

APPELLATE TRIBUNAL UNDER SAFEMA AT NEW DELHI

MP-PMLA-1652/MUM/2025 Exemp.
MP-PMLA-1651/MUM/2025 Stay
FPA-PMLA-1586/MUM/2025
Shri Pratik Garg ... Appellant

MP-PMLA-1654/MUM/2025 Exemp.
MP-PMLA-1653/MUM/2025 Stay
FPA-PMLA-1587/MUM/2025
Deen Dayal Associates ... Appellant

MP-PMLA-1656/MUM/2025 Exemp.
MP-PMLA-1655/MUM/2025 Stay
FPA-PMLA-1588/MUM/2025
Shri Sunil Kumar Garg ... Appellant

MP-PMLA-1658/MUM/2025 Exemp.
MP-PMLA-1657/MUM/2025 Stay
FPA-PMLA-1589/MUM/2025
Star Jones ... Appellant

MP-PMLA-1660/MUM/2025 Exemp.
MP-PMLA-1659/MUM/2025 Stay
FPA-PMLA-1590/MUM/2025
Hari Singh Associates ... Appellant

MP-PMLA-1662/MUM/2025 Exemp.
MP-PMLA-1661/MUM/2025 Stay
FPA-PMLA-1609/MUM/2025
Sunil Garg HUF ... Appellant

Versus

The Deputy Director,
Directorate of Enforcement,
Mumbai ... Respondent

Advocates / Authorized Representatives who appeared:

For the Appellant(s) : Ms. Ridhi Kapoor,
Advocate
Ms. Shivranjani, Advocate

For the Respondent(s) : Ms. Nattasha Garg,
Advocate

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JUSTICE MUNISHWAR NATH BHANDARI : CHAIRMAN

ORDER
07.05.2026

By these appeals filed u/s 26 of the Prevention of Money Laundering Act, 2002 (in short “**the Act of 2002**”), a challenge has been made to the order dated 17.02.2025 passed by the Adjudicating Authority for retention of the articles and movable properties.

Brief facts of the case:

2. An FIR was registered by Chakan Police Station on the basis of a complaint filed by Shri Sandeep Jagdish Choudhary, Managing Director of M/s HUF India Pvt. Ltd. In the complaint, it was alleged that during the period from 2010 to 2020, certain ex-employees of the company, namely Shri Sunil Kumar Garg (Ex-Managing Director), Shri Nikhil Agarwal (Ex-Finance Head), Shri Sandeep Vani (Ex-General Manager, Operations) and Shri Vishal Tamotiya (Ex-IT Head), in connivance with each other and other associates, diverted company funds amounting to approximately Rs. 139 Crores for their personal financial gain. It was further alleged that the accused persons withheld the information from other Directors of the company and the parent company situated in Germany. They manipulated and misused

Purchase Orders, created false invoices, used fake stamps of M/s HUF India Pvt. Ltd. to generate fake Goods Receipt Notes (GRNs), and further misappropriated company funds in the guise of donations to NGOs under Corporate Social Responsibility (CSR) activities.

3. Subsequent to the registration of the FIR, the investigation was transferred to the Economic Offences Wing (EOW), Pune. The Chargesheet No. 155/2022 dated 10.06.2022 and Supplementary Chargesheet No. 236/2023 dated 17.07.2023 were filed before the Hon'ble Judicial Magistrate First Class, Khed, Pune, under Sections 420, 406, 409, 467, 468, 471 and 34 of the Indian Penal Code, 1860 against Shri Sunil Kumar Garg, Smt. Ritu Garg, Shri Nikhil Agarwal, Smt. Pooja Agarwal, Shri Vishal Vinaykumar Tamotiya, Shri Sandeep Radhakrishna Vani, Shri Vijaykumar Omprakash Gupta and Shri Ajaykumar Omprakash Gupta.

4. Since offences under Sections 120-B read with Sections 420, 467 and 471 of the IPC are scheduled offences under Paragraph 1 of Part-A of the Schedule to the Prevention of Money Laundering Act, 2002, the Directorate of Enforcement recorded ECIR No. ECIR/MBZO-II/59/2023 dated 30.11.2023

and caused investigation under the provisions of the Act of 2002.

