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INSOLVENCY & BANKRUPTCY

NCLAT Reaffirms: Concluded Auctions Cannot Be Unsettled on Unsubstantiated Allegations

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A. Joseb Raj v. P.R. Raman and Anr., Company Appeal (AT) (CH) (Ins) No. 457/2025, NCLAT Chennai Bench.

In a recent pronouncement, the Chennai Bench of the National Company Law Appellate Tribunal, comprising Justice Sharad Kumar Sharma (Judicial Member) and Mr. Jatindranath Swain (Technical Member), dismissed a company appeal challenging the **liquidation-stage e-auction** of the assets of Oceanic Edibles International Limited. The decision offers a useful reaffirmation of the finality accorded to concluded auction processes under the Insolvency and Bankruptcy Code, 2016, and the limited scope for interference once a sale certificate has been issued.

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Factual Background

Commencement of CIRP and Liquidation

The **corporate insolvency resolution process** against Oceanic Edibles International Limited commenced pursuant to a Section 7 application filed by ICICI Bank Limited, which was admitted in September 2017. Following an unsuccessful attempt at resolution, the Committee of Creditors resolved in October 2018 to liquidate the company, and the erstwhile Resolution Professional was appointed as Liquidator in December 2018.

During the liquidation process, the appellant, a suspended director and shareholder of the corporate debtor, proposed a **compromise scheme under Section 230** of the Companies Act, 2013. This scheme was rejected by the Stakeholders Consultation Committee on the ground that stakeholders were unwilling to restore control to the erstwhile management, coupled with the appellant's disqualification under Section 29A of the Code.

The E-Auction Process

The Liquidator thereafter initiated the **e-auction process** for sale of the corporate debtor's assets. The first four auction attempts, conducted between October 2021 and October 2023 at progressively revised reserve prices, failed to attract any bidder.

It was only in the fifth attempt, held on 24 November 2023, that M/s. Casurina Bay Farms Private Limited emerged as the **successful bidder**, deposited the full sale consideration, and was issued a sale certificate along with possession of the assets.

The Challenge Before the Tribunals

Allegations Raised by the Appellant

Aggrieved by the auction outcome, the appellant approached the National Company Law Tribunal through multiple **interlocutory applications**, alleging the following:

- Inadequate publication of the auction notice.
- An unjustified reduction in reserve price.
- Exclusion of equity shareholders from the Stakeholders Consultation Committee.
- Pecuniary loss to stakeholders.
- Collusion between the Liquidator and the successful purchaser.

- Non-registration of the sale certificate.

The Liquidator resisted these contentions, pointing to the appellant's persistent non-cooperation during the CIRP, his prolonged silence for nearly three years before raising objections, and an underlying intent to *derail the liquidation process*.

Adjudicating Authority's Order

The Adjudicating Authority, by its order dated 23 July 2025, **rejected all three applications**. It held as follows:

1. The plea of fraud remained an **unsubstantiated factual allegation**.
2. Publication in the newspaper Dinaboomi satisfied the requirement of wide circulation under Regulation 12(3) of the IBBI (Liquidation Process) Regulations, 2016.
3. Relying on the Supreme Court's ruling in *M/s. Esjaypee v. Canara Bank*, (2021) 11 SCC 537, a sale certificate does not require registration under registration law; mere intimation to the Sub-Registrar's office is sufficient.
4. Confirmation of sale and issuance of the sale certificate, in terms of Clause 12, Schedule I of the said Regulations, marked **closure of the auction**, immune from challenge absent substantiated irregularity.

The Appellate Tribunal's Reasoning

Preliminary Objection and Bankruptcy Declaration

Before the NCLAT, the Practicing Chartered Accountant appearing for the successful auction purchaser raised a **preliminary objection**, drawing attention to an intervening development. On 31 October 2025, the appellant, in his capacity as Personal Guarantor, had been declared bankrupt in proceedings under Sections 121 and 123 of the Code, resulting in the appointment of a Bankruptcy Trustee.

It was contended that this subsequent event rendered the appeal *infructuous*. The Appellate Tribunal also took note of its own larger bench ruling in *Park Energy Private Limited* (2025), which questions the **locus of a mere shareholder or Personal Guarantor** to challenge such orders.

Dismissal of the Appeal

Upholding the Adjudicating Authority's reasoning in its entirety, the NCLAT found **no infirmity warranting interference** on merits. It further observed that the appellant's challenge, whether framed in the capacity of shareholder or Personal Guarantor, had lost its relevance in light of the subsequent bankruptcy declaration.

The company appeal, together with all connected interlocutory applications, was accordingly **dismissed**.

Key Takeaways

This ruling reinforces several important principles:

- **Fraud allegations must be substantiated.** Allegations of fraud or collusion in an e-auction must be supported with cogent evidence; bare assertions, particularly when raised belatedly after a successful sale, will not suffice to unsettle a concluded auction.
- **Finality of a concluded auction.** Once a sale certificate is issued and full consideration is received, the auction attains a degree of finality that courts and tribunals will be reluctant to disturb, absent a clear and demonstrable violation of the applicable regulations.
- **Impact of personal guarantor's bankruptcy.** The decision illustrates the practical consequence of a personal guarantor's bankruptcy on the guarantor's standing to prosecute pending insolvency litigation.

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