



IN THE NATIONAL COMPANY LAW TRIBUNAL, BENGALURU BENCH

[Through Physical hearing/ VC Mode (Hybrid)]

ITEM No.11

C.P. (IB) No. 93/BB/2024

IN THE MATTER OF:

M/s. Bremels Rubber Industries Pvt. Ltd.

... Petitioner

Petition under Section 10 of IBC, 2016

Order delivered on: 26.09.2025

CORAM:

SHRI SUNIL KUMAR AGGARWAL
HON'BLE MEMBER (JUDICIAL)

SHRI RADHAKRISHNA SREEPADA
HON'BLE MEMBER (TECHNICAL)

PRESENT:

For the Petitioner : Shri Anirudh Suresh with Mr. Mohammad Moin Ulla

For the Respondent : Ms. Siva Tejaswini for Shri Abhjith Atur

ORDER

1. Vide separate order, the C.P is **allowed and the petitioner/Corporate Applicant is admitted to CIRP thereby triggering moratorium.**
2. For reports of IRP List the matter on **20.11.2025.**

-Sd-

RADHAKRISHNA SREEPADA
MEMBER (TECHNICAL)

-Sd-

SUNIL KUMAR AGGARWAL
MEMBER (JUDICIAL)

IN THE NATIONAL COMPANY LAW TRIBUNAL, BENGALURU BENCH
(Exercising powers of Adjudicating Authority under
The Insolvency and Bankruptcy Code, 2016)
CP (IB) No. 93/BB/2024

Application U/s. 10 of the IBC, 2016 R/w Rule 7 of the IBC (AAA) Rules, 2016

IN THE MATTER OF:

Bremels Rubber Industries Private Limited
Plot No. 128 and 129, 8th Main, 3rd Phase,
Peenya Industrial Area, Bangalore – 560058

- Petitioner

Last date of Hearing: 20.08.2025
Order delivered on: 26.09.2025

CORAM: **Hon’ble Shri Sunil Kumar Aggarwal , Member (Judicial)**
 Hon’ble Shri Radhakrishna Sreepada, Member (Technical)

ORDER

1. This Petition for voluntary initiation of Corporate Insolvency Resolution Process (CIRP) was filed on 22.02.2024 by **Bremels Rubber Industries Private Limited** (‘Petitioner/Corporate Applicant’) under Section 10 of the Insolvency and Bankruptcy Code, 2016, read with Rule 7 of the Insolvency and Bankruptcy (Application to Adjudicating Authority) Rules, 2016. The application discloses a total debt of Rs. **56,51,89,109/-** (Rupees Fifty Six Crore Fifty-One Lakh Eighty-Nine Thousand One Hundred and Nine Only), comprising Rs. 44,61,72,724/- owed to financial creditors and Rs. 11,90,16,385/- owed to operational creditors, as per Part III of Form 6 submitted by the Petitioner.
2. Brief relevant facts of the case emanating from the Company Petition are as follows:
 - i. The Petitioner company was incorporated on 10.11.1971 under the Companies Act, 1956, with its principal business being manufacturing, processing, and dealing in rubber and allied products. The authorized share capital of the Petitioner is Rs. 4,00,00,000/- (Rupees Four Crores Only)

with a paid-up share capital of Rs. 2,39,00,000/- (Rupees Two Crore Thirty-Nine Lakh Only). The current management comprises two directors and five shareholders, predominantly held by the directors themselves.

- ii. The Petitioner availed various loans from 1995 onwards to meet capital requirements and expand its operations, including a loan of Rs. 18,00,00,000/- in October 2018 from ***South Canara District Central Cooperative Bank Ltd.***, secured by mortgaged assets. While the Petitioner saw business growth until the mid-2010s, its Padubidri plant could not commence operations due to the COVID-19 pandemic. Subsequently, the Petitioner's account was classified as NPA in 2021, leading to continuing default on both financial and operational debts.
- iii. Despite repeated efforts, the Petitioner was unable to revive operations and has not been carrying on business as a going concern since 2022. The company defaulted on financial debt from 27.05.2022 and on operational debt from 15.03.2023. It is unable to meet repayment obligations given the accumulated liabilities and lack of operational revival prospects, and has accordingly sought initiation of CIRP under Section 10 of the Code.

