

ADDITIONAL DEPOSITION

ADDITIONAL SUBMISSIONS
OF SHRI HARSHAD S. MEHTA BEFORE
JOINT PARLIAMENTARY COMMITTEE
ON 19TH APRIL, 1993.

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19th April, 1993.

Shri Ramnivas Mirdha,
Chairman
Joint Parliamentary Committee,
7 Loodhi Estate,
New Delhi 110 003.

Respected Shri Mirdhaji,

I understand from the newspapers that the Joint Parliamentary Committee (JPC) is at an advanced stage of finalizing its report. I have also read the contents of the same through the newspapers. I take this opportunity to thank the Committee for providing me an opportunity of hearing on 12th November 1992. In my earlier deposition, I have drawn attention of the Committee to the fact that I have been handicapped due to a break down in my organization and my deposition was without referring and access to my books of accounts, without help of my employees and without access to my office. The conditions today are not very much different, except that only last week the Income Tax Department has provided me with a copy of data seized by them in their raid on 28th February, 1992.

During the past few months, I have made sincere effort to put together a picture of my asset base. I have been complaining that the Investigating agencies have been moving on a predetermined path. I had also requested the Committee, not to draw surmises on the versions of Janakiraman Committee, CBI and RBI, but should provide a fair opportunity to me so as to get the complete facts and not an exaggerated, distorted and biased version. At this critical juncture, I deem it fit to throw light on certain key facts by making additional submissions / clarifications so that the Committee does not draw wrong conclusions. I am confident that the Committee will view it dispassionately.

Thanking you,

Yours faithfully,

Sd/-
(Harshad S. Mehta)

STATUS OF ASSETS AND LIABILITIES

I INVITE ATTENTION OF THE COMMITTEE TO MY EARLIER DEPOSITION ON 12TH NOVEMBER, 1992 WHEREIN I HAD PROVIDED A PICTURE OF ASSETS AND LIABILITIES. THE TOTAL LIABILITIES AS PER THE FIR'S WAS PLACED AT RS.1494.06 CRORES. I HAD SUBMITTED THAT THE LIABILITIES ARE EXAGGERATED AND ARE ARRIVED AT WITHOUT RECONCILIATION WITH MY ACCOUNTS. I CONTENDED THAT MY LARGE RECEIVABLES FROM BANKS HAVE BEEN IGNORED.

IN LAST FEW MONTHS IT HAS EMERGED THAT MY LIABILITIES HAVE BEEN EXAGGERATED BY AN AMOUNT OF RS.146 CRORES. THERE HAS BEEN AN INSTANCE OF RS.76.03 CRORES COUNTED TWICE OVER BY NHB AND SBS. IN YET ANOTHER INSTANCE, THERE IS AN EXCESS CLAIM OF ABOUT RS.70 CRORES BY SBI CAP – BOMABY FOR 3.70 UNITS. BESIDES, I HAVE REPEATEDLY POINTED OUT THAT MY MONEY MARKET ASSETS OF MORE THAN RS.250 CRORES WERE LYING AT NHB THIS FACT HAS BEEN SUPRESSED UNTIL DATE.

I HAD ALSO POINTED OUT TO THE COMMITTEE AN APPROXIMATE PICTURE OF OUR ASSET BASE. I HAD INDICATED AN AMOUNT OF RS.250 CRORES FOR ASSETS LYING WITH NHB AND AN AMOUNT OF RS.200 CRORES AS PENDING RECEIVABLES OF MONEY MARKET. SINCE THEN, DESPITE SEVERE CONSTRAINTS, I HAVE FURNISHED TO THE OFFICE OF THE CUSTODIAN DETAILS OF MY CLAIMS IN MONEY MARKET. THE TOTAL AMOUNT OF CLAIMS COMES TO RS.1464.97 CRORES WHICH IN EFFECT WILL REDUCE MY LIABILITY BY RS.900.98 CRORES AND I UNDERSTAND THAT THE OFFICE OF THE CUSTODIAN HAS ALREADY STARTED RECOVERY OF THE AMOUNTS. I AM LIKELY TO FILE FURTHER DETAILS OF MY ASSETS AND RECEIVABLES. I AM ENCLOSING CHARTS CONTAINING DETAILS OF LIABILITIES AND ASSETS. I AM SURE THE COMMITTEE WILL APPRECIATE MY CONSERVATIVE ASSESSMENTS IN PROVIDING DETAILS AS THE TOTAL FIGURE OF MY MONEY MARKET ASSETS AND RECEIVABLES COMES TO RS.869.89 CRORES AGAINST MY INDICATION AS ABOVE OF RS.450 CRORES.

I ONCE AGAIN WISH TO DRAW THE ATTENTION OF THE COMMITTEE THAT MY ASSETS ARE BEING TOTALLY NEGLECTED AND MISMANAGED RESULTING INTO LOSSES RUNNING INTO CRORES CAUSING A LARGE EROSION IN VALUE.

I AM ENCLOSING A STATEMENT CONTAINING DETAILS OF PAYMENTS EFFECTED TO BOMBAY STOCK EXCHANGE BY THREE BROKERAGE FIRMS IN THE GROUP BETWEEN APRIL 1991 TO APRIL, 1992. THE AMOUNT IS ONLY RS.154 CRORES. THIS CONCLUSIVELY PROVES THAT I HAVE NOT FUELLED THE BOOM. I CAN CERTAINLY BE CHARGED FOR BEING EXTREMELY OPTIMISTIC IN A GLOOMY ENVIRONMENT PREVAILING EARLIER. I CONTINUE TO BE OPTIMISTIC EVEN TODAY.

