



**THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA**

(Set up by an Act of Parliament)

[PR-105/17-DD/161/2016/DC/992/2019]

**ORDER UNDER SECTION 21B(3) OF THE CHARTERED ACCOUNTANTS ACT, 1949 READ WITH  
RULE 19(1) OF THE CHARTERED ACCOUNTANTS (PROCEDURE OF INVESTIGATION OF  
PROFESSIONAL AND OTHER MISCONDUCT AND CONDUCT OF CASES) RULES, 2007.**

**In the matter of:**

**Chief Manager,  
State Bank of Travancore,  
No.-34, Chinnakadai Street,  
Trichy – 620002**

**Versus**

**CA. C R Ramachandrran (M. No. 203305)  
No.-6, Pandamangalam,  
Agraharam, Woraiyur,  
Tiruchirapalli-620003.**

[PR-105/17-DD/161/2016/DC/992/2019]

**MEMBERS PRESENT:**

- 1. CA. Atul Kumar Gupta, Presiding Officer**
- 2. CA. Amarjit Chopra, Government Nominee**
- 3. CA. Rajendra Kumar P, Member**
- 4. CA. Chandrashekhar V. Chitale, Member**

1. That vide findings under Rule 18 (17) of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007 dated 04.09.2019, the Disciplinary Committee was inter-alia of the opinion that **CA. C R Ramachandrran (M. No. 203305)** (hereinafter referred to as the **Respondent**) was **GUILTY** of professional misconduct falling within the meaning of Clause (4) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

2. That an action under Section 21B (3) of the Chartered Accountants Act, 1949 was contemplated against the Respondent and a communication dated 19<sup>th</sup> November, 2019 was



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sent to him thereby granting an opportunity of being heard in person and/or to make oral/written representation before the Committee on 10<sup>th</sup> December, 2019 at Chennai.

3. Further, on 10<sup>th</sup> December, 2019, the Committee noted that the Respondent was present and made written as well oral submissions on the findings of the Committee holding him Guilty of professional misconduct within the meaning of Clause (4) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

4. The Committee noted that there is one charge against the Respondent in which he has been held guilty by the Committee, which is as under:-

4.1 The Respondent has certified financial statements in respect of Smt S. Lalitha, Shri R. Sivashanmugam and M/s. Chellammal Enterprises in which he was also a guarantor and which were submitted to the Complainant Bank for availing credit limits which is against the code of ethics.

5. The Committee noted the findings contained in Report of the Disciplinary Committee dated 04/09/2019 holding the Respondent guilty of professional misconduct, which are as under:-

5.1 *“On perusal of papers on record, the Committee observed that M/s. Chellammal Enterprises had received sanction letter dated 09/7/2010 for credit facilities in which name of Mr. V.R. Ramachandran i.e. the Respondent (changed the name as C.R. Ramachandrran w.e.f. 28/12/2016, hence hereinafter referred as C.R. Ramachandarran instead of V.R. Ramachandaran) was stated as Guarantor. Further, the Respondent has also certified financial statements of M/s Chellammal Enterprises for financial years 2008-09 and 2009-10 on 08/7/10 and Projected financial statements for years 2010-11 and 2011-12 on 01/7/2010. In the same manner, Smt S. Lalitha received sanction letter dated 18/6/2010 for credit facilities in which*



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*name of Mr. C.R. Ramachandran (the Respondent) was stated as Guarantor. Further, the Respondent has also certified financial statements of Smt S. Lalitha for financial years 2008-09 and 2009-10 on 01/7/09 and Projected financial statements for financial years 2010-11 and 2011-12 but date of signature is not found on them.*

5.2 *In case of Mr. R. Sivashanmugam the sanction letter was issued on 17/6/2010 for credit facilities in which name of Mr. C.R. Ramachandran (Respondent) was stated as Guarantor. Further, the Respondent has also certified financial statements of Mr. R. Sivashanmugam for financial years 2008-09 and 2009-10 and Projected financial statements for year 2010-11, but date of signature is not found on them.*

5.3 *It is also brought before the Committee that the address of one of the clients of the Respondent i.e. M/s. Chellammal Enterprises, as specified on the financial statements certified by the Respondent and the sanction letter of the Complainant bank is the same as the professional address of the Respondent available in the records of the Institute and also provided on his letter head.*

5.4 *In this regard, the Committee draw a reference to Chapter IV of Council Guidelines No. 1-CA(7)/02/2008 dated 8<sup>th</sup> August, 2008 and noted that the said guidelines state that a member of the Institute shall not express his opinion on financial statements of any business or enterprise in which one or more persons, who are his "relatives" within the meaning of Section 6 of the Companies Act, 1956, have either by themselves or in conjunction with such members, a substantial interest in the said business or enterprise.*



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5.5 Further, the Committee noticed that The Code of Ethics also provides that the holding of substantial interest by the partner or relative of the member in the business or enterprise of which the audit is to be carried out and opinion is to be expressed on the financial statement, may also affect the independence of mind of the member, in the opinion of Council, in the performance of professional duties. Therefore, the member may, for the same reasons as not to compromise his independence, desist from undertaking the audit of financial statements of such business or enterprise.

