

Parliamentary standing committee on Finance Branch

12th February 2021

Background Note in the matter of M/S Supreme Transport Org Pvt Ltd v/s Kotak Mahindra Bank Ltd

For information of the members as requested vide letter #17/1/5/2020-21/FC

1. Ministry of Finance should come out with a portal or a public website, where injustice and frauds conducted by the banks on their clients, should be reported by corporates and individuals.

2. The country would be surprised to learn, that more number of frauds are conducted by the banks, compared to the ones conducted by defaulters, in routine practice of the banks, through white collared goons on their payroll.

3. One such classic example is in the recent case between Kotak Mahindra Bank Ltd and M/S Supreme Transport Organisation Pvt Ltd (STOPL) of Mumbai.

4. STOPL since 1983 (more than 38 years) have been India's leading road transport service provider, **with more than 70 own offices all over India, and had a fleet of more than 200 commercial trucks and trailers with more than 500 employees.**

5. Between 2002 and 2018, **STOPL transacted more than 1100 Crores worth of business of road transportation, from multinational corporations** like G.E. (USA), General Motors (USA), Mercedes Benz, Bombardier, Expeditors, Windar, ABB, Airtel, BHEL, Mahindra and other leading corporations, **paying considerable taxes running in multi hundred Crores to the various departments of the Govt of India.**

(one pager profile attached for your reference)

6. In the year 2010-11, employee of HDFC bank Mr. Jatin Arora moved to Kotak and took the account and limits of STOPL from HDFC to Kotak. Relationship began with limits of more than Rs. 14 CR.

7. **Between 2010-11 and March 2018**, STOPL had an exposure of almost Rs. 40 CR with Kotak, **with a collateral of approx Rs. 60 CR.**

8. **In the same period, STOPL paid interest and loans in excess of Rs.100 CR to HDFC, ICICI, Indusind, Sriram finance, IIFL, Axis and of course Kotak, since STOPL was always a paymaster and an ethical corporation.**

9. When Kotak's exposure came down from Rs. 40 CR to Rs. 30 CR, Kotak released STOPL's properties worth Rs. 20 CR from the collateral, thereby bringing the collateral down from Rs. 60 CR to Rs. 40 CR, which were basically all immovable properties across India like STOPL's offices, residences and warehouses.

10. When exposure further went down from Rs. 30 CR to Rs. 20 CR (due to regular payments of all instalments), STOPL was given assurances by Kotak that further collateral of Rs. 20 CR would be released and handed over. However it was not done for months and STOPL was not happy with it. **It was clear that Kotak on purpose was not releasing the collateral properties for several malafide reasons and intentions.**

11. In February 2018, STOPL met Mr. Amit Mohan and Mr. D Kannan, senior officials of Kotak in Mumbai, on instructions of Mr. Dipak Gupta (Jt MD) and Mr. Uday Kotak (CMD) of Kotak.

12. STOPL apprised about ending the relationship and closing the accounts due to this unethical behavior of Kotak. **STOPL introduced to Kotak, 3 buyers of 3 residential flats owned by STOPL in one luxurious tower in Goregaon West of Mumbai, for a total of Rs. 19.5 Crores (Rs. 6.50 CR for each flat to be purchased by each buyer).** This was in good faith and best interest to close the account immediately through direct payments and direct handover of the flats.

13. On 6th March 2018, Mr. Amit Mohan of Kotak, shared a draft format of a letter with STOPL, to be printed and signed on the letter head of STOPL with the board's signature and submitted to Kotak.

14. Letter basically stated that Rs. 19.18 CR is balance loan and handover of symbolic possession of 3 flats to sell and close the account of STOPL.

Annexure -1 attached your reference.

15. Mr. Amit Mohan and Mr. D. Kannan promised that such transaction would be done and account would be closed before 31st March 2018.

16. In April 2018, STOPL was surprised to receive contradictory letter from Kotak, asking for physical possession of these 3 flats. In the circumstances where the keys, original documents and everything else related to these 3 flats is already with Kotak, due to mortgage and their charge, such letter was fishy.

Annexure -2 attached your reference.

17. STOPL spoke to Mr. Amit Mohan of Kotak, where he apprised, that some **Mr. Pranay Bharucha has been appointed on this case and he's a fraud and crook. He will destroy STOPL, collect complete outstanding from clients of Rs. 14 CR, sell flats for 19 CR and liquidate the balance properties of 21 CR also.**

18. STOPL didn't believe Amit Mohan because recovering 54 CR against balance of 19.18 CR didn't seem sensible and legal.

19. But after 3 years of battle, it is quite visible that Kotak is highly into such fraudulent activities and gulping business on daily basis, all over India. Kotak dupes its customers including individuals and corporations through white collar cahoots like Pranay Bharucha by playing foul.

20. Kotak in June 2018 moved to Debt Recovery Tribunal (DRT) in New Delhi, **which had no jurisdiction on this case, and obtained an EX PARTY order** (without hearing STOPL), stating to collect all monies from 60 clients of STOPL (Garnishee order) Annexure -3 attached your reference.

21. This order was taken by manipulating DRT, by stating that there is some status quo / stay and other orders from courts of Mumbai on those 3 flats and hence they cannot be taken possession of or sold!

Annexure -4 attached your reference.

22. Well it was clearly discovered later by DRT, that it was false submission by Kotak since DRT handed over same 3 flats to Kotak in less than 1 hour, in February 2019 through DRT's own receiver from New Delhi.

Annexure -5 attached your reference.

