

**CONFIDENTIAL**

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

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

**Findings cum Order under Rule 18(17) and Rule 19 (2) of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007.**

**File No. : [PR/262/2017/DD/306/17/DC/991/2019]**

**In the matter of:**

DGM, State Bank of India,  
Commercial Branch,  
Magma House, 3<sup>rd</sup> Floor,  
24, Park Street,  
**KOLKATA – 700 016**

**....Complainant**

***Versus***

**CA. Ranjish Vishwakarma (M.No. 404363),**  
M/s Singh Dikshit & Co.,  
C-27, 120 EH Jagatganj,  
Near Hotel Pradeep,  
**VARANASI – 221 002**

**....Respondent**

**MEMBERS PRESENT:**

**CA. Atul Kumar Gupta, Presiding Officer**  
**Shri Rajeev Kher, Government Nominee**  
**CA. Amarjit Chopra, Government Nominee**  
**CA. Chandrashekhar Vasant Chitale, Member**

**DATE OF HEARING : 21.10.2019**  
**PLACE OF HEARING : ICAI Bhawan, Lucknow**

**PARTIES PRESENT:**

**Complainant : Shri Sikander Ahmed, Chief Manager, State Bank of India**  
**Respondent : CA. Ranjish Vishwakarma**  
**Counsel for the Respondent : Advocate Sumit Kansal**

**Charges in Brief:-**

The charges against the Respondent are as under:-

1. The Respondent has audited the financials statements of M/s. JVL Agro Industries Ltd. as on 31.03.2016. The Complainant raised allegations as regards to CARO reporting in respect of default in repayment of loan and utilising of short term funds for capital expenditure.
2. Raising money by way of initial public offer or further offer, the Complainant Bank alleged that contrary of reporting by the Respondent in para (ix) of CARO reporting the promoters of the Company during consortium meetings and on other occasion, have declared that the Company was facing the problem of liquidity mismatch due to diversion of short term funds for capital expenditure

**Brief facts of the Proceedings:**

3. The Committee noted this case was firstly heard on 06/08/2019 at New Delhi, whereas, the Complainant in person and the Respondent along-with Counsel were present and appeared before it.

The Complainant and the Respondent were put on oath. The Complainant explained the charges in which the Respondent was prima facie held guilty. On being enquired by the Committee, the Respondent pleaded not guilty and wished to defend the charges.

The Respondent/Counsel for the Respondent made submission to defend the charges. After recording the submissions of the parties, the Committee directed him to provide the Balance Sheet and Profit & loss account of the auditee entity.

- 3.1 Further, on 21/10/2019 i.e. final day of hearing, the Complainant in person and the Respondent along-with Counsel were present and appeared before it.

As this case was part heard on 06/08/2019 with directions to the Respondent to provide the Balance Sheet and Profit & loss account of the auditee entity, the Respondent submitted the same before the Committee.

After recording the submissions of the Complainant and Respondent/Counsel and upon perusal of documents/submissions of the parties on record, the Committee concluded the hearing in the captioned matter.

### **Findings of the Committee:**

4.The findings of the Committee in subject case are as under:-

4.1 The Committee noted that subject complaint is based on the provision of Companies Auditor Report Order 2015 and the Respondent has audited the financial statements of the Company for year ended on 31.03.2016. It is noted that on 29<sup>th</sup> March, 2016, the Ministry of Corporate Affairs issued Companies Auditor Report Order (CARO), 2016 which is applicable for the audit reports relating to financial year commencing on or after 1<sup>st</sup> April, 2015.

4.2 Further, the Respondent on the day of hearing i.e. 21/10/2019 submitted written submissions stating that clause 18 on borrowings enshrined under the “Guidance Note on CARO 2016” states that “borrowings from banks or financial Institutions can be long term or short term and are normally in form of term loans, demand loans, export credits, cash credits, overdraft facilities, bill purchased or discounted. Outstanding balances of such borrowings should be considered as borrowing outstanding for the purpose of computing the limit of rupees one crore. Non – fund based credit facilities to the extent such facilities have developed AND have been converted into fund – based credit facilities should also be considered as outstanding borrowings”.

It is important to submit here that as per the above regulations, 2 conditions need to be fulfilled to qualify them as “Outstanding Borrowings” namely – element of development AND conversion into fund-based credit facilities. In the instant case, the LC got developed

and therefore was rightly and adequately netted off from the FDR's in banks, there was no outstanding liability anywhere and as such the question of "outstanding borrowings" or disclosure thereof does not arise at all.

Further, it is pertinent to mention here that JVL Agro Industries Ltd never executed/furnished any documents/paper to this effect i.e. for devolvement of LC and conversion. Consequently, the question of exhibiting of default in outstanding borrowings does not arise at all.

In view of above submissions, the Committee is of the opinion that the Respondent is Not Guilty of professional misconduct.

4.3 Further, the Committee noted that there are certain changes in provisions of CARO 2016 in comparison of CARO 2015. Upon a perusal of provisions of CARO 2015, the Committee noted that an auditor have to comment upon as per clause (ix) "whether the Company has defaulted in repayment of dues to a financial institution or bank or debenture holders? If yes, the period and amount of default to be reported". However this clause (ix) was omitted in CARO 2016 and read as "whether moneys raised by way of initial public offer or further public offer (including debt instruments) and term loans were applied for the purposes for which those are raised. If not, the details together with delays or default and subsequent rectification, if any, as may be applicable, be reported".

4.4 In view of above change, the Committee noted that the said charge of the Complainant is not correct and the Respondent could not be held guilty in this respect.

4.5 Moreover, the Committee was of the opinion that this clause is applicable to term loans and LC (letter of credit) is not covered under this clause. Because in the LC there is no default of payment as devolved LC amount debited to cash credit account would make such account irregular. Default is incurred when there is due date for payment. Due date is applicable to term loan only. Cash credit is always irregular, it exceeds its limits it exceeds its sanction limits.

**Conclusion:**

5. Thus, in the opinion of the Committee, the Respondent is **NOT GUILTY** of professional Misconduct falling within the meaning of Clauses (7) and (8) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

6. Accordingly, in terms of Rule 19 (2) of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007, the Committee passes Order for closure of this case against the Respondent.

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

Sd/-  
(CA. AMARJIT CHOPRA)  
GOVERNMENT NOMINEE

Sd/-  
(SHRI RAJEEV KHER, I.A.S. (Retd.)  
GOVERNMENT NOMINEE

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

DATE : 10-02-2020

PLACE : New Delhi