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**FACULTY OF COMMERCE**

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**CERTIFICATE**

This is to certify that Ms. Anuradha k (2338001) Mr. Darshan k (2338002), Ms. Prapthi Rao (2338003) Mr. Abdul Hafez (2328004) Ms. Sinchana (2338005) Mr. Sutin Joel (2338006) Mr. Vinayaka p (2338007) have successfully completed the project work on the topic titled "THE CASE STUDY OF SCAM 1992" under my guidance. This Project Report is submitted to St. Aloysius College (Autonomous), Mangalore as a part of continuous assessment.

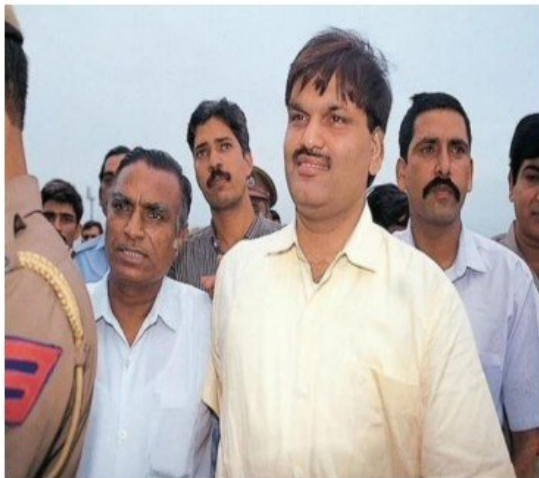
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**HARSHAD MEHTA**

**THE INDIAN STOCK BROKER  
FOUNDER OF GROW CONSULTANCY**



**MR. MAHADEV**

**CBI OFFICER  
WHO INVESTIGATED THE SCAM 1992**



**MR. ASHWIN MEHTA**

**BROTHER OF HARSHAD MEHTA**



**MRS. SUCHETHA DALAL**

**THE FINANCIAL NEWS REPORTER**

**Introduction:****Anuradha K (2338001)**

Harshad Mehta was a prominent Indian stockbroker and trader who became well-known for his role in the 1992 Indian securities scam, often referred to as the "Harshad Mehta Scam." This financial scandal had a significant impact on India's financial markets and regulatory systems. Here's a brief case study of Harshad Mehta and the events associated with the scam.

**Name: Harshad Mehta****Born: July 29, 1954****Died: December 31, 2001**

Harshad Mehta, whose full name was Harshad Shantilal Mehta, was a prominent and controversial figure in the Indian financial world during the late 1980s and early 1990s. He was born on July 29, 1954, and his life and career were marked by both immense success and notorious infamy.

**EARLY LIFE AND BACKGROUND:**

Harshad Mehta was born and raised in a middle-class family in Rajkot, Gujarat, India. He started his career as a small-time stockbroker in Mumbai (formerly Bombay), India's financial hub. His humble beginnings in the stock market did not foreshadow the meteoric rise he would experience in the years to come.

Harshad Mehta, a prominent Indian stockbroker and trader, was involved in several financial scams during his career.

**The Scam:****Darshan K (2338002)**

Harshad Mehta was a stockbroker in Mumbai who quickly rose to prominence in the late 1980s. He became known as the "Big Bull" for his ability to manipulate the stock market.

**The Securities Scam:** The 1992 securities scam involved Mehta's manipulation of stock prices through a process known as "pump and dump." He would buy a large number of shares of a particular stock, artificially inflating its price, and then sell those shares at a profit to unsuspecting investors.

**Fictitious Bank Receipts:** Mehta used fictitious bank receipts to finance his share purchases and manipulate the markets. These fictitious receipts made it seem like he had huge sums of money in his accounts, which boosted investor confidence in his operations.

**Exposed Scam:** The scam came to light in April 1992 when journalist Sucheta Dalal and her husband, Debashis Basu, published articles in the Times of India, exposing the irregularities in Mehta's activities. This revelation led to panic in the stock market.

**Investigations and Legal Proceedings:** Harshad Mehta and several others involved in the scam were arrested and faced legal proceedings. Mehta was convicted in some cases, but the legal process was lengthy, and he remained a controversial figure until his death in 2001.

**Impact:**

The Harshad Mehta scam had far-reaching consequences for the Indian financial system. It eroded trust in the stock market and led to significant reforms in the Indian financial and banking sectors, including the establishment of the Securities and Exchange Board of India (SEBI).

The scam exposed regulatory weaknesses, leading to a greater emphasis on transparency and accountability in the Indian financial markets.

Mehta's life and the scam were the inspiration for the Bollywood movie "The Big Bull," which was released in 2021.

