



Press Release
18.01.2022

Enforcement Directorate has arrested Avasarala Venkateswara Rao, Promoter & MD of M/s Servomax India Private Limited (SIPL), on 17.01.2022 under the Prevention of Money Laundering Act (PMLA), 2002 for indulging in the offence of money laundering for causing a loss of around Rs 402 Crore to a consortium of Public sector Banks by indulging in various fraudulent practices.

ED initiated money laundering investigation on the basis of CBI FIR dated 02.02.2018 u/s 120-B r/w 406, 468 & 471 of IPC against M/s SIPL.

Investigation by ED revealed that M/s SIPL had taken loans from a consortium of Banks and Avasarala Venkateswara Rao was the promoter cum Key Managerial Person who was responsible for the entire business operations and he indulged in fraudulent transactions and the loan amounts were not repaid and the consortium of Banks suffered a NPA of Rs 402 Crore. M/s SIPL had circulated loan amounts to various related entities to inflate its books of accounts to become eligible for higher loans and had issued LCs to related entities without any real purchase of goods and which ultimately devolved causing losses of Rs 267 Crore to the Banks. ED investigation established that Avasarala Venkateswara Rao was continuously indulging in benami transactions and had diverted loan funds for personal benefit. He has used a web of more than 50 entities to route proceeds of crime and layer the same. He was non-cooperative during the investigation and was not supplying documents of his own business entities on one pretext or the other. Once the loan accounts became NPA, he was using his own shell entity (with his employee as controlling Director) to initiate the CIRP (Corporate Insolvency Resolution Process) process by fraudulently declaring it to be a creditor by passing bogus journal entries. He even managed to get his own person appointed as IRP for some time. He has also managed to retain the brand name of 'Servomax' illegally and even during the CIRP process, he controlled the website of the company and diverted work orders to his related entities. Based on the investigation done till date and the material evidence available on record, he was arrested under the provisions of PML Act 2002 for the offence of money laundering and was produced before the PMLA Special Court Hyderabad on 18.1.2022. Hon'ble Court has remanded him to 14 days of judicial custody.

Further investigation is going on.
