

CONFIDENTIAL

DISCIPLINARY COMMITTEE [BENCH – II (2018-2019)]

[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. : [PPR/21/15/DD/22/INF/15/DC/512/2016]

In the matter of:

**CA. Rangantha Guptha S (M. No. 020442) in Re:
Surya Mansion,
4th Floor,
625, Anna Salai
CHENNAI – 600006.**

..... **Respondent**

MEMBERS PRESENT:

**CA. Prafulla P. Chhajed, Presiding Officer
CA. Amarjit Chopra, Government Nominee
CA. Mangesh P. Kinare, Member
CA. Sushil Kumar Goyal, Member**

DATE OF FINAL HEARING : 23.04.2018

PLACE OF FINAL HEARING : ICAI Bhawan, CHENNAI

PARTIES PRESENT:

Respondent : CA. Rangantha Guptha S.



Charges in Brief:-

1. On the basis of the analysis of financial statements of M/s. Viswapriya (India) Limited (hereinafter referred as **the Company**) for the year ended 31st March, 2011, the Informant observed following irregularities in the Financial Statements of the Company audited by the Respondent, which are as under:-

1.1 A line item "Negotiable Instruments Receivable" is appearing under (Loans and advances considered good). The amount is stated at Rs 53.40 crores as against Rs 36.75 crores in the preceding year.

1.2. The discount charges reflecting of Rs 8.00 crores approximately works out to 14.99% of the negotiable instrument. The comparative figures of previous years are 14.64%.

The discount charges constitute above 60.34% of the total revenue. Comparative figures of previous years are 50.92%. The total interest payment by the company for the year works out to Rs 9,51,66,797/- taking away 71.74% of the total revenue of the Company.

1.3. The debentures maturing within a period of 12 months to be classified as short term borrowings. The precarious liquidity position could have been detected easily.

1.4. Charges not created with the Registrar of Companies for the debentures issued during the year. Thus the debentures are unsecured and are to be classified as deposits under section 58A of the Companies Act. The consequential non adherence to the directives of RBI in this regard.

Brief facts of the Proceedings:

2. At the time of hearing held on 23.04.2018 at Chennai, the Committee noted that the Respondent was present and appeared before it. The Respondent sought adjournment as his Counsel was not present due to pre - occupancy of professional

work. However, looking to the long pendency of the matter and in view of the fact that adjournment have been granted earlier also to the Respondent at his request, the Committee insisted him to make submissions on the charges. The Respondent expressed his inability to present his defense orally, however, he replied that he would file his written submissions in caption matter.

After considering the plea of the Respondent, the Committee concluded the **hearing in captioned matter with directions** that he may file his submissions within 21 days time. However, the Respondent did not submit any submission thereafter.

Findings of the Committee

3. Before giving findings in caption matter, the Committee noted that a complaint in Form-I (single set) dated 27th January, 2014 without any documentary evidences and without requisite fee was received from Shri Sathyamoorthy, Chennai (hereinafter referred to as the "Informant") containing **allegations against CA. Rangantha Guptha S** (hereinafter referred to as the 'Respondent'). The Informant was asked to remit the requisite fees and relevant evidences vide letter dated 13th February, 2014 and reminder dated 20th May, 2014. Thereafter a final reminder dated 29th August, 2014 was sent to the Informant to comply with the requirements. However despite these, the Informant failed to rectify defects therein and accordingly in terms of provisions of Rule 6 of the Chartered Accountants (Procedure of Investigation of Professional and Other Misconduct and Conduct of Cases) Rules, 2007, the matter was placed before the Board of Discipline at its 52nd meeting held on 1st December, 2014.

The Board upon considering the facts of the case advised the Director (Discipline) to further investigate the matter under Rule 5(7) (b) of the aforesaid Rules. Thereafter, on an overall examination of allegations, the matter was decided to be treated as "information" within the meaning of Rule 7 of the Chartered Accountants (Procedure of Investigation of Professional and Other Misconduct and Conduct of Cases) Rules, 2007.



In view of above the Committee noted that just after sending Form – I which was without any supporting documents, the Informant never think it appropriate to respond the above letters of the Directorate nor he submitted any piece of evidence in support of his charges.

3.1. The Committee noted that the first charge against the Respondent is that a line item “Negotiable Instruments Receivable” is appearing under (Loans and advances considered good). The amount is stated at Rs 53.40 crores as against Rs 36.75 crores in the preceding year.