BASED ON STATISTICAL EVIDENCE IT CANNOT BE SAID THAT I CREATED AN ARTIFICIAL BOOM IN THE CAPITAL MARKET. MUCH LARGER FUNDS HAVE ENTERED THE MARKET FROM OTHER PLAYERS BUT AS A CONTRARIAN INVESTOR, I WAS MORE VISIBLE.

CHARGES :

I CREATED AN ARTIFICIAL BOOM IN CAPITAL MARKET.

SUBMISSIONS :

1. MY GROUP HAS BEEN LONG TERM INVESTOR AND HAS NOT SPECULATED. WE HAVE BEEN HIGHLY RESEARCH ORIENTED IN DECISION MAKING.
2. WE WERE BULLISH ON THE MARKET FROM BSE INDEX LEVEL OF 956 RECORDED ON 25TH JANUARY, 1991. WE EFFECTED OUR PURCHASES LARGELY UPTO INDEX LEVEL OF 2200.
3. WE HAVE ALWAYS HELD OUT TO INVESTORS THAT THEY SHOULD EXERCISE CAUTION IN INVESTMENT DECISIONS. IN MARCH, 1992 WE ISSUED A PUBLIC NOTICE SCOTCHING THE RUMORS AND DENYING OUR RUMORED TAKE OVER OF MORE THAN 15 COMPANIES. WE HAVE NEVER MISLEAD INVESTORS.
4. THE LARGEST AND FASTEST BOOM IN THE MARKET TOOK PLACE FROM 28TH FEBRUARY, 1992 UPTO 2ND APRIL, 1992 WHERE THE INDEX GALLOPED BY 1700 POINTS FROM 2800 TO OVER 4500. THIS UNPRECEDENTED RISE SURPRISED US AS MUCH AS ANYONE ELSE. OUR FORECAST MADE PUBLIC IN AN INTERVIEW IN EARLY FEBRUARY, 1992 WAS THAT THE INDEX WILL RISE TO 3000-3500 LEVEL BY MARCH, 1993.
5. ON THE DAY OF THE BUDGET, THE MARKET WAS HEAVILY SHORT SOLD WITH HUGE OUTSTANDING SALE POSITIONS OF A SELECT SET OF BEARS. THE POST BUDGET BOOM WAS A RESULT OF PANIC BUYING BY THE BEARS AND NOT ON MY ACCOUNT.
6. AS PER FINDINGS OF A STUDY UNDERTAKEN BY SEBI, OUR GROUP, INCLUDING OUR CLIENTS, LAST YEAR INVESTED IN THE MARKET AN AMOUNT OF ONLY RS.128 CRORES.

CHARGE :

I DIVERTED PUBLIC FUNDS TO CAPITAL MARKET FOR PERSONAL ENRICHMENT.

SUBMISSIONS :

- 1) THE TOTAL CLAIMS OF LIABILITY FILED AGAINST ME IN THE COURT AMOUNT TO RS.830.25 CRORES. THE TOTAL LIABILITY AS ESTIMATED BY THE JANAKIRAMAN COMMITTEE COMES TO ABOUT RS.1494 CRORES.
- 2) TILL DATE, I HAVE SUBMITTED CLAIMS TO THE OFFICE OF CUSTODIAN FOR THE RECOVERY OF ASSETS AND RECEIVABLES AMOUNTING TO RS.1464.97 CRORES WHICH WILL REDUCE MY LIABILITY BY RS. 900.98 CRORES. THE OFFICE OF THE CUSTODIAN HAS ALREADY STARTED RECOVERY OF THE AMOUNTS.
- 3) ONLY LAST WEEK I HAVE BEEN HANDED OVER THE DATA SEIZED BY THE INCOME TAX DEPARTMENT ON 28TH FEBRUARY, 1992. MY ORGANISATION IS STILL CRIPPLED. SHORTLY, HOWEVER, I WOULD BE FILING DETAILS OF MANY MORE CLAIMS.
- 4) TILL DATE, IT IS DISCOVERED BY CBI THAT MY LIABILITY IS EXAGGERATED BY AN AMOUNT OF ABOUT RS. 146 CRORES. A CLAIM OF RS.76.03 CRORES IS COUNTED TWICE OVER BETWEEN NHB AND SBS. THERE IS ALSO AN EXCESS CLAIM OF ABOUT RS.70 CRORES BY SBI CAPS, BOMBAY FOR 3.70 CRORE UNITS. THE CLAIMS ON ME NEED TO BE WHETTED AND RECONCILED. THE JANAKIRAMAN COMMITTEE IN ITS 4 REPORTS PUBLISHED TILL DATE HAS NOT PROVIDED DETAILS OF MY MONEY MARKET ASSETS OF OVER RS.250 CRORES LYING AT NHB. THESE AASETS INCLUDE PHYSICAL BONDS AND BANK RECEIPTS DULY PAID FOR BY ME.
- 5) TO THE EXTENT OF MY ASSETS AND THE CLAIMS LODGED BY ME, THE CHARGE OF DIVERSION CANNOT HOLD GOOD.

