



**THE NATIONAL COMPANY LAW TRIBUNAL
MUMBAI BENCH-I**

IA 4272 of 2025

Section 66 of the Insolvency and Bankruptcy Code,
2016 r/w Rule 11 of the NCLT Rules, 2016

MR. VINOD BALASAHEB DONGARE

...Applicant

V/s

**MR. RAGHUNATHAN RAGHAVAN ACHATYA
& ORS.**

...Respondent

In the matter of

COMPANY PETITION (IB) NO. 997 OF 2024

ESTEEM PRESS PARTS PVT. LTD.

...Petitioner

Order delivered on: 07.04.2026

Coram:

Shri Prabhat Kumar
Hon'ble Member (Technical)

Shri Sushil Mahadeorao Kochey
Hon'ble Member (Judicial)

Appearances:

For the Applicant : Adv. Raina Birla a/w Adv. Henna Jain

For the Respondent : Adv. Rohit Giri



ORDER

1. This Application IA 4272/2025 is filed by Mr. Vinod Balasaheb Dongare (“Applicant/RP”), the Resolution Professional of M/s Esteem Press Parts Pvt. Ltd. (“Corporate Debtor”), under the Provision of Section 66 of the Insolvency and Bankruptcy Code, 2016 (“Code”) Read with Rule 11 of the National Company Law Tribunal Rules, 2016, seeking following reliefs:-
 - a) *Allow the present Petition and take it on record for adjudication on merits, in furtherance of the objectives of the Insolvency and Bankruptcy Code, 2016;*
 - b) *To direct that the Fraudulent transaction amounting to Rs. ₹2,46,01,291/- (Rupees Two Crore Forty-Six Lakh One Thousand Two Hundred Ninety-One only) be vested in the corporate debtor.*
 - c) *Direct Respondent No. 1 and Respondent No. 2 to bring back an amount of ₹2,46,01,291/- (Rupees Two Crore Forty-Six Lakh One Thousand Two Hundred Ninety-One only), being the value of transactions determined as fraudulent, into the account of the Corporate Debtor;*
 - d) *Condone the delay of 110 days in filing the present Application, as the same has occurred due to bona fide reasons beyond the control of the Applicant;*
 - e) *Pass such other and further orders as this Hon'ble Authority may deem fit and proper in the facts and circumstances of the case.*
2. The Respondent No. 1 and 2, namely Mr. Raghunathan Raghavan Acharya & Mr. Vijayan Narayanan, are suspended board members of the Corporate Debtor.



3. An application under Section 10 of the Code read with Rule 7 of the Insolvency and Bankruptcy Board of India (Application to Adjudicating Authority) Rules, 2016 was filed by Corporate Debtor before this Adjudicating Authority seeking initiation of CIRP in its affairs, which was allowed by this Adjudicating Authority vide order dated 08.01.2025, thereby appointing Applicant, as the IRP of the Corporate Debtor, and was later confirmed as Resolution Professional.
4. The Applicant, on his visit to the site, observed certain discrepancies during inspection and verification of the assets. The RP observed that as per the available balance sheet of the Corporate Debtor, the assets seem to be missing on the site. The applicant sent an e-mail on 20.03.2025 to the suspended director i.e. Respondent No. BBI/IPA-001/IP-P-028727 23 and Respondent No. 2 seeking clarification in this regard.
5. In response, the suspended director (R1 and R2), vide reply dated 27.03.2025, informed that during the relocation of the Corporate Debtor's operations from Chakan to a smaller facility at Talawade, certain surplus and idle machinery had to be disposed of owing to withdrawal of orders from key customers such as Tata Toyo and Tata Autocomp, and the said disposal was carried out at depreciated prices on account of the low resale value of such assets. R1 and R2 further explained that all essential operations were subsequently shifted to a smaller unit at Plot No. 286, Bhosari, and, due to continuing financial pressure, the operations at the said unit came to a standstill by October 2022. It was further informed that, the Bhosari property was sealed by Pimpri Chinchwad Municipal Corporation ('PCMC') in December 2022 for non-payment of property tax, and, on 01.06.2023, Respondent No.1 received a call from a tempo driver passing by the premises informing the breaking of said seal whereby extensive theft, vandalism, and looting had occurred inside the premises over a prolonged period, however, FIR lodged by PCMC with the Police Authorities



yielded no result. R1 and R2 also highlighted that machinery worth ₹5,39,672.45 and tools & dies (work-in-progress) worth ₹1,41,48,189.24 were lying inside the premises at the time of sealing by PCMC.

