ronak Mercantile Ltd, Boond Mercantile, Herbal Mercantile, Rakesh Kabra, Rajkumar Lohia, Rajendra Mohan Arya).
- c) **The Member allowed the clients to trade without taking Initial Margin Money.** Funds were transferred from client account to Client account PPO, GOL, KYU, VRO, TTT, M11, AEL, YOU, RTO, SR5 which are indicative of the fact that the Member has allowed the client to trade without margin and has misused the margin of other client.

The total volume on both sides of these clients in Guar seed and Guar Gum contract was Rs.4711.22 crores whereas the total volume of trade in all Commodities including that of Guar Seed and Guar Gum was Rs.5715.09 crores.

- d) **The Member was facilitating the funding of clients through his company M/s Siddeshwari Dealers Pvt. Ltd. which is evident from the fact that the funds were routed through this company to MCX and NCDEX Business Accounts and Client Accounts.**

An aggregate amount of Rs. 57 crores (approx) was transferred from M/s Siddeshwari Dealers Pvt. Ltd. to the Client Account



e) **Transfer of funds from client account to non clients**
(M/s Siddeshwari Dealers Pvt. Ltd.)

*An aggregate amount of Rs.38.91 crores was transferred to
(M/s Siddeshwari Dealers Pvt. Ltd.)*

5. Based on the findings of the inquiry, a Show Cause Notice No. ENF-LAD/M&S-NCDEX/2011/DEC/SCN-VCL-1 dated 05.01.2012 (hereinafter referred to as "SCN") was issued to M/s Vinod Commodities Ltd which, inter-alia, while communicating the charges as mentioned in the SCN, also provided an opportunity of personal hearing before the Commission to make his oral submission and file his written submission on 12.01.2012 at 04.00 pm in the office of the Commission at Mumbai. Accordingly the following persons were present before the Commission on the appointed day and time :

- a) Shri Vinod Singhvi Director
- b) Shri Om Prakash Employee
- c) Mahesh Kumar Rathi Employee

6. Shri. Singhvi filed a written reply dated 12.01.2012 wherein he denied having committed any violation as alleged in the SCN or otherwise, which would warrant initiation or taking action under 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, an opportunity was also granted to Shri Vinod Singhvi to offer his oral submission in respect of each of the charges and the member reiterated the written submission.

8. The explanations of the member in respect of each of the charges were as under:-

a) In respect of the charge of transfer of funds from such entities who are not clients of the Member, which amounts to third party funding for clients, as indicated at para 4 (a) of the SCN, the member submitted that all the entities mentioned at para 4 (a) of the SCN, were 'intending clients' who had issued cheques as and by way of margin, but due to "inadvertent circumstances" they did not comply with the KYC requirements and due to clerical mistake of staff, the funds were deposited in client account and subsequently those were returned to these 'intending clients'.

b) With respect to the charge of funding the clients as mentioned at para 4(b) of the SCN, it was submitted that whether the clients MTM pay in obligations are met or



3/1

✓

