



**NATIONAL COMPANY LAW TRIBUNAL  
DIVISION BENCH, COURT – II  
CHENNAI**

**ATTENDANCE CUM ORDER SHEET OF THE HEARING OF NATIONAL  
COMPANY LAW TRIBUNAL, CHENNAI BENCH, HELD ON 02.04.2026 AT  
10.30 A.M. THROUGH VIDEO CONFERENCING:**

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**PRESENT: SHRI. JYOTI KUMAR TRIPATHI, HON'BLE MEMBER (JUDICIAL)  
SHRI. RAVICHANDRAN RAMASAMY, HON'BLE MEMBER (TECHNICAL)**  
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**APPLICATION NUMBER : IA/173(CHE)/2021**

**PETITION NUMBER : CP/885/IB/2018**

**NAME OF THE APPLICANT : K Sivalingam (RP) MPL Cars Pvt Ltd**

**NAME OF THE RESPONDENT(S) : Singaravelu Ravindranathan & 8 Others**

**UNDER SECTION : Sec 66 r/w Sec 60(5) of IBC, 2016**  
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**ORDER**

Present: Ld. Counsel Ms. Samridhi & Ld. Counsel Mr. Aadith J. Geo for  
the Petitioner.

Vide separate order pronounced in open court, **IA/173(CHE)/2021** is  
disposed of with Directions.

**Sd/-  
RAVICHANDRAN RAMASAMY  
Member (Technical)**

**Sd/-  
JYOTI KUMAR TRIPATHI  
Member (Judicial)**



**IN THE NATIONAL COMPANY LAW TRIBUNAL,  
DIVISION BENCH – II, CHENNAI**

**IA(IBC)/173/2021  
IN  
CP/885/IB/CHE/2018**

*(In The Matter Of M/S. Mpl Cars Private Limited,)*

Mr. K. Sivalingam,  
The Resolution Professional  
For MPL Cars Private Limited,  
Flat no 1603, Tulive Horizon Residences,  
16/01, Arunachalam Road,  
Saligramaam,  
Chennai -600093.

--- Applicant

Vs

1. Singaravelu Ravindranathan,  
No 10, Saradambal Street,  
Gokulam Colony,  
T. Nagar, Chennai – 600 018.
2. Madhavi Latha,  
No 10, Saradambal Street,  
Gokulam Colony,  
T. Nagar, Chennai – 600 018.
3. S. Ashok  
F1, Abdul Regency, 1<sup>st</sup> Floor,  
No 6, South Mada Street,  
Srinagar Saidapet, Chennai – 600 015.
4. S. Gauthama Shankar  
F1, Abdul Regency, 1<sup>st</sup> Floor,  
No 6, South Mada Street,  
Srinagar Saidapet, Chennai – 600 015.
5. MPL Adventure sport vehicles Pvt. Ltd.  
No 2/138, East Coast Road,



Uthandi, Near Toll Gate,  
Chennai – 600 119.

6. MPL Two-Wheeler Pvt. Ltd  
No 6, F1, Abdul Regency,  
South Mada Street,  
Srinagar Colony, Saidapet,  
Chennai – 600 015.
7. MPL Automobiles Agency Pvt. Ltd  
No 333, GST Road, Chromepet,  
Chennai – 600 044.
8. MPL Motors Pvt. Ltd  
No 6, F1, Abdul Regency,  
South Mada Street, Srinagar Colony,  
Saidapet, Chennai – 600 015.
9. MPL Light Vehicles Pvt. Ltd  
Plot No 20-25, Survey No. 6/1C,  
Kuberan Nagar,  
Cuddalore Road,  
Pondicherry – 605 004.

