

M/S. M.P. VASHI & ASSOCIATES

M.P. VASHI B.A., LL.B.

M. M. VASHI B.Com., LL.B.

Mrs. RITA K. DESAI B.A., LL.B.

ADVOCATES - HIGH COURT

RESI. : 'ALANKAR'

59, SWAMI NITYANAND MARG,
ANDHERI (E), MUMBAI - 400 069.

PHONE : 2684 19 06

ok

OFFICE :

1) JALARAM JYOT BLDG., 2nd FLOOR,
JANMABHOOMI STREET, FORT,
MUMBAI - 400 001.

Phone : 2283 38 11, 2284 47 57.
(Between 5-00 P.M. & 7-00 P.M.)

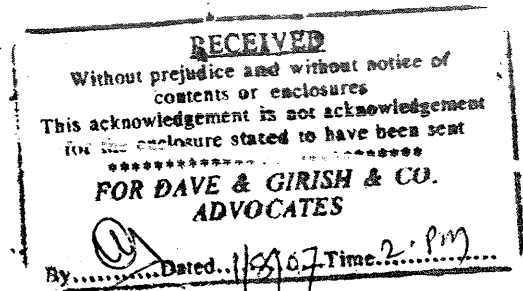
2) 13, SHRINATH BHUVAN,
27, PICKET CROSS ROAD,
MUMBAI - 400 002.

Phone : 5681 19 09, 2206 12 78
(Between 2-00 P.M. & 3-00 P.M.)
01.08.2007.

Date : _____

Ref. : _____

To
M/s Dave & Girish & Co,
Advocates,
1st Floor, Sethna Building,
55 Maharshi Karve Road,
Marine Lines,
Mumbai-400 002.



Without Prejudice

Sir,

Re : Offer of settlement of outstanding dues to ANZ

1. This is with reference to your letter dated 07.07.2007 bearing No.G/ANZB/LET-1-(6-7-07) and the personal meeting that I had with Mr Simon Crawford, your clients and your kindself. In regard to the queries raised in your above letter as well as in the course of our meeting, my client Smt Jyoti H Mehta has asked me to respond as under:
 - a. At the outset, she wishes to convey that in the event of your client consenting to her offer, it is possible for her to draw out a plan for payment of Rs.5,06,53,49,115/- from out of the existing bank balance of late Shri Harshad S Mehta and through either sale of existing assets and assets which are to required to be recovered and which have not been liquidated and from effecting recoveries from other notified entities within the family and corporate entities promoted by the family. As such, it should be possible to line up the resources subject to the approval of the Hon'ble Special Court.
 - b. That my client Smt Jyoti H Mehta has been vigorously pursuing all the revenue appeals of late Shri Harshad S Mehta which hitherto

remained unattended. So far as the largest demand for A.Y 1992-93 is concerned, while earlier she had not preferred any appeal against the order of CIT (Appeals), recently she preferred cross objection to the appeal of the department. The revenue was opposing the admission of her cross objections. However, the Hon'ble Tribunal has been pleased to admit her cross objections vide Order dated 18.07.2007, a copy of which is annexed at Exhibit A, and as such the rights of late Shri Harshad S Mehta of contesting the additions have come alive. The appeal is now being pressed for hearing on merits with a prayer to the Hon'ble Tribunal to not to set aside the assessment order but to decide on merits the additions made to his income. It may be noted that while as per the past precedents the assessment for A.Y 1992-93 was liable to be set aside either to the Assessing Officer or to the C.I.T (Appeals), it was urged to the Bench to hear the appeal on merits. The revenue prayed for setting aside of the assessment order which prayer has not been granted as yet.

c. That my client Smt Jyoti H Mehta and other notified entities through their Counsel have also moved an application before the Hon'ble Tribunal for constituting a Special Bench to dispose of all the outstanding appeals on an urgent basis. A copy of the letter of the Tax Counsel Shri Vijay Mehta dated 20.07.2007 is enclosed herewith at Exhibit B.

d. It is clarified that an amount of Rs.678 crores have already been disbursed to the revenue towards the priority period. It is submitted that if Smt Jyoti H Mehta succeeds in the hearing for Asst Year 1992-93, then the amount disbursed to the revenue would be adjusted by them for the demand for Asst Year 1993-94. Further if the additions are struck down for Asst Year 1992-93, then it will have a profound impact on the large additions made in Asst Year 1993-94 also which are substantially consequential in nature. Thus any success in securing relief for Asst Year 1992-93 would also result into a success in securing relief for Asst Year 1993-94.

