

**CONFIDENTIAL**

**COUNCIL OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA  
384<sup>TH</sup> MEETING OF THE COUNCIL –18<sup>TH</sup> AND 19<sup>TH</sup> AUGUST, 2019  
FINDING OF THE COUNCIL – 19<sup>TH</sup> AUGUST, 2019  
UNDER SECTION 21 OF THE CHARTERED ACCOUNTANTS ACT, 1949**

**GENERAL MANAGER, CORPORATION BANK, MUMBAI  
VS  
CHETANKUMAR M. GAGLANI  
[25-CA (79)/2006]**

**MEMBERS PRESENT:**

CA. Atul Kumar Gupta (Vice-President)(In the chair)  
CA. Jay Chhaira  
CA. Nandkishore Chidamber Hegde  
CA. Nihar Niranjan Jambusaria  
CA. Durgesh Kabra  
CA. Aniket Sunil Talati  
CA. Prasanna Kumar D  
CA. Rajendra Kumar P  
CA. Ranjeet Kumar Agarwal  
CA. Sushil Kumar Goyal  
CA. (Dr.) Debashis Mitra  
CA. Pramod Kumar Boob  
CA. Anuj Goyal  
CA. Satish Kumar Gupta  
CA. Prakash Sharma  
CA. Pramod Jain  
CA. Nanda Charanjot Singh  
Shri Vijay Kumar Jhalani

[Out of four Signatories to the Report of the Disciplinary Committee dated 5<sup>th</sup> February, 2018, two signatories namely, CA. Manu Agrawal and Dr. P.C. Jain were not present at the time of consideration of the Report on 19<sup>th</sup> August, 2019 and the remaining two signatories namely CA. Nilesh Shivji Vikamsey and CA. Sanjay Vasudeva were no longer members of the Council.]

[CA. Atul Kumar Gupta, Vice-President in Office, was in the Chair when this Report was taken up for consideration on 19<sup>th</sup> August, 2019]

1. In his Complaint, duly verified on 23<sup>rd</sup> May, 2006, Shri N. N. Pal, General Manager Corporation Bank, Greater Mumbai Zone (hereinafter referred to as the "**Complainant**") made the following allegations against **CA. Chetankumar M. Gaglani, Mumbai** (hereinafter referred to as the "**Respondent**"):-

- 1.1. The Respondent along with his wife Smt. Kashmira C.Gaglani approached Housing Finance Branch of the Corporation Bank in or around December 2003 for two Housing loans under the Corp Home Scheme. The Complainant-Bank had granted two Housing loans to the Respondent and his wife to purchase two Row Houses in Mira Road, Thane from M/s Ravi Developments having their office at Kandivali, Mumbai.
- 1.2. The Respondent and his wife submitted Sale Agreement dated 22<sup>nd</sup> December, 2003 and 23<sup>rd</sup> December, 2003 to secure the loan facility granted to them. It was revealed that the said Sale Agreements were fabricated / forged. The Sale Agreements were signed by unknown person impersonating as Mr. Ravindra K. Patel, Partner of M/s Ravi Developments in order to make them appear to be genuine.
- 1.3. The Respondent submitted permission letter dated 29<sup>th</sup> December, 2003 to create equitable mortgage purportedly issued by M/s Ravi Development. The said letter was also fake.
- 1.4. The loan proceeds were disbursed to the Respondent by issuing Pay Orders favoring M/s Ravi Developments. The Pay Orders issued out of the loan proceeds were collected from the Branch by the Respondent and were credited in Account No. 41 fraudulently opened in the name of M/s Ravi Developments, (Proprietor Mr. Harish Pranalal Gaglani) at the Karnatka Bank Ltd., Mumbai. This account was introduced by the Respondent and substantial amount was transferred from the said account to the account of the Respondent opened at the same branch.
- 1.5. The Respondent availed housing loan with malafide intention, by submitting forged / fabricated sale agreements, permission letters, lien noting letters to the Bank. The loan amounts were not used by the Respondent for purchase of houses and they have misappropriated the bank's funds.
- 1.6. The Respondent did not repay the said loan amount to the bank, due to which said two loan accounts have become NPA. As on 31<sup>st</sup> March, 2005, a sum of Rs.34.72 lakhs was due and recoverable from the Respondent.
- 1.7. An official of the Bank, Shri P. Nathu, had made an independent enquiry in the matter. He has confirmed the fraud committed by the Respondent. Based on his enquiry, the matter was reported to CBI vide letter no.GMZ/OR/759/2004/05 dated 16<sup>th</sup> February, 2005. The CBI Inspector, Shri More, has also investigated the matter. Based on his investigation, the CBI has registered FIR against the Respondent.

