

PRIVATE & CONFIDENTIAL

**STATE BANK OF INDIA
No.12, Bombay 400 021**

Vigilance Dept., Central Office, Post Box.

Telegram / APEX

Shri S.S. Jha,
Dy. Superintendent of Police,
Central Bureau of Investigation,
Bank's Securities Cell,
122, Jolly Maker Chambers – 2,
Nariman Point,
BOMBAY – 400 021

No. VIG / 4946

Date: 26th December 1992
5th Paus. 1914 (S)

Dear Sir,

INVESTIGATION OF RC NO.8/A/92-SIU(X) (SBI CASE AGAINST HARSHAND MEHTA AND OTHERS)

With reference to your letter No.1106/3/8/A/92-SIU X of the 24th December, the clarification called for by you in paragraph 2 of your letter are as under:-

- (a) When the discrepancy in the balance of securities held by State Bank of India with RBI first came to the Bank's knowledge in the first week of April 1992, an effort was made to reconcile the balance in the securities in the SGL A/c. as per Bank's Books with RBI as on 31.3.1992. RBI maintains record of securities in SGL account in Face Value. On reconciliation of the entries as on 31.3.1992, the difference was found to be Rs.669 crores (F.V. – balance as per SBI books was in excess by Rs.669 crores compared to the balance as per RBI books).

As stated in the enclosed Memorandum No.1273 of the 26th December of our T&IM Department, the net shortfall in securities after taking into account (i) the transfer of Rs.20 crores (F.V. of 11.5% CL 2008 from SBI Institutional Division SGL A/c. No.111 to the credit of SGL A/c. No.004 (Bank's Investment A/c.) as per information given by HSM, (ii) unauthorized debit in our SGL A/c. with RBI on 3.4.1992 of Rs.15 crores in 11.5% CL 2009 and (iii) an unreconciled credit of the F.V. of Rs.25 crores in 11.5% CL 2008 in our account with RBI, the net shortfall in F.V. of securities works out to Rs.639 crores.

The amount which was recovered from HSM between 13.4.92 and 24.2.92 amounted to Rs.622,52,35,461.44.

- (b) The shortfall in securities has been computed by SBI in terms of F.V. of the securities. The shortfall does not include the loss of interest arising out of unauthorized debit /delayed credits to our SGL A/c. by HSM. The amount of interest loss on this account has been estimated at Rs.232.92 crores. This is subject to verification by a firm of Auditors.

In respect of transactions booked through other brokers, the interest loss on account of delayed credit to Bank's SGL A/c. has been estimated at Rs.28.84 crores. The figures of Rs.232.92 crores and Rs.28.84 crores are not included in the figure of Rs.639 crores stated above.

- (c) The market value of the security in which shortfall existed is not presently available. However, the rates at which the securities 11.5% CGL 2010 and 2007 were valued at 31.3.92 (balance-sheet date) are as under:-

Security	Valuation rate
11.5% CL 2010	93.20
11.5% CL 2007	95.50

At the aforesaid rates, the value of Rs.669 crores works out to Rs.627.418 crores. It may be mentioned here that the transfer of Rs.20 crores of 11.5% CL 2008, the unauthorized debit of Rs.15 crores in 11.5% 2009 and unreconciled credit of Rs.25 crores of 11.5% 2008 appear after 31.3.92.

2. A copy of our T&IM Department Memo no.1273 dated 26.12.92 is enclosed.

Yours faithfully,

CHIEF VIGILANCE OFFICER

Encl:

pcl

THE CHIEF VIGILANCE OFFICE
CENTRAL OFFICE

Investigation of RC No.8/A/92-SIU(X) (SBI case against Harshad Mehta and others)

We refer to letter No.1106/3/8/A-92-SIU X dated 24.12.92 addressed to you by the Dy. Suptd. Of Police, SBI, Bombay. On the basis of investigations so far carried out we furnish seriatim clarifications thought for:-

a. Shortfall in the Face Value of Securities on account of HSM
Face Value

As on 31/3/92 :

11.5% CL 2010	Rs.449 crs
11.5% CL 2007	Rs.170 crs.

Total	Rs.669 crs

Further, Rs.20 crs face value of 11.5% CL 2008 Security was transferred from SGL A/c. No.111 (Institutional Division A/c.) as per information given by HSM. Thus, the shortfall came to Rs.649 crs. Subsequent reconciliation revealed an unauthorised SGL debit of face value of Rs.15 crs on 3/4/92 in 11.5% CL 2009 security and an unreconciled credit of the face value of Rs.25 crs in 11.5% CL 2008 security. Accordingly, the net shortfall in face value of securities works out to Rs.639 crs.

