

LAD S. MEHTA

(MEMBER OF THE STOCK EXCHANGE BOMBAY)

STOCK SECURITIES & FINANCE BROKERS

MAIN OFFICE: 1205-6 & 1518 MAKER CHAMBERS V, 221 NARIMAN POINT, BOMBAY 400 021 INDIA.  
TELEPHONE: 202 4039, 202 4123, 287 1151, 223633, 223752, 240672, 245304, 245330.

TELEX:  
11 86763 GROW IN

STOCK MARKET OFFICE: CAMA BUILDING, 4TH FLOOR, DALAL STREET, FORT, BOMBAY-400 023, INDIA  
DELHI OFFICE: NO. 201-202 ARUNACHAL, 19 BARAKHAMBA ROAD, NEW DELHI-110 001.

TEL: 271790, 271294  
Tel: 371-2804, 371-3034/35, 371-8123, 371-8126

BY FAX AND HAND DELIVERY

17th July, 1993.

Shri Ram Niwas Mirdha,  
Chairman,  
Joint Parliamentary Committee,  
Lok Sabha Secretariat,  
Parliament House Annexe,  
NEW DELHI - 110 001.

Respected Shri Mirdhaji,

Today I have addressed a letter to the office of the Custodian, requesting him to furnish to your Committee a status report on our assets and liabilities.

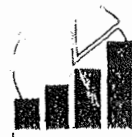
The purpose of this request is to prove beyond doubt that there will be no loss to the nation on my account. Even after a period of 15 months there is a lot of confusion in this regard. Several versions of exposure are floating, starting from Rs.3,000 crores to even upto Rs.12,000 crores and in fact a leading newspaper last week analysed that there could be net gain instead of net loss to the banks. It is therefore imperative that truth emerges.

In the past I have complained to the Committee on more than one occasion that the investigating agencies are single mindedly focussing on me with a view to make me a scapegoat. By a deliberate design they have tried to put me on top of the exposure list and the following developments prove it.

1) On 17th May 1992, even before the first FIR was lodged I made an unconditional offer to honour all my commitments.

2) I followed up my public offer by addressing specific letters to the Hon'ble Finance Minister, Hon'ble Deputy Finance Minister, RBI Governor, RBI Deputy Governor, the Janakiraman Committee, Joint Director (CBI) and the concerned banks namely SBI and Grindlays Bank. My offers were not responded to by any one of them. I have placed copies of these offers before the Committee on 7th September 1992.

3) The Janakiraman Committee started investigating the irregularities and arrived at my exposure at Rs.1,494 crores. I requested for a personal representation and also complained to the Committee that it was ignoring my assets as well as receivables in arriving at my liability figure. The Committee did not give me any opportunity of hearing and instead chose to rely on the books of the banks to compute my liabilities. The Committee itself has observed in its reports that the books of the banks and institutions have not been in order and therefore they should not have been relied upon for arriving at my liability. The Committee has



not been consistent In computing the exposure, as in case of Shri Hiten Dalal it took cognizance of the recoveries made by Standard Chartered Bank and gave him credit for the same, whereas in my case this method was not followed. Not only this, the Committee has purposely suppressed the details of money market assets recovered at NHB belonging to me, whose value is more than Rs.250 crores. Even after publication of six reports these vital details have not been brought out. Then there have been instances of double counting of my liabilities, which fact CBI has already discovered. My liability has been inflated by a figure of more than Rs. 150 crores by these erroneous claims lodged by NHB and SBI Capital Markets Limited. These instances will sharply bring down my liability from Rs. 1,494 crores by more than Rs.400 crores. If the Janakiraman Committee would have given credit for my money market assets and claims of receivables from banks and institutions and/or allowed me a proper representation, my outstanding figure would have become zero leaving a surplus. This would have allayed all the apprehensions of loss of public money and would not have allowed the public mind to get prejudiced against me. More importantly, the charges of diversion of funds to Capital Market would have been blunted as my assets and receivables are largely due from Money Market and not Capital Market. It would have established that my presence and role in Capital Market have been blown out of proportion.