6. The Applicant appointed M/s. Ujjwal Gupta & Co., Chartered Accountants (“Transaction Auditor”), vide appointment letter dated 06.05.2025, for conducting the Audit on Avoidance Transactions in accordance with Sections 43, 45, 50 and 66 of the Code, and the said Auditor submitted its Report on 18.06.2025, covering the period from 07.01.2023 to 08.01.2025, flagging suspicious transactions under Section 66, including (i) removal of inventories worth ₹1.18 crore, (ii) misappropriation of fixed assets valued at Rs. 1.50 crore. The draft report was thereafter shared via email with the COC members and eligible PRAs on 20.06.2025. The final transaction audit report was submitted on 25.7.2025.
7. On 27.06.2025, the Applicant, in view of the observations made in the draft Transaction Audit Report, addressed an email to Respondent Nos. 1 and 2 (suspended directors), seeking detailed explanations regarding the suspicious transactions identified therein. Respondent No. 1 & 2, vide Letter dated 10.07.2025, submitted a detailed reply addressing each issue raised and provided supporting explanations, relevant documentation, and sales records.
8. The Applicant formed an opinion and made a determination that the Corporate Debtor entered into fraudulent and wrongful trading involving misappropriation of fixed assets. Accordingly, the Applicant has impugned suspicious removal of inventory leading to significant undervaluation and loss to the Corporate Debtor, as well as misappropriation of fixed assets. The Applicant submits that a total sum of 2,46,01,291/- (Rupees Two Crore Forty-Six Lakh One Thousand Two Hundred Ninety-One only) has been siphoned off through such transactions, and prays that the said amount be directed to be



returned or contributed to the assets of the Corporate Debtor, along with applicable interest.

9. The Respondents have filed a common reply stating that (i) the disposal of inventory, tools, dies, and fixtures was a bona fide commercial decision undertaken in good faith, in the ordinary course of business, and solely due to acute financial distress, technological obsolescence, and operational compulsions beyond the Respondents' control, and (ii) the alleged loss of fixed assets occurred due to circumstances wholly beyond their control, after the premises were sealed and taken over by PCMC, and the Respondents neither misappropriated nor benefitted from the said assets, nor did they have any access to the premises during the relevant period. The Respondents have also given a brief on the history of corporate debtor and its business leading to the state it came in prior to admission in CIRP. Further, it is stated that the Applicant has failed to establish any element of fraudulent intent, wrongful gain, diversion of assets, or any act done with the intent to defraud the creditors-ingredients which are mandatory for invoking Section 66 of the Insolvency and Bankruptcy Code, 2016, and the allegations levelled against the Respondents are based on assumptions, misinterpretation of book values, and an incorrect appreciation of the operational realities of the industry, accordingly, the allegations are wholly untenable and unsustainable.
10. Heard the Counsel and perused the material on record.
11. Section 66 of the Code, which reads as under :

“Section 66: Fraudulent trading or wrongful trading:-

(1) If during the corporate insolvency resolution process or a liquidation process, it is found that any business of the corporate debtor has been carried on with intent to defraud creditors of the corporate debtor or for any fraudulent purpose, the Adjudicating Authority may on the

application of the resolution professional pass an order that any persons who were knowingly parties to the carrying on of the business in such manner shall be liable to make such contributions to the assets of the corporate debtor as it may deem fit.