5. M/s HUF India Pvt. Ltd., situated at Gat No. 304 and 305, Nanekarwadi, District Khed, Pune – 410204, is a subsidiary of the German company HUF Hülsbeck & Fürst GmbH & Co. KG and is engaged in the manufacture of electronic remote-control systems for four-wheel vehicles. The company had been operating in India for approximately 14 years with an annual turnover ranging between Rs. 100 Crores to Rs. 300 Crores.

6. Investigation revealed that during the period from 2010 to 2020, the aforesaid ex-employees of M/s HUF India Pvt. Ltd. duped the company to the tune of approximately Rs. 139 Crores by manipulating procurement processes and generating fake financial records. The audit report dated 07.07.2021 prepared by Ernst & Young (E&Y) disclosed serious financial irregularities in relation to purchase and sales transactions recorded in the SAP system, particularly involving vendors, purchase orders, bills of materials, Goods Receipt Notes and procurement-related processes.

7. During the course of investigation under the PMLA, statements of Shri Sandeep Choudhary, Managing Director of M/s HUF India Pvt. Ltd., were recorded under Section 50 of the

PMLA on 01.07.2024 and 04.07.2024. In his statements, he narrated the sequence of events leading to the filing of the police complaint and submitted a copy of the Forensic Audit Report dated 19.04.2021 prepared by Ernst & Young concerning the financial irregularities committed by the ex-employees of the company.

8. Scrutiny of the Forensic Audit Report revealed that Special Purchase Order (PO) series bearing numbers 170 and 172 were created from the year 2014 onwards. Payments amounting to Rs. 87,70,89,820/- were identified against invoices booked under these PO series. Multiple discrepancies were found, including mismatches in beneficiary names as reflected in the bank books and bank statements, missing entries and invoice reference numbers in the gate entry registers, and inconsistencies relating to material numbers and invoice copies. It was also found that access to the aforesaid PO series was restricted to selected SAP user IDs and that invoices generated under PO series 170 and 172 were deliberately concealed from other employees, members of the erstwhile Board of Directors, the holding company and auditors of the company. The investigation further revealed that kickbacks had been received by the ex-employees, their family members and entities controlled by them from vendors of M/s HUF India Pvt. Ltd.

Analysis of the available bank statements disclosed financial transactions between the accused persons and vendors of the company, which were in violation of the HUF Employees' Code of Conduct and Supplier Code of Conduct. It was also revealed that during the year 2014, Shri Sunil Kumar Garg, Ex-Managing Director, utilized an amount of Rs. 9.13 Crores in the guise of making cash payments to landowners for procurement of land intended for construction of the factory building. Similarly, during the year 2010, he utilized another amount of Rs. 2.66 Crores under the same pretext. The aforesaid amounts were generated from cash siphoned from the business operations of the company.

9. Further scrutiny revealed that donations and CSR expenditures amounting to Rs. 85,50,000/- were made from the year 2010 onwards, despite the statutory CSR provisions becoming applicable only from April 2016. The said donations were allegedly made without proper authorization. The investigation also disclosed that premises at the World Trade Centre (WTC), Pune were obtained on rent by Shri Sunil Kumar Garg for shifting the Product Design (PD) staff and the office was projected as a design office of HUF India. The said premises were taken on rent from "Shree Deendayal Associates", a partnership firm owned by the family members of Shri Sunil

Kumar Garg. An amount of Rs. 1,07,31,528/- was identified as rent paid to Shree Deendayal Associates during the period from 2016 to 2019. Additionally, a security deposit of Rs. 1 Crore paid to the said entity had not been returned.

10. The modus operandi adopted by the accused persons for siphoning off the funds was also unearthed during investigation. The accused persons entered details of fictitious vendors in the SAP system of the company and generated purchase orders under the special PO series 170 and 172. Fake invoices were obtained from such fictitious vendors, and fake Goods Receipt Notes were generated using counterfeit stamps of M/s HUF India Pvt. Ltd., despite no actual receipt of goods by the company. Fake entries regarding movement of goods were also made in the company's gate registers. Thereafter, payments were released from the company's bank accounts to the fictitious vendors.