- 6) THERE HAVE BEEN SOME INSTITUTIONS AND CORPORATE BODIES WHO HAVE DONE CLEAN LENDING TO MY FIRM FOR DEPLOYMENT TO FETCH THE BEST POSSIBLE RETURNS WITH A TOTAL FREEDOM OF CHOICE OF INSTRUMENTS. SUCH MONIES WILL ALSO HAVE TO BE DEDUCTED WHILE COMPUTING THE AMOUNTS THAT HAVE ALLEGEDLY FLOWN TO THE CAPITAL MARKET WITH THE AWARENESS AND ACQUIESCENCE OF THE LENDERS, OBVIOUSLY THERE CANNOT BE A CHARGE OF DIVERSION. SUCH INVESTMENTS THROUGH MY FIRM IS JUST LIKE INVESTMENTS MADE UNDER THE PORTFOLIO MANAGEMENT SCHEMES OF BANKS.
- 7) THE PUBLIC SECTOR UNDERTAKINGS (PSUs) HAVE DEPLOYED MONEY THROUGH MY FIRM AGAINST MONEY MARKET INSTRUMENTS AND THESE FUNDS HAVE DEFINITELY NOT FLOWN TO CAPITAL MARKET. MOREOVER, ALL SUCH FUNDS HAVE BEEN DULY REPAYED WITH INTEREST.
- 8) THERE IS NO SELF ENRICHMENT AS THE INSTITUTIONS WHO HAVE LENT MONEY HAVE SECURED THE BEST OF THE TERMS IN EACH AND EVERY TRANSACTION. THERE IS NO WRONGFUL LOSS TO THE INSTITUTION AND WRONGFUL GAIN TO ME. THE DEALS CARRIED WITH MY FIRM CAN BE SCRUTINISED TO ASCERTAIN THEIR RETURNS. FOR INSTANCE, THE SBI IN LAST ONE YEAR ALONE HAD MADE A PROFIT OF MORE THAN RS.200 CRORES THROUGH MY FIRM. NOT A SINGLE ORGANISATION HAS CHARGED ME FOR ANY UNCOMPETITIVE PRICES. THERE HAS BEEN NOT A SINGLE CASE OF ANY COMPENSATORY DEALS INVOLVING ANY TRANSFER OF FUNDS FROM BANKS TO ME IN THE NATURE OF PROFITS. I CAN CITE ONE OF THE SENIORMOST OFFICERS STATING THAT SBI HAS MADE NOT LESS THAN RS.200 CRORES OUT OF THE DEALS WITH ME.

A THOROUGH SCRUTINY OF MY DEALS WILL BRING OUT CLEARLY THAT THE BANKS CHOSE TO DEAL WITH ME FOR MAXIMISING THEIR PROFITS AND NOT FOR FAVOURING ME. I ENJOYED THEIR TOTAL CONFIDENCE. NO FUNDS OR PSU MONEY HAVE BEEN DIVERTED TO CAPITAL MARKET IN AN UNAUTHORISED MANNER.

CHARGE :

I HAVE BRIBED PUBLIC SERVANTS TO SECURE FAVOURS.

SUBMISSIONS :

1. I HAVE NOT SECURED ANY FAVOURS FROM PUBLIC SERVANTS BUT CONDUCTED MY BUSINESS ON MERIT. THE ALLEGATIONS ARE TOTALLY BASELESS.
2. IN MY GROUP, THERE ARE THREE BROKERAGE FIRMS ENGAGED IN BUYING & SELLING OF SHARES. IN OUR LIST OF CLIENTS, WE HAVE SOME BANKERS AND PUBLIC SERVANTS WHO OBTAINED OUR SERVICES FOR PURCHASE AND SALE OF SHARES. PARTICIPATION IN THE STOCK EXCHANGE IS BECOMING A UNIVERSAL PHENOMENON. OUR FIRMS, DUE TO THEIR RESEARCH SET UP, HAD A REPUTATION OF IDENTIFYING EXCELLENT OPPORTUNITIES IN THE EXCHANGES. THIS WAS A WIDELY KNOWN AND ACCLAIMED FACT. THE BANKERS AND PUBLIC SERVANTS ENGAGED OUR SERVICES AS BROKERS AND THEIR TRANSACTIONS ARE DULY REFLECTED IN OUR BOOKS OF ACCOUNT. THE CHARGES OF BRIBE EMANATE FROM ALLEGED "DISCOVERY" OF THESE TRANSACTIONS AND THE SAME ARE NOTHING BUT CONJECTURES AND SURMISES OF INVESTIGATING AGENCIES. THERE IS NO WAY OUR BROKERAGE FIRMS COULD HAVE REFUSED TO CARRY OUT THESE TRANSACTIONS. AN ATTEMPT IS BEING MADE TO GIVE PURELY COMMERCIAL TRANSACTIONS A COLOUR OF CRIMINALITY. THE SO CALLED EVIDENCE IN THE POSSESSION OF CBI IS NOTHING BUT THE DETAILS OF TRANSACTIONS AND PAYMENTS EFFECTED BOTH WAYS, IN A TOTALLY LEGAL MANNER.

CHARGE :

CHEQUES IN FAVOUR OF BANKS HAVE BEEN CREDITED TO MY ACCOUNT.

SUBMISSIONS :

1. A DETAILED OUTLINE OF ROUTING FACILITIES OFFERED BY BANKS HAS ALREADY BEEN SUBMITTED IN MY DEPOSITION ON 12TH NOVEMBER, 1992.
2. OTHER THAN THE BROKERS, THE BANKS HAD ALSO BEEN EFFECTING THE FACILITY FOR THEIR CORPORATE CLIENTS. FOR EXAMPLE, SBI HAD BEEN CREDITING CHEQUES DRAWN IN ITS FAVOUR TO THE ACCOUNT OF ONGC, INDIAN OIL CORPORATION, SBI CAP. MARKETS, ETC.
3. THE CHEQUES WHICH WERE CREDITED TO MY ACCOUNT WERE FOR THOSE TRANSACTIONS MEANT FOR ME AND NOT FOR THE BANK IN WHOSE FAVOUR THE CHEQUES WERE DRAWN.
4. WITH A VIEW TO SHIFTING THE BLAME, THE RBI IS NOW SEEKING TO CONTEND, WITH RETROSPECTIVE EFFECT, THAT THE BROKERS ACCOUNT SHOULD NOT HAVE BEEN CREDITED. EVEN THE MIGHTY SBI HAS SUCCEDED TO THE PRESSURE OF RBI FOR CREDITING CHEQUES OF NHB.
5. MY TWO LETTERS TO SBI, ON WHICH MANY SENIORMOST OFFICIALS UPTO THE LEVEL OF DY. GENERAL MANAGER OF THE BANK IN CHARGE OF THE BRANCH HAVE MADE COMMENTS FOR RECOMMENDATION AND APPROVAL OF THE FACILITY. THIS CLEARLY SUGGEST THAT THERE WAS NO COMPULSION ON THEM TO GRANT THE FACILITY.

