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Our Ref:

No. 15118/ICICI/1920

Report Date **20th April 2020**

Insurers Ref

Insured Name: M/s. Navkar Enterprises

Policy No: 1001/168667636/00/000

Claim No. FIR005852707

Survey report regarding claim preferred by M/s. Navkar Enterprises for reported loss/damage to their property insured under Standard Fire & Special Perils Policy.

1.0 INSTRUCTIONS

- 1.1 M/s. Navkar Enterprises, Pune preferred claim on ICICI Lombard General Insurance Co. Ltd., Pune for reported loss/damage to their property. Insured had taken Standard Fire & Special Perils Policy.
- 1.2 Insurers, appointed us on 31st October 2019 to conduct survey for reported loss/damage.
- 1.3 Our basic terms of reference were...
- a) To investigate into the circumstances leading to reported loss/damage
 - b) To assess the physical damages/financial loss said to have sustained by the insured in the reported accident

15118/ICICI/1920-Navkar Enterprises

- c) To determine the liability of the insurers vis-à-vis policy conditions

1.4 Pursuant to above instructions, we visited to Insured's Premises located at House no 159, Ravivaar Peth, Junnar, Pune - 410412 on 1st November 2019 for the survey after confirmation from the Insured. In continuation, the Insured were requested to submit the requisite documents. Meanwhile, we had also advised for engagement of the professional investigator to investigate the claim for various aspects, more particularly, the cause of fire. On receipt of available documents, we are issuing our report.

1.5 Based on

- a) Observations made by us during our visit to the premises
- b) Perusal of the documents submitted by the insured during our survey and subsequently thereafter.
- c) Discussions held with and explanations offered by the insured.

1.6 We submit our findings, recommendations, for the consideration of the Insurers, as under...

2.0 POLICY PARTICULARS

- | | | |
|-----|----------|-----------------------------------------------------------------------------------------------------------------------------|
| 2.1 | Insured | : Navkar Enterprises
(NIKHIL DEEPAK CHHAJED)
Ravivar Peth Junner Dist Pune 4104
12, ., Pune, Maharashtra Pin410412 |
| 2.2 | Insurers | : ICICI Lombard Gen Ins Co Ltd,
Pune. |

- 2.3 Type of Policy : Standard Fire and Special Perils Policy
- 2.4 Policy No. : 1001/168667636/00/000
- 2.5 Period of Insurance : 00:00 Hours of April 02, 2019
To : Midnight of April 01, 2020
- 2.6 Interest : 1. Building
(Without Plinth & Foundation)-
Rs. 1,075,658.91
2. Finished Goods- Rs. 2,600,000.00
- 2.7 Item Affected : Stock & Building
- 2.8 Total Sum Insured for : Total Sum Insured Rs. 3,675,658.91
Loss location
- 2.9 Occupation : Shops dealing in non-hazardous goods.

3.0 INCIDENT

- 3.1 We visited the premises on 1st November 2019. During our visit Mr. Nikhil Chhajed - Proprietor of the firm 'Navakar Enterprises' and his father Mr. Dipak Chhajed have conducted us around and narrated the incident.
- 3.2 The fire incident have reportedly occurred at night at insured's premises on 30th October, 2019 and it was first witnessed by the person staying in the nearby building at 7:30 a.m. Further he had informed Mr. Dipak Chhajed and Savita Chhajed (Parents of proprietor of Navkar enterprise) about fire. They were at the residence situated on 1st floor of the bulding. The power of the building reportedly went off due to the fire, but they did not come to know about it. They came to know when people from

outside had informed them at 7:30 a.m. Mr. Nikhil Chhajed was not present at the place on the day.

- 3.3 We have reproduced the gist of the narration given by the insured. The original narration (in vernacular) given by the insured is enclosed with the report.

4.0 ABOUT THE INSURED

- 4.1 The insured- 'M/s. Navkar Enterprises' is a proprietorship firm which is in the trading of computer hardware, peripherals, accessories and other electronics goods, CCTV installation etc. Mr. Nikhil Dipak Chhajed is the proprietor of the firm. As informed verbally, the firm became operational in 2013. Between 2013 to 2016, it had only one business establishment at Junnar. In 2016, it started operations at Pune also. The Pune operations were closed in June 2019 and the stocks were shifted to Junnar. Stock was stored in the small tin shed (which was erected in May 2019) built behind the main shop at Ravivar Peth, Junnar. The subject building is owned by Mrs. Savita Dipak Chhajed. It was also informed that between 2016 to 2019, the Pune premises was shifted thrice.