5.6 The Committee also took perusal of written statement of the Respondent dated 21/08/2016 (W2) and noted that although he has not specified his relation with these clients, yet, has clearly accepted that these clients to be his relatives. Thus, in view of the specific admission of the Respondent that these clients were his relatives, the address of one of his clients being exactly the same as that of the professional address of the Respondent and the Respondent, acting as a guarantor to the credit facilities sanctioned to his relatives by the Complainant bank clearly violation of the provisions of Clause (4) of Part I of the Second Schedule to the Chartered Accountants Act, 1949”.

6. The Committee perused the above facts and looking into all these aspects noted that the Respondent has accepted that it is true that he has certified financial statements of Mrs. S. Lalitha, Mr. R. Sivashanmugam and M/s. Chellammal Enterprises – whose Proprietor is Mrs. A. Selvi and subsequently at later dates he stood as guarantor for the loans they availed, as they are his relatives. Other than this, he has no substantial interest in their business.

In view of above, the Committee drew a reference to Chapter IV of Council Guidelines No. 1-CA(7)/02/2008 dated 8<sup>th</sup> August, 2008 and noted that the said guidelines state that a member of the Institute shall not express his opinion on financial statements of any business or enterprise in which one or more persons, who are his “relatives” within the meaning of Section 6



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of the Companies Act, 1956, have either by themselves or in conjunction with such members, a substantial interest in the said business or enterprise.

Based on the above findings the Respondent being held guilty of professional misconduct, the Committee is of the view that ends of justice will be met, if the punishment awarded to the Respondent is commensurate with the seriousness of the nature of misconduct.

7. Thus, Keeping in view the facts and circumstances of the case, material on record and submissions of the Respondent before it, the Committee ordered that the name of the Respondent i.e. CA. C R Ramachandrran (M. No. 203305) be removed from the register of members for a period of 01 (One) month.

Sd/-  
(CA. ATUL KUMAR GUPTA)  
PRESIDING OFFICER

Sd/-  
(CA. AMARJIT CHOPRA)  
GOVERNMENT NOMINEE

Sd/-  
(CA. RAJENDRA KUMAR P)  
MEMBER

Sd/-  
(CA. CHANDRASHEKHAR V. CHITALE)  
MEMBER

**DATE : 10/12/2019**

**PLACE : CHENNAI**



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**CONFIDENTIAL**

**DISCIPLINARY COMMITTEE [BENCH – II (2019-2020)]**

**[Constituted under Section 21B of the Chartered Accountants Act, 1949]**

**Findings under Rule 18(17) of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007**

**File No. [PR-105/17-DD/161/2016/DC/992/2019]**

**In the matter of:**

**Chief Manager,**

**State Bank of Travancore,**

**No.-34, Chinnakadai Street,**

**Trichy – 620002**

**.....Complainant**

**Versus**

**CA. C R Ramachandrran (M. No. 203305)**

**No.-6, Pandamangalam,**

**Agraharam, Woraiyur,**

**Tiruchirapalli - 620003.**

**.....Respondent**

**MEMBERS PRESENT:**



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1. CA. Atul Kumar Gupta, Presiding Officer
2. CA. Amarjit Chopra, Government Nominee
3. CA. Rajendra Kumar P, Member
4. CA. Chandrashekhar V. Chitale, Member

**DATE OF FINAL HEARING : 03.07.2019**

**PLACE OF FINAL HEARING : ICAI, CHENNAI**

**PARTIES PRESENT:**

**Respondent : CA. C. R. Ramchandran**

**Counsel for the Respondent : CA. R.G. Rajan**

**Charge in brief:-**

1. The Respondent has certified financial statements in respect of Smt S. Lalitha, Shri R. Sivashanmugam and M/s. Chellammal Enterprises in which he was also a guarantor and which were submitted to the Complainant Bank for availing credit limits which is against the code of ethics.