3.1.1 On perusal of Financial Statements of the Company, the Committee noted that it is evident that ‘Negotiable instruments receivable’ increases to Rs. 53.40 crores in comparative to Rs. 36.75 crores in previous year.

3.1.2 The Committee opined that it is factual situation, but the Informant has not substantiated this charge that in what manner said increased amount is not correct. Further, there is no other evidence which prove that same is incorrect.

3.1.3 On the basis of above, the Committee dropped the said charge against the Respondent.

3.2 Further, the next charge is that the discount charges reflecting of Rs 8.00 crores approximately works out to 14.99% of the negotiable instrument. The comparative figures of previous years are 14.64%. These discount charges constitute 60.34% of the total revenue. Comparative figures of previous years are 50.92%. The total interest payment by the company for the year works out to Rs 9,51,66,797/- taking away 71.74% of the total revenue of the Company.

3.2.1 The Committee noted that said charge is just based upon calculation of the Informant in comparison of certain figures of previous year of the Company. The Committee was of the opinion that these are verbal allegation without any supportive documents. The Committee was also of the view that Informant has failed to

substantiate as into what way the change in discount rate or figure was wrong on which the Respondent was required to comment upon in his report. Hence, same could not be proved against the Respondent.

3.3 Next charge against the Respondent is that debentures maturing within a period of 12 months to be classified as short term borrowings.

On perusal of Financial Statements of the Company, the Committee noted that it is evident that the Company has issued secured non – convertible debentures during the year. However, there is nothing on record which prove that there are certain debentures which are maturing during the year.

The Committee is of the view that as the Informant has not brought on record to substantiate said charge, accordingly, no misconduct on the part of the Respondent is evident on this count.

3.4 Lastly it is alleged that a separate line item is required as per revised Schedule VI as debenture redemption reserve was not created. Further, it has also been alleged that charge has not been created with the Registrar of Companies for the debentures issued during the year. Thus the debentures are unsecured and are to be classified as deposits under section 58A of the Companies Act 1956.

The Committee noted that said charge of the Informant is factually incorrect as revised Schedule VI was applicable for Financial Year 2011-2012 (i.e. 01.04.2011 onward). But in caption case, the Respondent was auditor for financial year 2010-2011, hence, said allegation of the Informant has no relevance.

Moreover, on perusal of notes to accounts, under head contingent liability, the Committee noted that under point 4 (a) it is disclosed that *“The matter regarding applicability of the provisions of Sec. 58A of the Companies Act, 1956 and the relevant directives of Reserve Bank of India in respect of certain schemes previously managed by the Company is appealed before the Division bench of Madras High Court. Since*

the schemes are no longer in operation and as there are no outstanding in respect of the said schemes, any decision by the Hon'ble High Court will not give raise to liability of any nature. "

3.5 Further, the following disclosure has been made under note 4 (b):-

"The Company has preferred an appeal against the Order of RBI, Chennai cancelling CoR as NBFC with The Appellate Authority for NBFC Registration constituted by Government of India. The Final hearing in the matter was heard on 20th July, 2007 and the Company had filed its final written submissions before the Authority on 06th August, 2007 and the Orders are awaited in this connection.

The Company continues to undertake lending activity but the asset/income pattern evidenced from the accounts does not entitle the Company presently to be classified as NBFC in pursuance of Press Release: 1998/99/1269 C.C. No. 81/03.05.002/2006-07 dated 19.10.2006".

3.6 In view of above, it is evident that the Respondent has made appropriate disclosure in his audit report.

On the basis of above, the Committee opined that although the Respondent has also not brought much on record to defend the charges, but primary duty to substantiate the charges rest with the Informant. But in this case, the Informant never responded except just dropping one allegation letter without any supportive documents.

3.7 Thus, based upon the above noted findings, the Committee decided that the charges against the Respondent do not stand established. The Committee, however would also like to place on record that the Respondent also unfortunately did not present his case properly and should have given his submissions in a manner which could have established his defence in a more strong manner instead of the Committee giving its findings on its own investigate the facts and records.



Conclusion

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

5. 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.

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Sd/-
(CA. PRAFULLA P. CHHAJED)
PRESIDING OFFICER

Sd/-
(CA. AMARJIT CHOPRA)
GOVERNMENT NOMINEE

Sd/-
(CA. MANGESH P. KINARE)
MEMBER

Sd/-
(CA. SUSHIL KUMAR GOYAL)
MEMBER

DATE :09th July, 2018.
PLACE : New Delhi

Certified True Copy

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