Harshad Mehta's case remains a significant episode in the history of Indian finance, and it serves as a cautionary tale about the importance of strong regulatory oversight and the risks associated with financial manipulation in stock markets.

Harshad Mehta, whose full name was Harshad Shantilal Mehta, was a prominent and controversial figure in the Indian financial world during the late 1980s and early 1990s. He was born on July 29, 1954, and his life and career were marked by both immense success and notorious infamy.

**Key scams associated with Harshad Mehta:**

**Prapthi Rao (2338003)**

**1. Securities Scam (1992):** This is the most infamous scam associated with Harshad Mehta. He manipulated the Indian stock market by using a combination of tactics, including the use of fake bank receipts, to fraudulently inflate the prices of certain stocks. This led to a stock market boom followed by a massive crash, resulting in significant financial losses for many investors.

**2. Ready Forward (RF) Scam (1994):** After the 1992 securities scam, Harshad Mehta was involved in another financial scandal related to the ready forward (RF) deals. In these transactions, banks provided securities to Mehta against funds, with the understanding that they would be repurchased later. Mehta manipulated these deals to access additional funds from the banking system and artificially inflate share prices.

**3. SBI Scam:** Mehta was also involved in a scam related to the State Bank of India (SBI). He and his associates manipulated the stock price of SBI and engaged in illegal transactions involving the bank's shares.

**4. Bank Receipt Scam:** As part of the 1992 securities scam, Mehta used fraudulent bank receipts to create an illusion of funds in his bank accounts, which he used to manipulate the stock market and secure loans from banks. These receipts were fictitious and played a pivotal role in his market manipulation tactics.

### **Securities Scam (1992):**

These scams had a significant impact on the Indian financial system and led to major reforms and regulatory changes. Harshad Mehta's actions exposed weaknesses in the regulatory and banking systems, leading to the establishment of the Securities and Exchange Board of India (SEBI) and other measures to strengthen the oversight of financial markets in India.

### **Key Elements of the Scam:**

**1. Market Manipulation:** Harshad Mehta and his associates engaged in extensive market manipulation. They artificially inflated the prices of certain stocks by purchasing large quantities of those shares, creating a demand and driving up the prices.

**2. Ready Forward (RF) Deals:** Mehta exploited the ready forward (RF) mechanism to manipulate stock prices. In RF deals, banks provided funds against securities, which could be repurchased later. Mehta used these transactions to obtain funds from banks, which he then used to invest in the stock market, artificially boosting share prices.

**3. Fake Bank Receipts:** One of the most crucial elements of the scam was the use of fraudulent bank receipts. Mehta and his associates fabricated bank receipts that falsely showed that they had substantial funds in their accounts. These fictitious receipts were used to secure loans and manipulate the market.

**4. Price Rigging:** Mehta and his team rigged the prices of certain stocks, especially those in the banking and financial sectors. This led to a stock market boom that drew in a large number of investors, causing stock prices to surge to astronomical levels.



## **Consequences:**

The consequences of the securities scam and the legal proceedings that followed had a significant impact on Harshad Mehta's life and reputation. Here are some of the key consequences he faced:

**1. Arrest and Legal Battles:** Harshad Mehta was arrested in late 1992 in connection with the securities scam. This marked the beginning of a prolonged legal battle that would last for several years. He faced multiple charges, including fraud, conspiracy, and economic offenses.

**2. Conviction and Imprisonment:** Mehta was convicted in some of the cases related to the securities scam. He was sentenced to five years in prison. While he appealed his conviction, he spent time in jail during the legal process.

**3. Financial Ruin:** Mehta's financial empire crumbled in the aftermath of the scam. He faced massive financial losses and was declared bankrupt. His once-lavish lifestyle came to an abrupt end.

**4. Social Stigma:** Harshad Mehta's name became synonymous with financial wrongdoing in India. He faced severe public backlash and was widely criticized for his role in the scam, which had caused substantial losses to many investors.

**5. Health Issues:** The stress and legal battles took a toll on Mehta's health. He experienced deteriorating health during the legal proceedings and eventually died of a heart attack on December 31, 2001, at the age of 47.

**6. Legacy and Controversy:** Even after his death, Harshad Mehta's legacy remained controversial. He was both vilified and, in some quarters, seen as a symbol of the flaws in the Indian financial system. His story continues to be the subject of debate and discussion in India.

**7. Depiction in Media:** Harshad Mehta's life and the securities scam have been the basis for books, documentaries, and a Bollywood movie titled "The Big Bull," which dramatizes the events of his life and the scam.

The consequences of the securities scam were profound, and they marked the downfall of a once-prominent figure in the Indian financial world. Mehta's actions also played a role in shaping the regulatory landscape of India's financial markets, leading to reforms and greater oversight through the establishment of the Securities and Exchange Board of India (SEBI).