11. Subsequently, the amounts transferred to such vendors were routed back to the accused persons, their family members and entities controlled by them in the guise of consultancy fees, salary payments and other fictitious services, though no actual services were rendered. The proceeds of crime were credited into bank accounts of the accused persons, their relatives and firms

created for the purpose of layering and diversion of funds. By adopting the aforesaid modus operandi, approximately Rs. 139 Crores were siphoned off from the accounts of M/s HUF India Pvt. Ltd. During investigation, statements of various persons were recorded and bank account statements of the suspected persons were obtained and analyzed. The analysis confirmed that the accused persons had received funds from entities such as M/s Hari Om Udyog and M/s Yashaswi Academy for Skill, which were subsequently utilized for making various investments. Information collected from banks and financial institutions further revealed that the accused persons invested the proceeds of crime in movable and immovable assets, including fixed deposits, term deposits, shares, mutual funds and flats. Investigation further revealed that Shri Sunil Kumar Garg, being the Ex-Managing Director of M/s HUF India Pvt. Ltd., was the principal conspirator in the entire fraud and played a key role in ensuring that payments were made to vendors despite no actual receipt of goods by the company. It was also revealed that Shri Sunil Kumar Garg and his wife, Smt. Ritu Garg, received commission amounts from vendors in lieu of awarding tenders and contracts. Both of them were arrayed as accused persons in the chargesheets filed by the police authorities.

12. It was further disclosed that Shri Sunil Kumar Garg, Smt. Ritu Garg and entities associated with them, namely Star Jones and Shree Deendayal Associates, received substantial amounts from vendors of HUF India Pvt. Ltd., including M/s Hari Om Udyog and M/s Yashaswi Academy for Skill. The said funds were allegedly utilized for acquisition of movable and immovable properties, including fixed deposits, shares and residential flats.

Roles of the Appellants

(i) Shri Sunil Kumar Garg - Shri Sunil Kumar Garg was the Ex-Managing Director of M/s HUF India Pvt. Ltd. He, in connivance with Shri Nikhil Agarwal, who was the Ex-Finance Head of M/s HUF India Pvt. Ltd., allegedly misappropriated funds of the company. Investigation revealed that Shri Sunil Kumar Garg was the main conspirator in the diversion and siphoning of company funds under the guise of procurement of goods from various vendors. It was found that Shri Sunil Kumar Garg, along with Shri Nikhil Agarwal, ensured that payments are released to vendors despite the fact that no goods were actually supplied or received by the company. The transactions were facilitated through fake invoices, manipulated purchase orders and fabricated Goods Receipt Notes (GRNs).

Further investigation revealed that Shri Sunil Kumar Garg and his wife, Smt. Ritu Garg, received commission amounts and kickbacks from vendors in lieu of awarding tender works and contracts. Shri Sunil Kumar

Garg was accordingly arrayed as one of the accused persons in the chargesheet filed by the police authorities.

Investigation further disclosed that Shri Sunil Kumar Garg, Smt. Ritu Garg and entities controlled by them, namely Star Jones and Deendayal Associates, received substantial amounts in their bank accounts from vendors of M/s HUF India Pvt. Ltd., including M/s Hari Om Udyog and M/s Yashaswi Academy for Skill, along with their directors and sister concerns. The said amounts were allegedly utilized for acquisition of movable and immovable properties such as fixed deposits, shares, flats and other investments.

(ii) Shri Prateek Garg - Shri Prateek Garg is the son of Shri Sunil Kumar Garg and Smt. Ritu Garg. Investigation revealed that he was a beneficiary of the amounts collected by his parents from the vendors of M/s HUF India Pvt. Ltd. The proceeds of crime were transferred into his bank accounts and were allegedly utilized for various investments and acquisition of assets.

(iii) M/s Deendayal Associates - M/s Deendayal Associates is a partnership firm in which Shri Sunil Kumar Garg) and Smt. Ritu Garg are partners. Investigation revealed that the firm received substantial amounts in its bank accounts from vendors of M/s HUF India Pvt. Ltd., namely M/s Hari Om Udyog and M/s Yashaswi Academy for Skill, along with their directors and sister

concerns. The funds received in the accounts of the firm were allegedly utilized for procurement and acquisition of movable and immovable properties and for further layering of the proceeds of crime.