(2) On an application made by a resolution professional during the corporate insolvency resolution process, the Adjudicating Authority may by an order direct that a director or partner of the corporate debtor, as the case may be, shall be liable to make such contribution to the assets of the corporate debtor as it may deem fit, if—

(a) before the insolvency commencement date, such director or partner knew or ought to have known that there was no reasonable prospect of avoiding the commencement of a corporate insolvency resolution process in respect of such corporate debtor; and

(b) such director or partner did not exercise due diligence in minimising the potential loss to the creditors of the corporate debtor.

Explanation. —For the purposes of this section a director or partner of the corporate debtor, as the case may be, shall be deemed to have exercised due diligence if such diligence was reasonably expected of a person carrying out the same functions as are carried out by such director or partner, as the case may be, in relation to the corporate debtor.

(3) Notwithstanding anything contained in this section, no application shall be filed by a resolution professional under subsection (2), in respect of such default against which initiation of corporate insolvency resolution process is suspended as per section 10A.”

12. The Applicant has impugned both the transactions, namely sale of Inventory amounting to Rs. Rs. 94,90,555/- and loss of fixed assets, purported to be stolen, amounting to Rs. 1,51,10,736/- as fraudulent transactions in terms of section 66(1) of the IBC holding that, *taking into consideration and reference to the above mentioned transactions, with limited information it seems to draw us to*



the conclusion that the above enumerated transactions are fraudulent and carried out by the erstwhile management to defraud its creditors, and concluding that erstwhile management have run and carried out the business of the Corporate Debtor in a fraudulent manner and thus, in interest of the company the Respondent Nos. 1 & 2 are liable to make contributions to the assets of the Corporate Debtor. The Applicant has also concluded that erstwhile management have been running the business of the company fraudulently and accordingly this Bench should punish the erstwhile management for an imprisonment of five (5) years and fine them Rs. 1 Crores (Rupees One Crore Only) under the provisions of Sec 69 of IBC.

13. The Applicant has also enclosed one statement titled as “Summary of opinion by the Applicant in accordance with Regulation 35 under IBBI (CIRP) Regulations” as Annexure O wherein the applicant has concluded as follows :

On examination of the records, audited financial statements, transaction audit report, replies received from PCMC and police authorities, and other available documents, it is observed that during the reasonable look-back period, the suspended directors of the Corporate Debtor were knowingly parties to transactions that resulted in fraudulent dissipation of assets.

Specifically, (i) disposal of Tool & Die (Captive) and Tools & Fixtures valued at 1,07,63,743.63/- for meagre consideration of ₹12,73,188/-, without documentation, approvals, or disclosure of quantitative data in audited accounts; and (ii) loss of fixed assets worth ₹1,51,10,736/-, allegedly due to theft during the PCMC sealing period, with no FIR, insurance, or preventive measures undertaken, indicate deliberate undervaluation, suppression, and failure to safeguard the assets of the Corporate Debtor.

These actions reflect willful negligence and connivance by the suspended directors, who were in control of the affairs of the Corporate Debtor, and

establish that the transactions were carried on with intent to defraud creditors. Accordingly, in the considered opinion of the Resolution Professional, the transactions fall within the ambit of fraudulent trading under Section 66(1) of the Insolvency and Bankruptcy Code, 2016, warranting directions against the suspended directors.”

14. Accordingly, we proceed to examine the impugned transactions in terms of Section 66(1) of IBC which requires any persons who were knowingly parties to the carrying on of the business in with intent to defraud creditors of the corporate debtor or for any fraudulent purpose to make such contributions to the assets of the corporate debtor any business of the corporate debtor.
15. It is noted that the present application has been filed beyond the period of 135 days prescribed under Regulation 35A of CIRP Regulations. Since, the said period is held to be directory, we are of considered view that the delay sought by the applicant in filing of present application deserve to be allowed, and the present application is required to be adjudicated on its merits.

