

## Deals on NSEL with missing, inadequate stocks: Tax department

The National Spot Exchange (NSEL) crisis has deepened with the tax department confirming that transactions on the bourse were made against non-existent to inadequate stocks. "In some cases there are no stocks, in others the quantity of the stocks is below that claimed by some of the buyers," a senior income-tax official told ET.

Asked whether the survey had encompassed the premises of the promoter of NSEL - Financial Technologies - the tax official said, "We have not interrogated or searched the promoters' premises."

A brief visit by the Central Bureau of Investigation (CBI) to commodity market regulator Forward Markets Commission's (FMC) office on Friday fuelled speculation the national investigative agency could be roped in to probe the matter.


Phone calls and text messages to FMC Chairman Ramesh Abhishek for comment on the findings of tax authorities and on the CBI meeting at his office in Mumbai remained unanswered.


The survey results so far put a stamp of authenticity on speculation that many of the 24 buyers have borrowed money without having stocks in the NSEL accredited warehouses.

### Missing Links

₹174 cr Amount to be paid every Tuesday for next 20 weeks	₹92 cr Money actually garnered for first payout
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₹40 L Pay-in up to  
Thursday

 **NSEL to auction stocks  
of 9 declared defaulters**

 **But I-T dept's findings  
mean recovery seems  
unlikely**

#### THE DEFAULTING BORROWERS

ARK Imports, Loil Overseas  
Foods, Lotus Ref, NK Proteins,  
NCS Sugars, Spin Cot Textiles,  
Tavishi Ent, Vimladevi  
Agrotech & Yathuri Associates

As declared by NSEL

The results of the survey coincide with NSEL having declared nine of the buyers who failed to make their payout on Tuesday as defaulters.

### Recovering Money Difficult

The exchange, according to its byelaws, will now auction the stocks belonging to the defaulters to pay back investors their money. However, the I-T Department's revelations on stocks have made the recovery of investors' money by auctioning the stocks a distant dream. Many of the borrowers were unable to meet their pay-in obligations, resulting in the first weekly payout by the exchange to 148 member brokers on Tuesday being unsuccessful.

While the first payout garnered Rs 92 crore of the Rs 174 crore that has to be paid every week for the next 20 weeks starting this Tuesday, buyers are likely to default big time on the second settlement the coming Tuesday.

The pay-in up to Thursday has been a measly Rs 40 lakh, data on NSEL shows. The exchange makes payout to members on Tuesday each week with pay-in happening on the preceding Friday.

The nine borrowers declared as defaulters by NSEL include ARK Imports, Loil Overseas Foods, Lotus Refineries, NK Proteins, NCS Sugars, Spin Cot Textiles, Tavishi Enterprises, Vimladevi Agrotech and Yathuri Associates.

In a separate development, the exchange is learnt to be in the process of appointing one of the three audits and consultancy firms Grant Thornton, Ernst & Young and Deloitte to conduct a forensic audit of its books.

The decision is likely to be taken on Monday. NSEL suspended trading of contracts, which allegedly allowed some members to borrow money against stocks with an agreement to buy back the stock at the end of 25-30 days along with an annualised interest payment of 14-15%.

*(Economic Times)*