4) The Income Tax Department carried a search and seizure operation on 28th February 1992 and seized all our data and computers. They made tall claims that they will be able to draw my books of accounts in less than two months and also published in newspapers that it has employed the best of computer experts and decoded my data, which was never coded in the first place. I. T. Department has purposely given an impression that I have not co-operated and perhaps by that they mean that I did not give in to their bullying methods. The Department has been expert in exaggerating my income figure to more than Rs.11,343/- crores, but, is unable to trace my assets and receivables. Worst still, the person in charge of my raid was appointed as a member of the Janakiraman Committee and he has inherited his impression of the Income Tax Department. The Department claims that it has verified with all the banks and institutions that I had no receivables or assets with any of the banks. We have now lodged the claims running into hundreds of crores and recoveries have started which reflects on the quality of the investigations. In a market where the brokerage income is a decimal of one percent the Department has assessed me for Income Tax at about 20% of my turnover. The Department has relied on the market rumours fed largely by bears and business rivals and not understood even the basic fact that in our portfolio there was unbooked gain which does not invite any taxation until it is booked. Thus, the Department is now making exaggerated claims of our tax liability from few crores to hundreds and thousands of crores. My group is in no condition to meet these fancy and totally non-existent tax liabilities and will have to therefore defend itself litigating on it. However, until I. T. liability is settled (they have a first charge by virtue of the provision in the Special Act) there cannot be any settlement of the bank claims. A spate of prosecutions have been launched, which would further delay the process.

5) The CBI has access to transactions of all the banks and brokers. It has taken a stand that recovery is not its responsibility and is yet to undertake reconciliation of transactions. For the purposes of FIRs it has relied upon the computations of Janakiraman Committee, which as stated above are highly inaccurate. Over and above this, the CBI has independently computed exposure figure. While arriving at the liability figure it has ignored the repayments already made and thus its figure is highly inflated. Recently it also misinformed the JPC and widely publicised that an amount of Rs.12,000 crores was made available to me by PSU's and that large amounts are remaining outstanding. The fact is that

till date not a single PSU has lodged a claim with the Custodian. The Rs. 12,000 crores of CBI also includes a figure of Rs. 4,700 crores of DFHI which was not lending but borrowing by it. CBI has almost succeeded in misleading JPC and public about my role and the outstanding amounts. Not only this, CBI is deliberately creating an impression that we have foreign accounts and that we have siphoned off funds. Fortunately on one of the occasion the planted reports got exposed in just 24 hours as CBI claimed to have frozen my non-existent foreign accounts. In any case to prove our Bona fides we have made offers to give letters of authority in favour of any bank abroad to verify this charge.

So as to arrive at the truth as well as to arrest the mischief, I request your kind self to obtain the details from the office of the Custodian on the status of our assets, liabilities and receivables. This can be incorporated in your final report and thus put to rest all the hurting questions that are being raised. The public has a right to know the truth and to obtain details is a very easy task, what is lacking is a will and desire to give the truthful account. The entire focus of the agencies is totally misdirected.

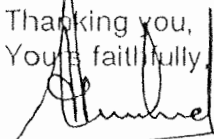
The office of the Custodian has notified 29 entities in my group without stating the reasons for the same. Out of these 29 entities, 23 entities have not been named in any FIR and the criminal role for 5 entities has not been brought out. A person who has repeatedly made offers of meeting the commitments unconditionally and who is totally co-operating in providing the details of assets and receivables is being victimised the most by the Custodian. We are being meted out with a group punishment, whereas in case of others, the family members and group companies have not been notified. Where money is traceable and repayment offers are being made and full co-operation is being extended the yardstick is group punishment, whereas where money is not traceable and no offers are being made, only the individual is being notified. The Custodian is putting premium on dishonesty. The banks and institutions who are proven guilty and the bankers are not being notified whereas the brokers are being singled out. The wide powers granted to the Custodian are being abused to pick and choose so as to punish those who are ideal scapegoats and politically expendable.