I SUGGEST THAT THE COMMITTEE MAY EXAMINE THIS MUCH TALKED ABOUT ISSUE AND GIVE SUGGESTIONS FOR FUTURE. THE COMMITTEE WOULD OTHERWISE MAKE A GRAVE ERROR OF ABSOLVING THE RBI AND THE BANKS AND FIXING THE ENTIRE BLAME ONLY ON BROKERS.

CHARGE :

ALLEGATIONS ARE BEING MADE THAT I HAVE FOREIGN ACCOUNTS AND I HAVE SIPHONED OFF FUNDS FROM THE COUNTRY.

SUBMISSIONS :

THE ABOVE CHARGES ARE NOT ONLY BASELESS BUT VERY MISCHIVIOUS. I AND MY FAMILY MEMBERS, CATEGORICALLY DENY HAVING ANY FOREIGN ACCOUNT / FOREIGN WEALTH AND THAT WE HAVE NOT SIPHONED OFF ANY MONEY ABROAD. EARLIER I HAE MADE AN OFFER TO THE JPC THAT WE ARE WILLING TO MAKE AN AUTHORITY LETTER ADDRESSED TO ANY BANK IN THE WORLD IN FAVOUR OF THE INVESTIGATING AGENCIES TO ENQUIRE INTO THE EXISTENCE OF ANY ACCOUNT. THIS WILL CUT SHORT NOT ONLY THE CUMBERSOME LEGAL PROCESS BUT WILL IMMEDIATELY PUT TO REST SPECULATIONS IN THIS REGARD. I REITERATE MY OFFER TO PROVE OUR BONAFIDES. IN THE MEANTIME, A MOTIVATED CAMPAIGN CARRIED OUT BY ABUSING OFFICIAL MEDIA SHOULD BE ENQUIRED INTO.

SBI FIR

SUBMISSIONS:

1. SBI HAD A DUAL RELATIONSHIP WITH ME. IN ONE CAPACITY I ACTED AS THEIR BROKER AND IN THE SECOND CAPACITY I WAS THEIR CLIENT ENJOYING FACILITIES OFFERED BY THEM.
2. SBI OFFERED BUSINESS TO ME TOTALLY ON MERITS. I HAVE RENDERED COMPETITIVE QUOTES AND MET WITH THEIR NEEDS.
3. ONE OF THE SPECIFIC NEED OF THE BANK WAS TO PLACE OUT THEIR HIGH COST 11.5% 2010 SECURITY AT SUBSTANTIALLY HIGHER RATES THAN THE PREVALENT MARKET RATES. THIS REQUIRED A LARGE FUNDING OF DIFFERENCE RUNNING INTO CRORES. THIS DIFFERENCE HAD TO BE FUNDED BY ME. SBI HAD REPORTEDLY GOT STUCK UP IN 11.5% 2010 SECURITY BY PURCHASING THEM AT A HIGH COST WHEREAS THE MARKET RATES TUMBLED SHARPLY. THE DROP IN MARKET RATE WOULD HAVE COMPELLED SBI TO PROVIDE FOR LOSSES AND TO CIRCUMVENT IT, THE SECURITY WAS REQUIRED TO BE PLACED OUT AT BOOK COST. THE SBI EXECUTED THESE DEALS BY MAKING ME FUND THE DIFFERENCE RUNNING INTO CRORES.
4. THE SBI HAD A LARGE VOLUME OF BUSINESS WITHOUT THE MATCHING SYSTEM. OUR ACCOUNTS RAN INTO ARREARS AND NEEDED RECONCILIATION. I OWED DELIVERY OF SECURITIES AND ALSO HAD TO RECEIVE SECURITIES FROM THEM. IN APRIL 1992, I MADE THE REPAYMENT TO THEM AS PER THEIR DEMANDS WITHOUT CARRYING OUT A RECONCILIATION AS MY BOOKS WERE UNDER THE SEIZURE OF INCOME TAX DEPARTMENT.

5. THE SBI, IN MY CAPACITY AS A CLIENT, HAD OFFERED ME A FACILITY OF CREDITING AND DRAWING OF INTER-BANK CHEQUES. I REQUESTED FOR THIS FACILITY ON 19TH AUGUST, 1991 AND ONCE AGAIN ON 10TH JANUARY, 1992. THE BANK TREATED ME AS A VALUED CUSTOMER AND GRANTED ME THE ABOVE FACILITY. THE SANCTION OF THIS FACILITY WAS OBTAINED FROM A LEVEL OF THE DEPUTY GENERAL MANAGER OF THE BANK WITH INVOLVMENT OF OTHER OFFICIALS. THE CHEQUES WERE GETTING CREDITED AS PER THE SACNTIONED FACILITY AND I HAD NOT COMPELLED OR COLLUDED WITH ANYONE FOR THIS FACILITY. EVEN TILL DATE, MY ACCOUNTS FOR THE TRANSACTIONS CARRIED OUT UNDER THIS ARRANGEMENT REMAIN TO BE RECONCILED. IT CANNOT BE ALLEGED THAT MY ACCOUNT WAS GETTING WRONGLY CREDITED WHEN THERE EXISTS A SANCTION.

