



### **Press Release - 18.12.2021**

Enforcement Directorate has arrested Pavitra Pradip Walvekar, Promoter Director & CEO of M/s Kudos Finance and Investment Private Limited, an NBFC company, on 17.12.2021 under the provisions of PML Act 2002. On the same day, he was produced before the PMLA Special Court Hyderabad and remanded to judicial custody for 15 days.

ED has been conducting Money Laundering investigation against a number of Indian NBFC companies which are in the business of Instant Personal Loans via Mobile APPs. It is revealed that, various fintech companies backed by Chinese funds have made agreements with these NBFC companies for providing instant personal micro loans of term ranging from 7 days to 14 days.

M/s Kudos NBFC 'purportedly' engages FinTech (digital lending partners) Companies as a Service Provider to assist in Identifying prospective customers, verifying their eligibility, collection of information/documents, conducting due diligence, collecting pre-disbursement documents, arranging execution of the loan agreement, assisting with collections/recovery of principal and interest payments and attending service requests /product related queries for the retail loans offered by the Company. Although it is projected that the NBFC is engaging Fintech companies for the above activities, but in reality they are allowing the Fintech companies to misuse the valuable NBFC license of Kudos. M/s Kudos has a paltry Net Owned Fund ( NOF), but it is taking huge amount as 'security deposits' and then opening separate Merchant ID (MID) with payment gateways for each fintech APP and then depositing these security deposit in the MID of the respective fintech APP. M/s Kudos has no mobile APP of its own. It is not involved in the lending business at all. It has miniscule staff and is blindly allowing fintech companies to operate at the back of MOU between self (NBFC) and Fintech Mobile APP companies. Thus, the entire lending operation is being done by the fintech APP from its own funds. Kudos is only lending its license and the fintech APPs are the ones acting like the real NBFCs and doing end to end micro lending and reaping majority of the benefits. In return Kudos is taking a commission without doing any due diligence or hardwork.



Entire decisions regarding fixation of interest rate/ processing fee/ platform fee etc., were taken by fintech companies and these companies were operating on the basis of instructions from Chinese beneficial owners. They capture customers' data by getting access to their mobile contacts, media etc. In order to obtain more profits and to maintain high recovery rate their call centers resorted to harsh recovery measures by using abusive language to entire phone list & contacts and misuse of social media privileges. Unable to bear the level of harassment, certain people have committed suicides. Moreover, at the time of loan disbursal itself, the APPs would deduct 15-25% of the amount as processing fee and on the remaining amount they were charging very high interest rate. They claimed a loan recovery rate of around 95%.

Fund trail investigation done by ED revealed that despite having NOF of only Rs 10 Crore, Kudos circulated loans totaling to Rs 22,24,15,11,508/- in its name and it was entirely funded by 39 fintech companies who are now not responding to summons and have shut shop and are absconding. In the entire business, fintech companies have gained a total profit of around Rs 544 Crore and Kudos has gained a profit of around Rs. 24 Crore. Mr. Pavitra Pradip Walvekar, Promotor Director of Kudos is holding 86.04% stake of the company and is the de-facto owner of the said company. This entire arrangement is in complete violation of the RBI guidelines on NBFCs and thus, the entire profit of Rs 568 Crore is nothing but proceeds of crime. The source of funds with the fintech companies is also suspect and is being investigated.

Despite repeated opportunities, Pavitra Pradip Walvekar was not revealing the real identity and beneficial owners of the 39 APPs with whom they were in business for more than 1 year. Instead of cooperating with the investigation, he has been making active attempts to obstruct the free and fair investigation of this money laundering racket by trying to intimidate the ED team by using the name of high ranking political individuals. Therefore Pavitra Pradip Walvekar was arrested by ED on 17.12.2021.

Further investigation is going on.

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