



PRESS RELEASE

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Directorate of Enforcement (ED) has seized movable & immovable properties to the extent of Rs. 62.52 Crore of M/s Farmax India Limited (FIL), its promoters and directors under provisions of the Foreign Exchange Management Act (FEMA), 1999. The seized properties include 23 immovable properties of M/s Farmax India Limited, its Managing Director Morthala Srinivasa Reddy and his brother M. Malla Reddy (Executive Director in Farmax India Ltd.). The seized properties also include equity shares of M/s Farmax India Limited in the name of promoters and the shares of M/s MSR India Ltd. originally held by Morthala Srinivasa Reddy and later transferred to his brother & other family members.

ED initiated investigation against M/s Farmax India Limited, its promoters, directors & others under the provisions of FEMA, 1999 in connection with the fraudulent issuance of Global Depository Receipts (GDRs) and non-utilisation of the same for *bona fide* purposes.

ED investigation revealed that Morthala Srinivasa Reddy, MD of FIL in connivance with Arun Panchariya & others issued GDRs in the name of his company in two tranches in 2010 and did not deliberately repatriate the GDR proceeds worth USD 71.45 million to India as per the statutory requirements.

ED investigation also revealed that "Vintage, FZE, Dubai" - wholly owned entity of Arun Panchariya was the sole subscriber to the GDRs. For that purpose, Vintage, FZE, Dubai had availed a loan from EURAM Bank, Vienna vide a loan agreement dated May 05, 2010. Under this agreement, M/s Farmax India Limited had agreed that the entire GDR proceeds shall be pledged to secure the loan granted by EURAM Bank to Vintage, FZE. The loan was sanctioned by EURAM Bank to Vintage, FZE solely for the purpose of subscribing to the GDRs and in turn the GDR proceeds received by FIL were pledged for securing the loan advanced to Vintage.

Out of the funds raised abroad, USD 15.60 million was diverted to its subsidiary, Farmax FZE, Dubai, a shell company in UAE and from there to various other entities controlled by Arun Panchariya. Another USD 56.57 million was adjusted by Euram Bank against non-repayment of loan by Vintage FZE.

Further investigation is under progress.