NHB FIR**SUBMISSIONS :-**

1. I HAVE BEEN DEALING WITH NHB FOR OVER MORE THAN A YEAR. DURING THIS TIME, IT HAS DONE A LARGE VOLUME OF BUSINESS.
2. NHB SECURED BEST OF THE TERMS FOR EACH OF ITS TRANSACTIONS.
3. NHB WAS RISK AVERSE AND PREFERRED DEALS GIVING ASSURED PROFITS.
4. NHB UNDERTOOK ROUTING TRANSACTIONS AND WAS SHARING PROFITS.
5. TO MAXIMISE RETURNS, NHB WAS PLACING FUNDS IN A VAREITY OF WAYS WHICH INCLUDED CALL LENDING, READY FORWARD, CLEAN LENDING, ETC.
6. THE TRANSACTIONS WERE CARRIED THROUGH MY FIRM WITH TOTAL KNOWLEDGE OF ALL THE EXECUTIVES INCLUDING THE CHAIRMAN.
7. I HAVE NOT COLLUDED WITH OR BRIBED ANYONE IN NHB.
8. ONE OF MY COUSIN, WHO IS AN INDEPENDENT SUB-BROKER, CARRIED PERSONAL INVESTMENT TRANSACTIONS FOR LATE SHRI M.J. PHERWANI, I CAME TO KNOW ABOUT THEM ONLY AT THE POINT OF THE CBI INVESTIGATION.
9. MY OPERATIONS CAME TO A SUDDEN HALT WHICH AFFECTED MY HONOURING OF COMMITMENTS RESULTING INTO A LARGE OUTSTANDING.
10. NHB IS HOLDING MY SECURITIES OF MORE THAN RS.250 CRORES.

UCO BANK

SUBMISSIONS:

1. I HAD A DUAL RELATIONSHIP WITH UCO BANK. UCO BANK WAS OFFERING FROM ITS HAMAM STREET BRANCH, BOMBAY A ROUTING FACILITY TO BROKERS. UNDER THIS FACILITY, IT WAS UNDERTAKNG EXECUTION OF TRANSACTIONS FOR ALMOST ALL MONEY MARKET BROKERS. IT HAD OFFERED A FACILITY TO ISSUE AND RECEIVE BANK RECEIPTS AND SGL FORMS AND TO ISSUE AND RECEIVE BANKERS CHEQUE FOR MONEY MARKET TRANSACTIONS. FOR THIS PURPOSE, IT WAS CHARGING A COMMISSION. UCO BANK HAS CONDUCTED DEALS RUNNING INTO THOUSANDS OF CRORES ON BEHALF OF ITS BROKER CLIENTS. THE BANKS DEALING WITH UCO BANK ALSO HAD A KNOWLEDGE THAT THEY ARE DEALING WITH BROKERS ONLY, WITH UCO BANK OFFERING ROUTING FACILITY. IN EFFECT, IT WAS A NAME LENDING DONE BY THE BANK. THE COMMISSION INCOME OF THE BRANCH RAN INTO CRORES AND IT WAS MOST PROFITABLE ACTIVITY FOR THE BANK. IT SUITED ENTIRE MARKET TO RECORD UCO BANK AS COUNTERPARTY FOR BROKER TRANSACTIONS.
2. I HAVE ALSO ACTED AS A BROKER FOR THE BANK FOR EXECUTING THEIR TRANSACTIONS BOTH IN THE MONEY AND CAPITAL MARKET. MY BUSINESS VOLUME WAS COMPARATIVELY LOWER AND THE DEALS WERE PUT THROUGH ONLY ON MERITS. DUE TO ITS POOR FINANCIAL HEALTH, LATELY THE BANK DECIDED TO GET ACTIVE IN THE MARKET TO ARREST THE LOSSES BEING FACED BY IT. THE BANK HAD DECIDED TO SEIZE EVERY BUSINESS OPPORTUNITY PARTICULARLY, STRUCTURED DEALS OFFERING ASSURED PROFITS.
3. MY FIRM CARRIED OUT SEVERAL DEALS FOR THE BANK GIVING ASSURED PROFITS. IN THE AREA OF CALL MONEY, WE HELPED THE BANK BY PROCURING FUNDS AT CHEAPER COST WITHOUT CHARGING ANY COMMISSION TO THE BANK. MY FIRM PLAYED AN ACTIVE ROLE IN BRINGING DOWN THE COST OF BORROWING FOR THE BANK AND THUS SAVED CRORES OF RUPEES FOR THEM.