(iv) Sunil Kumar HUF - Sunil Kumar HUF is a Hindu Undivided Family (HUF) wherein Shri Sunil Kumar Garg is the Karta. Investigation revealed that Sunil Kumar HUF received large amounts in its bank accounts from vendors of M/s HUF India Pvt. Ltd., namely M/s Hari Om Udyog and M/s Yashaswi Academy for Skill, along with their directors and sister concerns. The amounts so received were allegedly utilized for acquisition of movable and immovable properties and other investments out of the proceeds of crime generated from the fraudulent activities committed against M/s HUF India Pvt. Ltd.

(v) M/s Star Jones - M/s Star Jones is a partnership firm wherein Shri Sunil Kumar Garg and Smt. Ritu Garg are partners. Investigation revealed that the firm was a recipient of amounts collected by its partners from vendors of M/s HUF India Pvt. Ltd. The amounts received in the accounts of the firm were allegedly part of the proceeds of crime generated through fraudulent procurement transactions and were further utilized for investments and acquisition of assets.

(vi) M/s Hari Singh Associates - M/s Hari Singh Associates is a partnership firm wherein Shri Sunil Kumar Garg holds a major shareholding of 80%. The other partner in the firm is Shri Sandeep Wani, who was

the Ex-General Manager (Operations) of M/s HUF India Pvt. Ltd. Investigation revealed that the firm received substantial amounts in its bank accounts from vendors of M/s HUF India Pvt. Ltd., namely M/s Hari Om Udyog and M/s Yashaswi Academy for Skill, along with their directors and sister concerns. The amounts received were allegedly proceeds of crime arising out of the fraudulent diversion and siphoning of funds from M/s HUF India Pvt. Ltd.

Argument of the Ld. Counsel for the appellants:

13. The counsel for the appellant submitted that the seizure and freezing of the movable properties in the form of bank accounts, mutual funds and DEMAT accounts are wholly illegal, arbitrary and without any lawful basis. It was submitted that all the assets in question were lawfully acquired and every transaction is fully documented and traceable to legitimate sources such as salary, rental income, consultancy, investments, bank loans etc. and other lawful sources of income. The appellant specifically contended that there is no nexus between the seized accounts and the alleged proceeds of crime under the PMLA.

14. The counsel for the appellants further submitted that the income credited into the accounts of the firm originated solely from consultancy services rendered to its clients. Every

transaction between the appellant firm and the vendors is lawful and legitimate and that the financial dealings of the firm are exclusively connected with its consultancy business activities. The appellant has specifically emphasized that the vendors were independent business entities which had sought consultancy services from Deendayal Associates for their own business requirements and that such consultancy activities had no connection whatsoever with the affairs of M/s HUF India Pvt. Ltd.

15. Accordingly, the appellant has prayed for immediate release and defreezing of the seized assets on the ground that their continued seizure is unjustified, unsustainable in law and causing unnecessary financial and personal distress. The prayer was accordingly made to cause interference in the impugned order.

16. The appellant did not argue any other issue despite opportunity to raise any legal or factual issue. The counsel for the appellant restricted his arguments to the extent narrated above. The prayer was accordingly made to set aside the impugned order on the grounds raised by the appellants.

Arguments of the Ld. Counsel for the respondent

17. The Ld. Counsel for the respondent has contested the appeals. Elaborate arguments were made in reference to all the issues and would be referred to while recording my findings in reference to the issues raised by the appellant for challenge to the impugned order. It is to avoid repetition of the same facts and for the sake of brevity.

Finding of the Tribunal

18. I have considered the rival submissions of the Ld. Counsel of the parties and scanned the matter carefully. It is a case where FIR No. 0380/2022 was registered on 14.03.2022 by Chakan Police Station for offences punishable under Sections 420, 406, 409, 467, 468, 471 and 34 of the Indian Penal Code, 1860. The investigation revealed allegations of large-scale siphoning and diversion of funds from M/s HUF India Pvt. Ltd. by its former employees and associated persons through fictitious vendors, fake invoices, fabricated Goods Receipt Notes (GRNs), manipulation of SAP entries and routing of funds through entities and family members.

19. The material available on record, including the forensic audit report of Ernst & Young dated 19.04.2021, shows that

special Purchase Order series bearing Nos. 170 and 172 were created and deliberately concealed from the company's regular accounting and auditing mechanism. Payments amounting to approximately Rs. 87.70 Crores were made against invoices generated through the said purchase order series. The investigation revealed mismatches in gate registers, invoice references, beneficiary names, material entries and GRNs. The evidence collected during investigation also indicates that amount released to vendors without actual receipt of goods/services were subsequently routed back into the accounts of the accused persons, their family members and associated firms/entities in the guise of consultancy charges, salary, rental income and other financial arrangements.