2. The Respondent has submitted his written statement vide letter dated 1<sup>st</sup> July, 2008. The Complainant submitted his Rejoinder, duly verified on 26<sup>th</sup> September, 2008. The Respondent has submitted his Comments, duly verified on 2<sup>nd</sup> December, 2008.

3. Thereafter, in accordance with the provisions of Regulation 12(11) of the Chartered Accountants Regulations, 1988, the above papers containing the complaint, written statement, rejoinder and comments thereon were considered by the Council at its 284<sup>th</sup> meeting held in January, 2009 at New Delhi. The Council being prima facie of the opinion that the Respondent was guilty of professional and/or other misconduct, decided to cause an enquiry to be made in the matter by the Disciplinary Committee.

4. The Disciplinary Committee conducted the enquiry in the case and the hearing in the matter was concluded at its meeting held on 8<sup>th</sup> June, 2017 at Mumbai. The Disciplinary Committee submitted its report dated 5<sup>th</sup> February, 2018 with the conclusion that the Respondent is **Guilty** of "Other Misconduct" falling within the meaning of Section 22 read with Section 21 of the Chartered Accountants Act, 1949.

5. While arriving at its aforesaid conclusion, the Disciplinary Committee had relied on the following reasonings/arguments:-

5.1. The Committee noted that the charges against the Respondent was that the Complainant-Bank through its Housing Finance branch, had granted two Housing Loans to the Respondent and his wife to purchase two Row houses at Mira Road. It was alleged that the Respondent availed the Housing Loan with malafide intention by submitting forged and fabricated sale agreements, permission letters, etc. to the Bank. Moreover, the loan amounts were not used by the Respondent for purchase of the house and the Respondent had mis-appropriated

the funds of the Bank. Since the Respondent could not repay the loans availed, the said loan account had become NPA.

- 5.2. Since the allegations against the Respondent was that he had availed housing loans from the bank in a fraudulent manner, the Committee decided to examine the defence submitted by the Respondent in the form of his Written Statement to the complaint and also Written Submissions in the form of paper book produced at the time of hearing before the earlier Committee.
- 5.3. In his Written Statement dated 1<sup>st</sup> July 2008, the Respondent submitted that at the outset he would like to state that around the time the complaint was made by the Bank i.e. around 23<sup>rd</sup> May 2006 talks were on with the officials of Complainant-Bank to create mortgage over his property at Andheri (West), Mumbai which was, after complying with certain technical formalities, mortgaged on 15<sup>th</sup> July 2006 and within a period of two months thereafter, he sold the mortgaged property and repaid the entire amount to the Complainant-Bank without having a single paise of waiver in interest or principal amount. He also stated that at that time, he had been orally assured that they will take necessary action to withdraw their complaint. The Respondent further stated that neither he nor his wife had impersonated Mr. Ravindra K. Patel, the seller of the property in question. The said person i.e. Mr. Ravindra K. Patel was impersonated at the instance of Mr. Kiran Shah and Mr. Vinod Avlani. It was these two persons who were mainly instrumental in committing the fraud of around Rs. 4 Crores with the Complainant-Bank, Central Bank of India and other banks.