The net result is that our reputation is sullied, the banks will have a delayed recovery, the public will remain ignorant about the losses if any and will be misled into believing that the entire money is lost, and me and my family members will be deprived of our basic fundamental rights of livelihood, of freedom to do business and our employees will lose jobs and salaries. This punishment is a reward for all the good gestures that we are making.

I request the Committee to get to the bottom of our victimisation and expose in the process those forces and individuals who have been working overtime to punish us so as to shelter others and thus create a roadblock in the entire process of fair investigation and quick justice. The above also explains the meaning of the term political harassment and persecution used by me earlier.

Please let me know if on any of the above any clarification is required. I am releasing a copy of this letter to the press and public for information.

Thanking you,  
Yours faithfully,



(HARSHAD S. MEHTA)

Encl: As above

**HARSHAD S. MEHTA**

(MEMBER: THE STOCK EXCHANGE BOMBAY)



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17th July, 1993.

To,  
The Office of the Custodian,  
9th Floor, Nariman Bhavan,  
227, Vinay K. Shah Marg,  
Nariman Point,  
BOMBAY - 400 021.

Dear Sir,

Re : Status of our Assets and Liabilities and Receivables.

On 8th June 1992 your office has notified 29 entities in my group, comprising my family members and group investment companies. By this act you have attached all the movable and immovable assets of my group including bank balances as well as receivables. Your office has also issued public notices asking the parties who owe us money to intimate your office. During last 13 months your office has been receiving/collecting dividend and interest warrants on the holdings of our group. Your office has also received claims on our liabilities. In other words, as on date your office is fully seized of status of our assets, liabilities and receivables.

Soon after my release from custody, I have been lodging with your office details of my assets and claims on receivables. I am enclosing a chart which details out the claims lodged by me with your office, which totals to Rs.1433.88 crores, on realisation of which you will be left with a net amount of Rs.869.89 crores. These claims are lodged against banks and other institutions largely arising out of my money market assets and receivables. It does not take into account the value of our investments in capital market or other fixed assets. In fact, your office has already initiated the process of recovery and has made considerable progress.

You are aware that we are facing numerous difficulties as we are not attending office nor having access to our records and our staff has also deserted us. Lot of records have been seized and almost all our offices are disfunctional. Notwithstanding these enormous difficulties we are in the process of lodging many more claims both for the capital and money market.

By now, your office must have read the contents of the Six Janakiraman Committee Reports where they have expressed inability to give an account of where the funds have flown. You must also be keeping abreast of newspaper reports appearing now and then questioning where the public money has gone. In fact allegations are being levelled against me particularly by the Congress members that I have been beneficiary of Rs.5,000 crores. This has become a burning issue in the minds of common man as the investigating agencies are not able to throw light



on my asset base despite possessing best expertise. The issue is so simple and yet it has become a major riddle. So as to stop this mischief and in the interest of truth I request your office to provide the following details of the Joint Parliamentary Committee and the public :

- 1) Details of claims lodged against my group till date.
- 2) Details of assets attached by you.
- 3) Details of claims lodged by me with your office together with the status on monies already received by you, claims realised and in the process of realisation.

Since a long period of 13 months has elapsed I am sure your office must have compiled these details and the same would be readily available with you. Kindly, therefore, arrange to provide these details to the Joint Parliamentary Committee and also make them public so that my claim that the country will not lose a paisa on my account will stand vindicated. I am sure your office would also be aware that even before the first FIR was filed I made unconditional offers to meet my commitments. Your silence on the matter in face of several allegations is deeply hurting my reputation and I am sure you will appreciate the urgency of the matter. I am forwarding a copy of this letter to the Chairman, Joint Parliamentary Committee and releasing a copy to the press and public for information. In case you experience any difficulty, please let me know.

Thanking you,  
Yours faithfully,

(HARSHAD S. MEHTA)

Encl : Copies of my correspondence on my offer of repayment.

