

LC FRAUD CASE

Two cases were registered by CBI EOW Mumbai branch on 24.02.2012 on the basis of Complaints received from Zonal Officer, Bank of India.

Background of the cases :

- These cases are of forgery and cheating by a syndicate of Fraudsters operating in the Banking sector who negotiated a total of **46 forged outstation Letter of Credits (LCs) and swindled Bank of India to the tune of Rs.80 crores approx. (Both cases inclusive).**
- This high value fraud case was brought to light when one of the main accused Rajesh Choradia was trying to negotiate forged Letters of Credit (LCs) purportedly issued by Bank of Baroda, Bhopal with the Bank of India, Borivli Branch, Mumbai on 26.05.2011 and the alert dealing hand **Smt. Manju Suri, Officer of Bank of Baroda, Chakala Branch, Andheri, Mumbai caught him red handed while verifying the signatures of those LCs. Instead of going by what the accused was insisting, she confirmed from the issue branch namely Bank of Baroda, Hamidia Road Branch, Bhopal which denied the issuance of any such LC.** She alerted the Head Office of Bank of India and a case was registered with Borivli Police Station, Mumbai in May 2011. Thereafter, Bank of India found out that a similar fraud had taken place in Bank of India, Chakala Branch, Andheri, Mumbai.

Allegations :

- It was alleged that Rajesh Choradia (A-1), Proprietor of M/s. A.R. Finance, a third party bill negotiator, presented different bills (LCs) purportedly issued by Bank of Baroda, Hamidia Road Branch, Bhopal, favoring different business firms of Mumbai in the Chakala Branch of Bank of India, Mumbai for third party negotiation. **The Bank sought verification of the signatures of the officials of the issuing branch on the LCs with Bank of Baroda Chakala Branch**

and Shri R.K. Arora, Senior Manager, Bank of Baroda, Chakala Branch confirmed the signature from their online system.

- The branch officials of **Bank of India, Chakala Branch** also contacted the issues branch on telephone no. **0755-4058535** mentioned in the LCs for confirmation of the LCs. After getting telephonic confirmation, the bank sent the bills for acceptance and documents for confirmation to the issue bank, **Bank of Baroda, Hamidia Road Branch, Bhopal** through accused **Rajesh Choradia**. The branch received confirmation of the LCs and acceptance of bills over fax and also through letter in some cases within three days. On receipt of confirmation the branch negotiated 29 bills purported to be issued by Bank of Baroda, Bhopal and the payments were sent through RTGS to the accounts of various beneficiaries.
- **Bank of India** initiated an internal investigation when it was alerted by **Smt. Manju Suri**. The Bank came to know that all the 27 LCs were forged and it was cheated to the tune of **Rs.53 crores** at **Chakala Branch, Andheri**. Similarly 19 LCs were forged and the bank was cheated to the tune of **RS.27 crores** at **Borivli Branch, Mumbai**. There was no genuine business transaction as indicated in the LCs and the Companies which raised these LCs were not even in existence.
- One **Sachin Shah** who is the master mind in this case in conspiracy with **Sh. Rajesh Choradia** and others prepared forged LCs and documents showing to have been opened by non-existent firms of **Bhopal** with **Bank of Baroda, Hamidia Road Branch, Bhopal** favoring different beneficiary firms of **Sachin Shah, Sajjan Kumar, Govind Salgaonkar** and others during **January, 2011 to April, 2011**.
- The telephone number **4053585** appearing on the LCs was an Airtel telephone internet connection number provided by Airtel in the name of one **Shri Punit Dwivedi, Bhopal**. The Internet connection was in the possession of **Shri Ali Hasan Khan**, who denied to have taken any telephone connection but was only using the internet connection with other port vacant. It is revealed that the incoming calls on the telephone number **0755-4053585** were diverted on different mobile numbers used by the accused with the use of the said

internet connection. This arrangement was used to hoodwink the bank officials when they tried to contact the issuing branch for confirmation of issuance of the LCs.

- Further, they managed the confirmation letter and acceptance of bills on the purported letter heads of Bank of Baroda, Hamidia Road Branch, Bhopal, when the documents were handed over to Rajesh Choradia instead of sending them directly to the issuing branch against the norms of the bank. **The accused Sachin Shah managed receipt of negotiated LC amount in the accounts of different beneficiaries by parting small amounts to them** and also by luring them of an increased turnover in the accounts of the beneficiaries and siphoned off the fraud money.
- This is an act of criminal syndicate with antecedents of cheating the banks through a sophisticated modus operandi

Analysis of Evidence and Findings of the Investigation:

- The banks before negotiation have a system of confirming the LCs from issuing branch and also send the original documents for acceptance. Once the acceptance letter is received, the LCs were negotiated for payment. **In this case, the fraudsters forged the LCs with different telephone numbers and fax numbers and used the services of a lineman of Airtel service who diverted the telephone calls to a private number possessed by one of the accused.** Hence, when the official from the bank called to check the veracity of the LCs, the call was diverted to the private numbers of another accused Mohd. Ziyauddin and he used to confirm the issuance of the LCs. **The accused Mohd. Ziyauddin also managed to get a sample signature of the officials of the issuing branch and rubber seal of the issuing branch through a private person in Bhopal.** The signatures were super imposed and he made the forged signature on the LCs by overwriting on the super imposed signature to take care of confirmation of the LCs signatures with an online system.
- The other arrangement is to ensure the issuance of LCs by sending the original documents to the issuing branch and they, after verifying the

documents, will issue the acceptance letter through mail/ courier and after receiving the acceptance letter, the negotiating branch will pay money. **In this case, the fraudsters managed to take the documents/ stationeries from the negotiating branch because of their contacts and submitted forged acceptance letter purported to be issued by the issuing branch of LCs and by this they conned the bank.** Once the LCs is negotiated, payments were made to the purported suppliers arranged through bill discounters and other acquaintances of the **key accused through RTGS and the money was siphoned off subsequently.**

Result of Investigation :

After completion of investigation CBI EOW Mumbai branch has filed Charge sheets in both the cases in the Court of Special Judge, Mumbai against 30 accused persons including six bank officials in both the cases and the cases are presently pending trial.

Similar Cases :

There is another similar case registered and Charge sheeted in CBI EOW Mumbai branch vide RC.7/E/2010-Mumbai in which State Bank of Bikaner & Jaipur, Andheri Branch, Mumbai was defrauded to the tune of Rs.9.80 crores with forged LCs purported to have been issued by Corporation Bank, Lal Ghatti Branch, Bhopal.

- As stated above, this is an act of criminal syndicate with antecedents of cheating the banks through a sophisticated modus operandi and used the contacts of Shri Rajesh Choradia (A-1) to negotiate the forged Lcs. Shri Rajesh Choradia (A-1) is an established third party negotiator of Bank of India, Chakala Branch, Mumbai. In this case the kingpins are Shri Sachin Shah (A2), Late Shri Suresh Dhumal (A-5), Shri Mohd. Ziyauddin (A-7) Shri Clement Victor Dias (A-8) and Shri Tejas Kumar Panchal (A-10).
- In this year 2009, Late Shri Suresh Dhumal (A-5) in collusion with Shri Jitendra Bhogilal Panchal (A-6) of Gujarat motivated Shri Mohd. Ziyauddin (A-7) of Bhopal to prepare forged LCs which can be negotiated in Mumbai since Shri Mohd. Ziyauddin (A-7) was an expert in handling software. It is pertinent to know that all three were arrested by the Crime Branch, Mumbai and CBI EOW Mumbai in RC. 10/E/10 and RC. 7/E/10 respectively when they cheated Bank of India, Chakala Branch in March 2009 and State Bank of Bikaner and Jaipur, Andheri, Mumbai with forged LCs purported to be issued by Corporation Bank, Lal Ghati Branch, Bhopal.
- Subsequently, Late Shri Suresh Dhumal (A-5) came in contact with Shri Clement Victor Dias (A-8) of Mira Road, Mumbai looking for finance and assured him that he could arrange LCs for getting finance. Shri Clement Victor Dias(A-8) caught hold of Shri Sachin Shah (A-2) through his friend Shri Tapan Bose (A-9) and asked them to locate a professional in LC negotiation. Shri Sachin Shah(A-2) located Shri Rajesh Choradia (A-1) Proprietor of M/s. A. R. Finance, Mumbai in December, 2010 and told him about his requirements. Shri Rajesh Choradia (A-1) agreed to negotiate the bills under LCs for 1% commission.
- To be succinct, Late Shri Suresh Dhumal (A-5), Shri Jitendra Bhogilal Panchal (A-6) & Shri Mohd. Ziyauddin (A-7) were involved in preparing the forged LCs purportedly issued by Bank of Baroda, Hamedia Road Branch, Bhopal and Shri Rajesh Choradia (A-1) submitted the forged LCs in the bank and Shri Sachin Shah (A-2) and Shri Clement Victor Dias (A-8) were facilitating in submitting the documents.

- Shri Clement Victor Dias (A-8) also gave the idea of managing the telephonic confirmation, fax confirmation and acceptance of the LCs by issuing branch with the help of a private courier. For telephonic confirmation, he told Late Shri Suresh Dhumal (A-5) to print private number instead of the original bank number in the LCs so that the calls can be diverted to private number which was again managed by Shri Mohd. Ziyauddin (A-7). Thus, Shri Clement Victor Dias (A-8) used to give details of LCs required to Late Shri Suresh Dhumal (A-5) who in turn gave this information to Shri Mohd. Ziyauddin (A-7) through Shri Jitendra Bhogilal Panchal (A-6) and Shri Mohd. Ziyaddin (A-7) prepared forged LCs on his computer system favouring the concerned beneficiary.