- 5.4. Continuing in his Written Statement, the Respondent mentioned that it was he and his wife who are the first persons on whom the experiment was made as regards how the Housing Loan can be availed in a fraudulent manner and by following the same *modus operandi*, CA. Kiran Shah had extended it to others also. It was stated that the loan to the Complainant-Bank has been repaid in its entirety and he had no intention to defraud the Bank and since property over which the loan was repaid was mortgaged and under litigation, there was a delay in the repayment. He had preferred to square off the said loan in question immediately after his property was mortgaged to the Corporation Bank by disposing of the said property voluntarily.
- 5.5. In response to the Written Statement submitted by the Respondent, the Complainant-Bank in its rejoinder had categorically denied that the Bank had orally assured of taking action of withdrawal of the complaint. They stated that the closure of the account does not absolve him of the acts committed by him. They also refuted the statement of the Respondent that he was not liable for impersonating Mr. Ravindra K. Patel who was the seller of the property but only he was also instrumental for cheating and defrauding the Bank. The Complainant-Bank further stated in their rejoinder that simply because the Respondent had paid the loan account, does not mean that his intentions were good. The entire transaction of the said account showed his intention to defraud the Bank.
- 5.6. In his comments to the Rejoinder, the Respondent stated that it was wrong to say that the loan account was repaid only after the complaint was made before

the CBI. In fact he had repaid the loan after the complaint was made before the CBI but the delay occurred because his property at Rajkot which he had mortgaged, was under litigation. He, therefore, took sometime to repay the loan.

- 5.7. In respect of the allegation of impersonating Mr. Ravindra K. Patel, he reiterated that the said impersonation was not by him but it was by/at the instance of Mr. Kiran Shah, Chartered Accountant (M. No. 17834) and Mr. Vinod Avlani. He further reiterated his accusation against Mr. Kiran Shah and stated that it was Mr. Kiran Shah and Mr. Vinod Avlani who had used the same *modus operandi* and impersonated other builders in other cases. Since Mr. Kiran Shah was a Senior Chartered Accountant, he had no reason to doubt his actions and in view of the total belief in him, he signed whatever documents were brought before him. His only mistake was that he had kept over-confidence in Mr. Kiran Shah which was an error of judgement on account of his immaturity but definitely the same was not done with an intention to defraud the Bank.
- 5.8. In his submissions filed before the Committee in the form of an Affidavit, the Respondent gave his detailed background of his association with CA. Kiran Shah and the circumstances of his involvement of availing of loan from the Complainant-Bank. Explaining the sequence of the circumstances, the Respondent stated that he was born and brought up in Mumbai and he had completed CA in Mumbai. In 1996 when he had shifted to Rajkot, he continued his practice in Mumbai also. He was rethinking to reshift to Mumbai. It was in 2001 that he came in touch with one Mr. Kamlesh Shah who was the cousin brother of one Mr. Hitesh Shah. In September, 2003 Mr. Kamlesh Shah has

introduced him to Mr. Kiran Shah who is a Senior Chartered Accountant. Since Mr. Kiran Shah showed his willingness to join him in his office, he started looking for further table space for a bigger office. Although he was looking for an office on rental basis, on looking at an office at Shalimar Morya Park, which was not available on rental basis but only on outright purchase basis costing around Rs. 36 Lakhs, he discussed the same with Mr. Kiran Shah, as they were unwilling to join as co-owners, he decided to go alone.

- 5.9. At this point of time, Mr. Kiran Shah suggested an alternative that he knows certain builders who give finance to businessmen and he was given to understand that the said builder will enter into an agreement with him for the sale of house property and Mr. Kiran Shah will help in raising finance for the purchase of house property and the financial institution will disburse money to the builder who in turn would give the money back to him by way of temporary loan. He was asked to give back 20% of the disbursed amount to the builder and 2% by way of professional charges to Mr. Kiran Shah. It was further stipulated that till he repaid the temporary loan, he would not get physical possession of the property. He, therefore, registered the documents which were thereafter, sent to the Advocate of the Bank and even before the documents were registered, Mr. Kiran Shah informed him that all other properties papers were in order and had been shown to the Advocate so that legal opinion would be available immediately after registration.
- 5.10. The Respondent in his affidavit categorically stated that he denies the charge reiterated by the Complainant-Bank in their Rejoinder that he is liable for not

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only impersonating Mr. Ravindra K. Patel the seller of the property but he was also instrumental for cheating and defrauding the Bank. To support this, the Respondent stated that although the Bank had enlisted 30 cases of fraudulent transactions names of only some 4-5 builders are associated. He, therefore, emphasized that the person behind these episodes were only Mr. Kiran Shah and Mr. Vinod Avlani.

