

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-198/13-DD/195/2013/DC/461/16]

In the matter of:

**Ms. Sangeetha Mupparapu,
1163, Blue Bill Way,
City Normal
State: IL
USA – Zip 61761**

....Complainant

Versus

**CA. Satyanarayana Vajrapu, (M.No. 025912)
C/o. V. Satyanarayana & Co.,
11-124, Sagar Road,
Beside Old Andhra Bank,
Miryalguda
Andhra Pradesh 508207**

.....Respondent

MEMBERS PRESENT:

**CA. Atul Kumar Gupta, Presiding Officer
CA. Amarjit Chopra, Government Nominee
CA. Rajendra Kumar P, Member
CA. Chandrashekar Vasant Chitale, Member**

DATE OF FINAL HEARING : 18.05.2019

PLACE OF FINAL HEARING : ICAI Bhawan, Chennai

PARTIES PRESENT:

Respondent : CA. Satyanarayana Vajrapu

Charges in Brief:-

1. The Committee noted that in the Prima-Facie Opinion formed by Director (Discipline) in terms of Rule 9 of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007, the Respondent is Guilty under Clause (7) of Part I of the Second Schedule of Chartered Accountant Act 1949. The above Clause (7) of Part I Second Schedule of Chartered Accountant Act 1949 which states as under:-

“(7) does not exercise due diligence, or is grossly negligent in the conduct of his professional duties;”

2. In this case, the Complainant has filed the complaint for charge of negligent on the part of Respondent who was the auditor of M/s Sri Sai Pavan Industries Private Limited (hereinafter referred to as the 'Company'). Wherein the investment done in company is not getting reflected in list of shareholder evident from search report obtained from Registrar of Companies website. Additionally, the Complainant also alleged that he was having a claim against the abovesaid Company amounting to Rs.102.58 crores for which notice was also given to the Respondent, inspite of that the Respondent suppressed the Complainant claim from the financial statement.
3. Brief charge on the Respondent is that the Complainant is an NRI living in the United States and has invested a total of Rs. 65,00,000/- in M/s Sri Sai Pavan Industries Private Limited. All this money was paid to the Company through proper banking channels from USA to the Company in India. The Respondent told her that she would be registered as a company's shareholder with the Registrar of Companies by September 2011 for the total amount that the Complainant has invested. The Company's management has transferred one of the existing shareholder's share certificates for the face value of Rs.27,50,000/- to her name and is not providing her any receipt for the remaining amount of Rs.37,50,000/-. Similarly, the Complainant's husband, Mr. Srinivas deposited an amount of US Dollars 1,69,000/- in the Company's account for purchase of shares and an amount Rs.23,99,900/- in the Personal Account of the then Managing Director Mr. Venkateshwarlu for purchase of shares of his son, Mr. Pavan Kumar. The Complainant stated that for the amount which went into the personal account of the then Managing Director Mr. Venkateshwarlu, his son by name Mr. S. Pavan Kumar has transferred his shares in the Complainant's account and that is not disputed.

4. As far as amount of Rs. 37,50,000/- is concerned, the Complainant stated that the Ledger shows that their account is Unsecured Loan but in fact as per the Respondent's advice only the Complainant and her husband has deposited the amount for the purchase of shares, whereas the Respondent has listed the Complainant as a shareholder in the Company's Return but refusing to register her as shareholder with the Registrar of Companies.

Brief facts of the Proceedings:

5. On the day of hearing, the Committee noted that Complainant was not present. The Respondent appeared before the Committee. The Respondent was put on oath. In the absence of the Complainant and with consent of Respondent, the charges were taken as read. On being asked to the Respondent whether he pleads guilty, he replied in negative. Thereafter, the Committee sought whether he wishes to proceed with his defence. The Respondent made his submissions. After considering all papers available on record and pleadings, the Committee proceeded with the matter.

Findings of the Committee

6. On the matter stated above, the Committee reviewed that in reply, the Respondent Submitted that as per the audited annual statements of the Company for the financial year ending on 31.03.2012, the Respondent herewith furnished the details of shares held by the Complainant and her investment particulars.
 - i. Shares held by the Complainant Rs. 27,50,000/-
 - ii. Unsecured Loans Rs. 54,31,390/-
7. The Respondent submitted that the investment of the Complainant is reflected in the books of account of the Company as a shareholder to the extent of Rs.27,50,000/- and she is shown as unsecured loan creditor for Rs.54,31,390/- and both put together is Rs.81,81,390/- which is more than what the Complainant claimed in her complaint i.e. Rs.65,00,000/-. The listing of shares in the ROC would not arise as this is a Private Limited Company and the details of shareholders would be available in ROC on filing of Annual Returns with ROC. The Company Management did not entrust the Respondent the assignment of filing of Annual Returns with ROC. Therefore, there is no responsibility on Respondent's shoulders as far as the issue of filing the details of shares with ROC is concerned. The Complainant has totally misunderstood the subject in this regard.

8. The Committee considered the above contention and submission made by both the sides in writing. On the day of hearing the complainant was not present and Respondent submitted that the said unsecured loan was later converted into share application money and even he has submitted the evidence of converting share application money into "capital". He further reiterated the point that he was appointed as Auditor of the said "company" and not for ROC filing of shareholder list etc.

Conclusion

9. In view of the above findings, the Committee is of the view the Committee finds no merit in the complaint filed by the Complainant. Accordingly, in the considered opinion of the Committee, the Respondent is **NOT GUILTY** under Clause (7) of Part I of the Second Schedule of Chartered Accountant Act 1949.
10. **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 OFFICER

Sd/-
(CA. AMARJIT CHOPRA)
GOVERNMENT NOMINEE

Sd/-
(CA. RAJENDRA KUMAR P)
MEMBER

Sd/-
(CA. CHANDRASHEKHAR VASANT CHITALE)
MEMBER

DATE:10.02.2020
PLACE: NEW DELHI

