

THE SCAM WHO WON WHO LOST WHO GOT AWAY

BY SUCHETA DALAL. Page no 5 & 6

Who Won, Who Lost, Who Got Away

highly active and volatile, he rose to the pressure of an increased workload. “He could easily handle forty to fifty deals a day, often working on Saturdays to clear the backlog,” says Kamat.

Sitaraman’s return journey had been planned via Madras, from where he was going to fly back to Bombay. Kamat changed that. He planned to take the family to Coimbatore and fly from there. After Sitaraman and his family had moved into Subam, Kamat went to the SBI branch and called up Khemani to let him know that he had got Sitaraman. “He has the SGLs” (subsidiary general ledger notes) Kamat assured Khemani. Khemani was ecstatic. But it was premature.

Kamat told him that they would be in office by Monday afternoon. They hired a car and reached Coimbatore around 5 pm. While Kamat checked into a hotel called Annapurna Lodging, the Sitaramans spent the night with one of their relatives. The next morning they joined Kamat at the hotel. Since they had some time before the flight took off, they even managed to shop for sarees.

During the flight they spoke little. Sitaraman confirmed to Kamat that he had the SGLs with him. At 3 pm Sitaraman and Kamat stepped into the head office (known within the bank as the central office) at Nariman Point. They went straight to Khemani’s room on the eleventh floor. The three had a brief chat. Khemani queried Sitaraman about the discrepancy. Cornered, Sitaraman changed his story.

“I have BRs (bank receipts) not SGLs,” he said.*

“But you said that you have the SGLs,” said Kamat.

“Where are the BRs?” asked Khemani.

“I have them in the branch,” replied Sitaraman.

“Kamat will go with you. Hand them over to him,” Khemani told him.

When they reached the branch, Sitaraman confessed that he

* BRs are issued by banks who have sold securities but are unable to deliver them immediately. They specify what has been sold and that money has been received from the buying bank on whose behalf the securities are held, to be delivered later. Once the delivery is made, the BR stands discharged.

did not have even the BRs. “Harshad has them now,” he said. “He has taken the BRs with the promise to buy SGLs.” This tallied with the story Harshad had told the SBI top brass on Saturday the 11th. But Sitaraman was still lying.

Khemani’s worst suspicions were confirmed. Actually Sitaraman’s game was up early March, the day that Khemani had told Kamat to start securities reconciliation work so that SBI’s books balanced with those of the PDO on 31 March. The idea was to keep the books reconciled at least till February, so that there would be no difficulty in reconciling just one month’s transactions later.*

One week passed by. The reconciliation statement never came. Khemani was getting edgy. He kept pushing Kamat for the statement. Kamat, in turn, was told by the Bombay main branch that the reconciliation would take another three to four days at the most. Unknown to Khemani, Sitaraman was trying his best to fudge the books in those weeks. But he was caught in the wide and intricate web of transactions. After all, in just one month — in March — the SBI transacted securities worth Rs 8,700 crores — a quarter of the whole year’s transactions.

On the evening of 6 April, a man from the Bombay branch delivered the statement to Khemani. Since it was late, Khemani put it in a plastic folder and went home. He took it out the next morning and looked at it closely. There were overwritings, alterations and cancellations in the statement. Some securities that the SBI had bought had not been included. To top it all, there was a difference of Rs 74 crores between what Sitaraman showed

* The reconciliation could be done only by getting hold of a statement of outstanding SGLs which would show the securities that the SBI was supposed to get. When banks buy and sell a government security, they rarely exchange paper. They exchange SGL notes which are presented to the PDO. The selling bank issues the SGL notes to the buying bank which then deposits them in the PDO. The PDO would then debit the selling bank’s account and credit the buying bank. Under this system, if bank X has to sell 11.5 % 2010, it would have to have a positive balance of that as per the PDO’s books. If not, on presentation to the PDO, its SGLs will “bounce”. If it is holding SGLs, as Khemani thought the SBI did, its PDO balance should reflect this.