5.0 CAUSE OF DAMAGE VIS-À-VIS ADMISSIBILITY

- 5.1 At the time of our inspection, Insured's premises was thoroughly inspected by us. Exact cause of fire could not be ascertained at the time of inspection. Fire brigade from municipality was reportedly called to put off the fire. Police complaint was also reportedly lodged. The copy of police panchnama and Talathi

Panchnama were provided to us. However, Fire brigade report was not provided to us.

- 5.2 During survey, insured had narrated the incidence. The narration was not commensurate with the physical conditions observed during the survey.
- 5.3 The shed was having two rolling shutters. Every rolling shutter have two locking arrangement (having one fixed latch and other movable). The movable latch and fixed latch are always locked together. At the time of our survey, a lock was found in only one latch (in both the shutters). This is very strange. The insured came to know about the fire, after three hours. As per narration given by the insured, by the time the insured came to know about the fire, the walls, staircase of adjoining RCC building became very hot! The shutters could not be opened fire fighting. In such scenario, how the shutter locks were only in one latch i.e. the shutters were not in locked condition.
- 5.4 Similarly, the kind of stocks, the estimate being indicated by the insured did not seem convincing. The cause of fire was not clear. Hence, we advised insurers to engage the services of a professional investigator. Accordingly, Bombay Forensic, Mumbai was appointed by the insurers. The investigator carried out detailed investigation and found lot of discrepancies. It concluded as under...

(Quote)

Based on the Fire Forensic and Analysis of the fire affected site of incident followed by search, identification, collection, testing and analysis of physical evidence, scrutiny of documentary

evidence, it is concluded that the incident of fire reported to have occurred at tin shed constructed behind Navkar Enterprises situated at Raviwar Peth, Varali Ali, Junnar, Maharashtra 410502 on 30/10/2019 Wednesday, at around 02:30 am was...

- a) not due to electrical short circuit,
- b) not due to any natural causes, but
- c) due external source of origin of fire.

Motive:

- i. The Insured's business was almost closed since last 6-7 months.
- ii. Only old type, unused items burnt in the fire which were maximum belonging to the insured's father's business.
- iii. There were no latest goods/materials belonging to Navkar Enterprises.
- iv. The Insured is mis-representing the facts about the volume of goods/material belonging to Navkar Enterprises.
- v. Insured is non-cooperative to provide the CCTV of full day, the purchase record bills and financial year 18-19 statement.

(Unquote)

- 5.5 The entire investigation report forms part of the report and attached with report for the ready reference.

6.0 OUR OBSERVATIONS AND EXTENT OF DAMAGE

➤ Description of the risk

- 6.1 Risk covered under the Policy is a shop located at Ravivar peth, Junnar, Dist Pune 410412. It is multistoried RCC building, accupied as shop and and residence. The building is

owned by Mrs. Savita Dipak Chhejed. The shop is on the ground floor whereas the upper floors are occupied as residence of Mr. Chhajer. The area of the shop is approximately 600 sq ft with a mezzanine floor of 400 sq ft. The main shop was also bifurcated into two section (by wooden racks). This section had separate rolling shutter and PVC pipes were stored in this section (at the time of survey). Apart from Navkar Enterprises, two other firms named as "M/s. Apna Jewellery & gift house" & "M/s. Apna Electrical & Sanitary" also operates out of the shop. The details are as under:

- 1) **Navkar Enterprises**– Proprietor Nikhil Chhajer – Deals into the electronics, computer peripherals, electrical etc.
- 2) **Apna Electricals**: - Proprietor Dipak Chhajer. Deals into sanitary, plumbing material.
- 3) **Apna Jewellery**: - Proprietor Savita Dipak Chhajer. It is located on the mezzanine floor of the shop. It deals into ladies items such imitation jewellery, gift articles etc.

- 6.2 A tin shed measuring 15 feet x 18 feet approximately was constructed behind the main shop in the month of May 2019. The material shifted from Pune (after closure of Pune shop) was reportedly stored in this shed. It was extension shed, erected by using two external walls of the building. GI sheet/Rolling shutter was used to close it from the remaining two sides.

7.0 Extent of Damages

- 7.1 We carried out the survey on 1st November 2019. The premises was thoroughly inspected by us. The fire had taken place in the rear side tin shed. It was found damaged/burnt. The GI sheets were found uprooted/warped due to heat. The rolling shutters

were observed jammed slightly. PVC pipe of the main building were found heat affected. The CCTV camera was completely burnt in the fire. The main building housing the shop was found sound. The shop was also completely safe.

