

## **NSEL faces another payout default**

Pressure is mounting on Jignesh Shah and Financial Technologies, the promoter of National Spot Exchange (NSEL), as the bourse stares at yet another payout default with borrowers having paid just . 11.90 crore to the bourse against the Rs 174 crore it has to pay back investors every week.

While some brokers and investors contemplated filing a criminal complaint against the NSEL board and management given the looming default, a representative from AZB Partners, appointed as legal counsel by brokers , advised against such a move as the matter would then become "sub judice" and all actions would be "court directed" , tying their hands.

Angry brokers also planned to boycott trading across all financial markets — stocks, bonds and commodities — on Friday, but Motilal Oswal, chairman of the eponymous financial services firm, said this might be diluted to boycotting trading on MCX, an FT group company.

"Possibilities of legal action, boycotting trade, etc, were discussed," said Oswal. "There is a lot of anguish among brokers and investors against the government, which has not taken any action against the promoters and management of NSEL.

No details seem to be forthcoming on audit of stocks or the money trail..." Oswal's comments come amid initial findings of the income tax department that Rs 5,500 crore was borrowed from 13,000 investors against inadequate to non-existent stocks lying in most NSEL accredited warehouses.

Investors also had a meeting with FMC chairman Ramesh Abhishek, who, according to an NSEL investor, Arun Dalmia, told them that the regulator was not a "recovery agent" and that its role was confined to that of a supervisor under Section 27 of the FCRA Act, which puts spot exchanges out of the FMC's jurisdiction. Attempts to contact Abhishek were unsuccessful.

The NSEL has filed complaints with "investigation authorities" against five of the nine defaulters who had failed to meet the first pay-in obligations, a company release said. The five defaulters are Ark Imports, Lotus Refineries, NK Proteins, Vimladevi Agrotech and Yathuri Associates, "who did not have adequate commodities in the warehouses , which is against the mechanism specified in the exchange circulars".

Non-delivery of commodities or its withdrawal is a breach of faith and breach of contractual arrangements. The exchange will also take similar recourse against other defaulting members who are not cooperating, the release said. The payouts so far have been far less than the Rs 174 crore the exchange has to realise and pay out to investors from borrowers every week for 20 weeks beginning August 20.

The first payout was only Rs 90 crore. Meanwhile, The National Bulk Handling Corporation (NBHC) its exposure to NSEL warehouses is less than 3%.

*(Economic Times)*