3. Statement of Objections has been filed by Creditor No. 121 stating: -

- i. The petition is false, frivolous, and incomplete hence not maintainable. Creditor No. 121 asserts that the applicant has acted maliciously in filing the petition to evade payment of lawful dues, while several mandatory disclosures and key documents required under Form 6 including updated books of accounts, financial statements, and particulars of secured creditors have not been provided. The objection highlights that the company has been irregular in payments since 2016-17, with the outstanding dues of supplies, as on February 2023, being over Rs. 5.9 crores (excluding interest).
- ii. Despite repeated acknowledgement of debt and multiple opportunities to clear outstanding amounts, the applicant failed to pay dues to Creditor No. 121, who continued supplying material based on a running account system. The applicant regularly executed balance confirmations and admitted their

liability, but instead of settling dues, proceeded to dispose of several portions of its immovable property, primarily in Peenya Industrial Area, to multiple third parties between December 2022 and March 2023. A copy of sale deed is filed to stress that these transactions were undertaken to defeat the claims of creditors, leading to the institution of a commercial suit and obtaining of an interim charge over unsold assets by Creditor No. 121 in the Commercial Court at Bengaluru.

- iii. The applicant's continuing disposal of significant assets, including after the grant of an interim charge by the Commercial Court, was with intent to dilute the asset base and frustrate creditor claims. It is alleged that a significant sum received from such sales is not reflected in the company accounts, indicating possible siphoning of funds. The objector also refers to ongoing litigation, including challenges to an order vacating the interim charge, and reiterates that the applicant failed to use sale proceeds to discharge its outstanding dues.
 - iv. On procedural grounds, it is averred that the application is incomplete and fails to comply with the requirements of the IBC and associated Rules. It specifically points to non-filing of up-to-date provisional financials, insufficient particulars regarding secured creditors, and lack of proper statements of affairs. These deficiencies, along with non-disclosure of material facts, are asserted to amount to an abuse of process, warranting outright rejection of the petition.
 - v. In conclusion, Creditor No. 121 submits that the applicant has filed the petition fraudulently and with malafide intent, by diluting assets, unlawfully enriching its directors, and evading legitimate dues. It is prayed that the petition be dismissed with exemplary costs, and a penalty under Section 65 of the Code be considered for filing a fraudulent application not intended for bona fide insolvency resolution.
4. The petitioner has filed rejoinder to the objections raised by creditor No. 121 stating:

- i. The allegations of Creditor No. 121 that the objections are false and misleading are incorrect. While the Applicant acknowledges historic business transactions with Creditor No. 121, the claim of an outstanding sum of Rs. 8,04,59,495 is categorically denied. The Applicant maintains that significant payments have already been made through Letters of Credit totalling over Rs. 3.28 crores as well as through standard banking channels, and that many of the invoices being claimed have long been settled. It is also submitted that the amounts claimed are barred by limitation and cannot be enforced.
 - ii. The claims and invoices relied on by Creditor No. 121 are already the subject of proceedings before Commercial Court at Bengaluru, where initial interim orders favoring the creditor were vacated, indicating a lack of prima facie merit. The Corporate Applicant also points out inconsistencies in the balance confirmations relied on by Creditor No. 121, asserting that such documents cannot unilaterally establish liability. The sale of immovable properties was lawful, proceeds have been duly accounted for and applied in repayment of business debts, and no wrongful intent to defraud creditors exists.
 - iii. The Applicant asserts that all procedural requirements under Section 10 and Form 6 have been satisfied, with all supporting documents, creditor lists, and financial statements duly filed. It contends that the objections of Creditor No. 121 are baseless and motivated by a desire to block legitimate insolvency proceedings, and thus prays that the application under Section 10 be allowed.
5. Statement of Objections was filed by Creditor No. 54 stating:-
- i. Creditor No. 54, **M/s. Mark Associates**, submits that Bremels Rubber Industries Ltd. has persistently defaulted on its debts, with no reasonable prospects of revival, and that the company's application under Section 10 is neither honest nor truthful. Creditor No. 54 holds a decree dated 03.04.2024 from the LXXXVII Additional City Civil & Sessions Judge,

Bengaluru, awarding it **Rs. 14,25,553** plus interest, and asserts the decree should be given priority for recovery.