5.11. The Respondent in his Written submission further stated that he had come to meet the signatory of the sale deed Mr. Ravindra K. Patel only on the day when the Deed was registered and thereafter, only when he started coming to the Sessions Court in the legal proceedings. He kept on meeting with him and thereby came to know that his real name was Mr. Ravindra Hodar. It was therefore, submitted by the Respondent that when he had never met Mr. Ravindra K. Patel, even before the day on which the agreement was signed, it was not possible for him to impersonate him as the authorized signatory of M/s Ravi Developments (the entity of which the housing loan had been availed). If the above facts are considered, the very basis of the charge against him becomes null and void because it was mere guesswork of the Bank that he (i.e. the Respondent) had impersonated Mr. Ravindra K. Patel.

5.12. The further submissions of the Respondent was that since Mr. Kiran Shah had been arrested by the Police authorities, he had approached the Bank on his own and undertook to square off the loan amount. Moreover, since as a practicing Chartered Accountant and being on the panel of RBI for statutory audit, he



understood the seriousness of the transaction and on his own undertook to repay the entire loan.

- 5.13. He, therefore, reiterated at the cost of repetition that he and his wife have been a victim of entire transaction on account of the total faith he reposed on Mr. Kiran Shah who was a Senior Chartered Accountant. They were never aware that any illegality or forgery was being committed. He had no reason to disbelieve CA. Kiran Shah or create any doubt in whatsoever documents obtained from him. He had no intention to cheat or defraud the Bank.
- 5.14. The Respondent also took a plea that since the present complaint which has been filed on the same set of facts and making some accusation against him that were being leveled in the criminal case filed before the Court of Special Judge for CBI cases at Mumbai, the same should be dismissed as being non-maintainable and pre-mature. He also stated that Complainant-Bank had accepted the entire amount of repayment without any protest or demur from him and the fact of the repayment of the amount showed his genuineness. He had been a victim of circumstances and in fact it was he who has been cheated through his belief and faith he reposed on CA. Kiran Shah.
- 5.15. The Committee has carefully examined the submissions and defence made by the Respondent. The Committee notes that in respect to title deeds of the impugned property, the report of the advocate was there that the said documents were vetted by an advocate of the bank and the sale agreement was even registered with the office of the Sub Registrar. Respondent was entitled to rely upon the documents vetted by the advocate of the bank.

5.16. The Committee notes that it is a fact that the Respondent under the lure of Mr. Kiran Shah had fallen a prey to certain mis-happenings in the loan account transactions with the Complainant-Bank. However, it is an admitted fact that the Respondent decided to avail a Housing Loan to a builder in the name of M/s Ravi Developments which also appeared to be a fictitious concern and whereby it was supposed to be an adjustment process for money to be paid back by M/s Ravi Developments with a 20% cut to the party and 2% cut to Mr. Kiran Shah so that the Respondent could purchase an office space in Mumbai.

5.17. The Committee also notes in this regard, the following observations in the Vigilance Report submitted by the Bank which are as under:-

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*8.4.8 As revealed from the scrutiny of the records received from the Karnataka Bank, the account to which the loan proceeds disbursed in the form of Pay Orders were credited is opened in the name and style of M/s Rushabh Enterprises by Shri Ravindra Patade, as its Proprietor (as stated earlier in the report, investigation has revealed that the said Shri Ravindra Patade, who has also availed a loan of Rs. 7.78 lac (CHOME 202/2003) from the Branch, is an employee of Shri Yasir Khan). The account of M/s Rusubh Enterprises is introduced by Shri Chetan Gaglani. It is also revealed that substantial amounts were transferred from the account of M/s Rusubh Enterprises to various persons as below:-*