23. Through this garnishee order to collect money from clients, Kotak not only collected Rs. 13.76 CR from 60 clients of STOPL, but also destroyed the complete business of STOPL, since now none of the 60 clients would do any business with STOPL.

24. The sale of the ever growing company went from Rs. 150 CR annually to Rs. 0 in the road transport business. This is purely and only because of fraudulent acts of Kotak.

(INR in Crores)	2012-13 (Audited)	2013-14 (Audited)	2014-15 (Audited)	2015-16 (Audited)	2016-17 (Audited)	2017-18 (Audited)	2018-19 (Audited)	2019-20 (Audited)	2020-21 Projected
Sales	100.36	115.96	134.78	150.23	102.81	104.45	34.37	20.07	0.00
Other Income	0.03	0.02	0.02	0.03	0.01	2.56	2.11	1.63	0.00
Oper. Expend.	78.66	94.31	109.67	120.45	72.52	65.86	25.63	10.15	9.00
Gross Margin	21.73	21.67	25.13	29.81	30.31	41.15	10.85	11.56	-9.00
E.B.I.T.D.A.	9.72	9.38	10.04	11.15	13.8	22.65	-4.14	-0.07	-9.00
Depreciation	4.31	4.37	3.84	3.84	3.06	6.68	5.40	4.19	5.39
EBIT	5.41	5.01	6.2	7.31	10.74	15.97	-9.53	-4.26	-14.39
Interest	4.4	3.82	4.12	4.83	5.65	5.72	2.01	0.35	20.00
Profit before Tax	1.01	1.19	2.08	2.48	5.09	10.25	-11.54	-4.61	-34.39
Provision for tax	0.38	-0.29	0.8	0.87	1.76	5.69	0.69	0.25	0.00
Profit after TAX	0.63	1.48	1.29	1.61	3.34	4.56	-12.22	-4.86	-34.39

25. Despite of all kinds of manipulation in DRT by Kotak, DRT vacated the garnishee order and clearly ordered Kotak to not to collect any more money from any client of STOPL. Also DRT ordered Kotak to refund 65% of the monies collected from STOPL's back to STOPL, so that salaries, rents, utilities, interest and other daily payments can be made to 500 employees and 70 offices all over India.

Annexure -6 attached your reference.

26. Kotak without any hesitation has intentionally contempt the DRT order of refunding 65% with clear intentions of destroying the company; Kotak further kept on seeking dates for hearings in DRT in entire 2019 and 2020.

27. Pranay Bharucha and Kotak's strategy of stretching the case for 4 to 5 years is now clear, so that the original amount of Rs. 19.18 CR becomes over Rs. 50 CR through their penal interest.

28. With the same intentions to gulp the entire 54 CR, Pranay Bharucha went ahead and illegally sold 1 out of the 3 flats, to one of the same buyer's introduced by STOPL. However, the flat was not sold for Rs. 6.5 CR, but 5.15 CR to the bank and 1 CR to Pranay Bharucha in cash.

29. This encouraged Pranay Bharucha and Kotak Bank, so they went ahead and sold the 2nd flat for Rs. 5.01 CR to the bank and Rs. 1 CR in Cash to himself, illegally to the same 2nd of the 3 buyer's introduced by STOPL.

30. At this point, Kotak technically has more than Rs. 24 CR in the bank (13.76 CR recovered from Clients of STOPL+Rs. 10.16 CR from sale of 2 flats + plus Rs. 2 CR in cash) = total 26 CR recovered against a loan balance of Rs. 19 CR.

31. When STOPL objected to this in DRT, Pranay bhaurcha conducted cheque fraud. He filled the date and amount on a blank cheque of the Chairman of STOPL, given as guaranty in 2011, an amount of Rs. 6 CR and bounced it on purpose. Pranay Bharucha went ahead and filed section 138 proceedings in

courts of Chennai, and started blackmailing STOPL to withdraw proceedings against Kotak.

Annexure -7 attached your reference.

32. When STOPL moved petition for release of balance properties worth Rs. 21+ CR in DRT, Pranay Bharucha moved frivolous petitions in DRT, through third parties to obstruct release of such properties. Fraudulent intentions and wilful evil plans to destroy the company are clearly visible in every action of Kotak. Along with plans to recover 50+ CR against Rs. 19 CR loan.

Annexure -8 attached your reference.

33. Upon escalating such detrimental acts of Kotak to the Ministry of Finance, phone calls and letters made and written by the Ministry including RBI to Kotak Bank are royally ignored by Kotak with no replies.

Annexure -9 attached your reference.

34. Enforcement Directorate upon understanding the case has clearly written to Mumbai Police Commissioner to register FIR under various sections of the Indian Penal Code against Pranay Bharucha and Kotak Mahindra Bank.

Annexure -10 attached your reference.

35. Justice is PRAYED from the Ministry and Standing Committee of Finance in the Parliament, that Kotak be ordered to refund Rs. 13.76 CR collected from the clients of STOPL, with interest, immediately in order to save suicidal situations of employees due to non-payments for over 3 years.

36. Further STOPL prays, immediate release of balance properties with Kotak, of Rs. 21+ CR to STOPL, thereby keeping the original deal of selling three flats and closing the account/loan balance of Rs. 19 CR.

37. In the interest of avoiding such frauds by such banks on innocent people and corporations of India, the laws and the Ministry shall work on closely monitoring such acts of such banks.

38. Tribunals like DRT and others are hands in gloves with Kotak and such banks, since they keep stretching the cases for years on instruction of the bank's lawyers/counsels, and issue orders on manipulation and under influence of such fraudulent banks.