--- Respondents

*Order Pronounced on 2<sup>nd</sup> April 2026*

**CORAM:**

**Shri. JYOTI KUMAR TRIPATHI, MEMBER (JUDICIAL)**  
**Shri. RAVICHANDRAN RAMASAMY, MEMBER (TECHNICAL)**

Present:

*Applicant: M.L. Ganesh Advocate*

*Respondent: Rishikesh, Ganesh, wise and worth Advocates.*



**ORDER**  
*(Physical Hearing)*

This application has been filed by the Resolution professional of MPL Cars Private Limited under section 66 of Insolvency and Bankruptcy Code, 2016 & Regulation 35A of IBBI (CIRP) Regulations, 2016 seeking following relief,

- a) *Direct the Respondents 1 to 4 to jointly and severally contribute the following sum of Rs.4749.39 lakhs to the assets of the CD on account of fraudulent act of Respondents 1 to 4.*
- b) *Direct the Respondents to jointly and severally contribute to the sum of Rs. 3440.92 Lakhs to the assets of the CD on account of fraudulent act of the Respondents and thereby render justice.*

**FACTS OF THE CASE:**

1. The corporate debtor was admitted to CIRP on 13.08.2019, it is stated that MPL Cars Private Ltd, which is the Corporate Debtor (herein after termed as CD) was a dealer in Ford Cars and had various show rooms and branches in and across Chennai and Pondicherry for sale of Ford Cars.
2. It is stated that S.Ravindranathan (1st Respondent) and his wife Mrs.Madhavi Latha (2nd Respondent) are the promoters of the CD. They are also the suspended directors of the CD.
3. It is stated that the members of the COC were very concerned about the sudden fall in the business of the CD and also the utilization of loans/financial assistance extended by the banks and financial institutions. With the drastic fall in the business, the aggregate loans stood as at 13.08.2019 at Rs40,32,46,316.6/-
4. It is stated that RP appointed Chartered Accountants, to conduct Forensic Audit to ascertain if there are any preferential



transactions, undervalued transaction, extortionate credit transaction and any activities which would amount to fraudulent trading, so as to defraud the creditors or cause loss to the business of the CD.

5. It is stated that Chartered Accountants carried out the assignment and submitted a report dated 06.11.2020. It is stated that the RP/COC noted that there is fraudulent trading and dealing by the Respondents 1 to 4 in conducting the affairs of the CD. It was also noted that the Respondents 1 & 4 have deliberately miss-utilized the funds of the CD and have diverted the funds to the Companies/related parties mentioned as Respondents 5 to 9.
6. The Respondents 5 to 9 are group concerns and are related parties who act as per the instructions of Respondents 1 & 2. Though Respondents 1 & 2 refused to share the details of related parties, the Forensic Auditor based on the shareholding and Directorship in the CD has ascertained the details of the related parties.
7. It is stated that The Applicant is filing the present Application seeking a direction as against the Respondents to contribute to the Assets of the corporate debtor for the losses suffered by the Corporate Debtor on account of the fraudulent acts and deeds of the Respondents 1 to 4. The acts of fraud of Respondents 1 to 4 have been summarized under the following heads: a. Inventory funding b. Carrying out Transactions with AB Enterprises c. Cash in Hand has been mis-utilized d. Amounts extended and due from Group concerns namely Respondents 5 to 9.
8. It is stated that in Inventory Funding the CD had availed inventory funding facility from State Bank of India for sum of Rs.35.00



Crores since 25.01.2012. The amount due under this funding account by the CD to the State Bank of India is Rs 33.08 Crores as on 13.08.2019. CD is an authorized dealer of Ford Cars. CD has its branches across Chennai and Pondicherry CD has availed Inventory Funding Facility from State Bank of India for a sum of Rs.35.00 Crore and this facility has been in existence since 25.01.2012.

9. As per this facility whenever the CD purchased cars from Ford, SBI would directly make payment to Ford for the cars that have been purchased by the CD. Therefore, the amount paid by SBI to Ford would be reflected as loan due in the books of CD to SBI under the inventory funding facility.
10. In the present case there is an outstanding sum of Rs.33.08 Crores as at 13.08.2019, while there are no cars in the stock/inventory of the CD nor the receivables from the cars sold have been credited to the inventory funding bank account of SBI. In effect, cars have been sold by CD against which the CD had borrowed from SBI but the proceeds from it have not been credited to the Inventory Funding Account and have been diverted by the CD.
11. The CD is unable to give details about the sales made, the collections received, and the manner in which the funds have been utilized. In fact, the closing stocks of the vehicles is nil, since Feb, 2016. Further details relating to vehicle identification number funded by SBI, sale by the CD is not provided by the CD. In response to the above, Respondents 1 & 2 through the statutory auditor have stated that the CD suffered a loss on account of the



cyclone and those new vehicles and other vehicles that had come for service are damaged.

