

INSOLVENCY AND BANKRUPTCY BOARD OF INDIA
(Disciplinary Committee)

No. IBBI/DC/261/2025

07 January 2025

ORDER

This Order disposes of the Show Cause Notice (SCN) No. COMP-11015/11/2024-IBBI/841/93 dated 23.02.2024, issued to Mr. Naren Sheth, an Insolvency Professional registered with the Insolvency and Bankruptcy Board of India (IBBI/Board) with Registration No. IBBI/IPA-001/IP-P00133/2017-2018/10275, who is a Professional Member of the Insolvency Professional Agency of Indian Institute of Insolvency Professional of ICAI.

1. Background

- 1.1. The National Company Law Tribunal, Mumbai (AA) had admitted the application under Section 9 of the Code, filed by Vijisan Exports Pvt. Ltd under Section 9 of the Insolvency and Bankruptcy Code, 2016 ('Code') for initiating the corporate insolvency resolution process (CIRP) of Ciemme Jewels Limited (CD-1) *vide* Order dated 18.04.2018 whereby Mr. Vinodkumar Pukhraj Ambavat was appointed as Interim Resolution Professional (IRP), who was replaced after the first CoC meeting and Mr. Naren Sheth was appointed as Resolution Professional (RP). Thereafter, *vide* order dated 25.03.2019, the AA ordered for the Liquidation of the CD-1 and appointed Mr. Naren Sheth as Liquidator. Later, Mr. Avinash Ambikaprasad Shukla was appointed as the Liquidator of the CD-1.
- 1.2. The AA had admitted the application under Section 9 of the Code, filed by M/s. Central Investigation and Security Services Limited, for initiating the CIRP of M/s Dhanlaxmi Electricals Private Limited (CD-2) *vide* order dated 06.09.2021 and Mr. Naren Sheth was appointed as IRP *vide* the same order, however the CIRP was later withdrawn *vide* order dated 22.06.2023 under Section 12A of the Code. Later, the AA *vide* order dated 06.12.2023, admitted the application filed by Operational Creditor Saraswati Wire & Cable Industries against CD-2 and appointed Mr. Rajan Garg as IRP. The National Company Law Appellate Tribunal (NCLAT) *vide* order dated 13.03.2024 set aside the admission order dated 06.12.2023.

- 1.3. The Insolvency and Bankruptcy Board of India (IBBI/ the Board) had issued Show Cause Notice (SCN) dated 14.02.2023 under Section 219 of the Insolvency and Bankruptcy Code, 2016 (Code) read with Regulations 11 and 12 of IBBI (Inspection and Investigation) Regulations, 2017 (Inspection and Investigation Regulations) to Mr. Naren Sheth in the matter of liquidation process of Ciemme Jewels Limited (CD-1) and in the matter of corporate insolvency resolution process (CIRP) of Dhanlaxmi Electricals Private Limited (CD-2). The aforesaid SCN was disposed of by the Disciplinary Committee (DC) of the Board *vide* order dated 30.01.2024 wherein the registration of Mr. Naren Sheth, having registration no. IBBI/IPA001/IP-P00133/2017-18/10275, was suspended for a period of two years.
- 1.4. Based on the material available on record, the Board observed that Mr. Naren Sheth accepted new assignments as IRP/RP/liquidator even when he was not having a valid Authorisation for Assignment (AFA) from the date of issuance of SCN i.e. 14.02.2023 till the completion of suspension period as provided in DC order dated 30.01.2024. Accordingly, the IBBI issued the SCN to Mr. Naren Sheth on 23.02.2024 with the request to furnish reply by 08.03.2024. Mr. Naren Sheth sought extension of time for submission of his reply to the SCN. Mr. Naren Sheth submitted his reply to the SCN *vide* email dated 18.03.2024.
- 1.5. The abovesaid SCN dated 23.02.2024 and reply of Mr. Naren Sheth were referred to the DC for disposal of the said SCN in accordance with the Code and Regulations. Mr. Naren Sheth availed the opportunity of personal hearing through virtual mode on 04.10.2024 alongwith his advocate. During the hearing, the DC granted liberty to Mr. Naren Sheth to submit additional written submissions within seven days. Further, one Ms. Shraddha Patil, on behalf of Mr. Naren Sheth, *vide* email dated 08.10.2024 sought time for 10 days for submitting written submission, but so far no additional submission has been submitted.

