



## **Press release**

**2/7/2022**

Directorate of Enforcement has provisionally attached 105 immovable properties and other assets worth Rs 96.21 Crore belonging to Madhucon Group of companies and its directors & promoters in a money laundering case against M/s Ranchi Expressway Ltd Bank Fraud, under the provisions of PMLA, 2002.

The PMLA investigation was initiated in this case on the basis of CBI FIR registered on 12.03.2019 by CBI ACB Ranchi, registered against M/s Ranchi Expressways Limited (A Madhucon Group company) & its Directors. Subsequently, CBI filed Charge Sheet No: 17/2020 dated 30.12.2020 before the Hon'ble Special Judge for CBI cases, Ranchi against M/s Ranchi Expressways Limited and others.

In this case, NHAI had awarded project of 4-laning of NH-33 from 114 Km to 277.50 KM (approx 163.50 KM) on Ranchi-Rargaon-Jameshpur Section on annuity basis on design, built, finance, operate and transfer (DBFOT) pattern to M/s Madhucon Project Limited on 18.03.2011. A Special Purpose Vehicle (SPV) M/s Ranchi Expressway Limited was incorporated by Madhucon Group, to execute this project. Shri Kamma Srinivasa Rao, Shri Nama Seethaiah and Shri Nama Prithvi Teja were the founder directors of the said company and Madhucon Project Limited was the Engineering Procurement Construction (EPC) contractor of the project. Madhucon Group couldn't complete the project despite availing the full loan amount, and subsequently, their contract was terminated and a FIR was booked based on the directions of the Hon'ble High Court which were in turn based on the reports of SFIO and NHAI.

ED conducted searches, recorded the statements of multiple Bankers, Forensic Auditors, Engineers, sub-contractors and promoters of Madhucon Group and conducted fund trail investigation. During the search operations in June 2021, ED seized incriminating evidences and unaccounted cash of 34,00,000/- was also found & seized from the residential premises of Madhucon Group's Chairman Mr Nama Nageshwar Rao. ED investigation revealed that M/s Ranchi Expressways Limited represented by its directors & promoters obtained loans of Rs 1030 Crore (Approx) from the consortium of banks led by Canara Bank. Madhucon Group did not utilize the entire loan amount for its stated purposes, and diverted it to its associated entities and utilized it for other works and also directly siphoned off the loans by giving bogus works to its related shell entities. The work on the ground suffered and they could not complete the work despite drawing the entire loan amount. They also managed the maintenance reports and work progress reports to falsely claim higher expenses. The financials of the Group were not doing well for many years and after winning the tender for Ranchi-Jamshedpur Project, the Madhucon Group created a SPV namely M/s REL and did round tripping of loan funds to show bogus promoter's investment for obtaining the very first drawdown of the loan from the bank. Therefore, it is clear that from the very beginning, the Madhucon Group was involved in creative drawings of the Accounts to cheat the Banks/NHAI. Ultimately, Madhucon Group could not repay the loans and the account turned into NPA.

Another key finding of ED probe is that the LIE {Lender's Independent Engineer} chosen for this project was a completely related party of Madhucon Group and thus it was not independent and it consistently issued wrong reports favourable to the Madhucon Group. Multiple inspections by the Forensic Auditors and NHAI have revealed that the on ground progress of the work achieved by Madhucon Group was only 50.24%, whereas, they had already drawn loan amount of 90% of loan amount.



ED investigation has revealed that the Madhucon Group promoters siphoned off the loan funds of this project by taking the entire EPC Contract from its SPV, and then taking huge mobilisation and material advances, but instead of using those advances for the work, instead used it in their other projects. Also, direct cash of amount Rs 75.50 Crore was generated by paying money and then receiving back the amount through 6 Shell Entities (M/s. Usha Projects, M/s Shree BR Visions, M/s. Sri Dharma Saastha Constructions, M/s. Sree Nagendra Constructions, M/s. Ragini Infrastructure and, M/s. Varalakshmi Constructions) which were completely under the control of their Chairman Mr Nama Nageshwara Rao and Mr Nama Seethaiah. These sub-contractors did no work, had no sufficient expertise, were based in AP/Telangana, whereas the project was in North India, and they took large advances from MPL from the loan funds and then paid back huge amounts to Madhucon Group on the pretext of using the equipments & labour of Madhucon Group. So the funds came back to the Madhucon Group. ED has identified direct diversion of Rs 361.29 Crore from the loan funds.

ED identified landed assets of Rs. 88.85 Crores at Hyderabad, West Bengal and at Vishakhapatnam, Prakasham, Krishna District and movable assets of 7.36 Crore including shareholding of the promoters in M/s Madhucon Projects Ltd, totalling to Rs 96.21 Crore and has issued the Provisional attachment order on 01.07.2022 to preserve the proceeds of crime.

Further investigation is going on.