**Brief of Proceeding :**



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2. The Committee noted that the Respondent with counsel was present and appeared before it. Since this was the first hearing, the Respondent was put on oath. The office apprised the Committee that the Complainant vide letter dated 26/02/2019 wish to withdraw the complaint as the bank has recovered all its dues. The Committee rejected the plea of the Complainant and decided to proceed ahead based on available documents.

2.1 In the absence of the Complainant, the office read out the charges. On being asked whether the Respondent pleads guilty to the charges, he replied in negative and wished to defend the same.

2.2 Thereafter, the Respondent made written and as well as oral submissions to defend the charges.

2.3 After recording the submissions of the Respondent, the Committee concluded the hearing in the caption matter.

## **FINDINGS :**

3. Upon perusal the documents on record, viz. the Complaint, Written Statement, Prima Facie Opinion and further written/oral submissions of the Complainant, Respondent/Counsel for the Respondent and provisions of law, the Committee noted that there is only one charge against the Respondent, which is explained in para 1 above.

3.1 The Committee noted that the Complainant wish to withdraw this complaint vide letter dated 26/02/2019, the contents of said letter re-produce here as under:-

*“We confirm that these accounts have been fully settled in terms of Bank’s extant policy. As accounts referred to in the complaint have been closed, the borrowers and guarantors stand discharged from their liabilities to the bank. Hence, we hereby withdraw the complaint made*





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*against CA. C.R. Raamachandaran vide Form I on 21.04.2016 by Mr. C. Baskaran, the then Chief Manager of erstwhile SBT, Tiruchirapalli branch”.*

The Committee noted the above contents of the Complainant's letter and decided that its jurisdiction is limited to see the misconduct brought before it and it does not matter that on later stage same has been settled between the parties to the case. Hence, the Committee proceeds to see the misconduct of the Respondent based upon papers/documents brought on record by the Complainant.

3.2 The Committee took a perusal of written submissions of the Respondent made by him vide letters dated 02/04/2019 and even after the date of hearing i.e. 04/07/2019, which are as under:-

*3.2 (a) The admissibility of the complaint filed by State Bank of Travancore on ground of lack of proper authorisation under Rule 3 (4) as well as under 3 (5) after its merger with State Bank of India with effect from 31/03/2017 on ground it has not notified the change in the name of Complainant as well as a specified authorisation made by an officer holding a post equivalent of the original Complainant. Further, SBI vide its letter dated 26/02/2019 withdrew the complaint and invite attention of the Committee to that fact and requested to take cognizance of the same under Rule 6 and close the case”.*

3.3 The Committee perused the above contents and noted that withdrawal letter dated 26/02/2019 was made by Mr. P. Raveendhranath, Assistant General Manager, State Bank of India and the Complaint was filed by Chief Manager. In view of this it is appropriate to reject his withdrawal letter as same was not made by an officer equivalent of the rank of original Complainant.

3.4 Thereafter, the Committee proceed with its findings, which are as under:-



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3.4.1 The Committee noted that the Respondent in his defence has stated that it is true that he has certified financial statements of Mrs. S. Lalitha, Mr. R. Sivashanmugam and M/s. Chellammal Enterprises – whose Proprietor is Mrs. A. Selvi and subsequently at later dates he stood as guarantor for the loans they availed, as they are his relatives. Other than this, he has no substantial interest in their business.

3.4.2 On perusal of papers on record, the Committee observed that M/s. Chellammal Enterprises had received sanction letter dated 09/7/2010 for credit facilities in which name of Mr. V.R. Ramachandran i.e. the Respondent (changed the name as C.R. Ramachandrran w.e.f. 28/12/2016, hence hereinafter referred as C.R. Ramachandarran instead of V.R. Ramachandaran) was stated as Guarantor. Further, the Respondent has also certified financial statements of M/s Chellammal Enterprises for financial years 2008-09 and 2009-10 on 08/7/10 and Projected financial statements for years 2010-11 and 2011-12 on 01/7/2010. In the same manner, Smt S. Lalitha received sanction letter dated 18/6/2010 for credit facilities in which name of Mr. C.R. Ramachandran (the Respondent) was stated as Guarantor. Further, the Respondent has also certified financial statements of Smt S. Lalitha for financial years 2008-09 and 2009-10 on 01/7/09 and Projected financial statements for financial years 2010-11 and 2011-12 but date of signature is not found on them.

3.4.3 In case of Mr. R. Sivashanmugam the sanction letter was issued on 17/6/2010 for credit facilities in which name of Mr. C.R. Ramachandran (Respondent) was stated as Guarantor. Further, the Respondent has also certified financial statements of Mr. R. Sivashanmugam for financial years 2008-09 and 2009-10 and Projected financial statements for year 2010-11, but date of signature is not found on them.