7.2 The stocks in the tin shed was reportedly kept in racks &/or floor. The steel racks were taken out from the shed prior to our visit found deformed and bent. Inside the shed, burnt remains of wooden counter electrical fittings, batteries, fan, electric motor covers, steel utensils, SMPS, CPU etc. were observed. Most of these items such as tubelight choke, halogen lamps, motor starters are not currently salable models. The debris even had some broken wash basin/sanitary items. One unusable refrigerator was also observed burnt. Such kind of storage of assorted items (utensils, electrical, hardware, electronics, electrical, household goods etc.) very clearly indicated that the unusable or discarded items were stored in the tin shed. It is noteworthy that the main shop of the insured was a pucca shop and was having space to accommodate additional stocks. The insured could not give any justifiable answer about reasons for storage of costly items (as reported by the insured) in the tin shed and low cost bulky items in the main shop.

7.3 As elaborated earlier, the family owns three firms, which reportedly operates out of one premises only. Based on the items available in the debris, most of the stocks seems to be pertaining to the business of the father and mother of the insured (other family concerns).

7.4 The insured informed that the stocks worth Rs. 40 lakhs is burnt in fire. The available, debris were not at all commensurate with it.

However, the physical quantification was not possible. The insured had informed that the stocks is maintained in the software. When we tried to extract the stocks, statement, certain stocks was found in negative. Thereafter, the insured informed that some sales and purchases are yet to be entered in the system. One of the sales bill (presented for our examination) of Navkar Enterprise, was even listing out the electrical, hardware item.

7.5 We had inspected the main shop also. The main display board was displaying names of two firms – Apana Electricals and Navkar Enterprises. In the board itself, the common item list (trading items) such as PVC, GI, CI pipes its fittings, electrical, plumbing, plywood ited etc. On the board, "Repairing" is also mentioned as one of the activity of the insured. The name of the other family firm – Apna Jewllery is also observed on seprate display board.

7.6 The main shop was having stocks of electrical, hardware, plumbing items on the ground floor. The bulky but low cost items such as PVC pipe fittings, pipes. The bifurcated portion of the main shop was storing the PVC pipes. The mezzanine floor was exclusively occupied by Apna Jewellers.

8.0 INSURED'S CLAIM VIS-À-VIS ADMISSIBILITY

8.1 Insured had given us estimate for stocks loss for **Rs. 30,63,053/-**. In addition, the building loss for Rs. 1,50,000.00 is also claimed.

8.2 As elaborated earlier, the investigator had concluded that the fire is not accidental.

8.3 Moreover, we have observed following aspects...

- As elaborated in the earlier part of the report, the shutter locks indicated that the premises was not locked.
- As per the CCTV recording, the fire started at around 2.41.03 am. The insured came to know about the fire at around 7.30 a.m. Considering the compact size of the shed, the premises should have been in flames within one hour only.
- Thus, the narration given by the insured is not factual.
- Since few years, the business of Navkar Enterprises, is being run from a front shop (multistoried RCC structure). The shed wherein the burnt stocks was kept was reportedly constructed in May 2019 - after April 2019.
- The insurance policy started on 2nd April 2019. Thus, the shed was not in existence as on date of inception of the policy. Thus, this shed and its contents are not covered under the policy issued to and held by the insured – 1001/168667636/00/000.
- In the bank records, the photographs of the front shop are only available. Thus, it is very clear that the insurance policy only covers, the front pucca shop only.
- As per the tax chalan of Junnar Nagarparishad, dated 31.10.2019, the type of the construction was building of stone/brick masonry. Insured have also not submitted any approved drawing/document of the shed. Thus, this shed of GI sheet was illegal construction. Any illegal item is outside the purview of any insurance policy.

8.4 In view of above observations, the claim lodged by insured does not fall within the purview of the policy and hence not

admissible. We have conveyed our observations to the Insured vide our mail dated 18th March 2020.

9.0 **ASSESSMET OF LOSS**

9.1 The claim lodged by Insured is not admissible. However based on documents submitted by the Insured and our inspection, we have assessed the loss for academic purpose and without the admission of liability.

9.2 The insured had submitted previous years balance sheets. Since 2016-17, the turnover of the insured was continuously decreasing and whereas the closing stocks was continuously increasing. The details are as under....

F.Y.	Sales (Rs.)	Closing Stocks (Rs.)	Remarks
2016 - 17	2,612,022.00	1,890,500.00	In first 7 months of 2019-20, the sales was Rs.219,838.00. If the same rate was continued the turnover for entire year would have been Rs.376865.20 (219838/7x12)
2017 - 18	1,957,124.00	2,726,700 .00	
2018 - 19	2,022,844.00	3,410,200.00	
2019 - 20	376,865.00	3,703,402.00	

9.3 Similarly, we had done analysis of Sales to Closing stock ratio for last year. Phenomenal increase was observed in this ratio. The details are as under..