However, the subject shortfall does not include the loss of interest arising out of unauthorised debits/delayed credits by HSM. The amount estimated at Rs.232.92 crs. Is subject to verification by a firm of auditors. Also, an amount of Rs.28.84 crs being the interest loss on account of delayed credit to SGL account in respect of transaction done through other brokers is not included in the calculation of net shortfall of securities as stated above.

b. Shortfall in securities has been reckoned in terms of face value of the security as this SGL Account in RBI is maintained in terms of face value of the security.

c. Market rate for the securities in which shortfall existed is not presently available. However, the rates at which the subject securities were valued by the Bank as on the Balance Sheet date of 31/3/92 are as below:

RESERVE BANK OF INDIA
INTERNAL DEBT MANAGEMENT CELL December 2, 1992
Purchase and Sale prices of
Government of India Securities

Sr. No.	Loan	Purchase price	Sale price	Interest due date
1	2	3	4	5
1.	L12.7% 2002 +	-	100.40	05 February/August
2.	5.75% 2003	60.05	60.25	12 November/May
3.	6.50% 2003	64.40	64.60*	25 January/26 July
4.	L 11.00% 2001	91.25	91.45	23 November/May
5.	6.50% 2004	62.95	63.50	20 December/June
6.	2050% 2004	80.25	80.45	01 December/June
7.	L 11.30% 2004*	90.80	91.00	27 April/October
8.	6.50% 2005	60.45	60.65	01 April/October
9.	8.25% 2005	71.25	71.45	11 April/October
10.	10.50% 2005*	86.65	86.85	21 November/May
11.	6.75% 2005	60.90	61.10	15 November/May
12.	L 11.25% 2006*	90.00	90.20	05 February/August
13.	6.75% 2007	59.25	60.00	22 May/November
14.	11.50% 2007*	90.40	90.65	05 April/October
15.	9.50% 2008	77.35	77.60*	20 August/February
16.	10.80% 2008*	86.05	86.30	22 January/July
17.	L 11.50% 2008*	91.25	91.50	23 November/May
18.	7.00% 2009	59.35	59.60	25 November/May
19.	L 11.50% 2009*	89.70	89.95	15 November/May
20.	7.50% 2010	62.15	62.40*	12 November/May
21.	8.00% 2011	65.15	65.40*	27 October/April
22.	L 11.50% 2011*	90.10	90.35	05 February/August
23.	9.00% 2013	71.30	72.55*	24 November/May
24.	10.00% 2014	78.20	78.45	30 November/May
25.	10.50% 2014	81.90	82.15	29 April/October

- Notes: 1) No sale contract will be entered into except ex-voucher during the week immediately preceding the due date for payment of interest.
- 2) The purchase prices are indicative. Purchase may be made at the discretion of the bank.
- 3) The loans and rates are subject to change at the discretion of the Bank.
- @ In multiples of thousand only.
- + In multiples of then thousand only.
- L Issued in form of stock/SGL.
- * Sale only at Bombay

<u>Security</u>	<u>Valuation Rate</u>
11.5% CL 2010	Rsv.93.20
11.5% CL 2009	Rs.v93.50
11.5% CL 2009	Rs.100.44

We also furnish below for your information, latest RBI rates for the subject securities vide RBI rate list dated 2/12/92 (copy enclosed) :

<u>Security</u>	<u>RBI Buying Price</u>	<u>RBI Sale Price</u>
11.5% C.C. 2010	NOT QUOTED	
11.5% C.L. 2007	Rs.90.40	Rs.90.65
11.5% C.C. 2009	Rs.89.70	Rs.89.95

2. In this connection, we advise that the position in respect of recoveries from HSM towards Shortfall is as below:

i)	Total amount recovered from HSM between 13/4/92 and 24/4/92	Rs.622,52,35,461.44
ii)	Total face value of securities purchased out of the recoveries towards the shortfall total cost	Rs.601,20,94,460.34
		Rs.624,00,00,000.00
iii)	Net shortfall in terms of face value of security as on date (Rs.639 crs less Rs.624 crs)	Rs. 15,00,00,000.00
iv)	Amount held by the Bank out of recoveries made	Rs. 22.57 crs

3. The above shortfall in securities position does not include the following:-

- i. Payment made by SBI to NHB Rs.707,56,39,000.00
- ii. Payment made by SBI to SBICAP Rs. 105,10,75,000.00
- iii. The further claim on SBI by SBICAP Rs. 9,33,15,311.11
- iv. The claim on SBI to S.B. of Saurashtra Rs. 99,10,98,287.67

Sd/-

Dy. Managing Director
(Treasury & Investment Management)

26th December, 1992
Bombay
Encl:
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