



Press Release
25.01.2022

Enforcement Directorate has arrested Comandur Parthasarathy, CMD of Karvy Group and G Krishna Hari, CFO of Karvy Group under Prevention of Money laundering Act (PMLA), 2002, in a money laundering case connected with the fraud committed through illegal diversion of clients' securities by Karvy Stock Broking Ltd worth Rs 2873.82 Crore and pledging of these securities with banks/ NBFCs for seeking loans and subsequent loan default.

ED initiated money laundering investigation based on the FIR filed by HDFC bank with CCS Hyderabad Police under various sections of IPC for defrauding HDFC bank. Subsequently more FIRs have been filed by other Banks and few investors. ED has recorded the statement of various employees of the Karvy Group, and conducted searches at 9 locations on 22.9.2021. ED has uncovered the complex web of transactions designed by the senior management of the Karvy Group to misuse the securities of their clients and to raise loans fraudulently which were then rotated via multiple related companies and diverted away from the stated purpose. The shares of clients who did not owe any funds to KSBL were also transferred to the margin/ pool Account of KSBL and were pledged with the banks/ NBFCs. The Power Of Attorney (POA) given by clients to KSBL to facilitate exchange settlements was grossly misused by KSBL at the directions of the CMD and senior executives. Comandur Parthasarathy and G Krishna Hari were the main conspirators who gave instructions to others. Fund trail investigation has shown that the borrowed funds were transferred to other group companies, particularly to one WoS of KSBL i.e. M/s. Karvy Realty (India) Limited (KRIL) and then to 14 shell companies floated by Karvy Group. The same have been further diverted by layering done through complex web of transactions from the several accounts of group companies without any financial rationale. Various financial consultants and defunct NBFCs were used to route the funds. Further, it is found that KSBL availed loans from NBFCs to the tune of Rs 400 Crore in the name of 5 such shell companies by pledging shares of clients of KSBL after illegally transferring these shares to their account. The fraudulently availed loans were used to clear pending loans of related companies, do massive stock transactions which have allegedly turned into complete losses and diverted to personally held family companies. ED had earlier frozen share holding of the Comandur Parthasarathy worth around Rs 700 Crore. ED is investigating the money trail to trace the proceeds of crime which are close to around Rs 2000 Crore.

Comandur Parthasarathy and G Krishna Hari were lodged in Central Jail, Bangalore and on a Production warrant of ED Court, they were produced before the PMLA Special Court MSJ Hyderabad on 20.01.2022 and vide Order dated 25.01.2022, the Hon'ble Court has remanded the CMD and CFO of the Karvy Group to 4 days of ED custody from 27.01.2022 up to 30.01.2022.

Further investigation is going on.