4. IN THE MONTH OF MARCH, 1992 WE CARRIED OUT A TRANSACTION OF BILLS DISCOUNTING AGAINST SHARES. ON ONE HAND, THE BANK CHARGED US AN INTEREST RATE OF 22.75% AND ON THE OTHER HAND THE SAME MONEY WAS BORROWED FOR THE BANK AT 17.75%. THUS SAVING A CLEAN 5% AS PROFIT FOR THE BANK. THE MARKET WAS ALREADY DOING SEVERAL TRANSACTIONS OF FUNDING OF SHARES THROUGH DRAWING OF BILLS. THE SHARES WERE PURCHASED BY MY GROUP FIRMS AND THE BILLS WERE REQUIRED TO BE RETIRED BY 23RD APRIL, 1992.
5. AT THE TIME OF MATURITY OF THE BILLS, MY OPERATIONS WERE DEEPLY AFFECTED AND HAD COME TO A STANDSTILL DUE TO THE NEWSPAPER REPORTS OF THE ALLEGED SCAM. THE OPERATIONS WERE PARALYSED SUDDENLY AND THE MONIES RECEIVABLE BY ME HAD ALSO STOPPED FLOWING. TO HONOUR THE COMMITMENT IN FACE OF SUCH ACUTE AND TOTALLY UNFORSEEN PROBLEM, I OFFERED THE BANK TO PURCHASE SHARES FROM ME AS PER ITS CHOICE FROM A BASKET OF BLUE CHIP PORTFOLIO. SO AS NOT TO JEOPARDISE THE RECOVERY OF FUNDS, THE BANK DECIDED TO PURCHASE SHARES FROM ME OF TWO BLUE CHIP COMPANIES VIZ. CASTROL INDIA AND GUJARAT AMBUJA CEMENTS. THESE SHARES WERE OFFERED BY ME AT A FAIR DISCOUNT TO MARKET PRICES PREVAILING ON THE DATE OF THE DEAL. THE SHARES WERE DULY DELIVERED AND THE PAYMENTS RECEIVED. THE FUNDS WERE UTILISED TO RETIRE THE OUTSTANDING BILLS AND THUS THE BANK RECOVERED ITS DUES. SINCE THEN, THE SHARE PRICES OF ABOVE COMPANIES HAVE FALLEN DUE TO THE PREVAILING MARKET CONDITIONS THOUGH THE FALL IS RELATIVELY MARGINAL AS COMPARED TO THE REST OF THE MARKET. THE CHOICE BEFORE THE BANK WAS TO EITHER RECOVER THE FUNDS THROUGH PURCHASE OF SHARES OR FACE THE PROSPECT OF DEFAULT.
6. THE CBI IS NOW MAKING OUT A CASE OF A FAVOUR BY THE BANK TO ME. A BUSINESS TRANSACTION WITH AN ASSURED PROFIT FOR THE BANK FROM DAY ONE CANNOT BE CONSIDERED AS A FAVOUR. THE DECISION TAKEN BY THE BANK OF GIVING PRIORITY TO RECOVERY TO SAVE DEFAULT IN THE THEN PREVAILING EXCEPTIONAL CIRCUMSTANCES WAS MOST PRUDENT BUSINESS DECISION AND TOTALLY IN THE INTEREST OF THE BANK.'

7. THE CBI HAS ALSO LODGED FIR'S FOR MY TRANSACTIONS WITH PFC, ONGC AND MARUTI UDYOG CARRIED OUT UNDER THE ROUTING FACILITY OFFERED BY THE HAMAM STREET BRANCH. I HAVE OFFERED THE BEST OF THE RATES FOR EACH AND EVERY TRANSACTION CARRIED WITH THE ABOVE PSUs. THE FUNDS HAVE BEEN DEPLOYED BY THEM IN THE MONEY MARKET (DEFINITELY NOT IN CAPITAL MARKET) AGAINST THE SECURITY OF ASSETS. THESE ORGANISATIONS HAVE BEEN DEPLOYING FUNDS THROUGH OTHER MONEY MARKET BROKERS ON THE SAME LINES BUT CBI HAS SINGLED OUT ONLY MY FIRM FOR LODGING FIR'S. THE FUNDS HAVE BEEN REPAID ALONGWITH INTEREST AND AS ON DATE THERE IS NO OUTSTANDING. SINCE THE CLIENTS HAPPENED TO BE IN DELHI AND THE FUNDS WERE REQUIRED IN BOMBAY AN ARRANGEMENT OF SAME DAY TRANSFER THROUGH GRINDLAYS BANK WAS MADE. THIS WAS WITH FULL AWARENESS AND CONSENT OF THE LENDING ORGANISATIONS. THE UCO BANK NEW DELHI BRANCH WAS NOT GEARED UP FOR EFFECTING THE TRANSFER OF FUNDS ON THE SAME DAY BASIS AND THERE WOULD HAVE BEEN LOSS OF INTEREST TO THE CLIENTS. IT WAS BUSINESS EXPEDIENCY WHICH GOVERNED THE DECISION OF ENGAGING SERVICES OF GRINDLAYS BANK. THE CBI IS OVERPLAYING ON MERE TECHNICALITIES AND GIVING A COLOUR OF CRIMINALITY TO MOST COMMONLY CONDUCTED BUSINESS TRANSACTIONS. THE FUNDS HAVE ALSO NOT FLOWN INTO CAPITAL MARKET.

SBI CAPS. FIR

SUBMISSIONS :-

1. SBI CAPS BOMBAY WAS AN ACTIVE MARKET PLAYER AND DID A GOOD VOLUME OF BUSINESS WITH MY FIRM.
2. I HAD AN EXCELLENT TRACK RECORD OF SERVICE TO THEM AND SECURED MY BUSINESS ON MERIT. EACH OF THEIR TRANSACTIONS CAN STAND SCRUTINY OF PROFIT.
3. SBI CAPS HAS LODGED AN INCORRECT CLAIM OF RS. 105 CRORES. IT HAS BEEN DISCOVERED BY CBI DURING INVESTIGATION THAT SBI CAPS IS HOLDING EXCESS 3.7 CRORES UNITS AND THE SAME HAS BEEN CLAIMED AS RECEIVABLE FROM ME.
4. I HAVE NOT BRIBED ANY OFFICIALS OF SBI CAPS AND NO WRONGFUL GAIN HAS BEEN MADE BY ME.
5. MY ACCOUNTS WITH SBI AND SBI CAPS ARE STILL TO BE RECONCILED.
6. ONE SHRI ASHOK AGARWAL WAS AN EXECUTIVE WITH SBI CAPS AND IS KNOWN TO ME THROUGH MY BUSINESS DEALINGS WITH SBI CAPS. HE RESIGNED FROM SBI CAPS TO START HIS OWN BUSINESS. THERE WAS A TREND WHERE BANKERS WERE LEAVING JOBS TO START THEIR OWN CONSULTANCY AND BROKERAGE FIRMS. SHRI. AGARWAL HAS NOT MADE ANY FAVOURS TO ME.

