



STOCK SECURITIES & FINANCE BROKERS

MAIN OFFICE 1205-B & 1518 MAKER CHAMBERS V, 221 NARIMAN POINT, BOMBAY 400 021 INDIA
TELEPHONES 202 4099, 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 371-2994, 371-3034/35, 371-6123, 371-6128

3rd June, 1992.

Mr. R. Jankiraman,
Deputy Governor,
Reserve Bank of India,
Bombay 400 038.

Sir,

I refer to my letter dated 25th May, 1992 and the letter dated 26th May, 1992 addressed to me by the Member Secretary of the Committee appointed to enquire into the Securities transactions of Banks and Financial Institutions.

2. From the newspaper reports it appears that the above Committee headed by you has made an interim report and recommended several steps to the Government of India.

3. In compliance with your suggestions contained in the letter dated 26th May, 1992 I have approached the State Bank of India and ANZ Grindlays Bank and for your ready reference I enclose copies of my letters dated 2nd June, 1992 addressed to them. I am awaiting their response to my letters.

4. The newspaper version of the interim report submitted by you is an abbreviated one and I have, therefore, not had the benefit of reading the report in

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its entirety. This letter is based on the reports contained in today's newspapers relating to the interim report submitted by the Committee.

5. At the outset, I wish to submit that by my letter dated 25th May, 1992 I had requested the Committee to grant me an opportunity to appear before the Committee to furnish details of my proposal. I had gone to the extent of stating that I stood by and was willing to honour any commitment that I had made and was willing to provide security for the same. By the same letter I had also offered to provide any clarification that may be required from me. However, I did not get an opportunity of appearing before the Members of the Committee.

6. The fact that the Committee has chosen to make an interim report without any clarification being required from me is a clear indication of the fact that the figures, especially those described as my "liability" have been gathered by the Committee from records of the Banks which, at no stage, did I have a chance to see or comment upon. My immediate response to



the figures as published by the newspapers are that they are highly exaggerated. Moreover the money market assets lying with the Banks of the value of Rs. 250 crores and outstanding dues receivable by me from various Banks and Institutions do not appear to have been taken into consideration at all.

7. If any figures have to be correctly compiled, they have necessarily to take into consideration the outstandings which are receivable by me and assets being held by the Banks. It would be appropriate to mention that several Banks have defaulted in making payments of their dues to me and this has resulted in inflating the figures besides a tremendous pressure having to be borne by me.

8. The glaring fact which emerges from the newspaper report is that I have not done anything which was not an accepted market practice. This is projected in the report as a grave irregularity. Emphasis has been sought to be laid on this commonly accepted market practice to give it a colour of conspiracy and criminality which is incorrect and was never even within anybody's contemplation. Enclosed are copies of my



letters dated 19th August, 1991 and 10th January, 1992 addressed to the State Bank of India. These clearly bear out that SBI had granted me the facility, of crediting Bankers' Cheques drawn in favour of SBI into my current account with SBI, as a prime customer and the Bank having full confidence in my ability to honour my commitments, which at the risk of repeating myself I once again emphasis is what I intend to.

9. The Committee set up by the Reserve Bank of India consists of eminent persons and is headed by an eminent personality like you. I would have expected that in the interest of principles of natural justice, I would have had an opportunity of rendering an explanation and addressing myself to any enquiries raised by the members of the Committee before the interim report was submitted and given such wide publicity and prominence in the press. In all fairness, I ought to have had an opportunity of being heard by the Members of the Committee especially since the report submitted by the Committee is highly prejudicial to me.

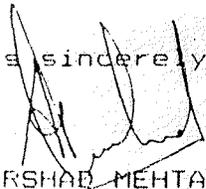
10. To conclude, I wish to state that the

liabilities, charges and practices attributed primarily to me by the report not only make an unfair distinction and discrimination against me but is also very highly exaggerated.

11. The newspaper version of your report does not make a mention of the specific offer to provide security contained in my letter of 25th May, 1992 or the fact that I had voluntarily requested for a personal hearing before the Members of the Committee. I hope that in your interim report these facts have been brought out.

12. Notwithstanding the above facts, I repeat my offer and state that I am available at any reasonable notice to appear before the Committee and seek an opportunity of being heard and rendering such assistance as may be required by the Committee so that the true facts are brought out in any subsequent interim or final report that you may submit.

Yours sincerely,


(HARSHAD MEHTA)

enc: a.a.