



Press Release
09.03.2022

Enforcement Directorate (ED) has provisionally attached immovable and movable properties in the form of lands, buildings and share holdings worth Rs 1984 Crore under the Prevention of Money Laundering Act (PMLA), 2002 in the money laundering investigation against M/s Karvy Stock Broking Ltd (KSBL) and its Chairman Comandur Parathasarathy and others.

ED initiated money laundering investigation on the basis of FIRs filed by the CCS Police Station, Hyderabad Police, on the complaints of lending Banks who complained that the Karvy Group had availed large amounts of loans by illegally pledging their clients' shares worth about Rs 2800 Crore and the said loans have become NPA after the release of the client's securities as per the orders of NSE & SEBI. KSBL was one of the leading Stock Brokers in the country with millions of clients. The scam came to light after a limited purpose inspection of KSBL conducted by NSE in 2019 revealed that KSBL had not revealed a DP Account and credited the funds raised by pledging of client securities to 6 of its own bank accounts ("Stock Broker-own Account") instead of the "Stock Broker-Client Account".

ED has collected the audit conducted by NSE and the orders passed by SEBI and ROC against M/s KSBL and the forensic audit reports of M/s BDO India LLP. On 22.09.2021, ED conducted searches at 9 locations and subsequently, C Parathasarathy, CMD of Karvy Group, and G Hari Krishna, CFO, were brought on production warrant & produced before ED PMLA Special Court and were arrested under PMLA on 20.1.2022. They are presently in judicial custody. Commandar Parathasarathy has been totally evasive & non-cooperative during the investigation and while admitting a few wrong doings by KSBL, has been shifting the entire blame on the CEO, CFO & other senior management.

ED has conducted extensive investigation, recorded the statement of various officials & Directors of related entities. According to ED investigation, KSBL had misused the Power of Attorney given by its clients and misused the same to illegally raise loans. Shares of clients who did not owe any funds to KSBL had been transferred to the Margin / Pool Account of KSBL and were pledged with the banks by making misleading declaration of ownership. Share transfers were done from the client's accounts for which the KSBL's Sales Team claimed that they had taken clients' approval for stock lending through phone or orally, but there are no supporting documentary evidence. Subsequently, the loans were diverted from the stated purpose by a set of high ranking functionaries working under the overall control of the CMD from a 'Secretariat Section' which maintained 'Back Office Control Account'. Funds were diverted to related companies like - KDMSL, KRIL which was set up for real estate ventures, diverted loan funds were routed via multiple defunct NBFCs to KFSL NBFC to wash its bad debts and large chunks of loan proceeds were pumped into Shell Insurance companies which did massive speculative share trading with KSBL as the Stock Broker and ostensibly suffered massive losses. Very complex web of financial transactions, using several shell entities and NBFCs, have been executed to conceal the source of these funds with a view to project them as untainted funds. Large amounts of proceeds of crime have



been 'invested' by infusing in the form of investments/share capital/short term advances/loans to group companies. This has resulted in enhancement of the value of the subsidiary companies of KSBL. Now the accused are trying to sell these subsidiary businesses at a profit to yield indirect windfall gains to the main accused.

In order to safeguard the proceeds of crime from alienation ED has identified and attached 102 number of landed properties worth Rs. 213.69 Crore, shareholding of C Parathasarathy in M/s KFin Technologies worth Rs. 438.70 Crore and tangible/intangible assets worth Rs 1280 Crore of M/s KDMSL, M/s KFSL NBFC, M/s KSBL, etc totaling to Rs 1984 Crore.

Further investigation is in progress.
