NATIONAL COMPANY LAW TRIBUNAL
NEW DELHI BENCH (COURT-II)

IA. NO. 3804/ND/2020, IA. NO. 2718/ND/2022 and IA-2855/ND/2022
IN
Company Petition No. (IB)- 1671(ND)/2019

IN THE MATTER OF:

Northern ARC Capital Limited **... Applicant/ Financial Creditor**

Versus

Five Core Electronics Ltd. **... Respondent/ Corporate Debtor**

AND IN THE MATTER OF IA. NO. 3804/ND/2020:

Veena Sharma **... Applicant/ IRP**

Under Section: 43 of IBC 2016

AND IN THE MATTER OF IA. NO. 2718/ND/2022:

Manoj Kulshrestha
4F-CS-14, Ansal Plaza
Vaishali, Ghaziabad,
UP-201010 **... Applicant/RP**

Versus

1. Amarjit Singh Kalra
Director
C-130, Ground Floor,
Mansarovar Garden,
New Delhi – 110015

2. Surinder Kaur Kalra
Director
C-130, Ground Floor,
Mansarovar Garden,
New Delhi – 110015

3. Jagjit Kaur Kalra
Director
C-130, Ground Floor,
Mansarovar Garden,
New Delhi – 110015 **... Respondents**

Under Section: 45 and 66 of IBC 2016

AND IN THE MATTER OF IA. NO. 2855/ND/2022:

Manoj Kulshrestha
4F-CS-14, Ansal Plaza
Vaishali, Ghaziabad,
UP-201010 **... Applicant/RP**

Versus

1. Amarjit Singh Kalra
Director
C-130, Ground Floor,
Mansarovar Garden,
New Delhi – 110015

2. Surinder Kaur Kalra
Director
C-130, Ground Floor,
Mansarovar Garden,
New Delhi – 110015

3. Jagjit Kaur Kalra
Director
C-130, Ground Floor,
Mansarovar Garden,
New Delhi – 110015 **... Respondents**

Under Section: 45 and 66 of IBC 2016

Order Delivered on: 11.01.2024

CORAM:

SH. ASHOK KUMAR BHARDWAJ, HON'BLE MEMBER (J)

SH. L. N. GUPTA, HON'BLE MEMBER (T)

PRESENT:

For the RP **:** Advocate Amarnath & Adv. Chirag Bhati

ORDER

PER: SH. ASHOK KUMAR BHARDWAJ, MEMBER (J)

IA-3804/2020

As can be gathered from the contents of the application the Corporate Debtor was engaged in the manufacturing of Public Address System (PAS) and

as per the "Investor presentation of November 2018", on the NSE website the Corporate Debtor had a product line comprising of over 1,100 products that it manufactured and exported, comprising a whole range of PAS, such as Speaker, Amplifiers, Microphone Systems and Stands, Mixing Console, Horns, Megaphone, Electrical Accessories etc. In accordance with Regulation 33 of SEBI [Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI (LODR) Regulations, 2015"], the Corporate Debtor had last filed the Standalone and Consolidated Quarterly Unaudited Financial Results of the Corporate Debtor for the quarter ended 31st December, 2018, along with the Limited Review Report for the quarter issued by the Corporate Debtor's Statutory Auditor i.e., M/s GSK & Associates LLP, Charted Accountants (FRN:013838N) to the NSE vide letter dated 12.02.2019. Thereafter, it was noted by the IRP that the Annual Audited Financial Statements for the financial year ended on 31st March, 2019 (i.e. FY 2018-19) were not filed by the Corporate Debtor with the NSE.

2. According to Applicant, upon searching the NSE website, he could find that a letter dated 27.04.2019 was filed with the NSE by one Mr. Aditya Agarwal, Independent Director (DIN-08042253) of the Corporate Debtor, with a copy also addressed to the Ministry of Corporate Affairs (MCA), recording the outcome of the Board Meeting held on 27.04.2019 informing the decision taken therein to file a complaint letter with MCA regarding the unethical behaviour of the Management/Promoters of the Corporate Debtor, namely Mr. Amarjit Singh Kalra, Promoter & Ex-Managing Director (MD), Mrs. Surinder Kaur Kalra (also a Promoter) and Mrs. Jagjit Kaur Kalra, both former Non-executive Director (related to the Promoter & EX-MD) of the Corporate Debtor

under Schedule 1V of the Companies Act, 2013. The aforementioned complaint made by Mr. Aditya Agarwal, independent Director was against the aforementioned Promoter and Ex-MD and the two former Non-executive Directors. The averment made by the Applicant regarding the status of the complaint is that the same is *under examination*.

3. The letter dated 27.04.2019 filed with the NSE also contained the copies of resignation letters of former Company Secretary (CS), Mr. Saurabh Kumar Jain and that of former Chief Financial Officer (CFO), Mr. Amitabh Singh, as enclosures therewith. We find from para 8 of the application that the letter dated 27.04.2019 contained the reasons for proceeding with the complaint. The reasons as reproduced in para 8 (ibid) reads thus: -

> *"8.1 Non-disclosure by Promoters to the Board of the investigation or search conducted at the Corporate Debtor in the Month of February 2019 (that was on 27th February, 2019) by the Directorate of Revenue Intelligence (**"DRI"**);*
>
> *8.2 Non-availability of Mr. Amarjit Singh Kalra, Promoter & Ex-Managing Director (**"Ex-MD"**), Mrs. Surinder Kaur Kalra, and Mrs. Jagjit Kaur Kalra, former Non-executive Directors (both, related to the Promoter & Ex-MD) since 15th February 2019 at the Registered Office of the Corporate Debtor situated at WZ-15B, Uggersain Market, Ashok Nagar New Delhi-110018.*
>
> *8.3 Resignation by all the Key Management Personnel ("KMP"), other than the Promoter & Ex-Managing Director and the two Former Non-Executive Directors (related to the Promoter & Ex-MD) who are, at this stage, presumed to be absconding (as their whereabouts were not known;*
>
> *8.4 Resignations by all critical officers, workers and employees, including all the independent directors, thus there being no employees and workers at the offices and other premises of the Corporate Debtor;*
>
> *8.5 No production/manufacturing activities were carried out in the factory premises of the Corporate Debtor; and*

8.6 Factories and the Registered Office of the Corporate Debtor were closed or shut-down."

4. The Promoter and Ex-MD, Mr. Amarjit Singh Kalra and the other two Non-Executive Directors (related to the Promoter and Ex-MD) viz. (i) Mrs. Surinder Kaur Kalra and (ii) Mrs. Jagjit Kaur Kalra qua the Corporate Debtor were presumed to be absconding and their whereabouts were not known as on the insolvency commencement date i.e. 23.01.2020.

5. The last available Audited Financial Statements of the Corporate Debtor i.e. pertaining to the Financial Year (FY) 2017-18 and the financial years preceding that year were downloaded by the IRP from the website of MCA. The Audited Financial Statements of the CD from the FY 2018-19 onwards were not filed with the Registrar of Companies (RoC) and were not available on the MCA website.

6. As has been captured in the captioned application, the investigation into the affairs of the Corporate Debtor since before commencement of CIRP is being conducted by the Directorate of Revenue Intelligence, Headquarters, New Delhi (DRI-HQ) and was under way at time of filing the application. The officials from DRI, Ludhiana had seized certain data, records and documents from the Registered Office of the Corporate Debtor in New Delhi during the search conducted by them on 27.02.2019 on the Corporate Debtor i.e., much before commencement of CIRP. The investigation qua the Corporate Debtor initiated by DRI, Ludhiana was transferred to DRI-HQ, New Delhi in the month of February, 2020 and the data, records and documents of the Corporate Debtor seized by DRI-HQ are available with it.

7. Also, the Ministry of Corporate Affairs (MCA) appointed an Inspector, in terms of the provisions of Section 207 of the Companies Act, 2013, to do inspection and conduct inquiry regarding the state of affairs of the Corporate Debtor, which was much prior to the CIRP Order dated 23.01.2020, passed by this Adjudicating Authority initiating the CIRP. The current status of the investigation could not be brought on record by the Applicant. However, according to the Applicant, the data related to accounting software of the Corporate Debtor available on the cloned Hard Disk Drive (HDD) were uploaded by the official of DRI-HQ in the secure Virtual Date Room (VDR) created for the purpose on 06.05.2020. The data was reviewed to identify 'relevant data for analysis' by the RP. The observation made by the RP qua the same as mentioned in para 17.1 to 17.3 of the applications reads thus: -

"17.1. There was one "Working Data" folder that contained "Tally Data" folder, within which the "FCEL" folder related to the Corporate Debtor was found to be relevant, and within that folder, there were folders by numbers "10000/ 10003 /10006 /10010 /10014 /10016 /10019 /10021 /10022 / 10024, which were reviewed and there was no relevant data found pertaining to the Corporate Debtor.

17.2. The folder by number "10019" had some data, which just had certain opening balances as on 1st April, 2018 for few accounts maintained in Ludhiana branch and there were no entries found in the entire data.

17.3. There was another "Recover Data" folder that had many different types of files, like "bmp/ eml/ JPG/ JPG2/ ole2/ pdf/ pst/ rar/ zip" files. All these files did not contain relevant data for the purpose of the examination of the IRP and many PDF files in this folder were found be corrupt."

8. The RP also requested the DRI-HQ to provide the information related to the size of the 'Source Data', in the cloned HDD at their end to enable him to cross-check any data missing to be uploaded on the secure VDR. The IRP also requested to DRI-HQ provide him the details of Electronic Devices and Computer System(s) of the Corporate Debtor, which were forensically imaged on 27.02.2019, during the search conducted by DRI, Ludhiana.

9. It is also the case of the Applicant that Mr. Anand Lakhotia of Sarthi Capital Advisors Pvt. Ltd., the Lead Manager to the Initial Public Offer (IPO) issue in May, 2018 qua the Corporate Debtor had on behalf of two investors to the IPO viz. (a) AccePro Advisors Pvt. Ltd. and (b) Choice Broking Pvt. Ltd. filed a complaint with the DCP, Economic Offences Wing (EOW), New Delhi against the CD and its Promoters, namely Mr. Amarjit Singh Kalra (Promoter & Ex-MD), Mrs. Surinder Kaur Kalra and Mrs. Jagjit Kaur Kalra of the Corporate Debtor for cheating the public by playing Fraud and embezzling/siphoning of the funds raised from the public. The complaint of Mr. Anand Lakhotia was sent by EOW to the Securities and Exchange Board of India (SEBI) on 20.08.2019 for taking necessary action at the end of SEBI.

10. Also, the Andhra Bank (CoC member with majority voting share) informed the IRP during the first meeting of CoC conducted on 18.02.2020 that a Forensic Audit was conducted qua the CD at its behest (just before the Corporate Debtor shut-down operations in March 2019). According to the Applicant, despite several request made to Andhra Bank, SARM Branch, New Delhi several times for providing the copy of Forensic Audit Report, he had not received any response till filing of the present application.

11. In the wake, in order to determine the Avoidance Transaction under Sections 43, 45 and 66 of the Code, and to identify as to whether any business of the Corporate Debtor was carried with an intent to defraud creditor of the Corporate Debtor or for any fraudulent purpose the IRP engaged a Forensic professional/specialist on 11.03.2020 to assist his functioning as RP in the forensic examination of Avoidance Transactions of the Corporate Debtor. The list of data, records and information of the CD relied upon by IRP in performing the examination of Avoidance Transaction, as mentioned in para 31 of the application reads thus: -

> *"31.1. Financial information of the Corporate Debtor as was available on the MCA and NSE websites.*
>
> *31.2. Bank Statements data, to the extent made available by three Banks, i.e. Andhra Bank, Axis Bank and Bank of Baroda.*
>
> *31.3. Information as available on the Public Domain/Open Source as on the date when the searches were conducted.*"

12. The Forensic data analysis qua the bank statement was done to the extent the same were made available by the banks with whom the Corporate Debtor maintained its accounts. The following banks made the statement of bank account available to the Applicant: -

> *"32.1. Andhra Bank – for Current Account* ***("CA")*** *3934; and Open Cash Credit* ***("OCC")*** *Account 566;*
>
> *32.2. Axis Bank-only for IPO Account (A/c); and*
>
> *32.3. Bank of Baroda-for Current A/c 743 and EEFC A/c 514."*

13. Following are the particulars of the bank statements, the details of which were provided to the RP.

TABLE 3: List of Banks and Period of Bank Statements Made Available

Bank Name and Account Number	Period of Bank Statements
AXIS BANK	
Axis Bank IPO A/c – 918020043283929	From 01-05-2018 To 30-04-2019 (Account was opened specifically for IPO purpose)
BANK OF BARODA (BOB)	
Bank of Baroda – Current Account (CA) 05860200000743	From 02-12-2006 To 04-05-2020
Bank of Baroda - EEFC A/c 21000200000514	From 30-03-2007 to 04-05-2020 (No Transactions after 31st March, 2015
ANDHRA BANK	
Andhra Bank – Current Account (CA) A/c- 048111100003934	01-01-2017 to 14-04-2020
Andhra Bank – Open Cash Credit (OCC) A/c – 048113100000566	01-04-2018 TO 18-01-2020
Andhra Bank – PCFC 04811810PC00002	30-11-2018 To 03-05-2019
Andhra Bank – FBP/FBD 048110AAOEN0550	30-04-2019 To 19-06-2019
Andhra Bank - 048111XREBN0374	03-04-2018 To 06-05-2019
Andhra Bank - 048111XDISN0523	11-12-2018 To 30-04-2019
Andhra Bank - 048111XDISN0541	27-12-2018 19-06-2019

14. As has been stated in para 33 of the application, certain statements of bank account were not made available to the IRP. The particulars of such bank statement given in para 31 (ibid) are as under: -

TABLE 4: Andhra Bank Statements for Specific Period Not Made Available

SN	Bank Accounts of the Corporate Debtor	Specific Period for which Bank Statements Required
1	Current A/c No. 048111100003934	Received for specified periods
2	Open Cash Credit (OCC) A/c No. 048113100000566	From 01.01.2017 To 31.03.2018
3	FC A/c No. 048111XDISN0523	From 01.05.2019 Till Date
4	FC A/c No. 048111XDISN0541	From 20.06.2019 Till Date
5	FC A/c No. 048111XREBN0374	From 07.05.2019 Till Date
6	PCFC A/c No. 04811810PC00002	From 04.05.2019 Till Date
7	PCFC A/c No. 048110AAOEN0550	From 20.06.2019 Till Date
8	Any Other Bank Account of the Corporate, other than that listed above	From opening of the Bank Account or from 1st January, 2017 Till Date

15. As has been averred in para 34 of the application, the procedures performed by the Applicant qua the bank statement data made available by the banks, available financial statements, including other information procured from public domain for identification of Avoidance Transaction of the Corporate Debtor are as under: -

"34.1. Financial statements and information analysis

34.2. Bank statements data analysis

34.3. Identification of related parties or associated entities' transactions

34.4 Open source/public domain searches on select parties or information

34.5. Major reduction in liabilities or payments to third parties

34.6. Analysis of other related records."

16. According to the RP, with the support of the forensic professional he did forensic data analysis and transaction scrutiny; profiling of parties on identified receipts and payments and asset tracing exercise through open source/public domain searches based on the result of data analysis.

17. The Bank Statements data analysis and assessment was done to ascertain the nature of transactions with an objective to identify transactions with sole third parties and related parties; identification of trends and patterns, such as money going to and coming from some specific accounts, few parties with the maximum concentration of funds, top parties where the money was paid, parties with only one-time transaction etc., making a party-wise payment and receipt chart along with mapping of the connection between

the parties identified based on open source/public domain searches carried out on select parties and information.

18. The list of Suspended and Ex-Board of Directors including independent Directors mentioned in para 36 of the application reads thus: -

TABLE 5: List of Suspended Board of Directors of the Corporate Debtor

Sr No.	Name of the Directors [Refer to Notes Below]	Designation	Date of Appointment	Date of Resignation
1	AMARJIT SINGH KALRA	CMD	11/04/2002	-
2	SURINDER KAUR KALRA	Director	11/04/2002	-
3	JAGJIT KAUR KALRA	Director	0/01/2018	-
4	RAJ KUMAR PROJAPATI	Independent Director	01/10/2014	31/03/2019
5	ADITYA AGARWAL	Independent Director	30/01/2018	05/05/2019
6	NEERAJ SHARMA	Independent Director	30/01/2018	05/05/2019
7	AMITABH SINGH	CFO	1/01/2018	20/03/2019
8	SAURABH JAIN	CS	01/12/2017	27/03/2019

19. From IPO Prospectus of May 2018, the RP could make out that the Promoters of CD were Mr. Amarjit Singh Kalra and Ms. Surinder Kaur Kalra. Mr. Amarjit Singh Kalra and Ms. Surinder Kaur Kalra are related to each other as husband and wife and Ms. Jagjit Kaur Kalra is the mother of Mr. Amarjit Singh Kalra. The list of related parties given in para 39 of the application reads thus: -

TABLE 6: List of Related Parties of the Corporate Debtor under IBC

Sr. No.	Names of Related Parties	Relationship	Sections of IBC
1	5 Core Acoustics Private Limited	Subsidiary (100%)	5(24)(i)
2	South Asia Exim Pte Ltd., Singapore	Subsidiary (100%)	(24)(i)
3	Pan Arabian Ventures FZE, UAE	Subsidiary (100%)	(24)(i)
4	Kaneer Industries Private Limited	Subsidiary (67%)	5(24)(i)
5	Ems & Exports Private Limited	Subsidiary (67%)	5(24)(i)
6	Visual & Acoustics Corporation LLP	Partnership firm in which director of the Corporate Debtor or his	5(24)(c)

20. The summary of Preferential Transactions identified by the Applicant on the basis of gravimetric and volumetric analysis of transactions prepared by the Applicant, as mentioned in para 40 the application reads thus: -

TABLE 7: Summary of Avoidance Transactions under Section 43 (Figures in Rs. Lakhs)

Bank / Avoidance Transactions	Payment to Promoter & Relative of Promoter	Payment to Third Parties	Fees Paid to Lead Manager of IPO Issue	Total (Rs. Lakhs)
Axis Bank – IPO A/c 918020043283929				
Preferential Transactions (S43)	329.71	2,745.30	459.00	**3,534.01**
Bank of Baroda (BoB) – Current A/c 743				
Preferential Transactions (S43)	-	220.00	-	**220.00**
Total	**329.71**	**2,965.30**	**459.00**	**3,754.01**

21. It is also the case set up in the application that the CD had made an initial Public Offer (IPO) that opened on 09.05.2018 and closed on 11.05. 2018. The public issue of 33,33,000 Equity Shares of face value of Rs.10/- each (fully paid up of the CD was published for cash at a price of Rs.140/- per equity share (the issue price) including a share premium of Rs.130/- per equity shares, which was aggregating Rs.4,666.20 lakhs. The IPO proceeds (ibid) were deposited by the investors on 17th and 18th May, 2018 in Axis Bank IPO A/c No. 918020043283929, specifically opened for the purpose of IPO issue. Out of the IPO proceeds, an amount of Rs.4,59,00,000/- was paid to Sarthi Capital Advisors Pvt. Ltd., Lead Manager to the IPO on 19.05.2018, for which detailed break up of fees paid was not provided by Sarthi Capital Advisors Pvt. Ltd., to the IRP.

22. Out of the aforementioned IPO proceeds, the suspended management paid an amount of Rs.1,90,37,125/- on 23.05.2018 to Ms. Jagjit Kaur Kalra

against an antecedent financial debt owed to Jagjit Traders, a related party qua which the Promoters of Corporate Debtor had significant control. The transaction has been described by the Applicant/RP as Preferential transaction, barred by Section 43 of the Code. It is the case of the Applicant/RP that Jagjit Kaur Kalra is an Ex-Director of CD, related to the Promoter of Corporate Debtor and Promoter of Jagjit Trader and the repayment of the aforementioned amount of Rs.1,90,37,125/- to her could put her into a beneficial position over the secured creditors. It is the plea espoused on behalf of the Applicant/RP that the payment was made within 2 years preceding the insolvency commencement date viz. the lookback period, thus a direction need to be issued for contribution of the amount paid to Ms. Jagjit Kaur Kalra to CIRP account of CD.

23. The Applicant has further alleged that out of the IPO proceeds (ibid) received on 19.05.2018, the Corporate Debtor paid an amount of Rs.3,91,866/- to Ms. Surinder Kaur Kalra on 23.05.2018, against an antecedent financial debt owed to Surinder Traders. The transaction could also fall within the meaning of Preferential transactions under Section 43 of the Code. Since, Surinder Kaur Kalra is Promoter and Ex-Director of the CD and Promoter of Surinder Traders, the repayment of the aforementioned amount within 2 years preceding the insolvency commencement date amounted to Preferential transaction.

24. The Applicant has also espoused that out of the IPO proceeds, the CD paid Rs.1,35,42,338/- on 22.05.2018 to Amarjit Singh Kalra, against an antecedent financial debt owed to him. According to him, the payment was made during the lookback period to a related party, as Amarjit Singh Kalra is

Promoter and Ex-MD of the of the Corporate Debtor and the repayment of unsecured loan in priority over other creditors has put him into beneficial position.

