



Press Release - 25/09/2021

Enforcement Directorate has conducted search operation at 6 locations connected to M/s Karvy Stock Broking Limited (M/s KSBL) under PMLA 2002. Subsequent to the search operation, ED has issued freezing order in respect of Shares of Karvy Group held directly & indirectly by the Chairman and Managing Director of M/s KSBL, Comandur Parthasarathy, his sons, Rajat Parthasarathy and Adhiraj Parthasarathy, and their entities in order to safeguard the proceeds of crime.

ED initiated money laundering investigation on the basis of FIRs registered by Telangana Police on the Complaint of HDFC Bank alleging that M/s KSBL had illegally pledged the securities of its clients and taken a loan of Rs 329 Crore and diverted the same. Another FIR has been registered by Central Crime Station, Hyderabad Police, for defrauding IndusInd Bank to the tune of Rs 137 Crore and one more FIR has been registered by Cyberabad Police Authorities, Hyderabad Police, for defrauding ICICI Bank to the tune of Rs 562.5 Crore. KSBL under the leadership of C Parthasarathy had committed gross irregularities and all the illegally taken loans have become NPA. It is learnt that more FIRs are being registered by other Banks and also individual shareholders/ investors. The total loan proceeds taken from multiple Banks using the same modus operandi is around Rs 2873 Crore. NSE and SEBI are also investigating the affairs of KSBL. ED is conducting investigation under PMLA against Karvy Group of Companies for their involvement in the offence of money laundering to the tune of Rs 2873 Crore.

During the course of investigation, it came to light that KSBL did not report the Depository Participatory) DP account no. 11458979, named KARVY STOCK BROKING LTD (BSE) in the filings made from January, 2019 to August, 2019 with regulators/ exchanges. Further, KSBL fraudulently transferred shares belonging to its clients to its own demat account (which is not disclosed to the exchanges) and pledged the shares held in these accounts with the lenders/banks (HDFC bank, ICICI bank, IndusInd bank, Axis Bank, etc.). The securities lying in the aforesaid DP account of KSBL, actually belonged to the clients who were/are the legitimate owners of the pledged securities. Therefore, KSBL did not have any legal right to create a pledge on these securities and generate funds. The quantum of such loans taken by KSBL from illegal pledge of shares is to the tune of Rs 2873 crore. KSBL 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" and further has not reported these 6 own bank accounts ("Stock Broker-own Account") held with various private banks, to SEBI. Prima facie, a net amount of Rs 1096 crore was transferred by KSBL to its group company i.e. M/s Karvy Realty (India) Ltd. (KRIL), between from 01-April 2016 to 19-October-2019.

Further, KSBL did large scale trading activities in the names of 9 companies that included M/s Karvy Consultants Limited (KCL), which is a group company of Karvy, and 8 other shell companies, in the guise of doing insurance business. During the course of investigation conducted under PMLA, it also came to light that several Crore of Rupee were diverted for acquiring immovable properties through the group company, KRIL, and to other group companies as well. It also came to light that recently deletion of files and emails from the computer servers by using anti-forensic tools had been done, under the instructions of C. Parthasarathy. The bank statement analysis of these companies revealed that there is large value rotation of funds between the Karvy Group Companies and the shell companies' bank accounts. Earlier, ED has recorded the statement of C. Parthasarathy in Chanchalguda Jail.



ED conducted Search Operation on 22.9.2021, *inter alia*, on various premises of Karvy Group of Companies, connected entities and at the residential premises of C Parathasarathy. During the course of search, several incriminating evidences in the form of property documents, personal diaries, electronic devices, email dumps, etc have been seized & are being analyzed. It is reliably learnt that C Parthasarathy is trying to off-load his shares in the group companies through private deals and thus, in order to preserve the proceeds of crime till further investigation, ED has issued a Freezing Order dated 24/09/2021 under PMLA 2002, and the estimated value of these share has been arrived at Rs. 700 Crore as per the valuation for the year 2019-20.

Further investigation is in progress.