STATE BANK OF SAURASHTRA (SBS) FIR

SUBMISSIONS :-

1. SBS HAD A DUAL RELATIONSHIP WITH MY FIRM. I ACTED AS A BROKER TO THE BANK TO UNDERTAKE THEIR MONEY MARKET TRANSACTIONS.
2. SBS OFFERED A ROUTING FACILITY TO ME AS A CLIENT.
3. I CONDUCTED MY BUSINESS ON MERIT. SBS WAS LOOKING FOR DEALS WITH ASSURED PROFITS. IT INVITED PROFIT SHARING DEALS. FOR DEALS UNDERTAKEN BY ME IT WAS OFFERING ROUTING FACILITY UNDER WHICH THE CHEQUES AND SECURITIES WERE ISSUED AND RECEIVED ON MY ACCOUNT. THE BANK MADE SIZABLE PROFITS OUT OF THIS ACTIVITY.
4. MY ACCOUNTS WITH THIS BANK ARE YET TO BE RECONCILED.
5. ON ONE OCCASION ONE MR. SRINIVASAN AN EXECUTIVE OF THE BANK REQUESTED FOR A TEMPORARY LOAN OF RS.50,000/- FOR HIS WIFE WHICH WAS ARRANGED THROUGH MY BROTHER. THE SAME WAS RETURNED BACK WITH INTEREST. CBI HAS NOW LEVELLED A CHARGE THAT THE ABOVE LOAN WAS A BRIBE.
6. THE OUTSTANDING ISSUES WITH THE BANK ARE CIVIL MATTERS AND ARE BEING GIVEN A COLOUR OF CRIMINALITY.

FACTS RELATING TO SBI CAPITAL MARKETS LETD. – MADRAS

- BUSINESS WITH THEM WAS OF ROUTINE AND RETAIL NATURE
- MOST OF THE BROKERS WERE NOT INTERESTED IN THIS BUSINESS
- THE PERCENTAGE OF BUSINESS SECURED APPEARS TO BE HIGH BUT VOLUME WAS LOW. SBI CAP MADRAS WAS DOING MUCH LESS BUSINESS THAN SBI CAP BOMBAY
- IN THE PERIOD OF 15 MONTHS IN WHICH THE BUSINESS WAS TRANSACTED WITH THEM THERE WERE ABOUT 200 TRANSACTIONS. EACH OF LESS THAN RS.5 CRORES ON AN AVERAGE.
- DURING THE PERIOD 30TH MARCH, 1992 TO 6TH APRIL, 1992, IN 4 DEALS, THEY PLACED A SUM AGGREGATING TO RS.16.25 CR. ON READY-FORWARD BASIS.
- REVERSALS WHICH WERE DUE IN MAY, 1992, COULD NOT BE HONOURED BECAUSE OF FREEZING OF BANK ACCOUNTS TO HONOUR THE COMMITMENT I OFFERED SBI CAP MADRAS TO COLLECT MONEY FROM SBI WHICH WAS RECEIVABLE BY ME AS MY OPERATIONS HAD COME TO A SUDDEN HALT. SBI DIDN'T AGREE TO THIS OFFER.
- SHRI L.V. SHARMA (LVS) EX- SBI CAP EMPLOYEE JOINED HSM GROUP DURING 1989-90 AS PRESIDENT – MARKETING AND CORPOTATE SERVICES.
- AMONGST SEVERAL OTHER CLIENTS LVS USED TO CONTACT SBI CAPITAL MARKETS LTD. – MADRAS.
- SUGGESTION OF COLLUSION BETWEEN LVS AND PERSONNEL OF SBI CAPITAL MARKETS LTD. IS NOT ONLY FALSE BUT PREPOSTEROUS

FACTS RELATING TO ANZ GRINDLAYS BANK – OVERDRAFT ACCOUNTS

REPORTS HAVE APPEARED THAT ANZ GRINDLAYS HAS FAVOURED MY GROUP BY GRANTING ME A HUGE OVERDRAFT FACILITY AGAINST SHARES. THIS IS A CLASSIC CASE OF EXAGGERATION AND ALSO DISTORTION BY THE INVESTIGATING AGENCIES. THE FACTS ARE AS FOLLOWS:

- LOANS WERE OBTAINED FROM ANZ GRINDLAYS BANK – MADRAS AGAINST SHARES BY 19 ENTITIES IN THE GROUP UNDER THE “CASHETS” SCHEME OF THE BANK. THE TOTAL AMOUNT OBTAINED WAS LESS THAN RS.2 CRORES FOR ALL ENTITIES PUT TOGETHER. THESE LOANS WERE NORMAL BUSINESS LENDING DONE BY THE BANK MEETING THE RBI GUIDELINES AND WITH SECURITY OF SHARES. NORMAL COMMERCIAL RATE OF INTEREST HAS BEEN CHARGED. FOR THE NET WORTH OF THE GROUP, THE ABOVE AMOUNTS IS PITTANCE. SUCH LOANS WITH MUCH LARGER AMOUNTS ARE BEING REGULARLY GRANTED TO MANY OTHER ENTITIES. NO VIOLATION OR ELEMENT OF FAVOUR IS BEING POINTED OUT AND MERELY BASELESS CHARGES ARE BEING LEVELLED. THERE SEEMS TO BE AN OBSESSION TO PAINT A PICTURE AS IF THE BROKERS ARE BEING FAVOURED AND THE BANKS ARE SUFFERING.