25. The further plea espoused by the Applicant is that the CD also made payment of an amount of Rs.2,745.30 Lakhs from the IPO proceeds, which was transferred from Axis Bank IPO A/c to Andhra Bank Current A/c 3934 from 19.05.2018 till 13.06.2018. The RP is unable to state as to whether the payment is against an antecedent operational debt owed by the Corporate Debtor. Nevertheless, the RP/Applicant has described the payment as Preferential transaction, as the same is made in priority over the other creditors and the recipient of the payment are put in beneficial position over the secured creditors. Though, the transaction fall beyond 1 year preceding the date of commencement of CIRP viz. 23.01.2020, it is the plea taken by the RP that since the business operation of the CD was shut down in the month of March, 2019, the transactions which could take place from 1st April, 2018 onwards need to be considered as Preferential transaction covered by Section 43 of IBC, 2016. The details of the payment made from 19.05.2018 till 13.06.2018 as mentioned in para 46 of the application reads thus:

Name of Account	Amount (Rs.)
Sanmukhi International	1,78,17,140
Reliable Sales	1,49,67,417
Balaji Sales Corporation	1,43,93,575
SG Overseas	1,22,62,582
Bill Id ^: 048118IMADV0112^	1,05,04,215
SN Impex	99,50,136
Bill Id ^: 048118IMADV0114^	95,43,632
Rama Rani Tayal	93,12,274
Radius Industries	89,62,313
Bill Id ^: 048118IMADV0109^	84,88,090
Yashraj Enterprises	70,00,000
Mittal Trading Co	63,88,344
Reliable Technologies	54,85,000
Yado Ram Jindal HUF	53,85,387
Nitco Technology	51,23,550

Name of Account	Amount (Rs.)
Bansal Steels	50,51,972
Shyamavtar Trades Ltd	1,00,50,000
SS Enterprises	43,07,140
RPJP Electro India Pvt Ltd	41,67,000
Mahawar Steel Traders	40,06,265
The Blue Overseas	39,99,990
Rishabh Agencies	37,16,837
Shweta Jindal	36,42,935

Sai Baba Agency	36,28,719
Amarnath Vishwanath	33,71,607
Bill Id ^: 048118IMADV0095^	31,33,018
Goodwill Iron & Steel Traders	25,76,136
Indo Accent Traders	23,34,329
Shreeji Enterprises	23,03,790
Bill Id ^: 048118IMADV0094^	22,43,958
Juneja Radios	22,05,000
Bill Id ^: 048118IMADV0110^	21,78,111
Bhagwati Traders	21,50,000
Ensons Trading LLP	20,00,000
Geetika Enterprises	18,74,900
Mahalakshmi Trading Company	18,19,945
Shri Shiv Enterprise	18,05,000
Nishika International	18,00,000
Bill Id ^: 048118IMADV0096^	16,68,116
Airtec Electrovision	16,27,715
Shri Shyam Trading C	15,00,000
Krishna Paint House	14,90,000
City Motor Company	14,61,528
GV Enterprises	14,50,000
Navkar Traders	14,43,305
Shri Guru Containers	13,67,133
Bill Id ^: 048118IMADV0103^	13,26,724
New Ekta Enterprises	12,41,923
ABEC Exhibitions & Conference	12,27,516
DDS International	11,99,840
Mahalaxmi Trading Co	11,74,293
Khurana Bearings	11,19,600
Bandhu Electronics C	11,13,814
Chawla Impex	10,50,000
Vansh Enterprises	10,50,000
VS Enterprises	10,25,000
Ankit Electronics	10,00,000
Combined Traders	10,00,000
Jupiter Paper Cones	10,00,000
Wizard India Pvt Ltd	10,00,000
Ensons Electronics	9,50,000

Name of Account	Amount (Rs.)
Wires and Electrical	9,50,000
Eldee Electronic Corp	9,25,262
Delhi Electric Company	9,10,315
Cine Sound Supply	9,10,000
Kapoor Trading Corporation	9,07,227
Bill Id ^: 048118IMADV0102^	9,02,037
Minocha Trading Co	8,93,904
Bill Id ^: 048118IMADV0113^	8,83,497
Continental Brush Wares	8,40,490
N S Enterprises	8,00,000
Sahara Hospitality Ltd	7,87,612
SN Syndicate	7,25,932
Neha Forge	7,17,720

Rajsons Sales Corporation	6,88,428
Ambey Steel Traders	6,50,000
Red Chillies Tech In	6,41,903
ABS Enterprises	6,25,950
Mittal Plastics	6,19,736
Delite Collections Pvt Ltd	6,17,132
Sahara Star	6,16,000
Prominent Polymers Pvt Ltd	6,13,600
Weizmann Forex Ltd	6,10,569
Punjab Acoustic	5,72,540
AA Ton	5,50,000
Vision Export	5,25,000
Shri Balaji Hardware	5,10,000
Chemitech International	5,00,093
Anshika Enterprises	4,25,000
Yash Craft Packaging	4,00,000
On Dot Marketing	3,75,376
Handa Plywood Traders	3,15,500
B M Industries	3,00,000
M V Metals	3,00,000
Prime Connections	3,00,000
Sunny Electronics	3,00,000
Aayushi Exports Private Ltd	2,86,874
Altech Automotive	2,65,500
Bhatia Electrical and Hardware	2,50,000
Om Plywood and Timber	2,50,000
Suneel Enterprises	2,21,000
Vandana Trade Links Pvt Ltd	2,10,000
Aashian Travel	2,00,000
Kanika Packers	2,00,000
Sapra Electronics	2,00,000
Workwin Enterprises	2,00,000
A D Mehta Clearing Agency	1,86,969
Name of Account	**Amount (Rs.)**
Sai Dutta Clearing Agency	1,60,000
Zen Lefin Pvt Ltd	1,47,637
Apex Cargo Movers	1,09,448
CMS Branch Pool Account	1,09,361
Chopra Electronics	1,05,000
ABC Packaging & Solution	1,00,000
Harpreet Moulder	1,00,000
Other parties	4,81,000
Techno Trades	1,00,000
Grand Total	**27,45,30,426**

26. The Corporate Debtor could avail business loan of Rs.2,50,00,000/- from Northern Arc Capital Limited (formerly IFMR Capital Finance Limited), which was disbursed to it on 14.03.2019 in Current A/c 743 maintained in Bank of Baroda (BoB) by the CD. On analysing the utilisation of the said loan, it was found that all payments (in round figure amounts) were made immediately, the next day i.e. 15.03.2019 to various Proprietorship concern mentioned below: -

TABLE 9: List of Payments to Third Parties made on 15th March, 2019 from BoB Current A/c 743 falling under Section 43

Name of the Parties/ Beneficiaries	Amount Paid (Rs.)	Date of Payment from BoB Current A/c 743
Mittal Trading Co	1,50,00,000	15 Mar 2019
Balaji Sales Corporation	14,90,000	15 Mar 2019
Shri Guru Containers	10,50,000	15 Mar 2019
ABS Enterprises	9,50,000	15 Mar 2019
S R Industries	9,50,000	15 Mar 2019
Himanshu Trading Co	9,10,000	15 Mar 2019
Shri Sai Ply Wood	5,60,000	15 Mar 2019
Bhatia Electricals and Steel	5,50,000	15 Mar 2019
Shri Sai Laminates Hardware	5,40,000	15 Mar 2019
Grand Total	**2,20,00,000**	

27. According to RP/Applicant, public domain searches were carried out by it to gather further details about these parties, but since there were multiple parties with the same name, the details could not be procured.

28. In the wake of the aforementioned, the Applicant/RP has preferred the captioned IA, praying therein: -

a. *require persons and parties identified in preferential transactions to pay such sums in respect of benefits received by them from the Corporate Debtor, such sums to the interim resolution professional or resolution professional (as the case may be), as the Adjudicating Authority may direct;*

b. *Decide whether the recoveries that vest with the Corporate Debtor should be applied for the benefit of the creditors of the Corporate Debtor, the successful resolution applicant or other stakeholders in the process;*

c. *Take appropriate action against the persons in the erstwhile management of the Corporate Debtor that were involved in such preferential transactions; and*

d. *Pass such order or further order(s) as this Hon'ble Tribunal may deem fit and appropriate in the given facts and circumstances of the present case."*

29. There was no appearance on behalf of the Respondents, thus the proceedings against them had to be set ex-parte.

30. We heard the counsel for the Applicant and perused the pleadings and record. As can be seen from the Avoidance Transactions Audit Report of Five Core Electronics Limited (CD) conducted by R. Choudhary & Associates, Chartered Accountants, there is a finding that out of IPO proceeds, majority of the payment had been utilized to pay off Creditors and Cash Purchases which could be observed by the Auditors from the reduction in Payables, increase in inventory and high volume of purchase during 9 months ending on 31.12.2018. The relevant excerpt of the Audit Report reads thus: -

"On Analysing of above ratios, we observed following:

- *Out of IPO Proceed, majority of payment has been utilized to pay*

off Creditors and Cash Purchases which can be observed from the reduction in Payables, increase in inventory and high volume of purchase during 9 months ending on 31.12.2018

- *Bifurcation of cash purchase and payment to outstanding creditors could not be verified due to lack of information/ documents/ books of accounts*
- *Receivable as on 30.09.2018 has also been increased more than 3 times than 31.03.2018 i.e. from Rs. 1059.89 Lakh to Rs. 3359.61 Lakh, which states that to increase the turnover bogus billing could be undertaken by the Corporate Debtor. Genuineness of Sales in context of Cash purchase and creditors payoff could not be established.*
- *There is negative cash generation from business activity for the half year ending 30.09.2018 to the extent of Rs. 3618.66 Lakh.*
- *There is increase on long Term Loans and Advances of Rs. 10 Cr. which is due to payment made to 5 Core Acoustics Private Limited."*

31. The details of related parties has given in the Audit Report reads thus: -

I.5.Details of Related Parties under IBC:

Sr No.	Name of Party	Relation	IBC 2016, Section
1	5 Core Acoustics Private Limited	Subsidiary	5(24)(i)
2	Kaneer Industries Private Limited	Subsidiary	5(24)(i)
3	Ems & Exports Private Limited	Subsidiary	5(24)(i)
4	South Asia Exim Pte Ltd	Subsidiary	5(24)(i)
5	Pan Arabian Ventures FZE	Subsidiary	5(24)(i)
6	Himalayan Traders	Entities under significant influence of Key Management personnel or their relatives	5(24)(i)
7	Happy Electronics	-- do --	5(24)(c)
8	Indian Acoustic Pvt Ltd	-- do --	5(24)(c)
9	J K Enterprises	-- do --	5(24)(c)
10	Indian Acoustics Pvt Ltd	-- do --	5(24)(c)
11	Neha Exports	-- do --	5(24)(c)
12	Digi Export Ventures Pvt Ltd	-- do --	5(24)(c)
13	Ems & Exports	-- do --	5(24)(c)
14	Visual & Acoustics Corporation LLP	-- do --	5(24)(c)
15	Jagjit Traders	-- do --	5(24)(c)
16	Surinder Traders	-- do --	5(24)(c)
17	A S Electronics	-- do --	5(24)(c)
18	Satguru Enterprises	-- do --	5(24)(c)
19	Amarjit Kalra HUF	-- do --	5(24)(c)
20	Surinder Singh Kalra HUF	-- do --	5(24)(c)

32. As can be seen from Part 1.7 of the Audit Report, the objective of the Audit was to find out Avoidance Transactions. To conduct Forensic Data Analytics and Asset Tracing of the CD to assess movement of funds based on the Bank Statements of the Corporate Debtor, the Auditor identified to undertake the exercise, mentioned in the Audit Report. The relevant excerpt of the Audit Report in this regard reads thus: -

> ***"I. Data Analytics and Assessment*** *– to ascertain the nature of transactions with an objective to identify:*
>
> *i. Transactions with sole customers, sole suppliers, related parties*
>
> *ii. Identification of trends and patterns such as money going to and coming from some specific accounts, few parties with the maximum concentration of funds, top parties where the money was paid, parties with only one-time transactions etc.*
>
> *iii. Making a party-wise payment and receipt chart, along with visualization/mapping of the connections between various parties identified*
>
> ***Initial Coverage:***
> *To begin with, the following* ***three (3) key Banks*** *as currently identified would be in scope and the* ***period of coverage would be from 1st January, 2017 to 23rd January, 2020***
>
> *(i) Andhra Bank, RK Puram Branch, transferred to SARM Branch, New Delhi*
> *(ii) Axis Bank IPO A/c, BKC, Mumbai*
> *(iii) Bank of Baroda, Parliament Street Branch, New Delhi*
>
> ***II. Asset Identification Exercise*** *– to obtain the following information, where possible:*
>
> *i. Identify additional tangible and intangible assets associated with the Corporate Debtor in India.*
>
> *ii. Verification of ownership of assets identified*

iii. *Current market value of all identified assets either through source enquiries or publicly available information*

iv. *Family tree and layering of disclosed/undisclosed entities structure to understand potential owners of assets*

v. *Identifying whether the Corporate Debtor has created a nexus of entities or multi-layered corporate structurers with the objective of ring-fencing of assets or to obfuscate ultimate ownership*

vi. *Credit defaults against assets or charges registered against assets, where possible*

III. *To undertake all the necessary investigative procedures, as required based on the findings during the course of investigation, particularly because of the circumstances prevailing at the Corporate Debtor in order to identify potential fraudulent transactions and likely avoidance transactions, if any* ***[Section 66, 43, 45 & 50 of IBC]"***

33. As can be seen from the executive summary mentioned in Part 4 of the Report, the Preferential Transactions were found to be made in favour of related parties and otherwise. Besides, Preferential Transactions, the Auditor also found certain undervalued and fraudulent transactions entered into by the ex-management of the CD. The relevant excerpt of the Audit Report qua Preferential Transaction entered into by the ex-management reads thus: -

Nature of Transaction	Amount involved (Rs.)	Remarks
Preferential Transaction u/s 43 of the Code (to Related Party)	1,90,37,125	As per the Para 5.3 and 5.9 of the report, Unsecured Loan repaid to Mr. Jagjit Kaur Kalra. This transaction shall fall within meaning of preferential transaction u/s 43 of the Code. Mrs. Jagjit Kaur Kalra is director of the Corporate Debtor and repayment of unsecured loan has put such creditor into the beneficial position over the secured creditors. Further the amount was paid in May, 2018 i.e. within 2 years before the Insolvency Commencement Date

Preferential Transaction u/s 43 of the Code (to Related Party)	3,91,866	As per the Para 5.3 and 5.9 of the report, Unsecured Loan repaid to Surinder Kaur Kalra. This transaction shall fall within meaning of preferential transaction u/s 43 of the Code. Mrs. Surinder Kaur Kalra is director of the Corporate Debtor and repayment of unsecured loan has put such creditor into the beneficial position over the secured creditors. Further the amount was paid in May, 2018 i.e. within 2 years before the Insolvency Commencement Date
Preferential Transaction u/s 43 of the Code (to Related Party)	1,45,51,838	As per the Para 5.3 and 5.9 of the report, Unsecured Loan repaid to Amarjit Singh Kalra. This transaction shall fall within meaning of preferential transaction u/s 43 of the Code. Mr. Amarjit Singh Kalra is director of the Corporate Debtor and repayment of unsecured loan has put such creditor into the beneficial position over the secured creditors. Further the amount was paid in May, 2018 i.e. within 2 years before the Insolvency Commencement Date

Nature of Transaction	Amount involved (Rs.)	Remarks
Preferential Transaction u/s 43 of the Code (to unrelated Party)	2,20,00,000	As per the Para 5.13 of the report, CD has availed loan from Northern ARC to the tune of Rs. 2.5 Cr. on 14th March, 2019 which has been utilised to pay off the operational debt. This transaction shall fall within meaning of preferential transaction u/s 43 of the Code. As the due to payment towards operational debt, the Corporate Debtor has put such creditors in beneficial position than it would have been in event of distribution of assets being made accordance with u/s 53 of the Code. Further these transactions are within look back period of 1 year from insolvency commencement date.

34. The Forensic Auditor also recorded the finding that there was probable misappropriation of stock of the Corporate Debtor by its management/employees, the record of the CD reflected the suspicious receipt of payment by it from various accounts. The findings recorded by the Auditor in this regard reads thus: -

"Other Findings:

(1) "As per para 5.7., there is probable misappropriation of stock of the Corporate Debtor by the management/employees of the Corporate Debtor. Based on data, the Corporate Debtor was maintaining average inventory of Rs. 34.00 Cr. at any given

point of time, however, at the time of custody of the factory premise by the Interim Resolution Professional, no any stock available at any of the premises of the Corporate Debtor. In absence of stock register, books of accounts or purchase and sales invoices, the conclusion cannot be made regarding misappropriation of inventory.

(2) As per para 5.9. there are suspicious receipt and payment from various accounts which are in rounding off amount. Genuineness of such payments and receipt can be established only on availability of records.

(3) As per Para 6, there is one asset identified at Kandla Special Economic Zone. Corporate Debtor has taken GST registration for this premise. However, the ownership of the shed can be determined only after visiting the premises and discussing with SEZ Authority.

(4) As per Para 8, it was observed that Corporate Debtor has paid Rs. 65,85,900/- to Blue Garden Estates Private Limited between 28-02-2017 to 14-03-2017 and Rs. 25,00,000/- to Dish Infra Services Private Limited between 23-05-2017 to 28-12-2017. These two companies are neither related to Electronics Business nor, any subsequent transactions found thereafter till date. Hence, these payments seem to be diversion of the fund from the business for purpose other than the business."

35. As could be recorded in Part 5 of the Audit Report, Promoters of the Corporate Debtor are not traceable since February, 2019 and on 27.04.2019, the independent director called a Board meeting in which all the Directors including Managing Directors, Compliance Officer, CFO, Directors of Merchant Bankers were invited. Nevertheless, except the Independent Director no one participated in the meeting. In Clause 5.2, the Auditor analysed the Axis Bank-IPO Account of the CD, which was specifically opened for the

purpose of depositing the receipts of IPO proceeds. In Clause 5.2.1. to 5.2.2.2. of the Report, the Auditor, the order has dealt with the movement of the amount of Rs.46,66,20,000/- i.e. proceeds of IPO. The clauses read thus: -

*"**5.2.1. Transfer of Fund from Axis Bank Account***

IPO Proceeds of Rs.46,66,20,000 into Axis Bank Account has been transferred to following two accounts:

Date of Transfer	Name of Account	Amount (Rs.)
19-05-2018	SARTHI CAPITAL ADVISORS PRIVATE LIMITED	4,59,00,000
19-05-2018	FIVE CORE ELECTRONICES LIMITED – ANDHRA BANK	42,07,20,000
	Total	**46,66,20,000**

5.2.2. Analysis of Payment

5.2.2.1. Sarthi Capital Advisors Private Limited ('SARTHI'):

*As per the IPO prospectus submitted to SEBI, Sarthi Capital Advisors Private Limited is a SEBI registered Cat-I merchant banker and also a **Lead Manager** to the issue. Along with Lead Merchant, SARTHI is also an underwriter to the issue.*

Fees payable to the lead manager is as per the mandate letter dated 3rd November, 2017. Copy of the same is made available for verification, however, the annexure to the mandate letter containing the fees and issue expenses related was not made available for verification.

However, as per the detail given under IPO prospectus submitted to SEBI, estimated expenses to the issue would be Rs. 4.67 Cr. As per the prospectus majority of responsibility to the manage the issue was on SARTHI, and hence, the cost would have been paid to SARTHI to manage the entire IPO.