- ii. The respondent's directors have diverted proceeds from substantial property sales (over Rs. 2.38 crore as per the sale deed dated 30.12.2022) for their personal benefit, instead of applying those funds towards repayment of debts owed to creditors like Mark Associates. It is asserted that the directors remain solvent and own several immovable properties within and outside Karnataka, which could be sold to satisfy creditor claims. By failing to disclose these material facts and by misrepresenting its financial status, the applicant is acting with an ulterior motive to defraud creditors.
- iii. Creditor No. 54 urged for dismissal of the petition with costs, and to direct the company's directors to personally repay amounts due to the objector under the decree, citing the manipulation of balance sheets and appropriation of funds for personal gain as grounds for such relief.

6. Statement of Objections was filed by Secured Creditor stating:-

- i. The SCDCC Bank, as secured creditor, opposes the Section 10 application on the grounds that Bremels Rubber Industries Pvt. Ltd. has misrepresented its financial condition and concealed material facts regarding its assets and borrowing history. It is claimed that the applicant remains solvent, owns substantial movable and immovable assets sufficient to clear all debts, and has fabricated documents such as the solvency certificate to support its insolvency plea. The bank asserts that the applicant has mortgaged multiple properties for term loans and cash credit facilities totaling Rs. 36 crores, yet failed to disclose details of all charges and additional loans availed on its Peenya asset in violation of its disclosure obligations under the IBC.
- ii. The Bank further submits that Bremels Rubber Industries Pvt. Ltd. has been a chronic defaulter, with recovery proceedings including arbitration under the Karnataka Co-Operative Societies Act and demand notices already underway for amounts exceeding Rs. 61 crore. Despite repeated admissions of liability, board resolutions authorizing loans, production of revaluation reports, and correspondence suggesting proposed one-time settlements, the applicant allegedly sought to escape ongoing recovery

actions and judicial scrutiny by filing the present insolvency petition. The SCDCC Bank highlights orchestrated changes in directorship and non-disclosure of asset sales and revaluation reports as evidence of mala fides.

- iii. Finally, the secured creditor contends that the petition is a deliberate attempt to delay and frustrate the realization of debts by manufacturing fictitious records and withholding truthful financial disclosures. It is prayed that the Tribunal dismiss the application with exemplary costs, noting that the insolvency process is being invoked not for genuine restructuring but for circumventing and protracting binding recovery proceedings already initiated against the applicant company.

7. A memo of compliance was filed by the petitioner stating:

- i. The Petitioner submitted that it has filed the Section 10 petition due to severe operational and financial distress following the Covid-19 pandemic, which has critically impacted its business of manufacturing and selling rubber products. In good faith and as part of efforts to mitigate these financial challenges, certain immovable assets were lawfully sold, and the sale proceeds were utilised for repayment of outstanding debts. The applicant denied allegations of some of the creditors regarding misuse of the sale proceeds, asserting that documentary evidence has been produced to confirm that the funds were directed towards corporate liabilities.
- ii. Further, the Petitioner informed about receiving a notice of termination of lease of land on which its principal factory is situated, from **Aspen Infrastructures Limited** necessitating urgent resolution. The applicant relies on Hon'ble NCLAT judgment in **Go Airlines (India) Limited and Unigreen Global Private Limited v. Punjab National Bank**, to argue that the admission process under Section 10 should not be unduly delayed by hearing every creditor, particularly where there is no dispute as to the existence of debt or applicant's eligibility under Section 11 of the IBC.
- iii. The applicant has filed a detailed affidavit addressing Section 11 eligibility requirements and maintains that objections filed by creditors do not

challenge the debt or raise grounds for ineligibility. The applicant therefore prays for admission of the petition to prevent further prejudice and irreparable harm including potential loss of its primary factory land which would undermine the rights of stakeholders and creditors.

