

Media release
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For immediate release

Karuturi still going down

Dutch branch goes bankrupt, farm in Ethiopia sold off

Karuturi Global Ltd, the Indian multinational that made its name in the global cut flower industry and recently acquired more than 300,000 ha in Ethiopia to produce food for foreign markets, is continuing its painful and massive decline. On 30 September 2014, its flower trading subsidiary in the Netherlands was declared bankrupt, while a Dutch industry source reports that one of its farms in Ethiopia has been sold to a company in Dubai.

Four years ago, CEO Sai Ramakrishna Karuturi boasted, "*Personally, I believe that in five years or in ten years time I would like to be seen and compared with peers such as Cargill or the Archer Daniels of the world or the Bunges of the world, who are all well known, well reputed agricultural companies.*"¹ Now, with much of Karuturi's overseas operations shut down, seized by creditors or sold off, these ambitious plans appear all but dead.

Initial woes

Karuturi produced roses in India, Kenya and Ethiopia and was planning to expand its nascent food production operations from Ethiopia to numerous other African states.² But the company struggled to get its expansive farm operations in Ethiopia's Gambella region off the ground and its flower businesses got into trouble. The company's stock price plummeted from a high of 38.15 rupees in October 2010 to 5 rupees at the beginning of 2012 to around 1.30 rupees where it sits today.



Meanwhile, the company was on the hook for millions of dollars in unpaid taxes and debts. In 2012, the Kenya Revenue Authority determined that Karuturi, which had once been producing close to a million roses a year at its Naivasha farm for an eager European market, failed to pay US\$20 million worth of taxes due to transfer mispricing.³

1 "[Karuturi Global on Ethiopian plans](#)", NDTV, 7 June 2010

2 See GRAIN, "[Karuturi's corporate structure and finances \(2013\)](#)". This graph shows our understanding of the Karuturi group structure before the most recent events, but the details have now, of course, changed.

3 This was an initial audit for fiscal years 2006-7 and 2008-9. The KRA was going to examine Karuturi's books for the following years as well. However, in December 2013, Karuturi suddenly announced that it was granted a reprieve and would only have to pay US\$4 million in back taxes. See Karuturi Global Ltd, "Kenyan Tax Claim", official statement dated 11 December 2013 and posted at http://karuturi.com/images/pdf_new/KENYAN_TAX_CLAIM.pdf (now unavailable), also reported on by Raghuvir Badrinath in "[Karuturi Global wins reprieve in Kenyan tax claim](#)", Business Standard, 12 December 2013

In 2013, the company was taken to court in Kenya for failure to pay its creditors.⁴ Unpaid workers went on strike, the Karuturi Hospital suffered power cuts, and free schooling for the flower farmworkers' children at Karuturi School came to an end. The community around the farm in Naivasha continues to bear the economic and social costs of the Indian company's troubles.⁵

In early 2014, the Kenyan courts finally determined that Karuturi Ltd was bankrupt and put the flower farm in receivership, despite protests from Karuturi.

Latest news

We have just learned that Karuturi's Dutch affiliate, Karuturi BV, has now been declared bankrupt by the court of Haarlem.⁶

The Dutch unit was responsible for receiving the flower shipments flown in daily from Karuturi's farms in Ethiopia and Kenya, and trading them through Flora-Holland. The flower shipments apparently stopped in May of this year.⁷ Karuturi BV left a debt of EUR 230,000, of which EUR 130,000 are taxes owed to the Dutch government.⁸

We have also learned that Karuturi sold its Ethiopian Meadows Plc flower farm to a company in Dubai. Another of its Ethiopian flower farmers, Surya Blossoms Plc, was almost sold in June but remains in Karuturi's hands for now.

In the midst of this turmoil, Karuturi has taken the unusual step of postponing its 2014 Annual General Meeting until December, claiming to the Indian authorities that it cannot produce its annual accounts because the receivers running the farm in Kenya have withheld necessary financial information.⁹ In late September 2014, Karuturi also made its three most recent annual financial reports and various legal statements pertaining to its legal, tax and labour disputes in Kenya unavailable from its website. Normally, listed public companies like Karuturi are obliged to fully disclose their finances.

Clearly concerned about its image, Karuturi also filed a defamation case against an Indian journalist who wrote a report for Inter Press Service about the company, demanding US\$16.4 million in compensation. This move has been strongly denounced by the International Federation of Journalists and its affiliate the Indian Journalists Union as "harassment".¹⁰

Where do things stand?

Now that Karuturi has seemingly lost control of its operations in Kenya, the Netherlands and Ethiopia, there is not much left for the company to hold onto, except some small operations in India – and a whole lot of debt. What went wrong? It's hard to tell. But the

4 See Tax Justice Network, Forum Syd Kenya, GRAIN, Anywaa Survival Organisation and South Indian Coordination Committee of Farmers Movements, "[Karuturi going down? A summary of recent developments as of 13 February 2014](#)"

5 See Macharia Mwangi, "[Karuturi financial storm leaves many jobless](#)", Business Daily, 10 September 2014

6 "[Karuturi BV is bankrupt](#)", Rosenet.nl, 2 October 2014

7 Ward Warmerdam and Jan Willem van Gelder (Profundo), "Dutch subsidiaries of Karuturi Global: A research note prepared for GRAIN", July 2014

8 "[Karuturi Aalsmeer left behind a € 230,000 debt](#)", Vakblad voor de Bloemisterij, 8 October 2014

9 See Raghuvir Badrinath, "[Karuturi fails to comply with SEBI](#)", Business Standard, 17 September 2014

10 "[Environmental journalist faces harassment from Indian multinational corporation for critical article](#)", IFEX, 10 September 2014

change has been spectacular. In Kenya, the flower farm they took over went from peak productivity to financial haemorrhage in a matter of years. In Ethiopia, the hugely controversial land deals, presented as a way for Karuturi “*to make a significant contribution to alleviate the global and African food crisis,*” didn't feed anyone. In Europe, the firm was once responsible for about 1 out of 10 roses that consumers took home. All of this has gone south.

Stay tuned as perhaps a final chapter in the decline of this once significant company plays itself out.

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