2. Alleged Contravention, Submissions of Mr. Naren Sheth and Findings of the DC

The contravention alleged in the SCN, submissions by Mr. Naren Sheth and findings of the DC are summarized as follows:

Contravention: Accepting assignment as IRP/RP/Liquidator without having a valid AFA

- 2.1. Regulation 7A of the IBBI (Insolvency Professionals) Regulations, 2016 (IP Regulations), provides that an Insolvency Professional (IP) shall not accept or undertake an assignment unless he holds a valid AFA on the date of such acceptance or commencement of such assignment, as the case may be. Further, as per Regulation 23A of IBBI (Model Bye-Laws and Governing Board of Insolvency Professional Agencies) Regulations, 2016 (Model Bye-Laws Regulations), the AFA shall stand suspended upon initiation of disciplinary proceedings by the Agency or by the Board, as the case may be. The Explanation under Regulation 23A of Model Bye-laws Regulations further provides that a disciplinary proceeding shall be considered as pending against the professional member from the date he has been issued a show cause notice by the Agency or the Board, as the case may be, till its disposal by the Disciplinary Committee of the Agency or the Board, as the case may be. Thus, pursuant to issuance of the SCN dated 14.02.2023, Mr. Naren Sheth's AFA was suspended and he was ineligible to take any assignment under the Code pending disposal of the SCN dated 14.02.2023.
- 2.2. In terms of Regulation 7A of the IP Regulations read with Regulation 23A of the Model Bye-Laws Regulations along with explanation under it read with the DC order dated 30.01.2024 bearing no. IBBI/DC/203/2024, any new assignments under the Code could not have been accepted by Mr. Naren Sheth from date of issue of SCN i.e. 14.02.2023 till the suspension period provided in DC order dated 30.01.2024 is over.
- 2.3. It is alleged in the SCN that it was observed from the material available on record that Mr. Naren Sheth deliberately accepted assignment as liquidator in the matter of liquidation process of Vindhyavasini Steel Corporation Private Limited after passing of the DC order dated 30.01.2024.
- 2.4. It was further observed from the material available on record that Mr. Naren Sheth had deliberately, in defiance of the above Regulations accepted several other assignments as Interim Resolution Professional/ Resolution Professional and Liquidator in respect of processes under the Code without having a valid AFA on relevant dates after issuance of SCN on 14.02.2023. The details of assignments he accepted without valid AFA and despite suspension order are as under:-

Sl.No.	Name of Corporate Debtor	CIN/LLPIN No.	Appointed as	Date of appointment
1	Vindhyavasini Steel Corporation Private Limited	U27100MH2011PTC215155	Liquidator	20 February 2024
2	Vindhyavasini Buildcon Private Limited	U45309MH2012PTC235800	RP	23 August 2023
3	Vindhyavasini Toll Infrastructure Private Limited	U45400MH2012PTC235836	RP	31 March 2023
4	Harihar Infraventure (India) Private Limited	U45400MH2013PTC247313	IRP	24 March 2023
5	Vindhyavasini Steel Corporation Private Limited	U27100MH2011PTC215155	RP	31 March 2023
6	Vindhyavasini Steel Products Private Limited	U27310MH2011PTC222526	IRP	12 April 2023
7	Chomu Mahla Toll Road Private Limited	U45203MH2011 PTC214747	Liquidator	09 May 2023
8	Vindhyavasini Steel Products Private Limited	U27310MH2011PTC222526	RP	26 May 2023
9	Vindhyavasini Buildcon Private Limited	U45309MH2012PTC235800	IRP	11 July 2023

- 2.5. As per Rule 9 of IBBI (Application to Adjudicating Authority) Rules, 2016, an IP is required to give his written consent in Form 2 in which he *inter alia* has to certify that no disciplinary proceedings are pending against him.
- 2.6. As the SCN and the DC order as stated above, had been duly served and delivered upon Mr. Naren Sheth, it was stated in the SCN that, the above facts and circumstances clearly suggest that he had actively concealed/suppressed the material fact of being disqualified from the creditors and the AA, in view of the said SCN and order of the DC and such brazen defiance shows not only the reckless and negligent conduct on Mr. Naren Sheth's part but also shows his audacity and obstinacy. The facts and circumstances as aforesaid suggest *mala fide* on his part and his act and conduct of repeated defiance is utterly blameworthy considering the degree of responsibility bestowed under the Code and Regulations. The law cannot permit any allowance to be made for such reckless conduct and lethargic indifference.

