

बैंकिंग परिचालन और विकास विभाग
केन्द्र - 1, विश्व व्यापार केन्द्र,
कफ़ पारेड, कोलाबा, बम्बई - 400 005.

पोस्ट बॉक्स सं.
Post Box No. : 6089

Exhibit 'E'

RESERVE BANK OF INDIA

CENTRAL OFFICE

DEPARTMENT OF BANKING OPERATIONS AND DEVELOPMENT

CENTRE - 1, WORLD TRADE CENTRE,

CLIFFE PARADE, COLABA, BOMBAY 400 005.

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01-22-185

0091-22-2185-785

कृपया प्रतिक्रिया
कृपया प्रतिक्रिया

डॉ. सं.
DBOD No.

DBOD.(Spl.Cell) 27/27.08.003(A)/95-96

July 12, 1995,

BY COURIER/SPEED POST

CONFIDENTIAL

atf/6/11

Mr. Rajiv Bharadwaj,
Deputy Secretary,
Office of the Custodian,
Bank of Baroda Bhawan,
3rd floor,
16 Parliament Street,
New Delhi - 110 001

Dear Sir,

Harshad S. Mehta - Recovery of assets 17% NTPC Bonds
FV. Rs.20 crores & 9% IRFC Bonds FV. Rs.30 crores

Please refer to your DO letter No.941/CVS/ATI/HMG/92(4)/SYB dated 29 June 1995 regarding 17% NTPC Bonds FV Rs.20 crores and 9% IRFC Bonds FV. Rs.30 crores held by Syndicate Bank. We are enclosing herewith a computer printout (Statement I) showing debits and credits in various accounts of Harshad S. Mehta on 24 and 28 March 1992. It is seen from records available that on 24 March 1992, NHB issued 2 cheques Nos. 212589 for Rs. 690830348.64 and 212587 for Rs. 146212000.00. The first cheque for Rs.690830348.64 was credited to the a/c. of HSM with ANZ Grindlays Bank (highlighted in Statement I). The cheque was issued towards the undernoted deals:

बैंक हिन्दी में पत्राचार का स्वागत करता है।



Security	F.V. (Rs Cr)	T.V. (Rs)	Security	F.V. (Rs Cr)	T.V. (Rs)
Units	-	96347540.00	Units	1.787	26816153.00
17% NTPC	50	479438356.16	Units	9.40	141084600.00
9% IRFC	30	282945205.48			
		858731101.64			167900753.00

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Books of NHB show the above purchase transactions with

SBI. In response to our queries in the matter NHB has clarified vide its letter NHB/6008/95 dated 10.7.1995 (enclosed) that the above purchase was in fact

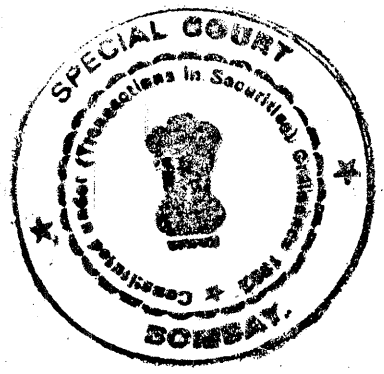
Grindlays Bank and for Units (Transaction value Rs.85,87,31 101.64) as against the bonds indicated above.

1.1 On the sale side, the transaction in Units for FV Rs.1.787 crores and Rs.9.40 crores were observed to be reversal legs of NHB'S purchases on 18-3-92 & 23-3-92 wherein the funds had come from HSM's accounts.

1.2 The second cheque no. 212587 for Rs. 14.6212 crores was credited to the account of SBI Caps and is explained in para

2.2 (a) below.

1.3 On 28 March 1992, HSM's account No.8710 (indicated as 8710A in statement I) was debited for Rs.487309588.44 (highlighted) which corroborates Syndicate Bank's statement of having received the said amount vide PO No.553294 drawn on SBI towards their sale of the above referred bonds of aggregate FV. Rs.50 crores. In the circumstances, the securities referred above appear to have been paid for by HSM. However, it is seen from the letters of NHB and Syndicate Bank dated 23.7.93 and 1.10.93 respectively (please



see enclosures to your letter) that while NHB's sale of 24.3.92 was reversed vis a vis Syndicate Bank on 25.11.92, the delivery of securities indicated at para 1 above (viz. Units FV Rs. 10 Crores, 17% NTPC Bonds FV Rs. 50 Crores and 9% IRFC Bonds FV Rs. 30 Crores) purchased by NHB from ANZ Grindlays Bank/Harshad Mehta had not been effected by the broker. Consequently, the payment of Rs. 69.08 Crores by NHB on 24.3.92 towards purchase of said securities to ANZ Grindlays Bank which were credited to HSM's account remain an NHB/ANZ/HSM disputed transaction. Please see NHB's reply dated 10 July 1995 in response to our queries.