FINANCIAL YEAR (F.Y)	CLOSING STOCK % WITH SALES
2012-13 (First Year of Operation)	0.00
2013-14	36.95 %
2014-15	34.83 %
2015-16	63.35 %
2016-17	72.38 %

2017-18	139.32 %
2018-19	168.58 %
Prov. 01.04.19 to 29.10.2019	1684.60 %

9.4 Such phenomenal increase from 36.95 % to 1684.60% is completely unbelievable. In fact, huge increase is observed from 2017-18 onwards. In other way, this indicates, heavy accumulation of dead/non moving stocks. Hence, while assessing the loss for academic purpose, we have deducted 50% for dead/non moving stocks.

9.5 The insured had submitted balance sheet as on 29.10.2019. The Gross Profit works out to be 126.52%. This is absurd. It means the profit earned by the insured (Rs. 278,144.00) is more than the total sales (Rs.219,838.00). Even for the last year (2018-19), the gross profit (41.60%) jumped by more than 250% compared to 2016-17 and 2017-18 (16%). Thus, the accounts are not at all reliable.

9.6 Nevertheless, for carrying out the assessment for academic purpose, we have adopted following methodology....

- The trading account of 2018-19 is reworked by normalizing GP to 16%.

O/p 01.04.18	2,726,700	Sales	2,022,844
Purchases	1,864,767		
Expenses	-	Closing Stock	2,892,278
GP - 16%	323,655		
	4,915,122		4,915,122

- With this new closing stocks, the trading account of 2019-20 is also reworked out by normalizing GP to 16%.

O/p 01.04.19	2,892,278	Sales	219,838
Purchases	234,896		
Expenses	-	Closing Stock	2,907,336
GP	-		
	3,127,174		3,127,174

9.7 The Final calculations are as under...

TOTAL CLOSING STOCKS		2,907,336.02	As worked out above
Less: Dead Stocks	50%	1,453,668.01	Increase in the stock, without increase in the sales, confirm that the dead stock was considerable. Refer earlier part of the report.
Sub Total		1,453,668.01	
Less: Safe stocks		1,050,000.00	During the survey, we had visited the front shop. It was reportedly storing stocks of all the three firms. On our inquiry, the insured confirmed that the shop was having stocks worth Rs. 10.50 lakhs for Navkar. It was not practically feasible to quantify the stocks. Hence, we have relied on the information given by the insured.
Sub Total		403,668.01	
Less: Salvage		1,000.00	The item in the shed were burnt leaving behind metallic remains. Hence, a notional terminal scrap value for these metallic remains is deducted.
Sub Total		402,668.01	
Less: Share of Loss to be borne by the insured on account of underinsurance	0	-	The stock value worked out to be Rs. 14,53,668.00 against the sum insured of Rs. 26,00,000.00.

			Thus, there is no underinsurance
Sub Total		402,668.01	
Add: Loss to shed		36,450.00	It was GI shed admeasuring around 270 square feet. Considering the quality of material and workmanship, per square feet repair cost would not be more than Rs. 150.00 only. In addition, a salvage of 10% also need to be adjusted. Thus, the effective rate works out to be Rs. 135.00 per square feet. (270 x 135.00 = 36450.00)
		4,39,118.01	
Less: Excess	5 %	21,955.90	As per the policy conditions
NET ASSESSED LOSS...		4,17,162.10	
Rounded off to		4,17,162.00	

9.8 Thus, the net assessed loss (academic purpose) works out **Rs. 4,17,162.00.**

10.0 CONCLUSIONS

10.1 As per our observation and forensic investigation report, the claim lodged by insured does not fall within the purview of the policy and is not admissible. We have conveyed our observation to Insured vide our mail dated **18th March 2020**. Now as advised by Insureres we are closing our file as **“No claim”**.

10.2 This report is issued **without prejudice** & subject to the terms, conditions and warranties of the Policy issued to & held by the Insured.

11.0 DECLARATIONS

- 11.1 We hereby declare that the photographs of the affected property as detailed in our report were snapped by us by our Digital Camera and uploaded on our Office Computer. These were got printed in a photolab and are not manipulated.
- 11.2 We hereby declare that we have no interest in the subject matter in question and reported as above. We are neither related to the Insured nor the business either by blood, business or share-holding of whatsoever nature.



(K. R. BIYANI)

KAMAL BIYANI ASSOCIATES

License No. SLA 34365 valid till 27.11.2022

Enclosures: The supporting documents