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- e. The above position is clarified in order to give an assessment to your clients about the potential and possibilities of sustenance of any objections that may be raised by the revenue on any settlement that can be arrived at with your clients.
- f. My client can prefer an application on a without prejudice basis for release of an amount of Rs.5,06,53,49,115/- if your clients agree in principle and on a without prejudice basis to the settlement of entire dues and complete discharge of the decree obtained by your clients on the terms proposed by my client.
- g. It has been advised to Smt Jyoti H Mehta that so far as the other claims under 11(2)(b) are concerned, she should challenge the decrees awarded in favour of the banks both for the principal amount and interest and also the decree of damages. My client has accordingly already preferred an application for setting aside the decree in favour of State Bank of India by filing M.A No.130 of 2007, a copy of which has been made available to you. Smt Jyoti H Mehta is in the process of filing further applications for setting aside other decrees in favour of the State Bank of India.
- h. My clients has also been further advised that in case State Bank of India were to raise objections for any settlement with your bank, then it would be pointed out to the Hon'ble Court that a large amount of Rs.590.83 crores already stands paid to the State Bank of India without any pro rata distribution to other creditors including your clients.
- i. Thus in view of the above developments, my client sees a fair chance of persuading the Hon'ble Court to make a payment of Rs.5,06,53,49,115/- to your bank in complete discharge of the

decree if your clients were to consent to the proposal given by my client.

2. Now I would respond to your letter on a para wise basis.

a. So far as what is stated in para 1 is concerned, my client's position is already made known to your client and therefore she has nothing further to state.

b. So far as the queries raised in para 2 is concerned, the same has been explained above. However my client cannot ensure any settlement as the same is dependent upon sanction by the Hon'ble Special Court. My client can only make a sincere effort to realize the understanding that is arrived at with your bank by filing an application before the Hon'ble Special Court.

c. So far as what is stated in para 2(a) is concerned, the same stands explained above.

d. So far as what is stated in para 2(b) is concerned, my client would clarify to the Hon'ble Special Court that she is seeking a hearing of the Hon'ble Tribunal for demands made against late Shri Harshad S Mehta for A.Y 1992-93 and therefore the application for scaling down may be heard only after the Hon'ble Tribunal hears the appeal. In this regard you may refer to the submissions made by Shri Vijay Mehta to the Hon'ble Tribunal.

e. So far as what is stated in para 2(c) is concerned, my client is vigorously pursuing the case of recovery of assets and monies belonging to late Shri Harshad S Mehta. In this regard, your client has been made a party to several applications filed by my client which only explains her statement. As and when she discovers any more cases where assets and monies remain to be recovered, she will prefer appropriate applications before the Hon'ble Special Court and even vigorously pursue with the Office of the Custodian to achieve what she has submitted to your client.

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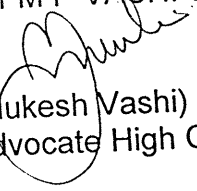
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- f. So far as what is stated in para 2(d) is concerned, my client is confident about her legal rights and remedies which entitles her to challenge the decrees awarded in favour of the State Bank of India. A copy of one such application is already handed over to your clients. Your clients may make their own independent assessment upon reading the contents of this application and other applications which are about to be filed.
- g. So far as what is stated in para 3 is concerned, my client is in no position to secure any third party payment or offer you any mechanism in the form of surety / security / bank guarantee or cannot arrange any party in whose favour she could assign the decree.
- h. So far as what is stated in para 3(e) is concerned, we seek further clarifications on the point in terms of the details of cost of litigation and other charges.
3. We hope that the above satisfies all your queries and we look forward to carrying the matter further.

Thanking you,

For M P VASHI & ASSOCIATES,


(Mukesh Vashi)
Advocate High Court

Encl : As above