5.2.2.2.Five Core Electronics Limited

After payment of expenses towards IPO, Balance amount of Rs. 42,07,20,000 has been transferred to the Current account of Five

Core Electronics Limited maintained with Andhra Bank having Account No. 048111100003934"

36. As the CD had transferred a sum of Rs.42,07,20,000/- to its current account maintained with Andhra Bank having A/c No. 048111100003934, the Auditor also analysed the utilisation of IPO proceeds (ibid) from Andhra Bank A/c (ibid). Clause 5.3.1. to 5.3.7. of the Report reads thus: -

> ***"5.3.1. Utilisation of IPO proceeds from Andhra Bank Account No. 048111100003934 AND Account No. 048113100000566:***
>
> *Out of Total Proceed of Rs. 42,07,20,000/- a sum of Rs. 8,35,00,000/- has been transferred from Account No. 048111100003934 to Account No. 048113100000566, which was further utilized to make payment to various beneficiaries. Following are the summary of beneficiaries in whose accounts, the Proceeds of IPO were transferred (considering both tare Bank accounts maintained with Andhra Bank).*

Name of Account	Amount (Rs.)	Name of Account	Amount (Rs.)
5core Acoustics Pvt Ltd	10,00,00,000	VS Enterprises	10,25,000
Jagjit Kaur Kalra	1,90,37,125	Ankit Electronics	10,00,000
Sanmukhi International	1,78,17,140	Combined Traders	10,00,000
Reliable Sales	1,49,67,417	Jupiter Paper Cones	10,00,000
Balaji Sales Corporation	1,43,93,575	Wizard India Pvt Ltd	10,00,000
Amarjit Singh Kalra	1,35,42,338	Ensons Electronics	9,50,000
SG Overseas	1,22,62,582	Wires and Electrical	9,50,000
Bill Id ^: 048118IMADV0112^	1,05,04,215	Eldee Electronic Corp	9,25,262
SN Impex	99,50,136	Delhi Electric Company	9,10,315
Bill Id ^: 048118IMADV0114^	95,43,632	Cine Sound Supply	9,10,000
Rama Rani Tayal	93,12,274	Kapoor Trading Corporation	9,07,227
Radius Industries	89,62,313	Bill Id ^: 048118IMADV0102^	9,02,037
Bill Id ^: 048118IMADV0109^	84,88,090	Minocha Trading Co	8,93,904
Yashraj Enterprises	70,00,000	Bill Id ^: 048118IMADV0113^	8,83,497
Mittal Trading Co	63,88,344	Continental Brush Wares	8,40,490
Reliable Technologies	54,85,000	N S Enterprises	8,00,000
Yado Ram Jindal HUF	53,85,387	Sahara Hospitality Ltd	7,87,612
Nitco Technology	51,23,550	SN Syndicate	7,25,932
Bansal Steels	50,51,972	Neha Forge	7,17,720
Shyamavtar Trades Ltd	1,00,50,000	Rajsons Sales Corporation	6,88,428
CBDT - Advance Tax	50,00,000	Ambey Steel Traders	6,50,000
SS Enterprises	43,07,140	Red Chillies Tech In	6,41,903
Salary	42,19,150	ABS Enterprises	6,25,950
RPJP Electro India Pvt Ltd	41,67,000	Mittal Plastics	6,19,736
Mahawar Steel Traders	40,06,265	Delite Collections Pvt Ltd	6,17,132
The Blue Overseas	39,99,990	Sahara Star	6,16,000
Rishabh Agencies	37,16,837	Prominent Polymers Pvt Ltd	6,13,600
Shweta Jindal	36,42,935	Weizmann Forex Ltd	6,10,569
Sai Baba Agency	36,28,719	Punjab Acoustic	5,72,540

Name of Account	Amount (Rs.)	Name of Account	Amount (Rs.)
Amarnath Vishwanath	33,71,607	AA Ton	5,50,000
Bill Id ^: 048118IMADV0095^	31,33,018	Vision Export	5,25,000
Goodwill Iron & Steel Traders	25,76,136	Shri Balaji Hardware	5,10,000
Self – Cash Withdrawal	24,00,000	Chemitech International	5,00,093
Indo Accent Traders	23,34,329	A S Electronics	5,00,000
Shreeji Enterprises	23,03,790	Anshika Enterprises	4,25,000
Bill Id ^: 048118IMADV0094^	22,43,958	Yash Craft Packaging	4,00,000
Juneja Radios	22,05,000	Surinder Kaur Kalra	3,91,866
Bill Id ^: 048118IMADV0110^	21,78,111	On Dot Marketing	3,75,376
Bhagwati Traders	21,50,000	Handa Plywood Traders	3,15,500
Ensons Trading LLP	20,00,000	B M Industries	3,00,000
Geetika Enterprises	18,74,900	M V Metals	3,00,000
Mahalakshmi Trading Company	18,19,945	Prime Connections	3,00,000
Shri Shiv Enterprise	18,05,000	Sunny Electronics	3,00,000
Nishika International	18,00,000	Aayushi Exports Private Ltd	2,86,874
Bill Id ^: 048118IMADV0096^	16,68,116	Altech Automotive	2,65,500
Airtec Electrovision	16,27,715	Bhatia Electrical and Hardware	2,50,000
Shri Shyam Trading C	15,00,000	Om Plywood and Timber	2,50,000
Krishna Paint House	14,90,000	Suneel Enterprises	2,21,000
City Motor Company	14,61,528	Vandana Trade Links Pvt Ltd	2,10,000
GV Enterprises	14,50,000	Aashian Travel	2,00,000
Navkar Traders	14,43,305	Kanika Packers	2,00,000
Shri Guru Containers	13,67,133	Sapra Electronics	2,00,000
Bill Id ^: 048118IMADV0103^	13,26,724	Workwin Enterprises	2,00,000
New Ekta Enterprises	12,41,923	A D Mehta Clearing Agency	1,86,969
ABEC Exhibitions & Conference	12,27,516	Sai Dutta Clearing Agency	1,60,000
DDS International	11,99,840	Zen Lefin Pvt Ltd	1,47,637
Mahalaxmi Trading Co	11,74,293	Apex Cargo Movers	1,09,448
Khurana Bearings	11,19,600	CMS Branch Pool Account	1,09,361
Bandhu Electronics C	11,13,814	Chopra Electronics	1,05,000
Surinder Traders	11,00,000	ABC Packaging & Solution	1,00,000
Chawla Impex	10,50,000	Harpreet Moulder	1,00,000
Vansh Enterprises	10,50,000	Techno Trades	1,00,000
		Grand Total	**42,02,39,905**

5.3.2. Payment to Related Parties from Proceeds of IPO:

From the proceeds of IPO, Corporate Debtor has made following payment to related parties.

Name of Account	Amount (Rs.)
5core Acoustics Pvt Ltd.	10,00,00,000
Jagjit Kaur Kalra (Loan Repaid)	1,90,37,125
Amarjit Singh Kalra	1,35,42,338

Name of Account	Amount (Rs.)
Surinder Kaur Kalra (Loan Repaid)	3,91,866
Surinder Traders	11,00,000
A S Electronics	5,00,000
Total	**13,45,71,329**

5.3.3. Payment to 5 Core Acoustics Private Limited:

5 Core Acoustics Private Limited is a wholly owned subsidiary Company of the Corporate Debtor. During the Financial Year 2017-18,

the Corporate Debtor has invested a sum of ***Rs. 14,15,18,475/-*** *by acquiring 31,44,855 shares of Rs. 10 each.*

Again, during FY 2018-19, in May, 2018 the Corporate Debtor has transferred a sum of ***Rs. 10,00,00,000/-*** *out of proceeds of IPO.*

The genuineness of the transfer of such huge amount could not be determined because of unavailability of books of accounts and other records.

The aforesaid transactions may fall under preferential transactions u/s 43 of the Insolvency & Bankruptcy Code, 2016

5.3.4. Payment to Jagjit Kaur Kalra:

Mrs. Jagjit Kaur Kalra is a director of the Suspended Board of the Corporate Debtor. Out of IPO proceeds, a sum of Rs. 1,90,37,125 has been paid to Jagjit Kaur Kalra. As on 1 Aril, 2018, Long Term unsecured loan of Rs. 1,90,37,125 was outstanding in account of Jagjit Kaur Kalra which has entirely repaid by the Corporate debtor out of proceeds of the IPO.

As per Section 43, the Corporate Debtor has given preference to the unsecured creditor over secured creditor. Further the payment has been made on 23rd May, 2018 whereas Insolvency Commencement Date is 23rd January, 2020. Hence, being a related party, the aforesaid payment very much falls within a specified period 2 years before the Insolvency Commencement Date. Hence, the payment to Jagjit Kaur Kalra shall be considered as preferential payment u/s 43 of the Insolvency & Bankruptcy Code, 2016

5.3.5. Payment to Surinder Kaur Kalra:

Mrs. Surinder Kaur Kalra is a director of the Suspended Board of the Corporate Debtor. Out of IPO proceeds, a sum of Rs. 3,91,866 has been paid to Surinder Kaur Kalra. As on 1 Aril, 2018, Long Term unsecured loan of Rs. 3,91,866 was outstanding in account of Surinder Kaur Kalra, which has been entirely repaid by the Corporate debtor out of proceeds of the IPO.

As per Section 43, the Corporate Debtor has given preference to the unsecured creditor over secured creditor. Further the payment has been made on 23rd May, 2018 whereas Insolvency Commencement Date is 23 January, 2020. Hence, being a related party, the aforesaid payment very much falls within a specified period of 2 years before the Insolvency Commencement Date. Hence, the payment to Surinder Kaur Kalra shall be considered as preferential payment u's 43 of the Insolvency & Bankruptcy Code, 2016

5.3.6. Payment to Amarjit Singh Kalra:

Mr. Amrjit Singh Kalra is a director of the Suspended Board of the Corporate Debtor. Out of IPO proceeds, a sum of Rs. 1,35,42,338 has been paid to Amarjit Singh Kalra. As on 1st Aril, 2018, Long Term unsecured loan of Rs. 1,35,42,338 was outstanding in account of Amarjit Singh Kalra, which has been entirely repaid by the Corporate debtor out of proceeds of the IPO.

As per Section 43, the Corporate Deb or has given preference to the unsecured creditor over secured creditor. Further the payment has been made on 23 May, 2018 whereas Insolvency Commencement Date is 23 January, 2020. Hence, being a related party, the aforesaid payment very much falls within a specified period of 2 years before the Insolvency Commencement Date. Hence, the payment to Amarjit Singh Kalra shall be considered as preferential payment u/s 43 of the Insolvency & Bankruptcy Code, 2016

Abstract of Balance Sheet as on 31-03-2018 showing balance outstanding at the end of the year for long term unsecured loan of Ms. Surinder Kaur Kalra, Mr. Amarjit Singh Kalra and Ms. Jagjit Kaur Kalra is us under:

(ii) Balance Outstanding as at the year end			
Long Term Unsecured Loan			
Surinder Kaur Kalra	-	-	391,866
	(-)	(-)	(34,710,378)
Amarjit Singh Kalra	-	-	13,552,169
	(-)	(-)	(44,162,161)
Jagjit Kaur Kalra	-	-	19,037,125
	(-)	(-)	(33,645,154)
	-	-	**32,981,161**
	(-)	(-)	**(112,517,693)**
Investment In Subsidiaries Companies			
Ems & Exports Pvt Ltd	67,000	-	-
	(67,000)	(-)	(-)
Kaneer Industries Pvt Ltd	67,000	-	-
	(67,000)	(-)	(-)
South asia exim pte Ltd	464,000	-	-
	(464,000)	(-)	(-)
Pan Arabian Venture Fze	1,754,532	-	-
	(-)	(-)	(-)
5 core Acoustics Pvt Ltd	141,518,475	-	-
	(-)	(-)	(-)
	143,871,007	-	-
	(598,000)	(-)	(-)
Figures in bracket indicate balances of previous year.			

5.3.7. Payment to others considered as undervalued transactions:

Corporate Debtor has paid Salaries of Rs. 42,19,150/- and Withdrawn cash of Rs.24.00.000 out of proceeds of IPO. We observed that the payment of salary is on abnormal dates and cash withdrawal also seems abnormal because Corporate Debtor has withdrawn for payment to specific parties not known to the Auditor due to non-availability of records.

Details of payment of salaries and cast withdrawal are as under:

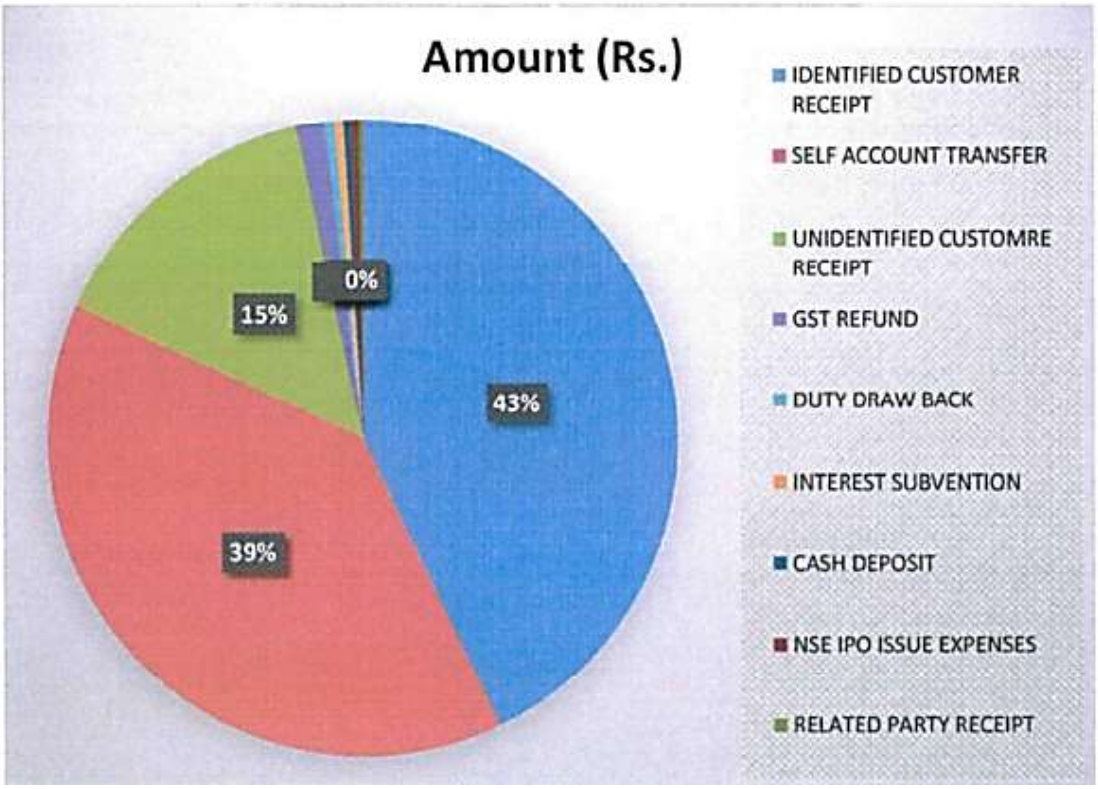
Date	Amount (Rs.)	Nature
23-05-2018	33,63,973	Salary from 3934
11-06-2018	8,55,177	Salary from 566
25-05-2018	5,00,000	Cash Withdrawal from 3934
01-06-2018	5,00,000	Cash Withdrawal from 3934
05-06-2018	5,00,000	Cash Withdrawal from 3934
08-06-2018	5,00,000	Cash Withdrawal from 3934
08-06-2018	4,00,000	Cash Withdrawal from 3934
	66,19,150	**Total**

Hence, we report these transactions of Rs. 66,19,150 as undervalued transactions."

37. The aforementioned analysis of the account was done from the period 01.04.2018 to 01.04.2020. The summary of payments from Andhra Bank A/c of CD (ibid) as mentioned in clause 5.4.4. of the Audit Report reads thus: -

Detailed Analysis contained as per Annexure - 2

5.4.4. Graphical Presentation of Receipt side of Account No. 048111100003934



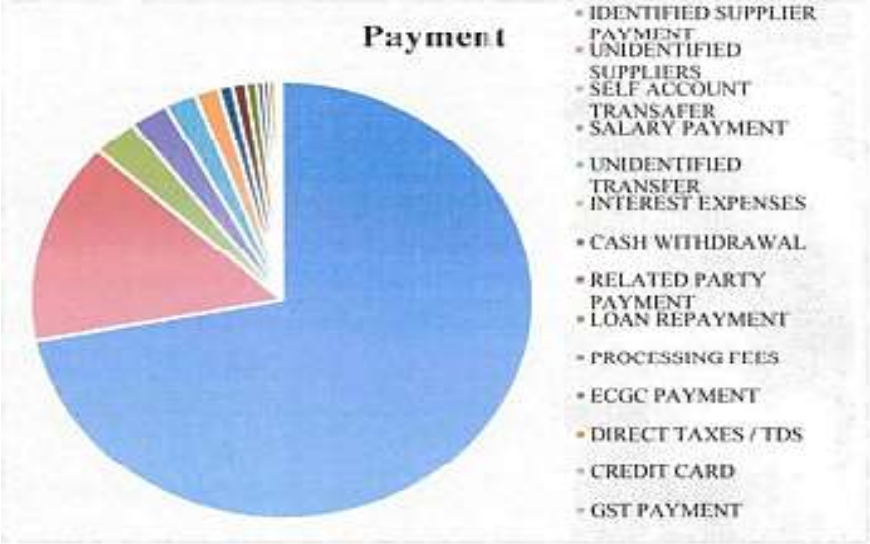
38. The Auditor also carried out extensive analysis of the transaction as appeared in the Bank Statement of Corporate Debtor qua its Account No. 048113100000566 maintain in Andhra Bank-OCC. The summary of payment made from said account of CD, as mentioned in Para 5.5.1. to 5.5.4. of the report reads thus: -

5.5.1. Summary of Payments made from Andhra Bank Account No. 048113100000566

Nature of Payment	Amount (Rs.)	%
Identified Suppliers	1,30,35,00,463	74.75%
Unidentified Suppliers	28,42,98,253	16.30%
Self-Account Transfer	5,31,27,425	3.05%
Salary Expenses	4,41,39,958	2.53%
Interest Expenses	2,73,63,497	1.57%
Processing Fees	71,58,664	0.41%
Export Guarantee Commission	64,84,949	0.37%
Direct Taxes / TDS	63,64,496	0.36%
Related Party Payment	43,73,278	0.25%
Credit Card	21,98,675	0.13%
GST Payment	15,78,881	0.09%
Telephone/Internet	15,54,751	0.09%
Electricity Expenses	9,10,315	0.05%
PF Payment	8,19,525	0.05%
Total	**1,74,38,73,131**	**100.00%**

Detailed Analysis are as per Annexure - 3

5.5.2. Graphical Analysis of Payments from Account 048113100000566

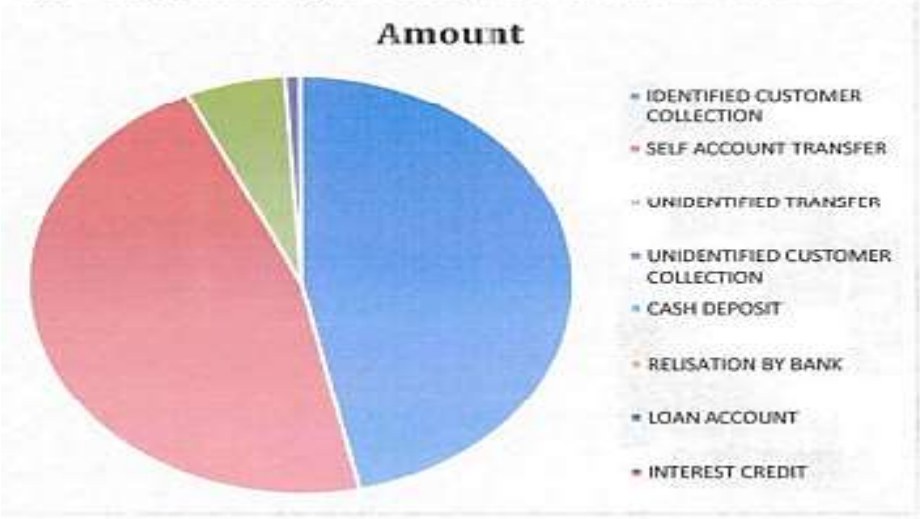


5.5.3. Summary of Receipts in Andhra Bank Account No. 048113100000566

Type	Amount (Rs.)	%
Identified Customer Collection	84,54,83,799	46.61%
Self-Account Transfer	84,42,20,977	46.54%
Unidentified Transfer	10,76,55,915	5.94%
Unidentified Customer Collection	1,56,16,846	0.86%
Cash Deposit	6,82,740	0.04%
Realisation by Bank	1,45,501	0.01%
Loan Account	63,155	0.00%
Interest Credit	17,362	0.00%
Total	**1,81,38,86,296**	

Detailed Analysis is contained in Annexure – 4

5.5.4. Graphical Analysis of Receipt in Bank Account 048113100000566



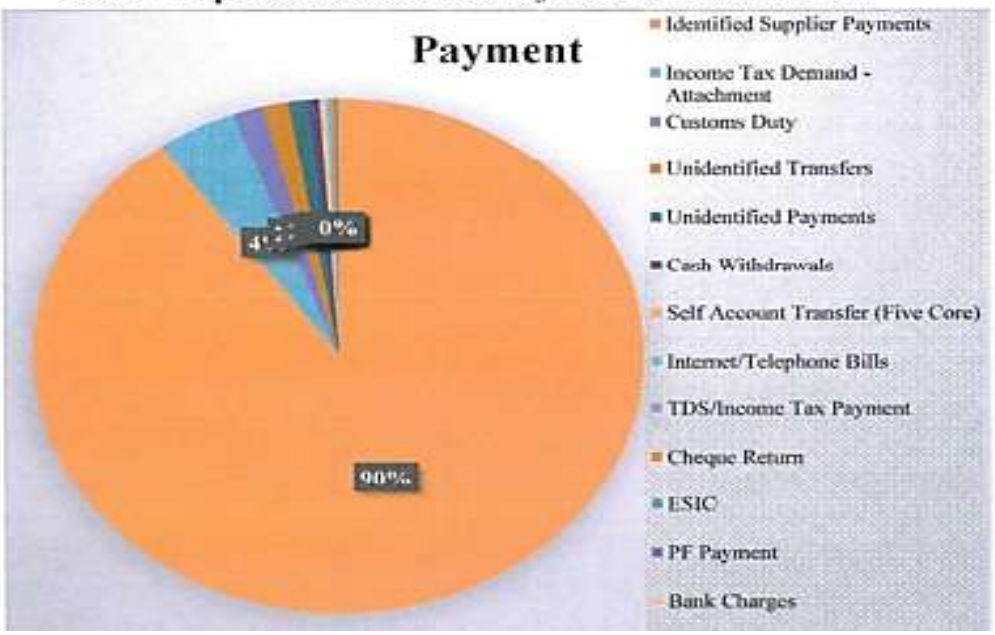
39. As can be seen from the aforementioned summary, an amount of Rs. 84,42,20,977 was transferred to the aforementioned account by the CD itself and other amounts of Rs. 10,76,55,915/- and Rs. 1,56,16,846/- were unidentified transfer/customer collection in the account.