12. It is submitted that the Respondents have diverted the funds of the CD that were supposed to be credited into the inventory funding account for purposes which are not in accordance with the facility agreement with the bank. The act of Respondents in deliberately not crediting the proceeds from sale of vehicles into the inventory funding account is fraudulent and amounts to defrauding the creditors, particularly when the Respondents were aware that the CD is facing losses.

13. It is stated that CD was carrying out transaction with AB Enterprises. The CD has been dealing with AB Enterprises since 2013-14. In the Year 2013-14, sum of Rs.13.38 Lakhs has been credited to the account of AB Enterprises from approximately 225 customer accounts. The narration of Journal Entry in the tally system states that this is initial payment received by CD during the booking of cars, further this amount has not been adjusted against the final payment made towards the cars and the remuneration to directors of Rs.23.51 Lakhs has been credited to AB Enterprises. As a result, total of Rs.46.11 Lakhs has been paid in 2013-14 into AB Enterprises there is an account balance due of Rs. 178.68 Lakhs as on 04.01.2015 the same has been reduced to NIL. By passing Journal entry (Book Entry) on 31.3.2016 as a result the net amount due on account of transaction with AB Enterprises is Rs.188.06 Lakhs. This amount has been paid to AB enterprises by way of bank transactions by CD.



14. It is stated that Respondents 1 & 2 claim that AB Enterprises is a local supplier of spares other than those relating to Ford, there are no details available about the status of AB Enterprises, its nature of business and transaction documents in support of transaction with AB Enterprises. It is the case of the Respondents 1 & 2 that Respondents 1 & 2 borrowed money from money lender, ATM Fincorp and that CD repaid this loan to ATM Fincorp through AB Enterprises. In the result CD's money has been utilized to repay Directors personal dues/loans. It is humbly submitted that the very act of routing transactions through so called AB Enterprises amounts to carrying on business fraudulently. Such act of the Respondents 1 & 2 was aimed at using the funds of the CD for their personal purposes. Respondents 1 & 2 are liable to account for a sum of Rs.188.06 Lakhs and are liable to contribute to such amount to the assets of the CD.
15. It is stated that cash account in MPL Cars Show Room the entries of the cash account has become NIL as at 31.03.2015 and when enquiry was made into the tally provided it was seen that cash account was showing a negative balance in the Tally and to match these negative balance compensatory entries were passed by debiting the accounts of MPL Parts and Services P Ltd, MPL Motors P Ltd, customer deposit, sundry parties, Miscellaneous Debtors. This cash was consolidated, accounted and deposited into the bank account and no entry was made regarding such withdrawal of cash by the 1st Respondent. The shortfall of such cash in the asset of the CD Is Rs.838.80 Lakhs and the Respondents 1 to 4 have by their conduct defrauded the CD of such cash which



belongs to the CD. The Respondents 1 to 4 are liable to contribute Rs.838.80 Lakhs to the assets of the CD.

16. It is stated that the amount what is due from the group concerns as follows,

The Respondents 5 to 9 are related parties of Respondents 1 & 2

Particulars	Amount in Rs. Lakhs
MPL Adventure Sports Vehicles Pvt Ltd	181.61
PPL 2 Wheelers Pvt Ltd	900.20
MPL Automobiles Agency Pvt LTD	1558.26
MPL Motors Pvt Ltd	394.50
MPL Light Vehicles Pvt Ltd	406.34
<b>Total</b>	<b>3440.92</b>

17. The Corporate Debtor has made investments/extended loans to the tune of Rs. 3440.92 Lakhs to Respondents 5 to 9. The source for these loans/investments is customer collections and loans taken by the CD. The amount has been diverted also from the current account, cash credit account and the trading account. After having diverted these funds to Respondents 5 to 9, Respondents 1 to 4 who are also in control of Respondents 5 to 9 have written off these investments/loans and have given up these loans/investments.

