





## Foreclosure notice forces Karuturi to pay off 25 percent debt

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By Berhanu Fekade

It has been over a year since the Ethiopian government expressed discontent with the performance of the Indian giant, Karuturi Global Limited group, engaged in the business of commercial farming.



Ram Karuturi, CEO of Karuturi Global

This time around, Karuturi has been scrutinized for failing to settle bank credits which it obtained from the state-owned Commercial Bank of Ethiopia (CBE) amounting to some 65 million birr from its overdraft facility, a credit provision for working capital. The company failed to comply with the deadline, which led CBE to publicize a foreclosure on Tuesday.

Ephrem Mekuria, head of corporate communication directorate at CBE, told The Reporter that the bank was forced to announce foreclosure after exhausting options to negotiate with Karuturi on the repayment of the credit. However, following the foreclosure notice, Karuturi immediately acted to settle the minimum 25 percent of the debt in foreign currency, Ephrem said. The credit recovery department of CBE will further negotiate terms with Karuturi officials to settle the remaining amount on the grounds the two sides agreed on previously. CBE has threatened to rerun the suspended foreclosure if Karuturi fails to negotiate and esteem the terms of the credit. CBE holds the lease title deeds of the 100 thousand hectares of land as collateral, which Karuturi holds in Gambella Regional State in south-western part of Ethiopia.

A few months ago Tefera Deribew, Minister of Agriculture, told Indian media that companies like Karuturi had failed to fulfill the prospects the government had. He went on to say that Karuturi, Saudi Star and others implemented plans way below expectation.

It can be recalled that initially Karuturi and the Ethiopian government, through the Ministry of Agriculture (MoA) had agreed that the former would grow wheat on 300 thousand hectares of fertile land. Later on, the government renegotiated the lease deeds by reducing the farmland size to 100 hectares. However, Karuturi was expected to start development of the land in two years. That was only true on some five thousand hectares after five years.

Attempts made by The Reporter to solicit comments from Karuturi's Ethiopia office bore no fruit. Yet the company has spoken of the challenges it had been through over the years in Ethiopia. Floods, mounting debts, lack of working capital, disputes with staff and local communities were some of the issues Karuturi was voicing on a number of occasions. During his visit to India in 2013, Tefera gave interviews to the Indian media in which he expressed the need to further analyze why such large-scale commercial farming companies were failing to deliver.

Following the failing experiences of Indian and Middle Eastern giants, the government currently provides some five to ten thousand hectares of land as initial lease policy for large-scale farms.

Founded by Sai Ramakrishna Karuturi, who is also the managing director of Karuturi Global Ltd, in 1994 the company is today one of the largest producers of cut roses in the world. In Ethiopia, apart from wheat, Karuturi's area of focus is cultivating rice, maize, paddy and palm oil plantations. Karuturi Global ventures is also engaged in IT business, floriculture, agriculture and food processing sectors worldwide. It claims to be the largest producer and exporter of cut roses from its operations in Kenya, India and Ethiopia.

Source: [The Reporter](#)

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