CLAIM AND ASSETS DETAILS OF MONEY MARKET (1 OF 2)

CLAIMANT	CLAIM ON	LETTER DATED	CLAIM DETAILS	CLAIM AMOUNT	DIFFERENCE AMOUNT	NET REDUCTION LIABILITY
HARSHAD S. HEHTA	STANDARD CHARTERED	31/12/92	CANTRIPL - FACE VALUE 1 CRORE	20,00,00,000.00		20,00,00,000
HARSHAD S. HEHTA	STATE BANK OF INDIA	03/02/93	EXCESS PAYMENT TO SBI	21,50,00,000.00		21,50,00,000
HARSHAD S. HEHTA	STANDARD CHARTERED	06/02/93	9% PFC BONDS 13% NPC BONDS FESTIVAL BOINANZA	30,00,00,000.00 13,00,00,000.00 50,00,000.00		30,00,00,000 13,00,00,000 50,00,000
HARSHAD S. HEHTA	PINOLEX PIPES	08/02/93	REVERSAL OF R/P OF RS.10 CRORES FACE VALUE BOINANZA		10,00,00,000.00	10,00,00,000
HARSHAD S. HEHTA	CANFINA	10/02/93	13% NLC BONDS FACE VALUE 5 CRORES. AND HALF YEARLY INTEREST DUE 27/09/92	4,48,12,671.23 32,50,000.00		4,48,12,671 32,50,000
HARSHAD S. HEHTA	CANFINA	10/02/93	17% NTPC BONDS FACE VALUE 81 CRORES.	103,49,37,955.20	27,54,02,064.79	103,49,37,955
HARSHAD S. HEHTA	CANFINA	10/02/93	13% EIM BONDS FACE VALUE 40 CRORES.	54,84,60,460.70	22,63,78,268.92	26,66,38,673
HARSHAD S. HEHTA	CANFINA	17/02/93	13% EIM BONDS FACE VALUE 6 CRORES.	8,27,81,482.85	3,41,05,866.41	8,27,81,482
HARSHAD S. HEHTA	CANFINA	17/02/93	9% IRFC BONDS FACE VALUE 24.5 CRORES.	29,49,85,965.17	9,54,21,718.59	9,54,21,711
HARSHAD S. HEHTA	CANFINA	17/02/93	9% IRFC BONDS FACE VALUE 50 CRORES.	60,13,75,652.33	19,41,01,679.73	19,41,01,677
HARSHAD S. HEHTA	SBI CAPITAL MARKETS	22/02/93	3.70 CRORES UNITS @ RS.16.50 PER UNIT DIVIDEND @ RS.2.50 PER UNIT	61,05,00,000.00 9,25,00,000.00		61,05,00,000 9,25,00,000
HARSHAD S. HEHTA	STANDARD CHARTERED	24/02/93	24.5 CRORE 9% IRFC BONDS	24,50,00,000.00		
HARSHAD S. HEHTA	CANFINA	11/02/93	13% NPC BONDS FACE VALUE 14.00 CRORES.	19,86,44,327.23	9,33,45,149.15	9,33,45,14
HARSHAD S. HEHTA	CANFINA	26/02/93	13% TAXABLE NPC BONDS - FACE VALUE Rs.65 CRS.	73,26,01,953.52	24,37,12,912.42	24,37,12,91
HARSHAD S. HEHTA	NATIONAL HSG. BANK	25/02/93	DOUBLE COUNTED LIABILITY	76,03,07,123.00		76,03,07,12
HARSHAD S. HEHTA	CANFINA	26/02/93	9% IRFC BONDS FACE VALUE 30 CRORES.	38,08,72,818.37	12,97,02,955.36	12,97,02,95
HARSHAD S. HEHTA	CANFINA	26/02/93	13% DVC BONDS FACE VALUE 34.50 CRORES.	37,03,75,044.40	10,78,15,866.32	10,78,15,86

CLAIM AND ASSETS DETAILS OF MONEY MARKET (2 OF 2)