20. It is specifically alleged that Shri Sunil Kumar Garg, while working as Managing Director of M/s HUF India Pvt. Ltd., had received commission from vendors of M/s HUF India Pvt. Ltd. by threatening them that their services would be discontinued if commission is not paid. As part of the alleged criminal conspiracy, Shri Sunil Kumar Garg released payments to vendors without receipt of any goods or services and the said amounts were subsequently routed back into his own bank accounts, the accounts of his family members and entities/firms controlled by him. The amounts were allegedly

projected as consultancy charges and rental income in the financial records. Various immovable properties were acquired in the names of Shri Sunil Kumar Garg and his family members from the proceeds of crime so generated.

21. The fact on record shows diversion of funds to the extent of Rs. 139 Crore by the appellant, Shri Sunil Kumar Garg and many others involved with him from the funds of the Company where they were working as Managing Director or as employees. The fact of diversion of huge amount from the Company account was revealed only on Forensic Audit Report, otherwise, the Company managed from Germany was run on the trust of the Managing Director and the employees deceived the Company and accordingly FIR was lodged.

22. Ld. Counsel for the appellants did not make any argument to controvert the allegations made against the appellants. The main argument was on the source of income to acquire the properties, alleged to have been ignored by the Adjudicating Authority. It is, however, without realizing that the serious allegation exists against the appellants for receipt of kickbacks and manipulation of the accounts so as to siphoning of the money of the company where Shri Sunil Kumar Garg remain the Managing Director. The allegations were tested by the

evidence collected during the course of the investigation where it was found that the money was transferred in the accounts of the appellants or reached through their accounts by none other than but from the accounts of the vendors. It is said to be out of the consultancy charges but it could not have been coincidence that the consultancy was extended by the appellant or its company to the vendors. It is, otherwise, a fact there is no evidence on record to prove any consultancy service by the appellant company. The statement in this regard is quite vague because the appellant has not even specified the type of consultancy alleged to have been extended by him or entities to those from whom money came in their accounts. It is apart from the fact that there is no document on record to show engagement of the firm or individual for consultancy services on the fixed amount or on amount subject to the consultancy to be provided from time to time. Thus, income from the consultancy remains for the sake of it. It is nothing but routing of the funds from the accounts of M/s HUF India Pvt. Ltd. to the accounts of vendors and thereupon to the accounts of the appellant or their entities. The money-trail brought by the respondent is sufficient to prove the serious allegation against the appellant.

23. I have further considered the issue in regard to the income from salary. Ld. Counsel for the appellants was asked to refer

to the appointment order so as to indicate the amount of salary. He was unable to refer to any document despite burden of proof on the appellant under Section 24 of the Act of 2002.

24. In view of the above, the source for creation of movable properties remains for the sake of it and whatever source has been disclosed by the appellant could not be proved by producing the evidence and therefore it cannot be accepted. It has already been stated by me that it could not have been coincidence that the money transacted to the vendors with the allegation that it was nothing but to siphon of the funds of the company without actual transaction and even no supply was made to the company and as kickback, the vendors transferred the money in the accounts of the appellant or their entities which is subsequently given the colour of consultancy charges without any proof. Thus, it is apart from the fact that the appellant could not defend the allegation and could not produce any material to prove the source of funds to acquire the movable properties. In fact, the movable properties acquired by the appellant was out of proceeds of crime and therefore rightly freezed or seized by the respondent. The value of the movable properties under seizure or frozen is not of few lakhs but by running in crores of which the appellant failed to disclose the source with proof so as to justify the acquisition of the movable

properties. The appellant has not even put a rent note on record or other document to prove the source of income.

25. In the light of the discussions made above, I do not find any ground to cause interference in the impugned order. The appeals accordingly fail and are dismissed. It is, however, made clear that seizure or frozen of movable properties and the document would remain subject to final outcome of the trial.

**(Justice Munishwar Nath Bhandari)
Chairman**

**NEW DELHI
07.05.2026
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