8. And the petitioner further filed an affidavit stating:

- i. The affidavit filed by the Petitioner, represented by Director Adith B Shetty, acknowledges administrative errors in the compilation of documents and transaction records, resulting in inadvertent duplication and the inclusion of invoices already settled or subject to separate litigation. The Applicant clarifies that substantial amounts owed to **SGK Agencies Pvt. Ltd.** have already been discharged via both Letters of Credit and regular banking channels, and filed detailed reconciliation showing that only a limited number of invoices align with the alleged outstanding balances, many of which are either irrelevant or already resolved.
- ii. Upon review of balance confirmations and account statements produced by the creditors, the Applicant identified significant variances and inconsistent entries across the relevant financial years, demonstrating that no legally enforceable liability remains as of 31.03.2023. The affidavit emphasized that the creditor's claim is already pending adjudication in a recovery suit before the Commercial Court at Bengaluru, and has not crystallized into a separate actionable debt under the present insolvency proceedings. The Applicant submits that accepting the creditor's claims would result in unjust harm, while all actual dues have been lawfully settled as evidenced by the documentation.
- iii. Accordingly, the Petitioner desired to get recorded that no outstanding dues remain payable to SGK Agencies Pvt. Ltd. and for passing an order in favor of the Petitioner Company.

9. The Section 10 petition filed by Bremels Rubber Industries Private Limited necessitates a close examination of statutory compliance, completeness of the application, bona fides of the Petitioner, objections regarding alleged fraud and non-disclosure, and whether the conditions set under the IBC read with the applicable Rules, are satisfied in spirit and in form.

10. At the outset, it is evident from the material on record that the Petitioner has disclosed a cumulative debt well above the threshold under the IBC. The uncontested fact that the Petitioner has ceased business as a going concern, defaulted on both financial and operational debts, and failed to revive operations, is established from audited financials, statements of affairs, and supporting documentation. The Company's arguments regarding Covid-19 related disruptions and factual narration of business downturn remain substantially uncontroverted.
11. Crucially, the main operational creditor's primary claims are also the subject of a pending recovery suit and interim court orders in another forum, reducing the degree to which those claims can be considered finally crystallized solely for Section 10 admission. Similarly, invoices claimed to be outstanding are disputed as settled or time-barred by the Corporate Applicant, who further contends, with documentary support, that asset sale proceeds were used for repayment of business liabilities and not for fraudulent diversion.
12. From a procedural perspective, the Petitioner has, on being directed, placed on record further documents and affidavits regarding compliance with Section 10 and the requirements of IBC Rules, 2016. The Petitioner's eligibility under Section 11 is also not in serious dispute. The Tribunal is guided by the settled law that, upon satisfaction of the existence of debt and default, and in the absence of procedural ineligibility, it "has no option but to admit the application" unless the Applicant is ineligible or the application is incomplete, as laid down in ***Unigreen Global Pvt. Ltd. v. Punjab National Bank, NCLAT*** and ***B.K. Educational Services v. Parag Gupta, Supreme Court***.
13. The allegations relating to siphoning of assets, fraudulent diversion, suppression, and malafide intention, while grave, are ultimately disputed questions of fact complicated by parallel civil proceedings and do not, on their own, constitute an absolute bar to maintainability unless fully established through evidence or statutory disqualification. In the present case, the core legal and factual objections raised by the creditors, though substantial, have not conclusively established to render the Section 10 application not maintainable. Any further inquiry into

alleged wrongful acts or recovery of specific assets will lie within the CIRP process and/or appropriate civil fora.