18. In the common counter filed by the respondents it is stated that company has suffered losses since the year 2017 revenue from operations which was more than Rs.200 crores during the earlier years dropped to 119 crores in 2016 and Rs.8 crores in 2017, It is



stated that Cyclone in November 2015 made a deadly blow to operations and service centres and were inundated and was under water for more than one week, it is stated that repair was incurred for the customer's vehicle free of cost (net of insurance claim which was rejected in many cases) and had to incur substantial money on the rehabilitation work. It is stated that due to the business failure the losses were incurred and there is no diversion of the loan amount for any non-business purposes or for personal use of the directors.

19. It is submitted that 1st Respondent's personal property worth Rs.50 Crores was attached by the Union Bank of India and the money was adjusted towards loan availed by him back in 2012 to invest in this company's business.
20. It is stated that all the companies arrayed herein as R5 to R9 of the application are closed today and few of them are under Moratorium or liquidation before this Hon'ble Court. The collapse of the business and the loss sustained thereafter is purely attributable to the wrong business policies of the Principal Ford India Private Limited and the arbitrary exercise of power coupled with force majeure which is purely beyond our control.
21. In the counter filed by the 6th to 8th respondent it is stated that Respondent No. 6 and 8 are presently under liquidation it is stated that Respondents 1 to 4 who are the suspended directors of the Corporate Debtor. Further, there is no specific allegation against the Respondent No. 6 & 8, and also no specific relief is sought against the Respondent No. 6 & 8, it is stated that funds from Respondent No. 6 and 8 were diverted to the other related entities



in the group as loans and investments and were subsequently written off by the then management of Respondent No. 6 and 8.

22. Related entity in this group, ie. M/s. MPL Parts and Services Ltd, as per financial statement for FY 2018-19, have made an investment of Rs. 8.5 crores in M/s. MPL Cars Private Limited. However, the same was written off as "Provision for diminution in the value of investments". The advance given by M/s. MPL Parts and Services to M/s. MPL Cars Private Limited amounting to Rs. 1,56,03,614 was also written off as "Provision for doubtful advance".

23. It is stated that only asset of the Respondent No. 6 and 8 is an immovable asset which is under construction. The value of the only asset is insufficient even to cover the claim of secured Financial Creditor, CIRP cost and liquidation cost. That being the unfortunate state of affairs of Respondent No. 6 and 8, any relief seeking contribution from the Respondent No. 6 and 8 to the assets of the Corporate Debtor for the alleged avoidance transaction do not serve any purpose, further stated that Respondent No. 1 to 4 who were the suspended directors of the Corporate Debtor and Respondent No. 1 who was also the suspended director of Respondent No. 6 and 8, are the appropriate persons to comment on the allegations and averments in the present Application.

24. It is stated that the finding of the forensic auditor that Respondent 9 is a related party as on the date of CIRP (is erroneous and is from a mistaken understand, on perusal of the financials prior to 2016. It is hereby submitted that as part of a corporate restructure of the MPL group, one of the then group company, namely MPL Light



Vehicles P Ltd, (Respondent 9) a subsidiary involved in the trading of light vehicles in Pondicherry was hived and a new management took over the same. Thus, from May 2016, Respondent 9 was not part of the MPL group at all, it is stated that the 9th respondent has entered into the memorandum of understanding and the loan has been adjusted.

25. In the reply filed by the 3rd respondent it is stated that 3rd has Respondent drawn 'Nil' salary from the years 2012-13 to the date of the companies account being declared as Non Performing Asset (NPA) i.e.26.11.2015.

26. In the memo filed by 6<sup>th</sup> to 8<sup>th</sup> respondents it is stated that the companies herein are the companies in dissolution and 6<sup>th</sup> and 8<sup>th</sup> respondent has been dissolved.