40. The Auditor also analysed the various transactions qua the current account no. 05860200000743 maintained by CD in Bank of Baroda, from 01.04.2017 to 23.01.2020. The various transactions analysed and summarised qua the said account in paras 5.6.1 to 5.6.4. of the Report reads thus: -

5.6.1. Analysis of Payment from Bank of Baroda A/c - 743

Nature of Payment	Amount
Identified Supplier Payments	14,56,81,796.17
Income Tax Demand - Attachment	68,88,008.00
Customs Duty	25,87,151.00
Unidentified Transfers	22,17,704.00
Unidentified Payments	16,76,387.01
Cash Withdrawals	10,02,500.00
Self-Account Transfer (Five Core)	4,57,638.00
Internet/Telephone Bills	3,17,849.00
TDS/Income Tax Payment	2,45,281.00
Cheque Return	2,37,668.00
ESIC	1,81,972.00
PF Payment	1,22,848.00
Bank Charges	8,907.25
Grand Total	**16,16,25,709.43**

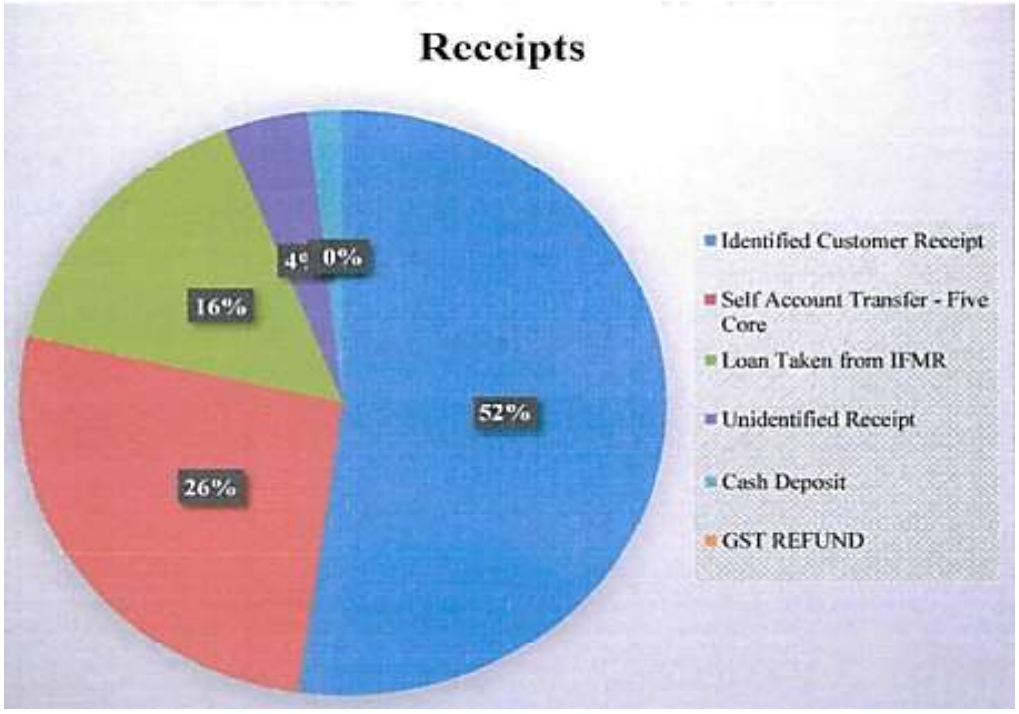
5.6.2. Graphical Presentation of Payment from BoB CA - 743



Analysis of Receipt in account of BoB CA - 743

Nature of Transaction	Amount (Rs.)
Identified Customer Receipt	8,45,68,260.20
Self-Account Transfer - Five Core	4,25,11,371.00
Loan Taken from IFMR	2,50,00,000.00
Unidentified Receipt	67,52,678.08
Cash Deposit	28,15,990.00
GST REFUND	22,567.00
Grand Total	**16,16,70,866.28**

5.6.4. Graphical Presentation of Receipts



41. Having analysed the aforementioned statements of Bank Accounts of the CD, the Auditor found certain payments as abnormal. In para 5.7.3. noticed that these transactions/payments are wrongful and are carried just to defraud the Creditors. In clause 5.7.3., the Auditor has given specific details of circular/wrongful trading. Clause 5.7.1. to 5.7.3. of the Audit Report reads thus: -

5.7.1. Transactions with B C Power Controls Limited, Bonlon Steel Private Limited and RCI Industries & Technologies Limited

Name of Party	Receipt/ Payment	From/To A/c	Amount (Rs.)
B C Power Controls Limited	Payment	3934	41,57,63,263
B C Power Controls Limited	Payment	566	16,79,37,798
	Total Payments		**58,37,01,061**
Bonlon Steels Pvt Ltd. (Now known as Bonlon Industries Limited)	Receipt	3934	37,09,53,959
RCI Industries & Technologies Limited	Receipt	3934	9,47,25,000
RCI Industries & Technologies Limited	Receipt	566	8,39,73,019
	Total Receipts		**54,96,51,978**

Detailed date-wise transactions are attached herewith as Annexure - 5

While conducting the Avoidance Transactions audit, we have come across the transactions where payment to the extent of Rs. 58,37,01,061/- to B C Power Controls Limited and a sum of Rs. 37,09,53,959 were received from Bonlon Steels Private Limited (now known as Bonlon Industries Limited) and a sum of Rs. 17,86,98,019/- were received from RCI Industries & Technologies Limited.

From the information available on MCA, we observed that these three Companies are having common directors and we observed that these Companies are related to each other.

The detail of common directorship is shown in table hereunder:

Name of Director	DIN No.	Name of Company in which he is director	Date of Appointment
Arun Kumar Jain	00438324	1. B. C. Power Controls Limited 2. Bonlon Industries Limited	30/09/2013 10/12/1998
Anil Kumar Jain	06944997	1. B. C. Power Controls Limited 2. RCI Industries & Technologies Limited	11/09/2014 20/01/2015

From a prima-facia analysis, it seems that the Corporate Debtor have entered transactions with these Companies for circular trading / round-tripping to increase the turnover of the Corporate Debtor / other Companies involved in the circular trading.

Annexure – 5 shows the date-wise transactions among Corporate Debtor and these 3 Companies, which clearly shows that whatever payments were received from RCI &

Bonlon, the same were transferred to the Account of BC Power. Which proves that there is wrongful trading among these Companies and the Corporate Debtor.

Further, RCI Industries & Technologies Limited and B C Power Controls Limited both are listed entities on Bombay Stock Exchange. M/s Sarthi Capital Advisors Private Limited was the lead manager in listing process of RCI & BC Power.

To prove the genuineness of transactions, we require following further documents from the books of accounts and records of the Corporate Debtor:

(a) Copies of Ledger Accounts of these Companies mentioned above
(b) Copies of Sales and Purchase Invoices for Companies mentioned above
(c) Copies of LR Receipts and E-Way bills proving actual movement of goods.
(d) Copies of Confirmation letters from the Companies involved into these transactions

Only after verification of aforesaid documents, conclusion can be arrived as to the nature of transactions, whether it is fraudulent or not.

5.7.2. Circular Transaction in Andhra Bank Account – 566 with Rishav Exports, and other firms

We observed that from 24th December, 2018 to 14th February, 2019, various transactions entered by the Corporate Debtor which are observed to be abnormal non-business transactions. Corporate Debtor has received a sum of Rs. 3.60 Cr. from Rishav Exports and the same has been utilised to make payment to various parties in rounding off amount. These transactions are observed as circular trading / wrongful trading transactions to defraud the creditors.

Detail of such transactions are as under:

Date	Name of the Parties / Beneficiaries	Withdrawals / Debits (Rs.)	Deposits / Credits (Rs.)
24-12-2018	**Rishav Exports**		25,00,000
27-12-2018	Radius Industries	25,05,000	
07-01-2019	**Rishav Exports**		35,00,000
08-01-2019	Denniny Incorporation	15,00,000	
10-01-2019	Five Core Electronics Limited (Unknown Bank A/c)	12,00,000	
10-01-2019	Shyam Avtar Trades Ltd	10,05,000	
10-01-2019	**Rishav Exports**		20,00,000
10-01-2019	Self (Cash withdrawal)	6,00,000	
11-01.2019	A S Electronics **(Related Party)**	5,00,000	
10-01-2019	Balaji Sales Corporation	8,25,000	
05-02-2019	**Rishav Exports**		40,00,000
05-02-2019	Airtech Electrovision Pvt. Ltd.	14,05,000	
05-02-2019	Shree Salasar Intern	10,50,000	
05-02-2019	Mahawar Steel Trader	10,00,000	
05-02-2019	Aggarwal Steel Fabrication	6,00,000	

Date	Name of the Parties / Beneficiaries	Withdrawals / Debits (Rs.)	Deposits / Credits (Rs.)
06-02-2019	Rishav Exports		40,00,000
06-02-2019	Balaji Sales Corporation	35,50,000	
06-02-2019	Anand Overseas	8,10,000	
07-02-2019	Rishav Exports		1,00,00,000
08-02-2019	B C Power Controls Ltd	50,20,000	
08-02-2019	B C Power Controls Ltd	49,80,000	
14-02-2019	Rishav Exports		71,50,000
14-02-2019	Rishav Exports		28,50,000
14-02-2019	B C Power Controls Ltd	10,00,000	
14-02-2019	Kamal Textiles	10,05,000	
14-02-2019	Rajdhani Rexine Store	15,10,000	
14-02-2019	Reliable Technologies	20,50,000	
14-02-2019	Roopbasant Enterprises Pvt	9,90,000	
14-02-2019	Balaji Sales Corporation	3,05,000	
14-02-2019	Mittal Trading	29,50,000	
	Grand Total	**3,63,60,000**	**3,60,00,000**

5.7.3. Circular Transaction in Bank of Baroda Account with Rishav Exports, Kapoor Cotsyn Exports, Shalimar Overseas and other firms

We observed that during the Month of **April, 2019,** various transactions entered by the Corporate Debtor which are observed to be abnormal non-business transactions. These transactions are observed as circular trading / wrongful trading transactions to defraud the creditors.

Summary of circular trading/ wrongful trading transactions are mentioned as below:

Name of Account	Credit Rs.	Debit Rs.
Rishav Exports		5,20,00,000
Kapoor Cotsyn Exports		2,50,00,000
Shalimar Overseas	4,85,00,000	
Jai Ambe Textiles	55,00,000	
Sai Baba Agency	55,00,000	
Rajat Textiles	45,00,000	
Vasudev Traders	35,00,000	
Surinder Traders	35,50,000	
Cash Withdrawal	10,00,000	
VMAK Research Service	30,00,000	
Grand Total	**7,50,50,000**	**7,70,00,000**

Detailed date wise transaction with the aforesaid parties are attached as per annexure - 6

42. The Audit Report also talk of certain probable misappropriation of Inventory. As could be seen from the Report, as on the date of commencement of Insolvency i.e. 23.01.2020, no physical stocks were available at the premises

of the CD, while as per analysis of stock on various dates it could be seen that the Corporate Debtor was having an average stock level of Rs. 34.00 Cr. approx. at any given point of time. The table in this regard, mentioned in clause 5.8. of the Audit Report reads thus: -

Stock as on	Amount (Rs. In Lakhs)
31.03.2016	2,486.71
31.03.2017	3,623.88
31.03.2018	3,382.86
30.09.2018	4,088.26
31.12.2018	3,401.99
Average Inventory	**3,396.74**

43. In terms of the Report, as there were no stocks available at any premises of the CD, there might be a possibility of misappropriation of stock by the management of the CD, but in the wake of limited information available on record, no definition conclusion could have been arrived at.

44. We find from clause 5.9. of the Audit Report that during the FY 2017-18, the CD had made an investment of Rs. 14,15,18,475/-, by acquiring the Equity Shares of M/s Five Core Acoustics Private Limited. The particulars regarding the acquisition of Equity Shares transaction as mentioned in the Report reads thus: -

Date of Transfer	Name of Transferor	Number of Shares Transferred	Rate (Face Value Rs. 10)	Amount (Rs.)
15.04.2017	Amarjit Singh Kalra	1806774	45	8,13,04,830
15.04.2017	Surinder Kaur Kalra	810686	45	3,64,80,870
15.04.2017	Jagjit Kaur Kalra	240596	45	1,08,26,820
15.04.2017	Amarjit Singh Kalra HUF	130044	45	58,51,980
15.04.2017	Surinder Singh Kalra	107644	45	48,43,980
15.04.2017	Surinder Singh Kalra HUF	49111	45	22,09,995
	Total			**14,15,18,475**

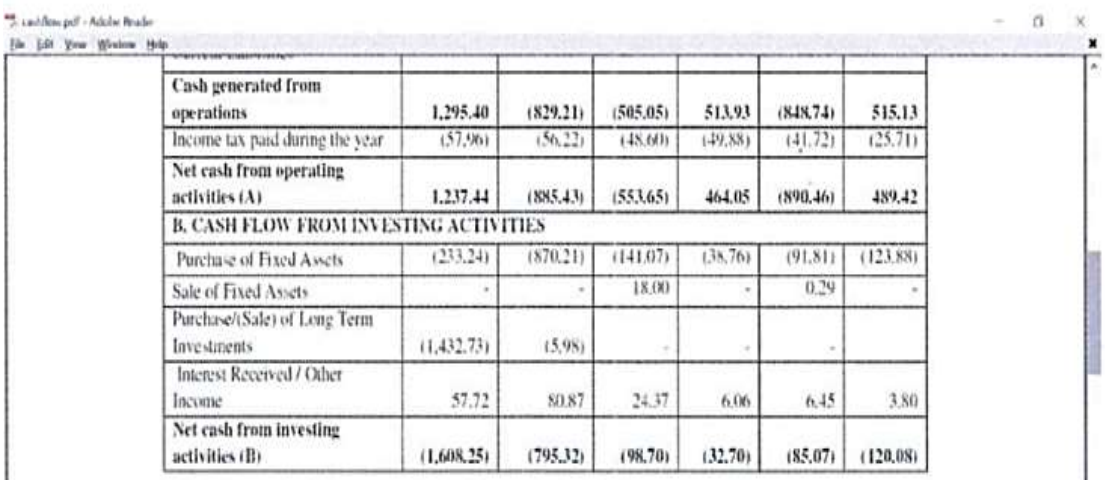
45. It is clearly reflected and is also mentioned in the Audit Report that the shareholders of Five Core Acoustics Private Limited are Suspended Directors/Promoters of the Corporate Debtor. The Corporate Debtor had acquired the shares from the shareholder of Five Core Acoustics Private Limited at the premium of Rs. 35/- per share. The valuation of shares for which the consideration was paid was not available to the Auditor for verification. It is also seen from the Report that the Corporate Debtor allotted 20,21,693 Equity Shares against purchase consideration in the ratio of 0.643:1. The shares were issued at the rate of Rs. 70/- per share with face value of Rs. 10/- and premium of Rs. 60/- per share. The valuation of the shares of the CD was not available for verification. It is observed in the Audit Report the Promoters of both the Corporate Debtor/Subsidiary Company were same and the Corporate Debtor had issued shares in lieu of shares of Five Core Acoustics Private Limited at consideration of Rs. 70/- per shares in April, 2017, while in May, 2018, the IPO had been floated by the CD at a price of Rs. 140/- per share i.e. at double the price on which shares had been issued to acquire shares of Five Core Acoustic Private Limited. It is categorical observation made in the Audit Report that undue benefit had been taken by the Promoters/relative of the Promoters by acquiring the shares at the price lower than the estimated valuation. The relevant excerpt of the report reads thus: -

> *"Prima Facie it is observed that promoters of both the Corporate Debtor/Subsidiary Company are same. Further, the Corporate Debtor has issued shares in lieu of shares of 5 core Acoustics Pvt Ltd at consideration of Rs. 70 per share. These shares of Corporate Debtor were issued in April, 2017 whereas, in May, 2018, the IPO has been floated by the Corporate Debtor at a price of Rs. 140 per share i.e. at*

double the price on which the shares have been issued to acquire shares of 5 Core Acoustics Pvt Ltd. It is observed that undue benefit has been taken by the promoters/relatives of promoters by acquiring the shares at lower than the estimated valuation."

46. The Audit Report also takes note of the fact that the Cash Flow Statement of the CD for the period from 01.04.2017 to 31.12.2017 shows misleading figure. As per cash flow in IPO prospectus, under Cash Flow from Financing Activity, the issuance of Share Capital of Rs. 2,649.44 Lakh and the adjustment of Rs. 1234.25 Lakh against the share application money pending allotment is shown. Ergo, there is net inflow of Rs. 1415.19 Lakh. However, the issue of shares of Rs. 1415.19 Lakh are against purchase of shares of Five Core Acoustic Private Limited. Actually, there was no cash inflow into the accounts of CD as the shares had been issued not for consideration in cash but for consideration in kind only. Resultantly, there was no cash outflow to acquire the shares of Five Core Acoustics Private Limited, the Corporate Debor could show it as cash flow in IPO prospectus. A statement to this effect is given in the report. The relevant excerpt of the report reads thus: -

In same manner, though there was no any cash outflow to acquire the shares of 5 Core Acoustics Private Limited, the Corporate Debtor has shown it as cash outflow in IPO Prospectus which can be seen from following statement below:



Cash generated from operations	**1,295.40**	**(829.21)**	**(505.05)**	**513.93**	**(848.74)**	**515.13**
Income tax paid during the year	(57.96)	(56.22)	(48.60)	(49.88)	(41.72)	(25.71)
Net cash from operating activities (A)	**1,237.44**	**(885.43)**	**(553.65)**	**464.05**	**(890.46)**	**489.42**
B. CASH FLOW FROM INVESTING ACTIVITIES						
Purchase of Fixed Assets	(233.24)	(870.21)	(141.07)	(38.76)	(91.81)	(123.88)
Sale of Fixed Assets	-	-	18.00	-	0.29	-
Purchase/(Sale) of Long Term Investments	(1,432.73)	(5.98)	-	-	-	
Interest Received / Other Income	57.72	80.87	24.37	6.06	6.45	3.80
Net cash from investing activities (B)	**(1,608.25)**	**(795.32)**	**(98.70)**	**(32.70)**	**(85.07)**	**(120.08)**

47. On the basis of Bank Statement Analysis, the Auditing Firm observed that certain payments/receipt in the Bank Account of the CD were abnormal and suspicious. Clause 5.11.1. of the report reads thus: -

5.11.1. Following is the table showing the payments, which are observed as abnormal/suspicious.

Payment From A/c	Name of Payee	Amount Paid (Rs.)	Remarks
3934	A S ELECTRONICS	19,70,000	Rounding off Payment
566	A S ELECTRONICS	44,15,000	Related Party Payment
3934	AC POLYCOATERS PVT LTD	10,00,000	Rounding off Payment
566	ACE ELECTRONICS	63,60,000	Rounding off Payment
3934	AMBEY STEEL TRADERS	23,31,375	Rounding off Payment
566	AMBEY STEEL TRADERS	76,00,000	
3934	AMITA ENGINEERING WORKS	3,00,000	Rounding off Payment
3934	B M INDUSTRIES	7,00,000	Rounding off Payment
3934	BALAJI SALES CORPORATION	1,51,93,575	Rounding off Payment
566	BALAJI SALES CORPORATION	2,41,07,151	
3934	BALDEV METALS PVT LTD	6,00,000	Rounding off Payment
566	BANDHU ELECTRONICS CORPORATION	65,11,026	Rounding off Payment
3934	BANDHU ELECTRONICS CORPORATION	24,89,496	