- (a) M/s Fast Track Developers (Prop. Mr. Yasir Khan—Rs.10 Lac
- (b) Mr. Chaitanya Kalbag (CHOME 37/2004)—Rs.17.72 Lac
- (c) Mrs. Heena Kalbag (CHOME 38/2004) – Rs. 10 Lac)
- (d) Mr. Krishna Raghav (CHOME 43/2004) – Rs. 03.31 Lac)
- (e) Mr. Kiran Shah – Rs. 18.60 Lac

*8.4.9 Two of the borrowers i.e. Mr. Raghuram Shetty (CHOME 187/2004) and Manoj Soni (CHOME 188/2004) have issued legal notices to Mr. Jagat R. Parikh and Mr. Vinod Aulani who reportedly introduced them to Mr. Kiran Shah."*

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- 5.18. The Committee noted that the proceeds of loan was not utilized for the intended purpose i.e., for purchase of house. For diverting the amount of loan, the Respondent in an arrangement with CA. Kiran Shah, opened a bank account in the name of M/s. Ravi Development in order to obtain the amount of loan and transferred 20% of the loan to builder in cash and approx. 2% for professional charges and around 6% towards Stamp Duty etc. The remaining amount of the loan was utilized by him for purchase of another office. Though the Respondent stated that the afore-stated transactions were done under a scheme of arrangement with Builders yet it cannot be denied that he was not aware of the fact that the transactions related to housing loan was a sham transaction ab initio.
- 5.19 The Committee could not appreciate the fact that despite the circumstances the Respondent had acted in a manner which although did not convey any intention to defraud the Bank but however, reflected an incorrect means in availing finance for himself through a dubious loan account for which he was made a party at that relevant time. The Respondent in his final oral submissions before the Committee, had admitted that something wrong had been done but the same was not with any malafide intention and since the Complainant-Bank was also not pursuing the matter, further to the repayment of the loan account, he sought to be acquitted in the present disciplinary proceedings. The Committee despite the submissions of the Respondent, was not able to take a sympathetic attitude towards him because ultimately the action of the Respondent in being a part of the process of obtainment of loan amount from the Bank in a rather

unusual manner, has allowed the image of the profession to be projected in a bad light. His act of being a party to certain illegal transactions under the advice of another professional as being claimed by him, is not that is expected of a professional. His submission to the effect that he was misled by another Chartered Accountant and on coming to know of the latter's arrest and the mis-happenings he has taken due efforts to repay the amount of loan, does not impress the Committee as it is felt that the Respondent being a man of professional stature, should have taken a rationale and judicious decision based on his conscience without allowing himself to be misled by another professional.

5.20. Thus, taking an overall view of the facts of circumstances of the case, the Committee is of the view that the Respondent is guilty of "**Other Misconduct**" falling within the meaning of Section 22 read with Section 21 of the Chartered Accountants Act, 1949.

6. The Council noted that the Respondent has submitted his written representations dated 28<sup>th</sup> June, 2018. The Council considered the contents of the same.

7. The Respondent, CA. Chetankumar M. Gaglani appeared, in person before the Council and made his oral submission.

8. The Council upon consideration of the Report of the Disciplinary Committee dated 5<sup>th</sup> February, 2018 in the captioned case along with written representations of the Respondent dated 28<sup>th</sup> June, 2018, as well as oral representations made by the Respondent before it, decided to accept the finding(s) of the Disciplinary Committee holding the Respondent "Guilty" of "Other Misconduct" falling within the meaning of Section 22 read with Section 21 of the Chartered Accountants Act, 1949. ✓

10. Further, the Council also decided to recommend to the Hon'ble High Court that the name of Respondent, CA. Chetankumar M. Gaglani be removed from the Register of Members for a period of 01 (one) Month.

11. The Council further resolved that CA. Atul Kumar Gupta, Chairman of the meeting at the time of consideration of the report be authorised to sign the Finding of the Council in the case, on behalf of the Council.

**Sd/-**  
**(CA. ATUL KUMAR GUPTA)**  
**CHAIRMAN**

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