The securities scam of 1992, often associated with Harshad Mehta, was a significant financial scandal in India that had far-reaching implications for the country's financial markets and regulatory framework. Here are the key details of the securities scam:

### **Ready Forward (RF) Scam:**

**Abdul Hafez (2328004)**

The Ready Forward (RF) scam, which is often associated with Harshad Mehta, was one of the key components of the larger securities scam of 1992 in India. The RF scam involved the fraudulent use of the ready forward mechanism in the Indian banking system to manipulate stock prices and access funds. Here are the details of the RF scam:

**1. What is the Ready Forward (RF) Mechanism:** The RF mechanism is a financial arrangement in which banks provide funds to their clients against the security of government securities or other financial instruments. These transactions typically involve the sale and repurchase of securities at a later date at a predetermined price.

**2. Exploiting RF for Manipulation:** Harshad Mehta and his associates exploited the RF mechanism to manipulate stock prices. They engaged in RF deals with various banks, using government securities as collateral.

Mehta used these transactions to obtain funds from the banking system, which were then used for his speculative activities in the stock market. Essentially, he was using the funds provided by banks against securities to artificially boost share prices.

**3. Circular Trading:** In a circular trading scheme, Mehta engaged in a cycle of buying and selling the same securities in the stock market. This circular trading



created an illusion of high demand for these shares, leading to a surge in their prices.

As the prices of these stocks rose, the collateral value of the government securities pledged in RF deals also increased. This allowed Mehta to access even more funds from the banks, perpetuating the cycle.

**4. Misuse of Bank Funds:** Mehta's misuse of RF transactions essentially meant that banks were indirectly funding his speculative activities in the stock market. This was done without proper authorization or disclosure to the banks' management.

**5. Impact and Exposure:** The exposure of the RF scam, along with the use of fake bank receipts, contributed to the larger securities scam becoming public knowledge.

Investigative journalists Sucheta Dalal and Debashis Basu played a significant role in bringing these irregularities to light.

**6. Legal Consequences:** The RF scam, along with other components of the securities scam, led to the arrest and legal proceedings against Harshad Mehta and several others involved in the fraudulent activities.

**7. Regulatory Reforms:** The exposure of the RF scam and the larger securities scam exposed significant weaknesses in the Indian financial system's regulatory framework.

This ultimately resulted in the establishment of the Securities and Exchange Board of India (SEBI) and various market reforms to strengthen regulatory oversight in India's financial markets.

The Ready Forward scam was a critical element of the 1992 securities scam and played a crucial role in manipulating stock prices and causing financial market turmoil in India. It underscored the need for improved regulatory controls and oversight in the country's financial sector.

**SBI scam:****Ms. Sinchana (2338005)**

The State Bank of India (SBI) scam was one of the financial irregularities associated with Harshad Mehta during the 1992 securities scam in India. Here are the details of the SBI scam:

**Background:**

Harshad Mehta, a prominent stockbroker during the late 1980s and early 1990s, was at the center of the 1992 securities scam, which involved various financial irregularities and manipulative practices in India's stock markets. Details of the SBI Scam:

**1. Purchase of SBI Shares:** As part of his market manipulation tactics, Harshad Mehta and his associates purchased a substantial number of shares of the State Bank of India (SBI), one of India's largest and most prominent public sector banks.

**2. Price Manipulation:** Mehta and his team artificially inflated the prices of SBI shares by engaging in circular trading and other manipulative practices. This led to a rapid increase in the stock's price.

**3. Collateral for Borrowings:** Mehta used these inflated SBI shares as collateral to secure loans from various banks, particularly from the SBI itself and other banks in the Indian banking system.

**4. Misuse of Bank Funds:** The funds borrowed from the banks were used for speculative trading and market manipulation, further boosting stock prices. This misuse of bank funds was at the core of the SBI scam.

**Exposure and Legal Consequences:**

The exposure of the larger securities scam in April 1992 led to the revelation of the SBI scam, among other irregularities in Mehta's operations.

The investigative efforts of journalists Sucheta Dalal and Debashis Basu played a significant role in bringing these financial manipulations to light.

### **Impact and Repercussions:**

The SBI scam, along with other components of the securities scam, shook the confidence of investors in the Indian stock market.

It highlighted the lack of proper oversight and regulations in India's financial system.

### **Legal Proceedings:**

Harshad Mehta and several others involved in the SBI scam and other fraudulent activities faced legal proceedings and charges related to fraud, conspiracy, and economic offenses.