Suspicious sale of inventory

16. It is noted that the sold inventory comprised of Tool & Die (Captive) valued at ₹93,75,354/- and Tools & Fixtures valued at 13,88,389.63/-, aggregating to a total book value of ₹1,07,63,743.63/-. It is explained by the Respondents that, *from 2017 onwards, demand for EURO-3 components plummeted due to regulatory changes and customer shift to newer technology. Tata Toyo drastically reduced and ultimately discontinued EURO-3 and EURO-4 products by 2021-2022. As a result, the corresponding dies, fixtures, and tools became obsolete, redundant, and commercially valueless, except for their scrap metal value. This includes sales of used dies and scrap materials to multiple entities.”* It is further explained that *the Respondent repeatedly requested Tata Toyo to lift pending inventory. While some stock was taken, the remaining comprised only*



outdated EURO-3 components with no alternative market. Disposal was the only practical solution available.

17. These explanations have not been doubted by the Applicant. The Applicant has impugned the sale as fraudulent as it was undertaken at approx.. 10% of its book value, absence of a quantitative inventory or reconciliation and execution of these transactions without requisite documentation, internal approvals, or disclosure of resultant losses in the audited financial statements. As regards disclosure in loss is concerned, it is noted that the value of inventory has been reported NIL as on 31.3.2023 thereby whole of inventory brought forward from preceding year stands charged to the Profit & Loss Account and corresponding sales has been credited in the profit & loss account, which, in our considered view, is in accordance with the accepted accounting practices.

18. It is further noted that the audited financial statements as on 31.3.2023 has reported a gross revenue of Rs. 92.11 Lakhs, and the corporate debtor has carried forward an inventory of Rs. 118.85 lakhs from the preceding financial year, of which 112.08 lakhs is stated to be 'work in progress'. The schedule of Inventory reproduced in the Transaction Audit Report at Exhibit 3 thereto, does not disclose any inventory in nature of "Tools, Dies or fixtures", instead, "Tools, Dies or fixtures" forms part of Fixed Assets as noted from Schedule of Fixed Assets reproduced in the Transaction Audit Report at Exhibit 4 thereto. This shows that the explanation that the sale of inventory comprised of *dies, fixtures, and tools* is not supported by the audited financial statement placed on record, and this material fact has not been observed by the applicant.

19. It is also noted that the gross revenue for the year ended 31.3.2023 and 31.3.2022 as per audited financial statements is Rs. 92.11 lakhs and Rs. 1069.73 Lakhs and the total debit to the profit & loss account on account of Material (Raw Material consumed and Changes in the Inventory) amounts to Rs. 159.82 Lakhs and Rs.



1121.92 Lakhs. The debit on account of Material comes to 173.50% and 104.87% of Gross revenue for the respective years, indicating substantial increase in the Material in the year 2022-23 as compared to preceding year. It is observed that the some part of work-in-progress as reported in the financial statement as opening inventory as on 1.4.2022 may have translated into the finished goods, which is evident from the pattern of material consumption to the gross sales as after exclusion of 'work in progress' from the change in inventory reported in the financial statements, the total debit on account of material to the profit & loss account comes to Rs. 47.74 Lakhs, which is 51.82% only of the gross sales, being significantly lower than the material consumption reported in the preceding year and found to be normal by the Applicant. Accordingly, it can not be said that the sale of inventory as scrap is wholly suspicious and the whole of difference thereof deserve to be impugned as fraudulent. Further, when we consider the explanation of the Respondents in the light of a letter dated 15.7.2022 from one of major customer of corporate debtor, namely Tata Autocomp Systems Limited wherein the customer has asked the corporate debtor to clear the dues of child component suppliers in view of discontinuation of their operations, we find the explanation of the Respondents '*While some stock was taken, the remaining comprised only outdated EURO-3 components with no alternative market. Disposal was the only practical solution available*' plausible and believable on test of preponderance of probability. Accordingly, we are of considered view that the sale impugned by the applicant in terms of section 66(1) of IBC does not fall within its ambit as it can not be held to be fraudulent on test of preponderance of probability, even through the inventory records may not be available.

Misappropriation of Fixed Assets

20. The Applicant has stated that the Fixed assets valued at Rs. 1,51,10,736/- have been reported missing, and the ex-management attributes the loss to theft during



the period the factory premises were sealed by the Pimpri Chinchwad Municipal Corporation (PCMC) on 07.12.2022, due to non-payment of property taxes. The applicant has also stated that R1 and R2 also highlighted that machinery worth Rs. 5,39,672.45 and tools & dies (work-in-progress) worth Rs. 1,41,48,189.24 were lying inside the premises at the time of sealing by PCMC.