14. The Petition is also supported by an Affidavit that the Corporate Applicant does not suffer from any disqualification under section 11 of the IBC, 2016. Further, the Special Resolution passed by the Petitioner on 12.12.2023 is Annexure B to the Petition.
15. The Applicant has suggested a qualified Resolution Professional namely **Mr. Ratnakar Shetty**, with IBBI Registration No: IBBI/IPA-001/IPP-01630/2019-2020/12718, Phone No. **99864 04040** email. ***rcsheety.co@gmail.com***, who has also filed written consent in Form 2, declaring eligibility to be appointed as Resolution Professional in respect of the Corporate Applicant and confirming that there are no disciplinary proceedings pending against him with the Board or any professional agency.
16. In view of the above facts and circumstances of the case and the settled proposition of law on the issue, the **Petition CP(IB) 93/BB/2024 is allowed** and the **Corporate Applicant is admitted to undergo Corporate Insolvency Resolution Process**. Simultaneously, the Moratorium gets triggered in terms of sub-section (1) of Section 14 of the Code in following parameters for compliance by all concerned: -
 - i. The institution of suits or continuation of pending suits or proceedings against the corporate debtor including execution of any judgement, decree or order in any court of law, tribunal, arbitration panel, or other authority;
 - ii. Transferring, encumbering, alienating, or disposing of by the corporate debtor any of its assets or any legal right or beneficial interest therein;
 - iii. Any action to foreclose, recover or enforce any security interest created by the corporate debtor in respect of its property including any action under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;
 - iv. The recovery of any property by an owner or lessor where such property is occupied by or in the possession of the Corporate Debtor.

17. The order of moratorium shall have effect from the date of this order till completion of the Corporate Insolvency Resolution Process or until this Authority approves the Resolution Plan under sub-section (1) of Section 31 or passes an order for liquidation of Corporate Debtor under Section 33, as the case may be.
18. In view of the above, we appoint **Mr. Ratnakar Shetty**, Insolvency Professional, bearing Registration No. IBBI/IPA-001/IPP-01630/2019-2020/12718, email address rcsheetty.co@gmail.com, mobile no.: +91 99864 04040, Address: Level 3, Skyline Towers, 7th Cross, Sampige Road, Malleswaram, Bangalore-560003, as Interim Resolution Professional of the Corporate Applicant with the following directions:
- i. The term of appointment shall be in accordance with the provisions of Section 16(5) of the Code;
 - ii. In terms of Section 17 of the Code, from the date of this appointment, the powers of the Board of Directors shall stand suspended and the management of the affairs shall vest with the IRP and the officers and the managers of the Corporate Debtor shall be obliged to report to the Interim Resolution Professional, who shall be enjoined to exercise all the powers as are vested in him under Section 18 and other relevant provisions of the Code, including taking control and custody of the assets over which the Corporate Debtor has ownership/possessory rights recorded in the balance sheet of the Corporate Debtor etc., as provided in Section 18(1)(f) of the Code. The IRP is directed to prepare a complete list of inventories of assets of the Corporate Debtor;
 - iii. The IRP shall strictly act in accordance with the Code, all the rules framed thereunder by the Board or the Central Government and in accordance with the Code of Conduct governing his profession and as an Insolvency Professional with high standards of ethics and morals.
 - iv. The IRP shall cause a public announcement published within three days, as contemplated under Regulation 6 of the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 of the initiation of the Corporate Insolvency Resolution

Process in terms of Section 13(1)(b) of the Code read with Section 15 calling for the submission of claims against the Corporate Debtor.

- v. It is hereby directed that the Corporate Debtor, its Directors, personnel, and the persons associated with management shall extend all cooperation to the Interim Resolution Professional in managing the affairs of the Corporate Debtor and extend all cooperation in accessing books and records as well as assets of the Corporate Debtor;
 - vi. The IRP shall after collation of all the claims received against the Corporate Debtor and determination of financial position of the Corporate Debtor constitute a Committee of Creditors and file a report in this behalf on or before the expiry of thirty days from the date of his appointment and convene first meeting of the committee within seven days of filing the report of constitution of the committee; and
 - vii. The IRP shall separately & individually intimate the concerned PF Department, Employee State Insurance Corporation, Income Tax Department, Inspector of Factories, GST/VAT authorities, Registrar of Companies, Karnataka and other relevant statutory authorities about the commencement of CIRP of the Corporate Debtor and specify the date of intimation to abovementioned statutory authorities in the progress report.
19. A copy of this order be communicated to the parties. The learned Counsel for the Petitioner shall deliver a copy of this order to the Interim Resolution Professional forthwith. The Registry shall also forward a soft copy of this order to the Interim Resolution Professional at his email address.

-Sd-
(RADHAKRISHNA SREEPADA)
MEMBER (TECHNICAL)

-Sd-
(SUNIL KUMAR AGGARWAL)
MEMBER (JUDICIAL)