### **FINDINGS OF THIS TRIBUNAL**

27. We have heard to the counsels and perused the documents placed on record the applicant has filed this application under section 66 of the Insolvency and Bankruptcy code 2016, The applicant has alleged.

*Inventory funding.*

*Carrying out Transactions with AB Enterprises*

*Cash in Hand has been mis-utilized.*

*Amounts extended and due from Group concerns namely Respondents 5 to 9.*

28. At this juncture it is relevant for us to analyse as to whether the acts alleged by the applicant fall under the ambit of section 66 of the Insolvency and Bankruptcy code 2016 therefore this tribunal



analyse each alleged transaction if it would fall under the ambit of section 66 of Insolvency and Bankruptcy code.

***Inventory Funding:***

29. It is stated by the applicant that CD has availed funding facility from state bank of India for sum of Rs.35.00 crores since 25.01.2012 and there is an amount due under this funding account by the CD to the State Bank of India is Rs 33.08 crores as on 13.08.2019, it is stated that there are no cars in the stock/inventory of the CD nor the receivables from the cars sold have been credited to the inventory funding bank account of SBI and The CD is unable to give details about the sales made, the collections received, and the manner in which the funds have been utilized.
30. Per contra the respondent contends that CD suffered a loss on account of the cyclone and those new vehicles and other vehicles that had come for service are damaged.
31. It is the case of the applicant that The CD is unable to give details about the sales made, the collections received, and the manner in which the funds have been utilized.
32. At this juncture this tribunal finds that the applicant has relied on corporate debtor's inability on the utilization of the amount, we refer to section 66 of the insolvency bankruptcy code under section 66 the essentials what needs to satisfy is that there should be intent to defraud the creditor given the Respondent's contention that a natural calamity caused the destruction of inventory, the essential element of defrauding the creditor is not fulfilled Consequently, this Tribunal holds that mere non-explanation of fund utilization in a business setup and in the absence of concrete evidence



demonstrating a deliberate attempt to siphoning off assets for personal gain, and to defraud the creditor we don't find respondent liable under section 66 of the Insolvency Bankruptcy code.

*Carrying out Transactions with AB Enterprise*

33. It is stated that CD has been dealing with AB Enterprises and there are no details of the company. In the Year 2013-14. sum of Rs.13.38 Lakhs has been credited to the account of AB Enterprises from approximately 225 customer accounts. The narration of Journal Entry in the tally system states that this is initial payment received by CD during the booking of cars, remuneration to Directors of Rs.23.51 Lakhs has been credited to AB Enterprises. Out of Rs.179.89 Lakhs, Rs.36.63 Lakhs has been paid to M/s. MPL Parts and Services Private Limited. Though there is an account balance due of Rs. 178.68 Lakhs as on 04.01.2015 the same has been reduced to NIL By passing Journal entry (Book Entry) on 31.3.2016.
34. The applicant has relied on the book entry of A B Enterprises which reduced an outstanding balance of Rs. 178.68 Lakhs (as of 04.01.2015) to NIL. The Applicant argues that these book entries and the lack of distinct details regarding AB Enterprises signify a fraudulent siphoning of funds.
35. However, this Tribunal must distinguish between irregular accounting entries and fraudulent trading as contemplated under the IBC. To attract Section 66 the Applicant must demonstrate that the business was conducted with a clear intent to defraud creditors or for a fraudulent purpose. The threshold for "fraud" in this context is high and requires more than a mere routing funds



through various heads in the business. In the present case, the mere fact that money was routed through AB Enterprises whether for customer bookings or Director remuneration does not, by itself, constitute a fraudulent act as it is possible that in the business as what is placed before us use various channels for booking and account keeping it is also that in complex commercial operations, funds are frequently allocated under various accounting heads therefore an act under normal course of business cannot be equated to an act under section 66 of IBC.