Payment From A/c	Name of Payee	Amount Paid (Rs.)	Remarks
3934	BHAGWATI TRADERS	21,50,000	Rounding off Payment
566	BHAGWATI TRADERS	15,10,000	
3934	CINE SOUND SUPPLY	27,81,110	Same payment to both parties
566	CINE SOUND SUPPLY	22,58,713	
3934	CINE STAGE ELECTRICALS	6,76,272	
566	CINE STAGE ELECTRICALS	43,57,237	
3934	ENSONS TRADING LLP	20,00,000	Rounding off Payment
566	ENSONS TRADING LLP	32,75,100	
3934	FINEGUJRANWALA JEWELLERS	2,00,000	Rounding off Payment
566	GARIMA FASHION	19,28,110	Rounding off Payment
3934	GEETIKA ENTERPRISES	18,74,900	Rounding off Payment
566	GEETIKA ENTERPRISES	10,00,000	
566	GOURAV ENTERPRISES	79,42,000	Rounding off Payment
3934	HARPREET MOULDER	2,00,000	Rounding off Payment
566	J K SALES CORPORATION	23,75,000	Rounding off Payment
3934	J K SALES CORPORATION	13,00,000	
566	JMP INTERNATIONAL	9,00,000	Rounding off Payment
566	KAMAL TEXTILES	18,15,000	Rounding off Payment
566	KHERA ELECTRIC COPROP VARUN	21,79,000	Rounding off Payment
3934	KHURANA BEARINGS	11,19,600	Rounding off Payment
566	KHURANA BEARINGS	53,30,000	

3934	KRISHIKA ENTERPRISES	2,00,000	Rounding off Payment
3934	MODERN METAL INDUSTRIES	3,00,000	Rounding off Payment
566	NEHA EXPORTS	1,05,00,000	Rounding off Payment Related Party Payment
3934	OM SHIV INDUSTRIES	2,50,000	Rounding off Payment
566	OPAL ENTERPRISES	45,00,000	Rounding off Payment
566	PRABH INDUSTRIES	10,00,000	Rounding off Payment
3934	PRIME CONNECTIONS	3,00,000	Rounding off Payment
566	R S ELECTRICALS	54,90,227	Rounding off Payment
3934	RADIUS INDUSTRIES	1,11,58,479	Related Party Payment
566	RADIUS INDUSTRIES	3,68,22,500	Related Party Payment
566	RAGHAV TRADING CO	31,10,000	Rounding off Payment
3934	RELIABLE SALES	1,49,67,417	Almost Same payment to both parties
566	RELIABLE SALES	2,61,92,918	
3934	RELIABLE TECHNOLOGIES	1,10,08,908	
566	RELIABLE TECHNOLOGIES	2,99,49,625	
566	RPJP ELECTRO INDIA PVT LTD	37,95,000	Rounding off Payment
3934	RPJP ELECTRO INDIA PVT LTD	41,67,000	
566	S K NANDA F AND B FOOD CENTRE	15,00,000	Rounding off Payment
3934	SD TRADING COMPANY	18,82,500	Rounding off Payment
566	SHREE AMBA MERCHANTS PVT LTD	5,30,000	Rounding off Payment
3934	SHREE AMBA MERCHANTS PVT LTD	2,50,000	
566	SHRI SHYAM TRADING C	15,00,000	Rounding off Payment
566	SHRI VINAYAK INDUSTRIES	52,35,000	Rounding off Payment
3934	SHYAM AVTAR TRADES LTD	50,00,000	Rounding off Payment

Payment From A/c	Name of Payee	Amount Paid (Rs.)	Remarks
566	SHYAM AVTAR TRADES LTD	3,04,60,200	
3934	SURINDER TRADERS	16,01,000	Rounding off Payment
566	SURINDER TRADERS	15,01,000	
3934	THE BLUE OVERSEAS	39,99,990	Rounding off Payment
3934	TRI WALL PAK PVT LTD	2,00,000	Rounding off Payment
566	TZ ELECTRO SYSTEM	10,55,000	Rounding off Payment
566	V K INTERNATIONAL	35,40,000	Rounding off Payment
3934	YASHRAJ ENTERPRISES	70,00,000	Rounding off Payment

48. Clause 5.12. of the Audit Report reveals that various payments had been made to related parties during the period for which analysis was made by the Auditing Firm. The details of the payment made to the related parties reads thus: -

Name of Party	Date	Payment from A/c	Amount	Total Amount (Rs.)
Neha Exports	08-02-2019	Andhra – 566	58,20,000	
Neha Exports	08-02-2019	Andhra – 566	46,80,000	
			Total	**1,05,00,000**
Surinder Traders	28-05-2018	Andhra – 566	5,00,000	
Surinder Traders	24-10-2018	Andhra – 566	10,01,000	
Surinder Traders	23-05-2018	Andhra – 3934	6,00,000	
Surinder Traders	01-11-2018	Andhra – 566	10,01,000	
Surinder Traders	05-04-2019	BOB – 743	30,06,000	
Surinder Traders	06-04-2019	BOB – 743	1,00,000	
Surinder Traders	10-04-2019	BOB – 743	2,40,000	
Surinder Traders	11-04-2019	BOB – 743	1,50,000	
			Total	**66,52,000**
Amarjit Kaur	10-02-2019	BOB – 743	16,00,000	
			Total	**16,00,000**
Amarjit Singh Kalra	18-04-2018	Andhra – 566	7,20,000	
	18-02-2019	Andhra – 566	49,500	
	22-05-2018	Andhra – 3934	1,35,42,338.46	
	18-09-2018	Andhra – 3934	2,40,000	
			Total	**1,45,51,838.46**
Surinder Kaur Kalra	26-04-2018	Andhra – 566	5,00,000	
			Total	**5,00,000**

Name of Party	Date	Payment from A/c	Amount	Total Amount (Rs.)
A S Electronics	06-10-2018	Andhra – 566	18,05,000	
	30-11-2018	Andhra – 566	15,10,000	
	11-01-2019	Andhra – 566	5,00,000	
	30-01-2019	Andhra – 566	6,00,000	
	07-06-2018	Andhra – 3934	5,00,000	
	28-02-2019	Andhra – 3934	14,70,000	
	16-03-2019	BOB-743	8,50,000.00	
	18-03-2019	BOB-743	5,00,000.00	
	22-03-2019	BOB-743	3,00,000.00	
	26-03-2019	BOB-743	6,18,345.00	
	27-03-2019	BOB-743	2,10,000.00	
	28-03-2019	BOB-743	5,03,000.00	
	29-03-2019	BOB-743	2,17,525.00	
	30-03-2019	BOB-743	3,40,000.00	
	30-03-2019	BOB-743	1,90,000.00	
	30-03-2019	BOB-743	5,08,500.00	
	02-04-2019	BOB-743	1,00,000.00	
	03-04-2019	BOB-743	5,50,000.00	
	04-04-2019	BOB-743	3,10,000.00	
	04-04-2019	BOB-743	1,10,000.00	
	05-04-2019	BOB-743	1,40,000.00	
	05-04-2019	BOB-743	70,000.00	**1,19,02,370**

49. The Auditing Firm observe that a payment of Rs. 1,05,00,000/- had been made in the account of M/s Neha Export i.e. a party related to the Promoters of the Corporate Debtor. The Report further reflects that the Neha Export is a proprietorship firm in the name of Ms. Madhu Gulati and as per the prospectus submitted to SEBI for IPO, Ms. Madhu Gulati is the sister of Promoter of Mr. Amarjit Singh Kalra. As has been mentioned in the application, following is the registered detail of M/s Neha Export.

Particular	Detail
Legal Name	Madhu Gulati
Business Name	Neha Exports
GSTN	06AKJPG0948G1ZA
Address:	5/1, Dharuheda Industrial Area, Haryana
Status of GSTN	***Cancelled***

50. The aforementioned payment was made on 08.02.2019 from account of Corporate Debtor through RTGS. The Auditing Firm observes that as per Balance Sheet as on 31.03.2018, there was no amount outstanding qua M/s Neha Export and during the period for which analysis was done, no payment had been received from M/s Neha Export. Though, the Auditing Firm has tried to say that the transaction is undervalued transaction, but it has not concluded so and viewed that there was no sufficient material to arrive at such conclusion.

51. The Auditing Firm also found a payment of Rs. 35,50,000/- made in the account of Surinder Traders viz. a proprietorship firm in the name of Ms Surinder Kaur Kalra who is spouse of the Promoter namely Mr. Amarjit Singh Kalar and Suspended Director of Corporate Debtor. The registered details of Ms Surinder Traders derive from GST record reads thus: -

Particular	Detail
Legal Name	Surinder Kaur Kalra
Business Name	Surinder Traders
GSTN – Active	07AFMPK2461E2ZJ

52. The details of another transaction made in favour of related party has been given in clause 5.12.3. of the Audit Report. The relevant excerpt of the clause reads thus: -

5.12.3. A S ELECTRONICS

We have observed that out of total payment of Rs. 1,19,02,370/-, payment of Rs. 80,87,370/- has been made in account of M/s A S Electronics, which is a related party to the Promoters of the Corporate Debtor ***between 11th January, 2019 to 5th April, 2019*** during which the promoters were not traceable.

A S Electronics, is a proprietorship firm in the name of ***Mr. Amarjit Singh Kalra.*** As per the prospectus submitted to SEBI for IPO, ***Mr. Amarjit Singh Kalra is a promoter and also director of the Corporate Debtor.*** Following is the registered detail of M/s A S Electronics from GST record is as below:

Particular	Detail
Legal Name	Amarjit Singh Kalra
Business Name	A S Electronics
GSTN – Active	07AKWPK0803H1Z3
Address:	WZ-15B, 1st Floor, Room no. 203, Uggarsain Market, Ashok Nagar, west Delhi, Delhi – 110018
GSTN Status	***Cancelled***
Date of Cancellation	***29-11-2018***

Screen shot of detail from GST website is mentioned below:

53. The loan of Rs. 2,50,00,000/- was availed from the Northern ARC Capital Limited (formerly known as IFMR Capital Finance Limited) on 14.03.2019. The loan had been disbursed in Current Account No. 743, maintained in Bank of Baroda. On analysing the utilisation of the said loan, except cash withdrawal, all other payments (in round-amounts) were found made to related party, 'A S Electronics' and other Proprietorship or Partnership concerns, regarding which details were not available in public domain as there were multiple parties with same names. The details of such payment as mentioned in the Audit Report reads thus: -

Name of the Parties/ Beneficiaries	Amount Paid (Rs.)	From 15th March, 2019 To 18th December, 2019 (Last Transaction Date) Date of Payment in BoB A/c 743
Mittal Trading Co	1,50,00,000	15 Mar 2019
A S Electronics (Related Party)	**55,17,370**	16th / 18th / 22nd / 26th / 27th / 28th / 30th Mar 2019 / 2nd / 3rd / 4th & 5th Apr 2019
Balaji Sales Corporation	14,90,000	15 Mar 2019
Shri Guru Containers	10,50,000	15 Mar 2019
ABS Enterprises	9,50,000	15 Mar 2019
S R Industries	9,50,000	15 Mar 2019
Himanshu Trading Co	9,10,000	15 Mar 2019
Shri Sai Ply Wood	5,60,000	15 Mar 2019
Bhatia Electricals and Steel	5,50,000	15 Mar 2019
Shri Sai Laminates Hardware	5,40,000	15 Mar 2019
Grand Total	**2,75,17,370**	

54. As the payment from proceeds of loan had been made to various Operational Creditor, the Auditing Firm considered the same as Preferential transaction. The payment of Rs. 55,17,370/- to A S Electronics, a related party was treated as undervalued transaction. The remaining payment of Rs. 2,20,00,000/- was considered as Preferential Transaction, because by making the said payment to Creditors, the Corporate Debtor had put the Creditors in the position, beneficial than the one in which they could have been, on distribution under Section 53 of the IBC, 2016.

55. While analysing the OCC A/c 566 qua the CD, the Auditing Firm observed that from 03.01.2019 to 26.02.2019 the Corporate Debtor had availed various exposure of Rs. 14.35 Cr. as packing credit. The amount had been utilised to make payment to various parties including related parties. The details of the payment as mentioned in clause 5.14 of the Audit Report reads thus: -

Date	Payment	Narration	Date	Payment	Narration
03-01-2019	25,15,475.00	A C Polycoaters Pvt Ltd	30-01-2019	15,50,000.00	Shree Ji Enterprises
03-01-2019	16,68,373.00	Shree Salasar Intern	30-01-2019	9,48,918.00	Almex Industries Pvt Ltd
03-01-2019	15,10,000.00	Delite Collections Pvt. Ltd.	30-01-2019	6,88,991.00	Wires and Electricals
03-01-2019	12,10,000.00	Rajdhani Rexine Store	30-01-2019	2,00,238.00	Wires and Electricals
03-01-2019	8,10,000.00	Kamal Textiles	31-01-2019	12,50,000.00	Wires and Electricals
03-01-2019	8,01,450.00	V S Enterprises	31-01-2019	10,50,000.00	S R Industries
03-01-2019	5,38,949.00	Mintu Electronics	31-01-2019	10,05,000.00	Mittal Trading Co
03-01-2019	2,50,780.00	Supplier Payment	04-02-2019	13,90,000.00	Mittal Trading Co
03-01-2019	1,83,280.00	Indian Infra Finance Ltd	04-02-2019	10,15,500.00	Rajdhani Rexine Store
04-01-2019	33,65,548.00	Supplier Payment	04-02-2019	5,26,785.00	Mintu Electronics
04-01-2019	21,95,660.00	Mittal Trading Co	04-02-2019	4,86,747.00	A C Polycoaters Pvt Ltd
04-01-2019	20,60,800.00	Mittal Trading Co	04-02-2019	2,53,753.00	Shri Sai Laminates Hardwar
04-01-2019	18,50,000.00	Radius Industries	04-02-2019	2,00,000.00	R S Electricals
04-01-2019	16,50,000.00	Shri Guru Containers	04-02-2019	1,77,022.00	HDFC Car Loan
04-01-2019	12,50,000.00	Shree Ji Enterprises	04-02-2019	1,60,176.00	Indus In Loan Repayment
04-01-2019	9,80,000.00	Continental Brush Wa	05-02-2019	6,00,000.00	Aggarwal Steel Fabrication
04-01-2019	7,75,000.00	Adrian Enterprises	06-02-2019	19,95,000.00	Mittal Trading Co
04-01-2019	7,05,000.00	Indo Accent Traders	06-02-2019	10,50,000.00	Shri Guru Containers
04-01-2019	6,00,000.00	Loch Plywood House	06-02-2019	8,10,000.00	Anand Overseas
04-01-2019	6,00,000.00	Self	06-02-2019	7,35,281.00	Wires and Electricals
04-01-2019	5,91,300.00	Gujral Tours and Travels	07-02-2019	20,00,000.00	Surge Electronics
04-01-2019	5,00,000.00	Ambey Steel Traders	07-02-2019	9,71,995.00	Bansal Steels
04-01-2019	5,00,000.00	Ambey Steel Traders	08-02-2019	58,20,000.00	Neha Exports
04-01-2019	5,00,000.00	Juneja Radios	08-02-2019	46,80,000.00	Neha Exports
04-01-2019	4,05,000.00	City Motor Company	08-02-2019	2,23,385.00	Supplier Payment
04-01-2019	2,67,793.00	Kapoor Trading Corporation	12-02-2019	29,10,341.00	Mittal Trading Co
04-01-2019	2,62,784.00	Rajsons Sales Corporation	12-02-2019	20,10,000.00	Reliable Technologies
05-01-2019	19,76,570.00	Bansal Steels	12-02-2019	18,48,313.00	Mittal Trading Co
05-01-2019	15,05,000.00	V S Enterprises	12-02-2019	16,34,465.00	V S Enterprises
05-01-2019	12,44,567.00	Reliable Technologies	12-02-2019	15,00,000.00	Abs Enterprises

Date	Payment	Narration	Date	Payment	Narration
05-01-2019	10,09,650.00	Aggarwal Steel Fabrication	12-02-2019	13,49,900.00	Opal Enterprises
05-01-2019	8,00,000.00	Bansal Steels	12-02-2019	12,52,200.00	Goodwill Iron and Steel Lt
05-01-2019	6,83,580.00	S R Industries	12-02-2019	11,50,100.00	Opal Enterprises
05-01-2019	4,95,000.00	Continental Brush Ware	12-02-2019	10,30,000.00	Indo Accent Traders
05-01-2019	3,06,770.00	Goel Paints and Hardware S	12-02-2019	9,64,500.00	Goel Paints and Hardware S
05-01-2019	2,89,190.00	Shree Ji Enterprises	12-02-2019	9,07,774.00	Bandhu Electronics Corpora
08-01-2019	5,00,000.00	Anand Overseas	12-02-2019	7,41,346.00	Mittal Trading Co
09-01-2019	15,50,000.00	Mittal Trading Co	12-02-2019	7,16,437.00	Eldee Electronic Corp
09-01-2019	14,09,400.00	Supplier Payment	12-02-2019	7,04,552.00	Nishka International LLP
09-01-2019	11,95,000.00	ABKS Trading Pvt Ltd	12-02-2019	6,89,775.00	Wings Electronics
10-01-2019	28,41,815.00	Mittal Trading Co	12-02-2019	6,50,000.00	Kapoor Trading Corporation
10-01-2019	12,00,000.00	Five Core Electronics Limited	12-02-2019	6,02,448.00	Anshika Enterprises
10-01-2019	10,05,000.00	Shyam Avtar Trades Ltd	12-02-2019	5,17,544.00	New Ekta Enterprises
10-01-2019	9,40,820.00	ABS Enterprises	12-02-2019	5,10,560.00	Karuna Paints
10-01-2019	8,50,000.00	S D Trading Company	12-02-2019	5,10,402.00	Malhotra Petro Chems
10-01-2019	8,25,000.00	Balaji Sales Corporation	12-02-2019	5,10,000.00	V S Enterprises
10-01-2019	6,00,000.00	Self (Cash Withdrawal)	12-02-2019	5,08,463.00	Rajsons Sales Corporation
11-01-2019	8,50,000.00	S R Industries	12-02-2019	5,00,000.00	Ambey Steel Traders
11-01-2019	5,00,000.00	A S Electronics	12-02-2019	5,00,000.00	Ambey Steel Traders
11-01-2019	3,63,060.00	Bansal Steels	12-02-2019	5,00,000.00	Mahawar Steel Traders
11-01-2019	2,81,743.00	Amarnath Vishwanath	12-02-2019	4,10,000.00	Cine Sound Supply
11-01-2019	1,86,928.00	Minocha Trading Co	12-02-2019	3,50,000.00	Punjab Acoustic
11-01-2019	1,20,000.00	S K Golden Goods Transport	12-02-2019	3,00,000.00	Laxmi Timber Merchant
16-01-2019	10,06,540.00	Aggarwal Steel Fabrication	12-02-2019	2,78,250.00	Supplier Payment
16-01-2019	8,62,580.00	Amarnath Vishwanath	12-02-2019	2,75,755.00	Supplier Payment
16-01-2019	7,99,912.00	K L International	12-02-2019	2,71,537.00	Supplier Payment
16-01-2019	7,87,665.00	Shri Guru Containers	12-02-2019	1,61,637.00	HDFC Bank Ltd Credit Card
16-01-2019	6,15,960.00	Shri Sai Enterprises	12-02-2019	1,50,000.00	HDFC Bank Ltd Credit Card
16-01-2019	5,05,000.00	Radius Industries	13-02-2019	16,90,000.00	Reliable Technologies
16-01-2019	4,65,785.00	Anshika Enterprises	13-02-2019	10,15,000.00	Sri Sai Enterprises
16-01-2019	4,63,453.00	Shri Guru Containers	13-02-2019	10,10,000.00	Himanshu Trading Co
16-01-2019	4,45,000.00	Radius Industries	15-02-2019	17,84,000.00	Mittal Trading Co
16-01-2019	4,15,687.00	Aagrim Sales	15-02-2019	17,11,000.00	Mittal Trading Co
16-01-2019	3,90,000.00	Balaji Traders	16-02-2019	37,07,455.00	Salary
16-01-2019	2,80,000.00	Goel Paints and Hardware S	21-02-2019	85,36,800.00	Supplier Payment
16-01-2019	2,48,882.00	Shree Ji Enterprises	21-02-2019	5,05,000.00	DDS International
16-01-2019	1,37,420.00	Bansal Steels	21-02-2019	3,00,000.00	Jupiter Paper Cones
30-01-2019	31,35,041.00	Mittal Trading Co	21-02-2019	2,21,978.00	Supplier Payment
30-01-2019	29,40,000.00	Shri Guru Containers	26-02-2019	7,35,380.00	Cine Sound Supply
				14,34,96,913.00	**Total**

56. While conducting the Audit Transaction, the Auditing firm came across various foreign exchange receipts on export of goods from foreign customers for an amount of Rs. 54,75,87,021/-. Nevertheless, the name of

customer/payee was not mentioned in the Bank Account Statement. As the majority of the Business of the Corporate Debtor was from the export activities, the Auditing Firm considered it necessary to enquire into the report receipts. Nevertheless, due to non-availability of information such as books of accounts, export documents like export invoices, custom clearance certificate, transportation details, the Auditing Firm considered it difficult to enquire into the export receipts. The list of export receipts in account (Andhra Bank OCC A/c 566) of the Corporate Debtor as mentioned in Audit Report reads thus: -

List of export receipts in account (Andhra Bank OCC A/c 566) of the Corporate Debtor is mentioned hereunder:

Tran. Date	Value Date	Deposit Amount (Rs.)	Narration
03-04-2018	03-04-2018	1,39,68,550	USD 215000.00 @ 64.97 PCFC
04-04-2018	04-04-2018	29,27,250	PCFC USD 45000@65.05
09-04-2018	09-04-2018	1,81,74,100	USD 280000 @ 64.9075 PCFC
10-04-2018	10-04-2018	1,49,28,150	USD 230000.00 @ 64.9050 PCFC
11-04-2018	11-04-2018	70,38,360	PCFC USD 108000@65.17
12-04-2018	12-04-2018	43,73,760	USD 67000.00 @ 65.28 PCFC
13-04-2018	13-04-2018	1,76,01,975	USD 270000.00 @ 65.1925 PCFC
17-04-2018	17-04-2018	1,13,47,935	USD 173000.00 @ 65.5950 PCFC
18-04-2018	18-04-2018	1,23,32,800	USD 188000.00 @ 65.60 PCFC
20-04-2018	20-04-2018	57,38,520	USD 87000.00 @ 65.96 PCFC
27-06-2018	27-06-2018	9,93,84,576	USD 1449600.00 @ 68.56 PCFC
02-07-2018	02-07-2018	3,17,84,950	USD 463000 @ 68.65 PCFC
06-07-2018	06-07-2018	1,23,87,015	PCFC USD 179900@68.8550
10-07-2018	10-07-2018	1,14,09,180	PCFC USD 166000@68.73
13-07-2018	13-07-2018	1,23,80,400	PCF USD 181000@68.40
16-07-2018	16-07-2018	4,50,92,740	PCFC USD 658000@68.53
20-07-2018	20-07-2018	2,17,59,760	PCFC USD 316000@68.86
23-07-2018	23-07-2018	68,75,000	PCFC USD 100000@68.75
03-08-2018	03-08-2018	61,83,900	USD 90000.00 @ 68.71 PCFC
08-08-2018	08-08-2018	82,24,800	USD 120000.00 @ 68.54 PCFC
09-08-2018	09-08-2018	98,72,640	USD 144000 @ 68.56 PCFC
16-08-2018	16-08-2018	2,10,60,000	USD 300000.00 @ 70.20 PCFC
20-08-2018	20-08-2018	1,46,37,000	USD 210000.00 @ 69.70 PCFC
21-08-2018	21-08-2018	59,31,300	USD 85000.00 @ 69.78 PCFC
24-08-2018	24-08-2018	1,11,71,200	USD 160000.00 @ 69.82 PCFC
31-08-2018	31-08-2018	2,23,14,600	USD 315000.00 @ 70.84 PCFC
03-09-2018	03-09-2018	1,00,10,295	PCFC USD 141000#70.99950
04-09-2018	04-09-2018	67,89,650	USD 95000.00 @ 71.47 PCFC
05-09-2018	05-09-2018	1,46,89,275	PCFC USD 205000@71.6550
29-11-2018	29-11-2018	6,27,43,500	PCFC USD 900000@69.7150
12-12-2018	12-12-2018	44,53,840	PCFC USD 61970.77

57. While analysing the Bank Statements qua the CD, the Auditing team observes that various transactions had been entered by the Corporate Debtor

in the name of Five Core Electronics Limited (in Accounts 566 & 3934 of Andhra Bank). However, the detail of such account was not found available to the Auditing Firm. The details of the transaction through Bank A/c 566 and Bank A/c 3934 as given in the Audit Report reads thus:-

Details of such transactions through Bank A/c 566 are mentioned hereunder:

Tran. Date	Withdrawals (Rs.)	Deposits (Rs.)	Narration
17-04-2018	8,15,675		RTGS/ANDBR52018041700745006/FIVE CORE ELECTRONIC
11-06-2018		5,00,00,000	RTGS/0000000C6626577542/FIVE CORE ELECTRONICS LIMIT
02-07-2018		44,90,000	RTGS/0000000C6626577542/FIVE CORE ELECTRONICS LIMIT
04-07-2018		35,10,000	RTGS/0000000C6626577542/FIVE CORE ELECTRONICS LIMIT
09-07-2018		80,10,000	NEFT/FIVE CORE ELECTRONICS LIMITED
26-07-2018		31,30,000	RTGS/0000000C6626577542/FIVE CORE ELECTRONICS LIMIT
31-07-2018		87,30,000	NEFT/FIVE CORE ELECTRONICS LIMITED
18-08-2018		6,50,000	RTGS/0000000C6626577542/FIVE CORE ELECTRONICS LIMIT
28-08-2018		10,000	NEFT/FIVE CORE ELECTRONICS LTD
01-09-2018		1,50,000	NEFT/FIVE CORE ELECTRONICS LTD
11-09-2018		1,36,00,000	RTGS/0000000C6626577542/FIVE CORE ELECTRONICS LIMIT
18-09-2018		2,00,00,000	RTGS/0000000C6626577542/FIVE CORE ELECTRONICS LIMIT
19-09-2018		11,50,000	NEFT/FIVE CORE ELECTRONICS LIMITED
16-10-2018		8,50,000	NEFT/FIVE CORE ELECTRONICS LIMITED
06-11-2018	1,48,308		NEFT/ANDBN18227419705 / FIVE CORE ELECTRONICS LTD
06-11-2018	1,09,946		NEFT/ANDBN18227420156 / FIVE CORE ELECTRONICS LTD
28-12-2018		65,00,000	RTGS/0000000C6626577542/FIVE CORE ELECTRONICS LIMIT
15-01-2019		34,50,000	NEFT/FIVE CORE ELECTRONICS LIMITED
31-01-2019		66,50,000	RTGS/0000000C6626577542/FIVE CORE ELECTRONICS LIMIT
07-02-2019		7,50,000	RTGS/0000000C6626577542/FIVE CORE ELECTRONICS LIMIT
16-02-2019		27,75,000	RTGS/0000000C6626577542/FIVE CORE ELECTRONICS LIMIT
20-02-2019		52,10,000	RTGS/0000000C6626577542/FIVE CORE ELECTRONICS LIMIT
	10,73,929	**13,96,15,000**	

Detail of transactions through Bank A/c 3934 are mentioned hereunder:

Tran. Date	Withdrawal (Rs.)	Deposits (Rs.)	Narration
		2017-18	
24-05-2017	2,00,000.00		RTGS/ANDBR52017052400035623/FIVE CORE ELECTRONIC
24-05-2017	7,50,000.00		RTGS/ANDBR52017052400035605/FIVE CORE ELECTRONIC
19-08-2017	1,00,006.00		IB/IMPS-P2A/723117000402/FIVE CORE /OTHERS
21-11-2017	7,00,000.00		RTGS/ANDBR52017112100798995/FIVE CORE ELECTRONIC
26-12-2017	3,10,000.00		RTGS/ANDBR52017122600164492/FIVE CORE ELECTRONIC
28-02-2018	60,00,000.00		FIVE CORE ELECTRONICS
		2018-19	
19-06-2018		25,998	IMPS/817019958464/FIVE CORE ELECTRO/
01-11-2018		42,75,000	RTGS/0000006626577542/FIVE CORE ELECTRONICS LIMIT

58. The Auditing Firm also found the diversion of funds by ex-management of CD in the name of investment. Clause 8 of the report reads thus: -

Name of Company	Date	Amount (Rs.)	Amount (Rs.)
Blue Garden Estate Pvt Ltd	28-02-2017	30,95,000.00	
Blue Garden Estate Pvt Ltd	01-03-2017	14,10,000.00	
Blue Garden Estate Pvt Ltd	14-03-2017	17,80,900.00	**62,85,900.00**
Dish Infra Services Pvt Ltd	23-05-2017	3,00,000.00	
Dish Infra Services Pvt Ltd	23-05-2017	2,00,000.00	
Dish Infra Services Pvt Ltd	13-06-2017	3,00,000.00	
Dish Infra Services Pvt Ltd	26-07-2017	3,00,000.00	
Dish Infra Services Pvt Ltd	06-12-2017	3,00,000.00	
Dish Infra Services Pvt Ltd	12-12-2017	3,00,000.00	
Dish Infra Services Pvt Ltd	13-12-2017	3,00,000.00	
Dish Infra Services Pvt Ltd	15-12-2017	2,00,000.00	
Dish Infra Services Pvt Ltd	28-12-2017	3,00,000.00	**25,00,000.00**

59. We see from Annexure-1 to the Audit Report that the various payments made by the CD were to/regarding identified suppliers, self-account, related party, unidentified account, cash (withdrawal), NSE, Income-Tax, employees, Export Credit Guarantee, loan repayment, PF payment, electricity payment, credit card, mobile bills, rent, donation, stamp charges, NSDL etc. The Annexure-1 to report is on record at Page-126 to 135 of the application. Annexure-2 (Page-136 to 146) and Annexure-3 to the report (Page-137 to 152) also contains the details of payment made by the CD. Annexure-4 (Page-153 to 160), Annexure-5 (Page-160-167) gives details of the receipts by the CD.

60. As can be seen from Section 43 (1) of IBC 2016, where the liquidator or the resolution professional, as the case may be is of the opinion that the corporate debtor has at a relevant time given a preference in such transactions and in such manner as laid down in sub-Section 2 to any person as referred to in sub-Section 4, he shall apply to the Adjudicating Authority for avoidance of preferential transactions and for one or more orders referred to in Section 4. In terms of the provisions of sub-Section 2 of Section 43 of IBC 2016, a corporate debtor is deemed to have given preference, if there is a transfer of

property or an interest thereof of the Corporate Debtor for the benefit of a creditor or a surety or a guarantor for or on account of an antecedent financial debt or operational debt or other liabilities owned by the corporate debtor and the transfer has the effect of putting such creditor or surety or a guarantor in a beneficial position than it would have been in the event of distribution of assets being made in accordance with Section 53. Sub-section 4 of Section 43 of IBC, 2016, provides that a preference shall be deem to be given at a relevant time, if it is given to a related party (other than by reason only of being an employee), during the period of two years preceding the Insolvency commencement date or a preference is given to a person other than a related party during the period of one year preceding the insolvency commencement date. Such is also the provision contained in Section 46 of IBC, 2016, regarding undervalued transaction. Apparently, the payments of Rs. 1,90,37,125/- made to Jagjit Kaur Kalra on 23.05.2018, of Rs. 3,91,866/- to Surinder Kaur Kalra again on 23.05.2018 and of Rs. 1,35,42,338/- to Amarjit Kalra on 22.05.2018 against an antecedent financial debt owed to them were made to related parties i.e. Promoter and Directors of the CD and were made within two years preceding 23.01.2020 (the date of commencement of CIRP) and is a Preferential Transaction. From the aforementioned discussion and analysis, we are left with no doubt that there was preferential transaction as referred to in paras 43, 44 & 45 of the application. For convenient reference, the paras are reproduced thus: -

> *"43. Out of the IPO proceeds received on 19th May, 2018, the Corporate Debtor immediately paid* ***Rs.1,90,37,125/-*** *on 23 May, 2018 to 'Jagjit Kaur Kalra' against an antecedent financial debt owed to 'Jagjit Traders', a related party in which the Promoters of the Corporate Debtor have significant control. This transaction will fall*

within the meaning of Preferential transactions under Section 43 of the Code. Jagjit Kaur Karla is an Ex-Director related to the Promoter of the Corporate Debtor and Promoter of 'Jagjit Traders' and the repayment of such unsecured loan in priority over other creditors has put such creditor into a ***beneficial position over the secured creditors.*** *Further, this amount was paid in May, 2018, which is within 2 years preceding the Insolvency Commencement Date.*

44. *Out of the IPO proceeds received on 19 May, 2018, the Corporate Debtor immediately paid* ***Rs.3,91,866/-*** *on 23rd May, 2018 to Surinder Kaur Kalra against an antecedent financial debt owed to "Surinder Traders. This transaction will fall within the meaning of Preferential transactions under Section 43 of the Code. Since, Surinder Kaur Karla is a Promoter & Ex- Director of the Corporate Debtor and Promotes of 'Surinder Traders' and the repayment of such unsecured loan in priority over other creditors has put such creditor into a* ***beneficial position over the secured creditors.*** *Further, the amount was paid in May, 2018, which is within 2 years preceding the insolvency commencement date.*

45. *Out of the IPO proceeds received on 19 May, 2018, the Corporate Debtor immediately paid* ***Rs.1,35,42,338/-*** *on 22 May, 2018 to Amarjit Singh Kalra against an antecedent financial debt owed to him. This transaction will fall within the meaning of Preferential transactions under Section 43 of the Code. Since, Amarjit Singh Karla is the Promoter and Ex-MD of the Corporate Debtor and the repayment of such unsecured loan in priority over other creditors has put such creditor into a* ***beneficial position over the secured creditors.*** *Further, the amount was paid in May, 2018. which is within 2 years preceding the insolvency commencement date."*

61. As can be seen from para 46 of the application, it is also the case of the Applicant that there were payments made to various third parties, aggregating

Rs. 2,745.30 lakhs from the IPO proceeds. These were the payments made to unrelated parties between 19.05.2018 to 13.06.2018. It is the case of the Applicant himself that the fact whether the payments were against an antecedent operational debt owed by the Corporate Debtor is not known due to absence of accounting record of the Corporate Debtor. Admittedly, the payments were made to unrelated parties between 19.05.2018 till 30.06.2018 i.e. beyond the lookback period of one year. Besides, the Applicant is not sure as to whether the payment is against antecedent operational debt owed by the CD or not. Thus, we are unable to appreciate that how the Applicant could treat the transactions as Preferential Transaction. From the contents of para 46 (ibid) the transaction seems to be fraudulent transaction.

62. The transaction referred to in para 47 of the application were entered into during the lookback period and by making the payments, the CD could put Ms. Mittal Trading Co., Balaji Sales Corporation, Shri Guru Containers, ABS Enterprises, S R Industries, Himanshu Trading Co., Shri Sai Ply Wood, and Bhatia Electrical and Steel in better position than the one in which they could have been in the event of distribution of assets being made in accordance with Section 53 of IBC, 2016. Thus, the total payment of Rs. 2,20,00,000/- to them is Preferential Transaction. Since, the Respondents herein before us are absconding, we could have directed the aforementioned beneficiary of the Preferential Transaction to contribute the amount paid to them to put them in a position beneficial than the one in which they could have been in the event of distribution of assets being made in accordance with Section 53 (ibid) to CD, but the Applicant has not impleaded them as parties to the present application. It is fundamental Principle of Natural Justice that

any person to be affected adversely by a judicial order need to be given an opportunity of being heard. The principle is perceived to be in existence even from prior to origin of human race. The perception of natural justice embodied in the Bible is that though the God knew that the Adam was going to eat the apple and had finally eaten it, but still asked the Adam as to whether he had eaten the apple. The exercise of putting the question and taking the answer was in adherence to Principle of Natural Justice. It is fundamental principle of natural justice that anyone who is likely to be affected adversely by a decision need to be given an opportunity of hearing. In other words, no one should be condemned unheard.

63. In terms of the averments made in the application, the amount of Rs. 3,29,71,329/- was paid to the related parties for repayment of unsecured loan within 2 years preceding the date of commencement of CIRP and the balance Rs.2,20,00,000/- to pay off the debt to unrelated parties within 1 year of such date. Thus, the transactions are Preferential Transactions. The payments of Rs. 2,745.30 Lakhs made to such unrelated third parties, regarding which the Applicant is not aware as to whether the payments were against an antecedent operational debt owed by the CD or not from 19.05.2018 till 13.06.2018, it cannot be held that the transaction was Preferential Transaction, In fact, such transaction regarding which liability of the CD is not clear may be fraudulent/undervalued transaction. Section 66 of IBC, 2016, provides that if during the Corporate Insolvency Resolution Process over 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 RP

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 CD as may be deemed fit. A transaction is considered undervalued where the Corporate Debtor makes a gift to a person or enters into a transaction with a person which involves the transfer of one or more assets by the Corporate Debtor for a consideration the value of which is significantly is less than the value of the consideration provided by the Corporate Debtor and such transaction **has not taken place in the ordinary course of business of the Corporate Debtor.**

64. In the backdrop of the aforementioned facts and circumstances, the IA-3804/2020 is disposed of with the following directions: -

(i) Ms Surinder Kaur Kalra shall contribute/pay an amount of Rs. 3,91,866/-to the assets (CIRP/Liquidation A/c) of the Corporate Debtor;

(ii) Mr. Amarjit Singh Kalra shall contribute/pay an amount of Rs. 1,35,42,338/- to the assets (CIRP/Liquidation A/c) of the Corporate Debtor;

(iii) Ms. Jagjit Kaur Kalra shall contribute/pay an amount of Rs. 1,90,37,125/- to the assets (CIRP/Liquidation A/c) of the Corporate Debtor;

(iv) All the Respondents shall contribute/pay an amount of Rs. 2,20,00,000/- jointly/severally to the assets (CIRP/Liquidation A/c) of the Corporate Debtor;

(v) Regarding the amount of Rs. 2,745.30 Lakhs, the present application filed under Section 43 of IBC, 2016, is not maintainable, thus Applicant is directed to file a separate application under Section 66 of IBC, 2016, within one week from today in this regard.

65. **The IA stands disposed of.**

IA-2718/2022

The facts of the case delineated in the application are that initially the IRP had filed an IA No. 3673 of 2020 under Section 45 and 66 of IBC, 2016. Nevertheless, the CoC in its meeting dated 03.03.2020 replaced the IRP and in terms of the order dated 02.06.2020 passed by this Adjudicating Authority, the Applicant Mr. Manoj Kulshrestha was appointed as RP. Subsequently, in terms of the order dated 29.11.2021, which Tribunal could take a view that in the wake of the judgment of Hon'ble Supreme Court in Anuj Jain vs. Axis Bank (Civil Appeal No. 8512-8527 of 2019), the RP need to file separate applications under Sections 45 and 66 of IBC, 2016.

2. On performance of Forensic Data Analysis qua the Bank Statements of the CD, in respect of Current Account No. 3934 and Open Cash Credit (OCC) Account No. 566, IPO Account and the Current Account 743 as well as EEFC Account maintained by the CD in Andhra Bank, Axis Bank and Bank of Baroda respectively, the Auditing Firm found that the ex-management of CD could enter into certain fraudulent transactions to defraud the Creditors of CD and with intent to defraud the Creditors. Para 37 of the application, in which the summary of Avoidance Transaction under Section 66 is given by the Applicant reads thus: -

*"37. Based on the volumetric and gravimetric analysis of transactions, given in **Table 7** below is a summary of Avoidance Transactions identified under Section 66 for Fraudulent or Wrongful Trading:*

TABLE 7: Summary of Avoidance Transactions under Section 66

(Figures in Rs. Lakhs)

Bank / Avoidance Transactions	Payment to Promoter & Relative of Promoter	Salary / Self-Cash Withdrawal	Payment to Related Parties	Fraudulent or Wrongful Trading	Total (Rs. Lakhs)
Bank of Baroda (BoB) – Current A/c 743					
Fraudulent Trading / Wrongful Trading (S66)	35.50	10.00	-	705.00	**750.50**
Andhra Bank – Loan Accounts [Current A/c 3934, OCC A/c 566 & FBP/FBD A/c 550]					
Fraudulent Trading/ Wrongful Trading(S66)	-	-	-	6,197.01	**6,197.01**
Total	**35.50**	**10.00**	-	**6,902.01**	**6,847.51**

3. Besides, the above the ex-management of the CD also entered into the fraudulent transactions referred to para 39 of the application, which reads thus: -

*"39. The Corporate Debtor had availed of a business loan of Rs.2,50,00,000/- from Northern Arc Capital Limited (formerly IFMR Capital Finance Limited), which was disbursed by Northern Arc Capital Limited and deposited on 14 March, 2019 in the **Bank of Baroda ("BoB") Current A/c 743** of the Corporate Debtor. On analysing the utilisation of the said business loan availed by the Corporate Debtor from **BoB Current A/c 743**, it was found that the Corporate Debtor had undertaken "circular" or "round-ripping transactions, where payments of amounts aggregating **Rs.7,50,50,000/-** were made to various third parties as shown in the **Table 8** below. The said "circular trading" transactions, apart from payments to various third parties, included: (i) payment of Rs 35,50,000/- to 'Surinder Traders' a related party, which is a*

proprietorship firm in the name of Ms. Surinder Kaur Kara. Promoter & former Non-executive Director of the Corporate Debtor and she is the spouse of Mr. Amarjit Singh Kalra Promoter & Ex-MD of the Corporate Debtor, and (ii) cash withdrawal of Rs. 10,00,000/- that were made immediately after the amounts aggregating Rs 7,70.00,000 were received from Rishav Exports and Kapoor Cotsysn Exports on various dates during the period ***from 5 April, 2019 to 2nd May, 2019*** *in BoB Current A/c 743 as listed in the* ***Table 8*** *below. The date-wise transactions between the Corporate Debtor and the two entities, Rishav Exports and Kapoor Cotsysn Exports which clearly shows that whatever amounts were received from Rishav Exports and Kapoor Cotysn Exports, those were immediately paid and transferred to the Account of third parties, including related party and withdrawn as cash. This proves that there were wrongful trading transactions between the Corporate Debtor and the two aforesaid entities mentioned herein this paragraph. These transactions will fall within meaning of Fraudulent or Wrongful trading under Section 66 of the Code, since the transactions were found to be in the nature of "circular trading" or "round-tripping" that are fraudulent in nature:*