3.4.4 It is also brought before he Committee that the address of one of the clients of the Respondent i.e. M/s Chellammal Enterprises, as specified on the financial statements certified by the Respondent and the sanction letter of the Complainant bank is the same as the professional



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address of the Respondent available in the records of the Institute and also provided on his letter head.

3.4.5 In this regard, the Committee draw a reference to Chapter IV of Council Guidelines No. 1-CA(7)/02/2008 dated 8<sup>th</sup> August, 2008 and noted that the said guidelines state that a member of the Institute shall not express his opinion on financial statements of any business or enterprise in which one or more persons, who are his “relatives” within the meaning of Section 6 of the Companies Act, 1956, have either by themselves or in conjunction with such members, a substantial interest in the said business or enterprise.

3.4.6 Section 6 of the Companies Act, 1956, defines a “relative” as under:

*“A person shall be deemed to be a relative of another if, and only if,-*

*(a) they are members of a Hindu undivided family; or*

*(b) they are husband and wife; or*

*(c) the one is related to the other in the manner indicated in Schedule IA.*

*As per Schedule IA*

*List of Relative 1. Father 2. Mother (including step-mother) 3. Son (including step-son) 4. Son's wife 5. Daughter (including step-daughter) 6. Father's father 7. Father's mother 8. Mother's mother 9. Mother's father 10. Son's son 11. Son's son's wife 12. Son's daughter 13. Son's daughter's husband 14. Daughter's husband 15. Daughter's son 16. Daughter's son's wife 17. Daughter's daughter 18. Daughter's daughter's husband 19. Brother (including step-brother) 20. Brother's wife 21. Sister (including step sister) 22. Sister's husband”*

3.4.7 Further, the Committee noticed that The Code of Ethics also provides that the holding of substantial interest by the partner or relative of the member in the business or enterprise of which the audit is to be carried out and opinion is to be expressed on the financial statement, may also



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affect the independence of mind of the member, in the opinion of Council, in the performance of professional duties. Therefore, the member may, for the same reasons as not to compromise his independence, desist from undertaking the audit of financial statements of such business or enterprise.

3.4.8 The Committee also took perusal of written statement of the Respondent dated 21/08/2016 (W2) and noted that although he has not specified his relation with these clients, yet, has clearly accepted that these clients to be his relatives. Thus, in view of the specific admission of the Respondent that these clients were his relatives, the address of one of his clients being exactly the same as that of the professional address of the Respondent and the Respondent, acting as a guarantor to the credit facilities sanctioned to his relatives by the Complainant bank clearly violation of the provisions of Clause (4) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

3.4.9 As contained in prima facie opinion, the Committee noted that the financial statements of the clients and acceptance of sanction facilities as a guarantor have been signed by the Respondent in the name of Mr. V.R. Ramachandran and in Form I said name was mentioned as Respondent to the subject complaint. Whereas, the name of the Respondent as per the records of the Institute and also as per his written statement (s) is CA. C.R. Raamachandrran (W2) and the same has not been contested to by the Respondent. However, in response to e-mail of the Disciplinary Directorate dated 10/03/2018, it has been informed by the SRO, ICAI that the Respondent vide letter dated 6<sup>th</sup> February 2017 has intimated that he has changed his name as C.R. Ramachandrran w.e.f. 28<sup>th</sup> December 2016 and same has been notified in Government gazette on 28/12/2016.

In view of above, bonafide exercise on the part of the Respondent, the Committee absolves him of this extended charge that there is a possible malafide intention on the part of the Respondent to cheat the Complainant bank by affixing seal and signing with wrong initials with



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his membership number and accordingly, drop the Clause (2) of Part IV of the First Schedule to the Chartered Accountants Act, 1949 against him.

**CONCLUSION :**

4. Thus, in the considered opinion of the Committee, the Respondent is **GUILTY** of Professional Misconduct falling within the meaning of Clause (4) of Part I of the Second Schedule to the Chartered Accountants Act, 1949 as stated in paragraph 3.4.8 above.

Sd/-  
PRESIDING OFFICE

Sd/-  
GOVERNMENT NOMINEE

Sd/-  
(CA. RAJENDRA KUMAR P)  
MEMBER

Sd/-  
(CA. CHHANDRASHEKHAR V. CHITALE)  
MEMBER

DATE :04-09-2019



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**PLACE : Mumbai**