- 2.7. In view of the above, the Board, based on material available on record, was of the *prima facie* view that by accepting assignments as IRP/RP/liquidator without having valid AFA, Mr. Naren Sheth contravened provisions of Sections 208(2)(a) and (e) of the Code and Regulations 7(2)(a), (7)(2)(h) and Regulation 7A of IP Regulations read with Clause 1, 2, 12 and 14 of the Code of Conduct for Insolvency Professionals under First Schedule of IP Regulations (Code of Conduct).

Submissions by Mr. Naren Sheth

- 2.8. Mr. Naren Sheth submitted that there had been no deliberate defiance of the Regulations under the Code, 2016 and had acted solely in compliance with the directions/orders of the AA's order. After receipt of the Show Cause Notice dated 14.02.2023 ('First SCN'), Mr. Naren Sheth did not give fresh consent for any assignments. The assignments received after the First SCN were matters wherein Mr. Naren Sheth had given his consent at a time prior to the issuance of the First SCN dated 14.02.2023.
- 2.9. Mr. Naren Sheth submitted that during the process of confirmation of appointment of a proposed IRP in a Section 7, 9 or 10 of the Code, as per Section 16 of the IBC, the AA will verify whether or not there are any disciplinary proceedings pending against the proposed IRP before confirming the appointment. Further, Section 34(4)(b) of the IBC provides that while confirming the appointment of proposed liquidator, the IBBI may recommend replacement of the existing RP proposed as the liquidator for reasons recorded in writing. Since Mr. Naren Sheth's AFA last renewed on 24.12.2022 and was valid till 23.12.2023 as evinced from the AFA status on the IBBI website, Mr. Naren Sheth was confirmed and appointed as the IRP/Liquidator in all the 9 assignments by the AA despite the existence of the First SCN, whereby he was left with no option but to comply with the express directions/orders of the AA.
- 2.10. Mr. Naren Sheth further submitted that he had been duly reporting the status of the CIRP/ Liquidation process of the assignments to the IBBI as per the stipulations under the Code in a timely manner, and the IBBI had not once, until the issuance of the present SCN, raised an objection in this regard. A tabulation of the dates of written consent given, the date of appointment of Mr. Naren Sheth as the IRP/Liquidator, and the dates on which reporting were made to the IBBI is provided herein below: -

Sr. No.	CD Name	Date of Appointment	Appointed as	Written Consent Given	Reported to IBBI	CIRP-I
1	VINDHYAVASINI STEEL CORPORATION PRIVATE LIMITED (U27100MH2011PTC215155)	20.02.2024	Liquidator	30.11.2019	20.01.2024	10.07.2023
2	VINDHYAVASINI BUILDCON PRIVATE LIMITED (U45309MH2012PTC235800)	23.08.2023	RP	07.02.2022	24.08.2023	17.07.2023
3	VINDHYAVASINI TOLL INFRASTRUCTURE PRIVATE LIMITED (U45400MH2012PT235836)	31.03.2023	RP	19.12.2019	06.04.2023	11.02.2023
4	HARIHAR INFRAVENTURE (INDIA) PRIVATE LIMITED (U45400MH2013PTC247313)	24.03.2023	IRP	04.03.2020	25.03.2023	28.03.2023
5	VINDHYAVASINI STEEL CORPORATION PRIVATE LIMITED (U27100MH2011PTC215155)	31.03.2023	RP	30.11.2019	06.04.2023	10.07.2023
6	VINDHYAVASINI TOLL ROAD PRIVATE LIMITED (U27310MH2011PTC222526)	12.04.2023	RP	19.12.2019	10.07.2023	12.04.2023
7	CHOMU MAHLA TOLL ROAD PRIVATE LIMITED (U45203MH2011PTC214747)	09.05.2023	Liquidator	03.04.2021	09.05.2023	11.04.2022
8	VINDHYAVASINI STEEL PRODUCTS PRIVATE LIMITED (U27310MH2011PTC222526)*	26.05.2023	IRP	19.12.2019	20.04.2023	10.07.2023
9	VINDHYAVASINI BUILDCON PRIVATE LIMITED (U45309MH2012PTC235800)	11.07.2023	IRP	07.02.2022	13.07.2023	17.07.2023

* Note: Sr. No. 6 and 8 are for the same CD and IRP appointed as RP. Further, date of appointment as RP is 12.04.2023 and not 26.05.2023 as per Admission Order.