TABLE 8: Fraudulent Trading Transactions under Section 66 from Bank of Baroda (BoB) Current A/c 743 [from 5th April, 2019 to 2nd May, 2019]

Name of the Parties / Beneficiaries	Withdrawals /Debits (Rs.)	Deposits / Credits (Rs.)	Remarks
Rishav Exports		5,20,00,000	
Kapoor Cotsyn Exports		2,50,00,000	
Shalimar Overseas	4,85,00,000		
Jai Ambe Textiles	55,00,000		
Sai Baba Agency	55,00,000		
Rajat Textiles	45,00,000		
Vasudev Traders	35,00,000		
Surinder Traders (Related Party)	35,50,000		
VMAK Research & Service Pvt. Ltd.	30,00,000		
Cash Withdrawal	8,00,000		22nd March 2019
Cash Withdrawal	2,00,000		9th April, 2019
Grand Total	**7,50,50,000**	**7,70,00,000**	

A list of date-wise circular trading" or "round-tripping" transactions from BoB Current A/c 743 of the Corporate Debtor is annexed herewith and marked as ***Annexure - J."***

4. The other fraudulent transactions referred to by the Applicant are mentioned in paras 39, 41, 44, 45, 47, 48 and 49 of the application para 39 of the application has already been reproduced hereinabove. The paras 41, 44, 45, 47, 48 and 49 of the application reads thus:-

"41. The Corporate Debtor had undertaken "circular" or "round-tripping" transactions from ***Andhra Bank Current A/c 3934 and OCC A/c 566*** *of the Corporate Debtor, wherein payments aggregating* ***Rs.58,37,01,061/-*** *were made to BC Power Controls Limited* ***("BC Power")****; immediately after the amounts aggregating Rs.37,09,53,959 were received from Bonlon Steels Private Limited (now known as Bonlon Industries Limited)* ***("Bonlon Steels")****; and amounts aggregating Rs.17,86,98,019/- were received from RCI Industries & Technologies Limited* ***("RCI Industries")*** *on various dates during the period* ***from 6th July, 2018 to 22nd February, 2019*** *as shown in the* ***Table 9*** *below. The date-wise transactions were between the Corporate Debtor and the three entities mentioned herein which clearly shows that whatever amounts were received from RCI Industries and Bonlon Steels, those were immediately paid and transferred to the Account of BC Power. This proves that there were wrongful trading transactions between the Corporate Debtor and the three entities mentioned herein this paragraph. These transactions will fall within meaning of Fraudulent or Wrongful trading under Section 66 of the Code, since the transactions were found to be in the nature of "circular trading" or "round- tripping that are fraudulent in nature:*

TABLE 9: Fraudulent Trading Transactions under Section 66 from Andhra Bank Current A/c 3934 and OCC A/c 566 [from 6th July, 2018 to 22nd February, 2019]

Name of the Parties / Beneficiaries	Receipts/ Payments (Rs.)	From/ To Bank Account	Amount (Rs.)
B C Power Controls Limited	Payment	3934	41,57,63,263
B C Power Controls Limited	Payment	566	16,79,37,798
	Total Payments		**58,37,01,061**
Bonlon Steels Pvt. Ltd. (Now known as Bonlon Industries Limited)	Receipt	3934	37,09,53,959
RCI Industries & Technologies Limited	Receipt	3934	9,47,25,000
RCI Industries & Technologies Limited	Receipt	566	8,39,73,019
	Total Receipts		**54,96,51,978**

A list of date-wise "circular trading" or "round-tripping" transactions from Andhra Bank Current A/c 3934 and OCC A/c 566 of the Corporate Debtor is annexed herewith and marked as ***Annexure-L****.*

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44. *The Corporate Debtor had additionally undertaken "circular" or "round-tripping" transactions from* ***Andhra Bank OCC A/c 566*** *of the Corporate Debtor amounting to* ***Rs.3,60,00,000*** *with Rishav Exports on various dates during the period* ***from 24th December, 2018 to 14th February, 2019,*** *which is up to the day before the Promoter & former Directors absconded on 15th February, 2019 as listed in the* ***Table 11*** *below. The date-wise transactions clearly show that whatever amounts were received from 'Rishav Exports', those were immediately paid and transferred to the Account of various parties, including related parties. This proves that there were wrongful trading transactions between the Corporate Debtor and Rishav Exports. These transactions will fall within meaning of Fraudulent or Wrongful trading under Section 66 of the Code, since the transactions were found to be in the nature of "circular trading" or "round-tripping" that are fraudulent, in nature:*

TABLE 11: Fraudulent Trading Transactions under Section 66 from Andhra Bank OCC A/c 566 [from 24th December, 2018 to 14th February, 2019]

Date	Name of the Parties / Beneficiaries	Withdrawals / Debits (Rs.)	Deposits / Credits (Rs.)
24-12-2018	**Rishav Exports**		25,00,000
27-12-2018	Radius Industries **(Director connected with this entity)**	25,05,000	
07-01-2019	**Rishav Exports**		35,00,000
08-01-2019	Denniny Incorporation	15,00,000	
10-01-2019	Five Core Electronics Limited(Unknown Bank A/c)	12,00,000	
10-01-2019	Shyam Avtar Trades L	10,05,000	
10-01-2019	**Rishav Exports**		20,00,000
10-01-2019	Self (Cash withdrawal)	6,00,000	
11-01.2019	A S Electronics **(Related Party)**	5,00,000	
10-01-2019	Balaji Sales Corporation	8,25,000	
05-02-2019	**Rishav Exports**		40,00,000
05-02-2019	Airtech Electrovision Pvt. Ltd.	14,05,000	
05-02-2019	Shree Salasar Intern	10,50,000	
05-02-2019	Mahawar Steel Trader	10,00,000	
05-02-2019	Aggarwal Steel Fabrication	6,00,000	
06-02-2019	**Rishav Exports**		40,00,000
06-02-2019	Balaji Sales Corporation	35,50,000	
06-02-2019	Anand Overseas	8,10,000	
07-02-2019	**Rishav Exports**		1,00,00,000
08-02-2019	B C Power Controls Ltd	50,20,000	
08-02-2019	B C Power Controls Ltd	49,80,000	
14-02-2019	**Rishav Exports**		71,50,000
14-02-2019	**Rishav Exports**		28,50,000
14-02-2019	B C Power Controls Ltd	10,00,000	
14-02-2019	Kamal Textiles	10,05,000	
14-02-2019	Rajdhani Rexine Store	15,10,000	
14-02-2019	Reliable Technologies	20,50,000	
14-02-2019	Roopbasant Enterprises Pvt	9,90,000	
14-02-2019	Balaji Sales Corporation	3,05,000	
14-02-2019	Mittal Trading	29,50,000	
	Total	**3,63,60,000**	**3,60,00,000**

*The "circular trading" or "fraudulent" transactions from Andhra Bank OCC A/c 566 as set forth in **Table 11** above with 'Rishav Exports' is the same "Ludhiana-based" entity that is mentioned*

earlier under Paragraph 47, where similar such transactions in the nature of "circular trading" or "round- tripping" were undertaken from BoB Current A/c 743 of the Corporate Debtor.

45. *On analyzing the utilization of* ***Rs.14.35 Crores*** *from* ***Andhra Bank PCFC Loan A/c 04811810PC00002*** *of the Corporate Debtor that were* ***transferred to Andhra Bank OCC A/c 566*** *of the Corporate Debtor during the* ***period from 3rd January, 2019 to 26th February, 2019,*** *payments were made to various third parties as listed in the* ***Table 12*** *below:*

TABLE 12: Payment from Andhra Bank OCC A/c 566 out of PCFC LoanA/c 00002 [from 3rd January, 2019 to 26th February, 2019]

Date	Payment (Rs.)	Narration	Date	Payment (Rs.)	Narration
03-01-2019	25,15,475.00	A C Polycoaters Pvt Ltd	30-01-2019	15,50,000.00	Shree Ji Enterprises
03-01-2019	16,68,373.00	Shree Salasar Intern	30-01-2019	9,48,918.00	Almex Industries Pvt Ltd
03-01-2019	15,10,000.00	Delite Collections Pvt. Ltd.	30-01-2019	6,88,991.00	Wires and Electricals
03-01-2019	12,10,000.00	Rajdhani Rexine Store	30-01-2019	2,00,238.00	Wires and Electricals
03-01-2019	8,10,000.00	Kamal Textiles	31-01-2019	12,50,000.00	Wires and Electricals
03-01-2019	8,01,450.00	V S Enterprises	31-01-2019	10,50,000.00	S R Industries
03-01-2019	5,38,949.00	Mintu Electronics	31-01-2019	10,05,000.00	Mittal Trading Co
03-01-2019	2,50,780.00	Supplier Payment	04-02-2019	13,90,000.00	Mittal Trading Co
03-01-2019	1,83,280.00	Indian Infra Finance Ltd	04-02-2019	10,15,500.00	Rajdhani Rexine Store
04-01-2019	33,65,548.00	Supplier Payment	04-02-2019	5,26,785.00	Mintu Electronics
04-01-2019	21,95,660.00	Mittal Trading Co	04-02-2019	4,86,747.00	A C Polycoaters Pvt Ltd
04-01-2019	20,60,800.00	Mittal Trading Co	04-02-2019	2,53,753.00	Shri Sai Laminates Hardwar
04-01-2019	18,50,000.00	Radius Industries	04-02-2019	2,00,000.00	R S Electricals
04-01-2019	16,50,000.00	Shri Guru Containers	04-02-2019	1,77,022.00	HDFC Car Loan

04-01-2019	12,50,000.00	Shree Ji Enterprises	04-02-2019	1,60,176.00	Indus In Loan Repayment
04-01-2019	9,80,000.00	Continental Brush Wa	05-02-2019	6,00,000.00	Aggarwal Steel Fabrication
04-01-2019	7,75,000.00	Adrian Enterprises	06-02-2019	19,95,000.00	Mittal Trading Co
04-01-2019	7,05,000.00	Indo Accent Traders	06-02-2019	10,50,000.00	Shri Guru Containers
04-01-2019	6,00,000.00	Loch Plywood House	06-02-2019	8,10,000.00	Anand Overseas
04-01-2019	6,00,000.00	Self	06-02-2019	7,35,281.00	Wires and Electricals
04-01-2019	5,91,300.00	Gujral Tours and Travels	07-02-2019	20,00,000.00	Surge Electronics
04-01-2019	5,00,000.00	Ambey Steel Traders	07-02-2019	9,71,995.00	Bansal Steels
04-01-2019	5,00,000.00	Ambey Steel Traders	08-02-2019	58,20,000.00	Neha Exports
04-01-2019	5,00,000.00	Juneja Radios	08-02-2019	46,80,000.00	Neha Exports
04-01-2019	4,05,000.00	City Motor Company	08-02-2019	2,23,385.00	Supplier Payment
04-01-2019	2,67,793.00	Kapoor Trading Corporation	12-02-2019	29,10,341.00	Mittal Trading Co
04-01-2019	2,62,784.00	Rajsons Sales Corporation	12-02-2019	20,10,000.00	Reliable Technologies
05-01-2019	19,76,570.00	Bansal Steels	12-02-2019	18,48,313.00	Mittal Trading Co
05-01-2019	15,05,000.00	V S Enterprises	12-02-2019	16,34,465.00	V S Enterprises
05-01-2019	12,44,567.00	Reliable Technologies	12-02-2019	15,00,000.00	Abs Enterprises
05-01-2019	10,09,650.00	Aggarwal Steel Fabrication	12-02-2019	13,49,900.00	Opal Enterprises
05-01-2019	8,00,000.00	Bansal Steels	12-02-2019	12,52,200.00	Goodwill Iron and Steel Lt
05-01-2019	6,83,580.00	S R Industries	12-02-2019	11,50,100.00	Opal Enterprises
05-01-2019	4,95,000.00	Continental Brush Ware	12-02-2019	10,30,000.00	Indo Accent Traders
05-01-2019	3,06,770.00	Goel Paints and Hardware S	12-02-2019	9,64,500.00	Goel Paints and Hardware S
05-01-2019	2,89,190.00	Shree Ji Enterprises	12-02-2019	9,07,774.00	Bandhu Electronics Corpora
08-01-2019	5,00,000.00	Anand Overseas	12-02-2019	7,41,346.00	Mittal Trading Co
09-01-2019	15,50,000.00	Mittal Trading Co	12-02-2019	7,16,437.00	Eldee Electronic Corp
09-01-2019	14,09,400.00	Supplier Payment	12-02-2019	7,04,552.00	Nishka International LLP
09-01-2019	11,95,000.00	ABKS Trading Pvt Ltd	12-02-2019	6,89,775.00	Wings Electronics
10-01-2019	28,41,815.00	Mittal Trading Co	12-02-2019	6,50,000.00	Kapoor Trading Corporation
10-01-2019	12,00,000.00	Five Core Electronics Limited	12-02-2019	6,02,448.00	Anshika Enterprises
10-01-2019	10,05,000.00	Shyam Avtar Trades Ltd	12-02-2019	5,17,544.00	New Ekta Enterprises
10-01-2019	9,40,820.00	ABS Enterprises	12-02-2019	5,10,560.00	Karuna Paints
10-01-2019	8,50,000.00	S D Trading Company	12-02-2019	5,10,402.00	Malhotra Petro Chems
10-01-2019	8,25,000.00	Balaji Sales Corporation	12-02-2019	5,10,000.00	V S Enterprises
10-01-2019	6,00,000.00	Self (Cash Withdrawal)	12-02-2019	5,08,463.00	Rajsons Sales Corporation

11-01-2019	8,50,000.00	S R Industries	12-02-2019	5,00,000.00	Ambey Steel Traders
11-01-2019	5,00,000.00	A S Electronics	12-02-2019	5,00,000.00	Ambey Steel Traders
11-01-2019	3,63,060.00	Bansal Steels	12-02-2019	5,00,000.00	Mahawar Steel Traders
11-01-2019	2,81,743.00	Amarnath Vishwanath	12-02-2019	4,10,000.00	Cine Sound Supply
11-01-2019	1,86,928.00	Minocha Trading Co	12-02-2019	3,50,000.00	Punjab Acoustic
11-01-2019	1,20,000.00	S K Golden Goods Transport	12-02-2019	3,00,000.00	Laxmi Timber Merchant
16-01-2019	10,06,540.00	Aggarwal Steel Fabrication	12-02-2019	2,78,250.00	Supplier Payment
16-01-2019	8,62,580.00	Amarnath Vishwanath	12-02-2019	2,75,755.00	Supplier Payment
16-01-2019	7,99,912.00	K L International	12-02-2019	2,71,537.00	Supplier Payment
16-01-2019	7,87,665.00	Shri Guru Containers	12-02-2019	1,61,637.00	HDFC Bank Ltd Credit Card
16-01-2019	6,15,960.00	Shri Sai Enterprises	12-02-2019	1,50,000.00	HDFC Bank Ltd Credit Card
16-01-2019	5,05,000.00	Radius Industries	13-02-2019	16,90,000.00	Reliable Technologies
16-01-2019	4,65,785.00	Anshika Enterprises	13-02-2019	10,15,000.00	Sri Sai Enterprises
16-01-2019	4,63,453.00	Shri Guru Containers	13-02-2019	10,10,000.00	Himanshu Trading Co
16-01-2019	4,45,000.00	Radius Industries	15-02-2019	17,84,000.00	Mittal Trading Co
16-01-2019	4,15,687.00	Aagrim Sales	15-02-2019	17,11,000.00	Mittal Trading Co
16-01-2019	3,90,000.00	Balaji Traders	16-02-2019	37,07,455.00	Salary
16-01-2019	2,80,000.00	Goel Paints and Hardware S	21-02-2019	85,36,800.00	Supplier Payment
16-01-2019	2,48,882.00	Shree Ji Enterprises	21-02-2019	5,05,000.00	DDS International
16-01-2019	1,37,420.00	Bansal Steels	21-02-2019	3,00,000.00	Jupiter Paper Cones
30-01-2019	31,35,041.00	Mittal Trading Co	21-02-2019	2,21,978.00	Supplier Payment
30-01-2019	29,40,000.00	Shri Guru Containers	26-02-2019	7,35,380.00	Cine Sound Supply
				14,34,96,913.00	**Total**

The aforesaid payments to various third parties were not made in the ordinary course of business, but were made arising out of a particular situation, which is close to the period and around the time of 15th February, 2019, when the Promoter and former Directors related to the Promoter fled and their whereabouts are not known till date.

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47. *There were five customers/parties of the Corporate Debtor from whom "Bills for Collection" were outstanding aggregating to* ***Rs.37,48,66,195*** *against the Post-Shipment (FBP/FBD) Credit*

facility availed by the Corporate Debtor as per details given in the ***Table 15*** *below:*

TABLE 15: Outstanding Bills for Collection from Customers against Post- shipment Credit Availed by the Corporate Debtor [from 28th November, 2018 to 15th February, 2019]

Party Names	Sum of BILL AMT(Rs.)	Sum of LIABILITY (Rs.)
M/S KHUSHI OVERSEAS FZE (UAE)	**10,76,449**	**7,50,93,073**
28-11-2018	6,51,749	4,54,66,013
29-11-2018	2,63,083	1,83,52,657
30-11-2018	1,61,617	1,12,74,403
M/S SINGAPORE TRADE LINKS PTE LTD (Singapore)	**20,86,939**	**10,22,59,799**
04-12-2018	2,65,216	1,66,61,924
05-12-2018	1,40,550	88,24,292
11-12-2018	4,19,670	-
27-12-2018	2,48,850	1,73,59,777
03-01-2019	1,29,031	89,67,655
04-01-2019	1,38,462	96,23,109
08-01-2019	1,35,259	95,16,824
09-01-2019	1,19,881	84,34,828
14-01-2019	1,02,125	71,85,515
15-02-2019	3,87,895	1,56,85,875
MIDDLE EAST PENINSULATRADING FZE (UAE)	**10,74,388**	**7,41,13,087**
30-11-2018	4,86,716	3,39,53,311
06-12-2018	1,11,206	69,82,000
11-12-2018	1,27,287	88,46,447
27-12-2018	1,22,235	85,27,114
01-01-2019	1,21,562	84,80,166
03-01-2019	1,05,382	73,24,049
PRIME IMPEX FZE (UAE)	**8,80,232**	**4,24,46,753**
06-12-2018	1,21,123	76,04,608
07-12-2018	4,99,457	3,48,42,145
11-12-2018	2,59,652	-
SOUND ASIA ELECTRONICS PTE LTD (Singapore)	**11,97,128**	**8,09,53,483**
05-12-2018	3,48,560	2,18,83,992
30-01-2019	2,06,266	1,44,09,743
06-02-2019	1,04,507	72,50,696
08-02-2019	1,13,305	78,81,496
12-02-2019	4,24,490	2,95,27,556
Grand Total	**63,15,137**	**37,48,66,195**

It was observed that these outstanding amounts pertained to the period ***from 28th November, 2018 to 15th February, 2019*** *were from customers based in the Countries, where the Corporate*

Debtor also has its wholly-owned Subsidiaries (100% control) located. The IRP had requested Andhra Bank to provide statement of Debtors and export documents for the transactions listed in ***Table 15*** *above, which have not yet been provided by Andhra Bank to the IRP. Recoveries from these parties need to be made, in respect of benefits received by them, as the AA may direct.*

48. *There were various transactions entered into by the Corporate Debtor from* ***Andhra Bank Current A/c 3934 and OCC A/c 566*** *in the name of 'Five Core Electronics Limited' that were from an 'Unknown Bank A/c' of the Corporate Debtor during the period from 17th April, 2018 to 20th February, 2019, which are not known to the IRP. The details of such 'Unknown Bank A/c' are not made available by Andhra Bank to the IRP.*

Given in the ***Tables 16A & 16B*** *below are Withdrawal and Deposit transactions from/ to 'Unknown Bank A/c' done through Andhra Bank OCC A/c 566 and Andhra Bank Current A/c 3934 respectively:*

TABLE 16A: List of Transactions in 'Unknown Bank A/c' for Withdrawals / Deposits through Andhra Bank OCC A/c 566 [from 17th April, 2018 to 20th February, 2019]

Tran. Date	Withdrawals (Rs.)	Deposits (Rs.)	Narration
17-04-2018	8,15,675		RTGS/ANDBR520180417007 45006/ FIVE CORE ELECTRONICS LIMITED
11-06-2018		5,00,00,000	RTGS/0000000662657 7542/FIVE CORE ELECTRONICS LIMITED
02-07-2018		44,90,000	RTGS/00000006626577542 / FIVE COREELECTRONICS LIMITED
04-07-2018		35,10,000	RTGS/00000006626577542/F IVE COREELECTRONICS LIMIT
09-07-2018		80,10,000	NEFT/FIVE CORE ELECTRONICS LIMITED
26-07-2018		31,30,000	RTGS/00000006626577542/ FIVE COREELECTRONICS LIMITED
31-07-2018		87,30,000	NEFT/FIVE CORE ELECTRONICS LIMITED
18-08-2018		6,50,000	RTGS/00000006626577542/ FIVE COREELECTRONICS