1.4 For your information, HSM's account No.8710 has been indicated as 8710 A in the computer statements where, in view of equal debits and credits attributed to the broker, in the Waste Book of SBI, the bank did not pass any voucher for a "net" debit/credit in the said current account of HSM. For your convenience, we are also enclosing Statement I A listing out in chronological order all payments/receipts vis a vis Syndicate Bank and National Housing Bank from all the bank accounts of HSM group.

2. The statement of National Housing Bank (NHB) enclosed with the above letter listing out the amounts paid by them to SBI was also examined to determine the inflows into the accounts of HSM as queried at para 3 of your letter. Computer printouts of relevant dates (statement II) are enclosed with inflowing amounts suitably highlighted and our comments made thereagainst.

2.1 It will be observed that cheque amounts at Sr.No.1, 7, 9,



2. 10 of enclosure to NHB's letter No.5505/INV-92 dated 3 June 1992 were credited to HSM's account with SBI. Our comments in statement II may be seen for items at Sr.Nos.2, 4, 5, & 6. Comments for items at Sr.No.3 and 8 are given below :

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a) 24.3.92 - Item at Sr.No. 3 for Rs.40,45,93,060/-

The above amount includes Rs.25,83,81,060.00 towards R/F deal No.204 dated 7.3.1992 due for reversal on 24.3.1992. NHB had paid Rs.25,66,50,000 to SBI vide RBI cheque No.212279 on 7 March 1992 which got credited to HSM's account (highlighted). The balance amount of Rs.14,62,12,000/- was paid by NHB vide RBI cheque No.212587 on 24 March 1992 but the same was found credited to the account of SBI Caps. NHB's books show purchase of 17% NTPC/IRFC/Units (unspecified FV) for Rs. 404593060.00 And sale of Units FV Rs. 17.70 crores for Rs. 258381060.00 with SBI against which cheque No. 212587 for Rs. 14.6212 Crores was issued. It is observed from the records pertaining to SBI Caps available with us that the said amount (Rs.14,62,12,000) was received against their sale of units FV. Rs.10 crores to Canfina being the second/sale leg of an R/F deal executed on 10-3-92. The counterparty was actually "dummy" and the funds appear to have been received from NHB. On the same day, SBI Caps had a purchase transaction with ANZ for units FV. Rs.10 crores, and the transactions amount of Rs.146184000 was found credited to HSM's account at SBI.

B) 30-3-92 - Item at Sr.No.8 for Rs.90,45,53,603.20

The amount paid by NHB vide RBI cheque No.212666 was not found to have been credited to HSM's account. It was observed from the bank statement relating to SBI Caps that the said



Amount was credited to this account. The company is said to have adjusted the said receipt and another one of Rs.1002476450/- against its sales vide Deal Nos.4312, 4313, 4320, 4307, 4315, 4311, 4323 and 4323, all of which were reversal legs of R/F deals in Units and PSU bonds. 51

3. Kindly let us know if any further clarification/details are required.

Yours faithfully,

Vijay Chugh

(Vijay Chugh)
Assistant General Manager
Encl: as above (20)



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Exhibit 'G'

afg/11

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EXHIBIT 'G'

DETAILS OF BONDS

<u>Institution</u>	<u>Letter of allotment No./Bond No.</u>	<u>Amount (FV Rs.)</u>	<u>Regd. Holder</u>	<u>Endorsed in favour of</u>
IRFC	DENF000215	100,00,000.00	Bank of America	Syndicate Bank
"	DENF000216	100,00,000.00	"	"
"	DENF000223	100,00,000.00	"	"
"	DENF000214	100,00,000.00	"	"
"	DENG000062	1,00,00,000.00	"	"
"	DENF000213	100,00,000.00	"	"
"	ENF00526	100,00,000.00	"	"
"	ENF00431	100,00,000.00	"	"
"	ENF000040	100,00,000.00	"	"
"	ENF000589	100,00,000.00	"	"
"	ENF000525	100,00,000.00	"	"
"	ENF000011	1,00,00,000.00	"	"
NTPC	24	500,00,000.00	Punjab National Bank	"
"	25	500,00,000.00	"	"
"	25	500,00,000.00	"	"
"	25	500,00,000.00	"	"