The exposure of the SBI scam, along with other financial irregularities, ultimately led to significant reforms in India's financial and banking sectors. These reforms included the establishment of the Securities and Exchange Board of India (SEBI) to strengthen regulatory oversight, as well as efforts to improve transparency and accountability in the country's financial markets.

### **Bank Receipt Scam:**

**Mr. Sutin Joel (2338006)**

The "bank receipt scam" was a crucial component of the larger 1992 securities scam in India, associated with Harshad Mehta. This scam involved the fraudulent use of bank receipts to manipulate the stock market and access funds. Here are the details of the bank receipt scam:

**1. Introduction to Bank Receipts:** In the early 1990s, Harshad Mehta and his associates used a financial instrument known as "bank receipts" to carry out their manipulative activities in the Indian stock market.

**2. Creation of Fake Bank Receipts:** Mehta and his team fabricated fake bank receipts that falsely indicated that they had substantial funds in their bank accounts. These fictitious bank receipts were used to deceive banks and other financial institutions, making it appear ...

### **Revealing Harshad Mehta's Scam:**

Harshad Mehta, the central figure in the 1992 securities scam in India, was ultimately caught due to a combination of factors that led to the exposure of his fraudulent activities. Here's how he was caught:

**1. Investigative Journalism:** A significant factor in Harshad Mehta's exposure was investigative journalism. Sucheta Dalal, a financial journalist, and her husband, Debashis Basu, played a crucial role in uncovering the irregularities in Mehta's operations.

In April 1992, they published a series of articles in The Times of India that highlighted the suspicious activities and manipulations in the stock market, including Mehta's involvement.

**2. The Impact of Media Reports:** Harshad Mehta, a central figure in the 1992 securities scam in India, faced multiple legal cases and court judgments during and after the scam.

### **Court judgments related to Harshad Mehta: Mr. Vinayaka P (2338007)**

**1.Conviction in 1999:** In 1999, Harshad Mehta was convicted in a case related to the securities scam. He was found guilty of being involved in manipulating stock prices and misappropriating funds.

**2. Sentencing:** Following his conviction, Harshad Mehta was sentenced to five years in prison. He was also ordered to pay a fine of Rs. 25,000.

**3. Appeals and Legal Proceedings:** Harshad Mehta appealed his conviction, and the legal proceedings continued for several years.



**4. Death:** Unfortunately, Harshad Mehta, the central figure in the 1992 securities scam in India, passed away on December 31, 2001. He died of a heart attack in a Mumbai hospital at the age of 47. His death occurred while his legal battles related to the securities scam were still ongoing. Despite his passing, the legacy of his actions and the consequences of the securities scam continued to be a subject of discussion and debate in India's financial and regulatory landscape.

The exact amount of money earned by Harshad Mehta through the 1992 securities scam is difficult to determine with precision. Mehta's activities in the stock market involved a series of complex and interconnected fraudulent practices, including price manipulation, the use of fake bank receipts, and the misuse of the ready forward (RF) mechanism. These activities made it challenging to calculate an accurate figure for his gains.

Various estimates have been made regarding the total amount that Mehta and his associates earned through these fraudulent activities. Some estimates suggest that the gains could have ranged from several hundred crore (tens of millions) to several thousand crore (billions) of Indian rupees.

**Exposure and Aftermath:**

The scam came to light in April 1992 when investigative journalists Sucheta Dalal and Debashis Basu published articles in the Times of India, exposing the irregularities in Mehta's operations.

The revelation led to panic in the stock market, causing a sharp decline in stock prices and widespread financial losses.

**Consequences:**

Harshad Mehta was arrested and faced numerous legal charges, including fraud and conspiracy.

The scam exposed regulatory weaknesses in the Indian financial system, leading to the establishment of the Securities and Exchange Board of India (SEBI) to strengthen regulatory oversight.

It had a profound impact on investor confidence and the functioning of the stock market in India, resulting in significant reforms in the financial and banking sectors.

The 1992 securities scam remains a pivotal moment in the history of India's financial markets, illustrating the need for robust regulatory mechanisms and the potential consequences of unchecked market manipulation.

### **Conclusion:**

Harshad Mehta and the scams associated with his name, particularly the 1992 securities scam, represent a significant chapter in the history of India's financial markets and regulatory reforms. Here's a conclusion on Harshad Mehta and his scams:

**1. Symbol of Excess and Manipulation:** Harshad Mehta's rapid rise to prominence and his ability to manipulate stock prices earned him the moniker "The Big Bull." However, his actions in the stock market exposed the dangers of unchecked greed, manipulation, and the lack of regulatory oversight.

**2. Systemic Flaws Exposed:** The 1992 securities scam revealed systemic vulnerabilities and regulatory weaknesses in India's financial system. It demonstrated how unscrupulous individuals could exploit these weakness...