2.11. Mr. Naren Sheth further submitted that both the First SCN dated 14.12.2023 and the DC Order dated 30.01.2024 were impugned before the Hon'ble Bombay High Court in WP (L) 5978 of 2024, however, despite having notice of the WP (L) 5978 of 2024, IBBI proceeded to issue the present SCN dated 23.02.2024. It is apparent that the SCN dated 23.02.2024 emanates from the First SCN dated 14.12.2023 which is impugned before

the Hon'ble Bombay High court. Mr. Naren Sheth also submitted that it is trite in law that when a superior court is seized of a matter, the subordinate court/tribunal/board must refrain from further dealing with the matter, even if an explicit stay is not passed by such superior court.

- 2.12. Mr. Naren Sheth also submitted that vide Order dated 28.02.2024 passed in WP (L) 5978 of 2024, the Hon'ble Bombay High Court was pleased to stay the operation of the DC Order dated 30.01.2024 which had directed the suspension of registration of Mr. Naren Sheth for a period of 2 years.
- 2.13. Mr. Naren Sheth submitted that IBBI's representative was present in the hearing held on 28.02.2024, however, despite having knowledge of the aforesaid Order dated 28.02.2024, the IBBI went ahead and implemented the DC Order dated 30.01.2024 and suspended the registration of Mr. Naren Sheth with effect from 29.02.2024, which is made evident on examining the IP details of Mr. Naren Sheth maintained on the IBBI website.

Analysis and Findings of the DC

- 2.14. Considering the provisions outlined in the IBBI (Insolvency Professionals) Regulations, 2016, and the IBBI (Model Byelaws and Governing Board of Insolvency Professional Agencies) Regulations, 2016, it is imperative that the Insolvency Professional (IP) shall adhere strictly to their obligations. Regulation 7A of the IBBI (Insolvency Professionals) Regulations, 2016 mandates that an IP must not accept or undertake any assignment unless they hold a valid Authorisation for Assignment (AFA) at the time of such acceptance or commencement. Furthermore, Regulation 23A of the Model Byelaws Regulations stipulates that the AFA stands suspended upon initiation of disciplinary proceedings by the Insolvency Professional Agency or the Board, which is triggered by the issuance of a Show Cause Notice (SCN). The relevant Regulations are reproduced below:-

“Regulation 7A of the IBBI (Insolvency Professionals) Regulations, 2016

Authorisation for assignment.

7A. An insolvency professional shall not accept or undertake an assignment after 31st December, 2019 unless it holds a valid authorisation for assignment on the date of such acceptance or commencement of such assignment, as the case may be:

Regulation 23A of the IBBI (Model Byelaws and Governing Board of Insolvency Professional Agencies) Regulations, 2016

23A. The authorisation for assignment shall stand suspended upon initiation of disciplinary proceedings by the Agency or by the Board, as the case may be.

Explanation - A disciplinary proceeding shall be considered as pending against the professional member from the date he has been issued a show cause notice by the Agency or the Board, as the case may be, till its disposal by the Disciplinary Committee of the Agency or the Board, as the case may be.”

- 2.15. The DC notes that Mr. Naren Sheth was under a clear duty to inform the AA of the pending disciplinary proceedings against him after the issuance of the SCN dated 14.02.2023, and his AFA was effectively suspended as a result of the pending Disciplinary Proceedings pursuant to the issuance of the SCN dated 14.02.2023. Mr. Naren Sheth’s failure to disclose the pendency of these proceedings and continuing to accept assignments as Interim Resolution Professional (IRP), Resolution Professional (RP), or Liquidator, is in clear contravention of his obligations and duties as entrusted by the Code and the Regulations and the Code of Conduct made therein.
- 2.16. The DC further notes that Mr. Naren Sheth had accepted multiple assignments, including the liquidation process of Vindhyavasini Steel Corporation Private Limited and other corporate debtors, without a valid AFA. This not only violated Regulation 7A but also breached the Code of Conduct for Insolvency Professionals, which imposes a duty of transparency and integrity.
- 2.17. The DC notes the contention of Mr. Naren Sheth that he had acted in compliance with the AA’s directions and that the consents for the assignments were provided prior to the issuance of the SCN. The DC notes that the duty to inform the AA of any pending disciplinary proceedings rests with Mr. Naren Sheth, IP, and failure to do so reflects a serious lapse in his professional conduct. Accordingly, the said contention of Mr. Naren Sheth cannot be accepted.
- 2.18. The DC further notes Mr. Naren Sheth’s contention that the IBBI did not raise objections when Mr. Naren Sheth submitted the relevant form CIRP-1 for reporting the

status of various assignments. The DC notes that a set of Forms were devised by IBBI in consultation with stakeholders and the IPAs in order to facilitate submission of records and information by IPs to the IBBI. The DC notes that Form CIRP-1 as submitted by Naren Sheth in respect of his assignments contains the period related from the commencement of CIRP till issue of Public Announcement and contains the basic details of the CD, admission of application by AA, public announcement, details of suggested Authorised Representatives, non-compliances with the provisions of the Code and other laws applicable to the CD etc.