21. The Applicant has highlighted following lapses raising concerns about the conduct of the suspended directors in relation to such theft.

- *No FIR was registered by the ex-management in respect of the alleged theft;*
- *When the suspended director attempted to lodge an FIR, the police refused, citing that the premises were sealed by PCMC and, therefore, only PCMC was competent to file the FIR for the theft;*
- *No insurance coverage was taken on these valuable assets, exposing the Corporate Debtor to irreparable financial loss;*
- *No preventive steps such as hiring security personnel or maintaining an asset register were taken to safeguard the assets, even though the premises contained assets worth over 1.5 crore;*
- *No panchnama, inventory, or handover documentation was recorded by PCMC at the time of sealing, as later confirmed in their reply dated 29.07.2025;*
- *The only FIR filed by PCMC on 05.07.2023 (FIR No. 925/23) relates exclusively to the breaking of the seal and does not mention theft;*
- *The police, in their reply dated 22.07.2025, confirmed that no FIR concerning theft was ever filed or received, and thus no investigation was conducted from that angle.*

22. It is not disputed that the factory premises was lying sealed and in possession of PCMC whereby the Respondents had no access to the said premises. The applicant's allegations are based on negligent conduct of the Respondents



whereby they failed to secure the assets of the corporate debtor lying in the said premises. The Respondents have explained that their request for the access to the said premises vide letter dated 18.3.2023, prior to reported theft, to access the accounting records therein was not acceded to by PCMC. It is noted that the said letter was received by PCMC on 20.3.2023, however, there is no evidence to evidence any follow-up action taken by the Respondents. It is further noted that, subsequent to refusal of Police authorities to register FIR in relation to theft at behest of Corporate Debtor, they had approached PCMC on 12.6.2023 and thereafter a FIR could be registered. On perusal of said letter, it is noted that the suspended board had not apprised PCMC about the valuable fixed assets lying in the sealed premises. Further, even after sealing of factory premises in December, 2023, the Respondents had not taken any steps to liquidate such fixed assets with intervention of PCMC to pay off their dues, which in our considered view, they would not opposed to. It is further noted that the said premises was sealed for a default of Rs. 5.60 lakhs approx., while the assets worth 150 lakhs were lying therein apart from the encumbrance created on the property itself by such sealing, and there was no effort on part of the Respondents to make any claim from the insurer, if the properties were insured. Nonetheless, the lackadaisical approach on part of secured creditors having security interest in the assets lying in the sealed premises is also questionable, particularly failure on their part to ensure insurance of their security interest.

23. The above facts lead to a conclusion more probable than not that the assets, stated to be stolen, were not lying thereat and were removed much prior to sealing of the factory premises. This conclusion is fortified from the fact that the business of the corporate debtor is stated to have closed down much prior to sealing done in December, 2023, while the inventory of the Corporate Debtor stood completely liquidated prior to closure of financial year 2022-23 as evidenced from audited financial statements for that year. On the basis the aforesaid inevitable conclusion, it can certainly be said that the business of



corporate debtor was carried on for fraudulent purpose by the Respondents and the sealing of premises came as excuse for them to wash off their hands from the existence of assets owned by the corporate debtor, which were removed prior to sealing itself.

24. In view of aforesaid, we direct the Respondent No. 1 and 2, jointly or severally, to contribute a sum of Rs. 1,51,10,736/- to the assets of the Corporate Debtor within 30 days from the date of this order. Further, the amounts remaining unpaid on expiry of said 30 days shall carry an interest @ 12% p.a., which shall be appropriated first from the amounts paid after expiry of said 30 days.

25. In terms of above, IA 4272 of 2025 is partly allowed and disposed of.

-Sd/-
Prabhat Kumar
Member (Technical)

-Sd/-
Sushil Mahadeorao Kochey
Member (Judicial)