FACTS RELATING TO CITIBANK – ACCOMODATION OF RS.60 CRORES

ON 10TH APRIL, 1992, I RECEIVED A CHEQUE OF RS.60 CRORES TOWARDS SALE OF SHARES EFFECTED BY ME. THE SALE INCLUDED 10 LAC SHARES OF RELIANCE @Rs.400/-. SHRI HITEN P. DALAL HAS APPARENTLY RAISED THIS AMOUNT FROM CITIBANK WHO ISSUED THIS CHEQUE FOR THEIR PURCHASE OF 15 LAC SHARES OF RELIANCE. THE CHEQUE HAS BEEN DEPOSITED BY ME IN MY ACCOUNT WITH ANZ GRINDLAYS BANK AS THE SAME WAS DUE TO ME FOR SALE OF SHARES. IT APPEARS THAT HITEN P. DALAL RAISED THE AMOUNT FROM CITIBANK BY A READY FORWARD OF 4 DAYS AGAINST 15 LAC SHARES OF RELIANCE. I HAVE NOT DEALT WITH CITIBANK AND THERE IS NO ACCOMODATION TO ME.

THIS AGAIN IS A GROSS DISTORTION OF FACTS TO PAINT ME AS A RECIPIENT OF A FAVOUR FROM CITIBANK WHICH IS TOTALLY FALSE.

FACTS RELATING TO RBI REGISTRATION

I WISH TO SUBMIT THAT I ENTERED MONEY MARKET IN THE YEAR 1988. IMMEDIATELY I APPLIED TO THE RESERVE BANK OF INDIA (RBI) FOR MY EMPANELMENT AS I HAD MET THEIR GUIDELINE OF COMPLETING A BUSINESS VOLUME OF RS.5 CRORES. THE RBI ALSO OBTAINED POSITIVE PERFORMANCE REPORTS FROM BANK OF AMERICA, CANARA BANK, ETC. DESPITE REPEATED FOLLOWUP FOR CERTAIN STRANGE REASONS, RBI WAS NOT EMPANELING ME. THERE SEEMED TO BE SOME KIND OF A PRESSURE ON RBI FROM THE EXISTING APPROVED BROKERS TO NOT PERMIT NEW ENTRANTS. THE RBI WAS TOTALLY INSENSITIVE TO THE NEED OF THE MARKET AS IN PAST FOUR YEARS IT HAS HARDLY APPROVED 4 TO 5 NAMES. AT A TIME WHEN MARKET NEEDED LARGE NUMBER OF NEW BROKERS TO COPE UP WITH EXPLOSIVE GROWTH IN VOLUMES, THE RBI WAS JUST MEETING ONCE IN A YEAR AND THAT TOO FOR REJECTING MOST OF THE APPLICATIONS. DUE TO THE PRESSING NEEDS OF THE MARKET AND REALISING THE CUMBERSOME PROCESS OF RBI, THE BANKS STARTED DEALING WITH A LARGE NUMBER OF NEW BROKERS EVEN IF THEY WERE NOT EMPANELED BY RBI.

I ONCE AGAIN APPLIED TO RBI FOR EMPANELMENT AND PERSISTENTLY FOLLOWED IT UP BY PERSONAL VISITS BUT TO NO AVAIL. IN THE MEANWHILE, I STARTED GETTING BUSINESS FROM ALL THE BANKS. THE STATE BANK OF INDIA (SBI) ENCOURAGED THE COMPETITION BETWEEN THE NEW AND THE OLD BROKERS MOST. I UNDERSTAND THAT BETWEEN MY FIRM AND SHRI N.K. AGGARWALA, A DELHI BASED NEW BROKER (NOT APPROVED BY RBI), THERE WAS A LARGE VOLUME OF BUSINESS PUT THROUGH.

FACTS RELATING TO STATE BANK OF INDORE

➤ TRANSACTIONS ON A VERY MINOR SCALE

➤ DURING THE 15 MONTH PERIOD COVERED TRANSACTIONS

○ ONLY 4 TIMES FOR SECURITY DEALS – VOLUME RS. 105 CR.

○ ONLY 2 TIMES FOR CALL DEALS -- VOLUME RS. 40 CR.

➤ ALLEGATIONS THAT MORE THAN 30% OF THE BANK'S TRANSACTIONS WERE WITH HSM, NEED FURTHER VERIFICATION.

CLAIM AND LIABILITIES DETAILS

CLAIMANT	CLAIM AMOUNT
SBI	707.00,00,000.00
SBI CAP (MADRAS)	16,25,00,000.00
SBI CAP (BOMBAY)	107,00,00,000.00
T O T A L	830,25,00,000.00

STATEMENT OF PAYMENTS MADE TO BOMBAY STOCK EXCHANGE
DURING APRIL – 1991 UPTO APRIL – 1992

NAME	A – GROUP	B – GROUP
HARSHAD S. MEHTA	DR. 13,10,06,031.00	CR. 11,98,075.00
ASHWIN MEHTA	DR. 39,57,11,854.00	DR. 13,07,80,527.00
JYOTI H. MEHTA	DR. 88,53,29,618.00	----
TOTAL	DR. 141,20,47,503.00	DR. 12,95,82,452.00
NET AMOUNT	DR. 154,16,29,955.00	

SUMMARY TOTAL INVESTMENT OF RS. 154,16,29,955.00

PLEASE NOTE: THE ABOVE AMOUNT HAS BEEN ARRIVED AT TAKING ALMOST ALL THE SETTLEMENTS INTO ACCOUNT. OUR BOOKS AND RECORDS STAND SEIZED. IT IS FELT THAT ON ACCOUNT OF THESE SEIZED RECORD THERE MIGHT BE A POSSIBILITY OF MINOR VARIATION.