- 2.19. The DC notes that form CIRP-1 as submitted to the IBBI is primarily to track the progress of the Corporate Insolvency Resolution Process of the concerned Corporate Debtors, and they are not meant to serve as an approval of the eligibility of a person to take up assignment as an IRP/RP/Liquidator. The DC notes that acceptance of CIRP-1 form by IBBI cannot absolve Mr. Naren Sheth of his responsibility of not taking the assignments after the initiation of Disciplinary Proceedings against him. Accordingly, the said contention of Mr. Naren Sheth cannot be accepted.
- 2.20. The DC further notes Mr. Naren Sheth's submission that Hon'ble Bombay High Court vide Order dated 28.02.2024 passed in WP (L) 5978 of 2024, had stayed the operation of the DC Order dated 30.01.2024 which had directed the suspension of registration of Mr. Naren Sheth for a period of 2 years. However, the present SCN was issued to Mr. Naren Sheth on 23.02.2024 i.e., prior to the Hon'ble Bombay High Court order and all the assignments as mentioned in the SCN dated 23.02.2024 were accepted by Mr. Naren Sheth prior to the order dated 28.02.2024 of the Hon'ble High court and during the period when Mr. Naren Sheth was not having the AFA. The DC further notes that the Hon'ble Bombay High Court vide order dated 25.10.2024 had dismissed the WP (L) 5978 of 2024, filed by Mr. Naren Sheth and had observed the following:

"15. Having considered the entire material on record, we do not find any scope whatsoever to interfere with the impugned order dated 30th January 2024 suspending the registration of the petitioner for a period of two years. The impugned order does not suffer from any perversity whatsoever nor is it irrational or disproportionate. The ratio of the decisions relied upon by the

learned counsel for the petitioner thus cannot be applied to the facts of the present case.

For aforesaid reasons, we do not find any merit in the challenge as raised to the order dated 30th January 2024 passed by the DC. The writ petition stands dismissed. Rule is discharged with no order as to costs.”

- 2.21. The facts and circumstances suggest that Mr. Naren Sheth’s acceptance of the assignments was in clear violation of the statutory provisions, and his failure to inform the AA of the pending disciplinary proceedings undermines the integrity of the insolvency process. This conduct demonstrates a wilful disregard for the Code and the regulations governing insolvency professionals, which are designed to ensure transparency, accountability, and the protection of stakeholders' interests.
- 2.22. In view of the above, the DC finds that by accepting assignments as IRP/RP/liquidator without having valid AFA, Mr. Naren Sheth contravened provisions of Sections 208(2)(a) and (e) of the Code and Regulations 7(2)(a), (7)(2)(h) and Regulation 7A of IP Regulations read with Clause 1, 2, 12 and 14 of the Code of Conduct.

3. ORDER

- 3.1. The DC, in exercise of the powers conferred under Section 220 (2) of the Code read Regulation 11 of the IBBI (Insolvency Professionals) Regulations, 2016 and Regulation 13 of the IBBI (Inspection and Investigation) Regulations, 2017 hereby suspends the registration of Mr. Naren Sheth having Registration No. IBBI/IPA-003/IP-N00059/2017-18/10499 for a period of one year which shall run consecutive to suspension of the registration of Mr. Naren Sheth, imposed *vide* earlier DC Order No. IBBI/DC/203/2024 dated 30.01.2024.
- 3.2. This Order shall come into force on expiry of 30 days from the date of its issue.
- 3.3. A copy of this order shall be sent to the CoC/ Stakeholder Consultation Committee (SCC) of all the Corporate Debtors in which Mr. Naren Sheth is providing his services, if any. The CoC may decide whether to continue his services or not. In case, the CoC decide to discontinue his services, the CoC may file an appropriate application before the AA.

- 3.4. A copy of this order shall be forwarded to the Insolvency Professional Agency of Institute of Cost Accountants of India where he is enrolled as a member.
- 3.5. A copy of this Order shall also be forwarded to the Registrar of the Principal Bench of the National Company Law Tribunal, for information.
- 3.6. Accordingly, the show cause notice is disposed of.

Dated: 07.01.2025
Place: New Delhi

Sd/-
(Jayanti Prasad)
Whole Time Member
Insolvency and Bankruptcy Board of India