



Press Release

26/10/2023

Directorate of Enforcement (ED) has provisionally attached assets worth Rs 134.02 Crore in the form of 1000 Non-Convertible Redeemable Preference Shares of face value Rs. 200 each of M/s KFin Technologies Ltd (KFintech) held in the name of son of C. Parthasarathy, the CMD of M/s Karvy Stock Broking Ltd under the Prevention of Money Laundering Act (PMLA), 2002 on 23/10/2023.

ED initiated investigation on the basis of FIRs registered by the CCS Hyderabad Police, alleging that KSBL availed loans by illegally pledging its clients' shares worth about Rs. 2800 Crore and did not repay the said loans which were subsequently declared as NPA and fraud accounts. The loans funds were diverted to related companies like - Karvy Data Management Services Ltd., Karvy Realty India Ltd., etc. which was otherwise than for stated purpose and the diverted loan funds were routed via multiple defunct NBFCs to Karvy Financial Services Limited (an NBFC of the Karvy Group) to wash its bad debt accounts/NPAs.

ED investigation revealed that C. Parthasarathy had special privileges rights to subscribe to additional equity shares of M/s KFin Technologies Ltd. (KFintech) at a pre- determined price as per the Shareholders Agreement dated 03.08.2017. In consideration for termination of Shareholders Agreement and extinguishment of all such rights, KFintech allotted 1000 Non-Convertible Redeemable Preference Shares in name of Adhiraj Parthasarathy s/o C. Parthasarathy at par on 25th October 2021. The actual redemption premium/ termination fee agreed upon was Rs. 164 Crore. However, the amount was decreased by Rs. 30 Crore as Kfintech discovered certain unauthorised transfers of shares of Petronet LNG Limited to the Demat accounts of KSBL and Karvy Consultants Limited (KCL) and thus triggering the indemnity payout clause of the said mutual agreement. Hence, these shares were redeemable after a period of two years at a net redemption premium of Rs. 134.02 Crore.

ED investigation further revealed that the said issuance of Redeemable Preference Shares is in lieu of the rights and privileges enjoyed by C. Parthasarthy in Kfintech and thus he has the primary right or ownership of the said consideration received. C. Parthasarathy and his concerns had made an arrangement that the said consideration from KFintech are taken in the name of Adhiraj Parthasarathy as he is not an accused in the FIRs. Further, the said property in the form of Redeemable Preference Shares were concealed by Adhiraj Parthasarathy and were not deliberately disclosed in his submissions made before the ED during the course of investigation.

Total attachment in this case stands at Rs. 2229.56 Crore.

Further investigation is under progress.

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