36. Upon a careful perusal of the transactions placed before us, we find that the Applicant has failed to establish a direct nexus between these entries and an actual intent to defraud the creditor therefore we are of the considered opinion that the alleged transaction doesn't qualify the legal essentials required to qualify under section 66 of the code.

***Cash account in MPL cars show room.***

37. It is stated that there are entries in the books of account in the year 2014-15 and by virtue of these entries the cash account has become NIL, When enquiry was made into the tally it was seen that cash account was showing a negative balance in the tally and to match these negative balance compensatory entries were passed by debiting the accounts of MPL Parts and Services P Ltd, MPL Motors P Ltd, Customer Deposit, Sundry Parties, Miscellaneous Debtors in the Tally provided it is found that cash was withdrawn by the 1st Respondent and no entry was made regarding such withdrawal of cash by the 1st Respondent. It is stated that it is not



possible to quantify the exact amount of cash withdrawn, as the details of cash withdrawn at the branch level are not available.

38. It is observed that while the Applicant highlights suspicious accounting manner simultaneously admitted that it is "not possible to quantify the exact amount", we are of the considered view that Section 66 of the Insolvency and Bankruptcy Code cannot be casted upon if there is no intent to defraud the creditor or for the fraudulent purpose. The burden of proof lies squarely on the Applicant to provide an act is done with an intent to defraud the creditor or for fraudulent purpose and applicant has failed to prove that alleged transactions are with the intent to defraud the creditor ,At this juncture it is relevant for us to refer to the decision of *Venkatesan sankaranarayanan RP for RTIL Ltd v Nitin Shambhukumar Kasliwal* where it was held that mere possibility or suspicion of fraud without relevant material cannot form the basis of an application under section 66 of IBC that being the case we are of the considered view that the act alleged by the applicant doesn't qualify the essentials of section 66

*Amounts extended and due from group concerns namely respondent 5 to 9.*

39. It is stated that The Corporate Debtor has made investments/extended loans to the tune of Rs. 3440.92 Lakhs to Respondents 5 to 9. The source for these loans/investments is customer collections and loans taken by the CD the amount has been diverted from the current account, cash credit account and the trading account after having diverted these funds to Respondents 5 to 9, Respondents 1 to 4 who are also in control of



Respondents 5 to 9 have written off these investments/loans and have given up these loans/investments reflected in report ended 31.03.2017.

40. It is the contention of the applicant that the Corporate Debtor diverted funds from customer collections and various bank accounts Respondents 5 to 9. These transactions, characterized as investments and extended loans, represent a significant portion of the corporate debtor assets.
41. It is further observed that Respondents 1 to 4, who maintained control over both the Corporate Debtor and the recipient group entities, unilaterally wrote off these investments without proper justification. Such an act is detrimental to the Corporate Debtor and the creditors of the corporate debtor. Since these amounts remain the property of the Corporate Debtor, they must be brought back to its estate to ensure a fair resolution process. In instances where certain respondents are already under liquidation, the Resolution Professional or Liquidator of the Corporate Debtor is directed to file the necessary claims with the respective liquidators to the extent of the investment made and the other investments made to the group entity shall be brought back to the asset of corporate debtor.
42. We are of the considered opinion that the essentials of section 66 (1) wherein there is Liability fixed upon 'any person' and the said person should knowingly carry on the business with the Corporate Debtor, The said person should have a dishonest intention to defraud the creditors. And the essentials of section 66(2) that the Liability fixed upon only 'Director' or 'Partner' and They knew, or



ought to have concluded before the insolvency commencement dated, that there was no reasonable prospect of avoiding insolvency proceedings and They did not exercise due diligence with a view to minimizing the potential loss to the creditors of the corporate debtor is not satisfied in the case placed before us for consideration therefore we are of the considered view that the applicant has not made out the case under section 66 of the code.

43. In view of the above directions the application IA(IBC)/173/2021 is Disposed of with directions.

-Sd-

**RAVICHANDRAN RAMASAMY**  
MEMBER (TECHNICAL)

-Sd-

**JYOTI KUMAR TRIPATHI**  
MEMBER (JUDICIAL)

*Rannika*