			LIMITED
28-08-2018		10,000	NEFT/FIVE CORE ELECTRONICS LIMITED
01-09-2018		1,50,000	NEFT/FIVE CORE ELECTRONICS LIMITED
11-09-2018		1,36,00,000	RTGS/00000006626577542/ FIVE COREELECTRONICS LIMITED
18-09-2018		2,00,00,000	RTGS/00000006626577542/ FIVE COREELECTRONICS LIMITED
19-09-2018		11,50,000	NEFT/FIVE CORE ELECTRONICS LIMITED
16-10-2018		8,50,000	NEFT/FIVE CORE ELECTRONICS LIMITED
06-11-2018	1,48,308		NEFT/ANDBN18227419705 / FIVE COREELECTRONICS LTD
06-11-2018	1,09,946		NEFT/ANDBN18227420156 / FIVE COREELECTRONICS LIMITED
28-12-2018		65,00,000	RTGS/00000006626577542/ FIVE COREELECTRONICS LIMITED
15-01-2019		34,50,000	NEFT/FIVE CORE ELECTRONICS LIMITED
31-01-2019		66,50,000	RTGS/00000006626577542/ FIVE CORE ELECTRONICS LIMITED
07-02-2019		7,50,000	RTGS/00000006626577542/ FIVE COREELECTRONICS LIMITED
16-02-2019		27,75,000	RTGS/00000006626577542/ FIVE COREELECTRONICS LIMITED
20-02-2019		52,10,000	RTGS/00000006626577542/ FIVE COREELECTRONICS LIMITED
Total	**10,73,929**	**13,96,15,000**	

TABLE 16B: List of Transactions in 'Unknown Bank A/c' for Withdrawals / Deposits through Andhra Bank Current A/c 3934 [FY 2017-18 and FY 2018-19]

FY 2017-18		
Tran. Date	**Withdrawals (Rs.)**	**Narration**
24-05-2017	2,00,000	RTGS/ANDBR52017052400035623/FIVE CORE ELECTRONIC
24-05-2017	7,50,000	RTGS/ANDBR52017052400035605/FIVE CORE ELECTRONIC
19-08-2017	1,00,006	IB/IMPS-P2A/723117000402/FIVE CORE /OTHERS
21-11-2017	7,00,000	RTGS/ANDBR52017112100798995/FIVE CORE ELECTRONIC
26-12-2017	3,10,000	RTGS/ANDBR52017122600164492/FIVE CORE ELECTRONIC
28-02-2018	60,00,000	FIVE CORE ELECTRONICS
Total	**80,60,006**	

FY 2018-19		
Tran. Date	**Deposits (Rs.)**	**Narration**
19-06-2018	25,998	IMPS/817019958464/FIVE CORE ELECTRO/
01-11-2018	42,75,000	RTGS/00000006626577542/FIVE CORE ELECTRONICS LIMIT
01-11-2018	60,00,000	RTGS/00000006626577542/FIVE CORE ELECTRONICS LIMIT
02-11-2018	7,00,000	RTGS/00000006626577542/FIVE CORE ELECTRONICS LIMIT
16-11-2018	60,00,000	RTGS/00000006626577542/FIVE CORE ELECTRONICS LIMIT
28-11-2018	6,00,000	NEFT/FIVE CORE ELECTRONICS LIMITED
29-11-2018	24,00,000	RTGS/00000006626577542/FIVE CORE ELECTRONICS LIMIT
19-12-2018	4,45,000	RTGS/00000006626577542/FIVE CORE ELECTRONICS LIMIT
Total	**2,04,45,998**	

49. *During the analysis of* ***Andhra Bank Current A/c 3934 for the period from 1st April, 2017 to 31st March, 2018,*** *it was found that the Corporate Debtor had paid* ***Rs.62,85,900/- to Blue Garden Estates Private Limited*** *between 28th February, 2017 and 14th March, 2017; and had paid* ***Rs.25,00,000/- to Dish Infra Services Private Limited*** *between 23rd May, 2017 and 28th December, 2017. These two entities are neither related to Electronics Business nor, any subsequent transactions were found thereafter till date. Hence, these payments seem to be diversion of funds from the business, which transactions do not appear to be made in the ordinary course of business operations, but were in the nature of investments in some 'Unknown Assets'. Details of such payments are given in the* ***Table 17*** *below:*

TABLE 17: Payments in the Nature of Investments Made in Some 'Unknown Assets'

Name of Company	Date	Amount (Rs.)	Amount (Rs.)
Blue Garden Estate Pvt Ltd	28-02-2017	30,95,000	
Blue Garden Estate Pvt Ltd	01-03-2017	14,10,000	
Blue Garden Estate Pvt Ltd	14-03-2017	17,80,900	**62,85,900**

Dish Infra Services Pvt Ltd	23-05-2017	3,00,000	
Dish Infra Services Pvt Ltd	23-05-2017	2,00,000	
Dish Infra Services Pvt Ltd	13-06-2017	3,00,000	
Dish Infra Services Pvt Ltd	26-07-2017	3,00,000	
Dish Infra Services Pvt Ltd	06-12-2017	3,00,000	
Dish Infra Services Pvt Ltd	12-12-2017	3,00,000	
Dish Infra Services Pvt Ltd	13-12-2017	3,00,000	
Dish Infra Services Pvt Ltd	15-12-2017	2,00,000	
Dish Infra Services Pvt Ltd	28-12-2017	3,00,000	**25,00,000**

5. We have perused the Forensic Audit Report. The Report reveals that the ex-management of CD could enter into the fraudulent transactions referred to in the application. The fraudulent transactions are taken note of in the clause 7, 5.7.2, 5.14 and 8 of the Audit Report and relevant pages 160, 167 and 170 of the application. The transaction mentioned in the Audit Report (ibid) contain the details of the fraudulent transactions, reproduced in paras 41, 44, 45, 47, 48 and 49 of the IA, thus the aforementioned clauses/excerpt of the Audit Report is not reproduced for the sake of brevity and conciseness.

6. A perusal of Sec. 66 of the IBC, 2016 amplify that 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 for any fraudulent purpose, this Adjudicating Authority may on 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 contribution to the assets of the corporate debtor as it may deem fit. In terms of the provisions of Sec. 66(2) of the IBC, 2016, 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 corporate debtor, as the case may be, shall make such contribution to the assets of the corporate debtor as it

may deem fit, if 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 the director or corporate debtor did not exercise any due diligence in minimising the potential loss to the creditors of the corporate debtor.

7. As can be seen from order date 14.02.2023, despite substituted service by way of publication, there was no appearance on behalf of the Respondents. Ergo, they were proceeded against ex-parte.

8. As can be seen from the averments made in para 7 of the application, in the Board meeting qua the CD held on 27.04.2019, a decision was taken to file a complaint regarding unethical behaviour of the Respondents. Such complaint was filed also by Mr. Aditya Agarwal, Independent Director. The Respondents never remained available at the register office of the Corporate Debtor, after 15.02.2019. They were presumed to be absconding since 23.01.2020. The IRP downloaded the last available Audited Financial Statement of the CD i.e., pertaining to the Financial Year (FY) 2017-18 and for the Financial Years preceding that year. The Audited Financial Statement from the FY 2018-19 onwards of the CD were not filed with the RoC and were not available on the MCA website. On MCA website the CD was shown as, "Active Non-Compliant". As on date, the whereabouts of the Respondent are not known. The business of the CD could be shut down in the month of March, 2019 and the CIRP commenced on 23.01.2020. Thus, being fully conscious that the CD might be admit into CIRP, the Respondents did not exercise any

due diligence in minimising the potential loss to the Creditors of the Corporate Debtor.

9. In the backdrop of the conduct, demeanours, approach and attitude of the Respondents, we are left with no doubt that the Respondents also remained involved in carrying the business of the CD for fraudulent purpose.

10. In the wake of the aforementioned, the Respondents are liable to make the contribution to the assets of the CD to the extent of the loss caused on account of their act of carrying the business of the CD for fraudulent purpose and being negligent in exercising due diligence in minimising the potential laws to the creditors of the corporate debtor. The Respondents shall contribute the amount mentioned in paras 41, 44, 47, 48 & 49 of the application to CIRP account of the CD forthwith. **The application stands disposed of accordingly. No cost.**

IA-2855/2022

Originally, the Applicant had filed a common IA viz. IA No. 3673 of 2020 regarding the fraudulent and undervalued transactions qua the CD. Nevertheless, as can be seen from the order dated 29.11.2020, passed by this Adjudicating Authority, the Applicant could withdraw the IA with liberty to file separate applications qua different categories of avoidable transactions. In the wake, the Applicant could prefer the present application under Section 45 of IBC, 2016. The salient pleas espoused in the captioned application are: -

(i) The Andhra Bank (CoC member with majority voting share) informed the IRP in Fist Meeting of CoC conducting on 18.02.2020 that a Forensic Audit was initiated and conducted qua CD at its behalf, just

before the Corporate Debtor could shut down its business in March 2019.

(ii) As it was necessitated by the circumstances a Forensic Investigation and examination qua the Avoidance Transactions entered into by the CD was conducted.

(iii) The CD entered into undervalued transaction with an intent to defraud its Creditors.

2. In the application filed by him, the Applicant has not specifically highlighted any transaction as undervalued transaction. It has simply made reference to certain analysis made by the Forensic Auditor. In para 59 of the application, the Applicant has made a vague assertion that the IRP seeks from this Tribunal for appropriate relief and direction on the Avoidance Transaction identified under Section 45 of IBC, 2016. The application filed by the RP is as nebulous as it could be. The RP is expected to indicate the undervalued transactions specifically. As can be seen from Section 45(2) of IBC, 2016, a transaction shall be considered as undervalued where the Corporate Debtor makes a gift to a person or enters into a transaction with a person which involves the transfer of one or more assets by the Corporate Debtor for consideration the value of which is significant less than the value of the consideration provided by the Corporate Debtor and such transaction has not taken place in ordinary course of business of the Corporate Debtor. In the application filed by him the Applicant has just made reference to the factual and legal aspects in a very hazy manner. However, we could refer to the Forensic Audit Report. On perusal of the Report, we could find that the CD

entered into preferential/undervalued/ fraudulent transactions. The clauses 4 and an excerpt from para 5.1 of the Audit Report reads thus: -

4. Executive Summary:

We carried out procedures, based on limited information and non-availability of core information like books of accounts, invoices, asset register, stock register, secretarial records etc., and it is very difficult to provide the conclusive report due to lack of evidences. However, we have traced out various instances, where we observed that the transactions are carried out to give preference to unsecured creditors u/s 43 of the Code and wrongful trading activities u/s 66 of the Code.

The detailed analysis of the transactions carried out in the part 5 & 6 of this report. A summary of transactions which are observed either preferential, undervalued or fraudulent are tabled below:

Nature of Transaction	Amount involved (Rs.)	Remarks
Preferential Transaction u/s 43 of the Code (to Related Party)	1,90,37,125	As per the Para 5.3 and 5.9 of the report, Unsecured Loan repaid to Mr. Jagjit Kaur Kalra. This transaction shall fall within meaning of preferential transaction u/s 43 of the Code. Mrs. Jagjit Kaur Kalra is director of the Corporate Debtor and repayment of unsecured loan has put such creditor into the beneficial position over the secured creditors. Further the amount was paid in May, 2018 i.e. within 2 years before the Insolvency Commencement Date
Preferential Transaction u/s 43 of the Code (to Related Party)	3,91,866	As per the Para 5.3 and 5.9 of the report, Unsecured Loan repaid to Surinder Kaur Kalra. This transaction shall fall within meaning of preferential transaction u/s 43 of the Code. Mrs. Surinder Kaur Kalra is director of the Corporate Debtor and repayment of unsecured loan has put such creditor into the beneficial position over the secured creditors. Further the amount was paid in May, 2018 i.e. within 2 years before the Insolvency Commencement Date
Preferential Transaction u/s 43 of the Code (to Related Party)	1,45,51,838	As per the Para 5.3 and 5.9 of the report, Unsecured Loan repaid to Amarjit Singh Kalra. This transaction shall fall within meaning of preferential transaction u/s 43 of the Code. Mr. Amarjit Singh Kalra is director of the Corporate Debtor and repayment of unsecured loan has put such creditor into the beneficial position over the secured creditors. Further the amount was paid in May, 2018 i.e. within 2 years before the Insolvency Commencement Date

Nature of Transaction	Amount involved (Rs.)	Remarks
		Hence, such payment shall fall within the meaning of undervalued transactions u/s 45
Undervalued Transaction u/s 45 of the Code	14,15,18,510	As per para 5.8., 20,21,693 shares of the corporate debtor were issued at Rs. 70/- per shares to the promoters/relative of promoters whereas, in IPO, the share issue price was fixed at Rs. 140/- per share
Wrongful trading u/s 66 of the Code	1,13,33,53,039 (aggregate)	As per para 5.7.1. of the Report, observations of transactions as circular trading activity / round tripping among BC Controls, RCI & Bonlon
Wrongful trading u/s 66 of the Code	7,23,60,000 (aggregate)	As per para 5.7.2. of the Report, observations of transactions as circular trading activity / round tripping with Rishav export and other parties
Wrongful trading u/s 66 of the Code	15,20,50,000 (aggregate)	As per para 5.7.3. of the Report, observations of transactions as circular trading activity / round tripping

Other Findings:

(1) As per para 5.7., there is probable misappropriation of stock of the Corporate Debtor by the management/employees of the Corporate Debtor. Based on data, the Corporate Debtor was maintaining average inventory of Rs. 34.00 Cr. at any given point of time, however, at the time of custody of the factory premise by the Interim Resolution Professional, no any stock available at any of the premises of the Corporate Debtor. In absence of stock register, books of accounts or purchase and sales invoices, the conclusion cannot be made regarding misappropriation of inventory.

(2) As per para 5.9. there are suspicious receipt and payment from various accounts which are in rounding off amount. Genuineness of such payments and receipt can be established only on availability of records.

(3) As per Para 6, there is one asset identified at Kandla Special Economic Zone. Corporate Debtor has taken GST registration for this premise. However, the ownership of the shed can be determined only after visiting the premises and discussing with SEZ Authority.

(4) As per Para 8, it was observed that Corporate Debtor has paid Rs. 65,85,900/- to Blue Garden Estates Private Limited between 28-02-2017 to 14-03-2017 and Rs. 25,00,000/- to Dish Infra Services Private Limited between 23-05-2017 to 28-12-2017. These two companies are neither related to Electronics Business nor, any subsequent transactions found thereafter till date. Hence, these payments seem to be diversion of the fund from the business for purpose other than the business.

5. Detailed Key Observations

5.1.Investigation by Department of Revenue Intelligence regarding fraudulent activities by the promoters of the Corporate Debtor

While conducting the audit, it was observed that the Promoters of the Corporate Debtor are not traceable and absconding since February, 2019. On 27th April, 2019, independent directors of the corporate debtors called a board meeting in which all the directors including Managing Directors, Compliance Officer, CFO, Directors of Merchant Bankers were invited, however, except independent directors, none was

Point No.1- FILE A COMPLAINT REGARDING THE UNETHICAL BEHAVIOR OF THE MANAGEMENT OF THE COMPANY

Considering the facts mentioned in terms of Notice of the Board Meeting dated April 18, 2019 and the information given by the CFO (former, as claimed) of the Company, It has been decided to file a Complaint about the unethical behavior of the management to MCA under Point 11 of Para 3 of Schedule IV of the Companies Act, 2013 against Mr. Amarjit Singh Kalra, Managing Director, Mrs. Surinder Kaur Kalra, and Mrs. Jagjit Kaur Kalra Non-Executive Directors of the Company. **(Copy of the Complaint to MCA enclosed herewith)**

3. Despite, service of notice by way of publication, the Respondents failed to enter appearance in the proceedings. There was no rebuttal of the Forensic Audit Report in any manner. In the wake, we are left with no option, but to accept the findings and the conclusions recorded by the Forensic Auditor. As can be seen from the aforementioned viz. clause 4 of Forensic Audit Report, the CD entered into following undervalued transactions: -

Nature of Transaction	Amount involved (Rs.)	Remarks
Undervalued Transaction u/s 45 of the Code (To Related Party)	10,00,00,000	As per the Para 5.3 and 5.9 of the report, payment of Rs. 10 Cr. has been made to 5Core Acoustics Private Limited, wholly owned subsidiary Company of Corporate Debtor, without any benefit can be considered as a nature of Gift. Hence, such payment shall fall within the meaning of undervalued transactions u/s 45
Undervalued Transaction u/s 45 of the Code (Related Party)	1,05,00,000	As per the Para 5.12 of the report, payment of Rs. 1.05 Cr. has been made to Neha Export, related party of the Corporate Debtor, without any benefit which can be considered as a nature of Gift. Hence, such payment shall fall within the meaning of undervalued transactions u/s 45
Undervalued Transaction u/s 45 of the Code (Related PaWrrty)	66,52,000	As per the Para 5.12 of the report, payment of Rs. 66.50 Lakh. has been made to Surinder Traders, related party of the Corporate Debtor, without any benefit which can be considered as a nature of Gift. Hence, such payment shall fall within the meaning of undervalued transactions u/s 45
Undervalued Transaction u/s 45 of the Code (Related Party)	16,00,000	As per the Para 5.12 of the report, payment of Rs. 16 Lakh. has been made to Amarjit Kaur Kalra, Director of the Corporate Debtor, without any benefit which can be considered as a nature of Gift. Hence, such payment shall fall within the meaning of undervalued transactions u/s 45
Undervalued Transaction u/s 45 of the Code (Related Party)	1,19,02,370	As per the Para 5.12 of the report, payment of Rs. 1.19 Cr. has been made to A S Electronics, proprietorship firm of Director of the Corporate Debtor Mr. Amarjit Singh Kalra, without any benefit which can be considered as a nature of Gift. Hence, such payment shall fall within the meaning of undervalued transactions u/s 45
Undervalued Transaction u/s 45 of the Code	14,15,18,510	As per para 5.8., 20,21,693 shares of the corporate debtor were issued at Rs. 70/- per shares to the promoters/relative of promoters whereas, in IPO, the share issue price was fixed at Rs. 140/- per share

4. The CIRP qua the CD commenced on 23.01.2020. In order to be classified as undervalued transaction, the same should have taken place

during the lookback period viz. two years preceding the date of commencement of CIRP. It is seen from the Audit Report that the transactions verified by the Forensic Auditor was for two years preceding the date of commencement of CIRP i.e., from 01.04.2018 till 23.01.2020. The relevant excerpt of the proceedings reads thus: -

"Limitation of Information specific to the scope of Audit:

1. *CIRP Commencement Date is 23rd January, 2020. As per requirement under IBC, 2016, transactions are required to be verified for 2 years before ICD. Bank Statements from 01.01.2017 to 31.03.2018 were made available for one of the Andhra Bank Current Ave 3934 and for the Bank of Baroda Current A/c 743. We have been provided bank statements for another Andhra Bank OCC A/c 566 from 01.04.2018 till 23rd January, 2020 (some of statements are still not available for verification) We assume no liability if any transaction found to be fall under PUFE transaction during said period."*

5. Thus, apparently, the undervalued transaction could be entered into by the CD with related party, during the lookback period of two years. However, the predicament, one may perceive in the prevalent situation is that in terms of the provisions of Section 48(5), the order of this Adjudicating Authority required to be passed under sub-section 1 of Section 45 may require any person to pay such sums, in respect of benefits received by such persons to Liquidator or the Resolution Professional as the case may be, as deemed fit by this Authority and in the present case, the beneficiary are not the parties before us. Nevertheless, the undervalued transactions (ibid) are either for the benefit of the wholly owned subsidiary of the company or to either of the Respondents or partnership firms of the Respondent or the promoters of the CD i.e. all related parties. Such transaction in a way is the transaction

deliberately entered into by the Corporate Debtor to keep the assets of the CD beyond the reach of any person who is entitled to make a claim against the Corporate Debtor and in order to adversely effect the interest of such persons in relation to the claim.

6. In view of the aforementioned, we are left with no option, but to order restoration of the position qua CD as it existed before the aforementioned undervalued transaction, as if the transaction had not been entered into and to direct the Respondents to pay the amounts (as per the details given in para 3 above under the present IA) of Rs. 10,00,00,000/-,1,05,00,000/-,66,52,000/-,16,00,00,0000/-, 1,19,02,370/-, 14,15,18,510/- in CIRP account of CD, jointly/severally. **Ordered accordingly. The IA stands disposed of.**

Sd/-
(L. N. GUPTA)
MEMBER (T)

Sd/-
(ASHOK KUMAR BHARDWAJ)
MEMBER (J)