CLAIMANT	CLAIM ON	LETTER DATED	CLAIM DETAILS	CLAIM AMOUNT	DIFFERENCE AMOUNT	NET REDUCTION IN LIABILITY
HARSHAD S. HEHTA	CANFINA	26/02/93	9% IRPC BONDS FACE VALUE 70 CRORES.	88,84,79,478.02	30,24,16,464.32	76,70,81,046.10
HARSHAD S. HEHTA	VIRENDRA SAIGAL		TOWARDS SHARES SETTLEMENT	56,08,799.00		56,08,799.00
HARSHAD S. HEHTA	NATIONAL HSG. BANK	06/02/93	1.12 CR. UNITS @ 16.50 + RS.2.50 DIVIDEND 9% HUDCO BONDS FACE VALUE 10 CRORES 10 CR. P.V. FESTIVAL BOJANANZA APROX. RS.200/-	21,28,00,000.00 10,00,00,000.00 20,00,00,000.00		21,28,00,000.00 10,00,00,000.00 20,00,00,000.00
HSH GROUP	CASH BALANCE	28/02/93	APPROXIMATE FIGURE			30,00,00,000.00
HARSHAD S. HEHTA	CITIBANK	04/03/93	REVERSAL OF 3.50 CRORE UNITS	15,40,00,000.00	15,40,00,000.00	15,40,00,000.00
HARSHAD S. HEHTA	D.B.FINANCE INDIA LTD.	04/03/93	REVERSAL OF 3 CRORE UNITS	12,60,00,000.00	12,60,00,000.00	12,60,00,000.00
HARSHAD S. HEHTA	BANK OF AMERICA	04/03/93	REVERSAL OF 2 CRORE UNITS	7,77,18,000.00	7,77,18,000.00	7,77,18,000.00
HARSHAD S. HEHTA	BANK OF AMERICA	04/03/93	REVERSAL OF 1.70 CRORE UNITS	6,55,43,500.00	6,55,43,500.00	6,55,43,500.00
HARSHAD S. HEHTA	STANDARD CHARTERED	05/03/93	REVERSAL OF 50 LACS UNITS	2,24,28,500.00	2,24,28,500.00	2,24,28,500.00
HARSHAD S. HEHTA	SBI CAPITAL MARKETS	05/03/93	REVERSAL OF 1 CRORE UNITS	3,69,84,000.00	3,69,84,000.00	3,69,84,000.00
HARSHAD S. HEHTA	BANK OF AMERICA	10/03/93	REVERSAL OF 35 CRORE 11.5% C.L. 2009	43,70,36,769.06	11,19,37,373.39	11,19,37,373.39
HARSHAD S. HEHTA	BANK OF AMERICA	10/03/93	REVERSAL OF 15 CRORE 11.5% C.L. 2010	18,50,44,693.06	4,66,54,181.39	4,66,54,181.39
HARSHAD S. HEHTA	STATE BANK OF INDIA	19/04/93	REVERSAL OF 348 CRORES 11.5% C.L. 2010	447,21,52,249.88	125,86,36,065.21	125,86,36,065.21
HSH GROUP	R R MOHTA	15/02/93	TOWARDS SHARES SETTLEMENT	9,02,93,800.00		9,02,93,800.00
HSH GROUP	BRIT MOHAN SARDA	04/12/92	TOWARDS SHARE SETTLEMENT	24,17,32,219.00		24,17,32,219.00
HSH GROUP	GOPALDAS BAGRE	04/12/92	TOWARDS SHARE SETTLEMENT	16,96,60,111.00		16,96,60,111.00
HSH GROUP	PARNALAL KEJRIWAL	04/12/92	TOWARDS SHARE SETTLEMENT	19,75,866.00		19,75,866.00
TOTAL				1433,88,63,439.00	370,23,04,566.00	869,88,81,649.00

NOTE : THE ABOVE DOES NOT TAKE INTO ACCOUNT SHARE HOLDINGS, FIXED ASSETS AND SHARES SEIZED BY VARIOUS AGENCIES.