



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)

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.

File No. : PPR/P/21/S/13/DD/19/INF/14-DC/657/17

In the matter of:

CA. P. Raveendranadh Reddy, (M. No. 021149)

H.No.302, Samvai Towers,
3-5-694/1, New Narayanaguda,
Hyderabad - 500 029

----- Respondent

Members present:

CA. Atul Kumar Gupta, Presiding Officer
Smt. Anita Kapur, Member (Govt. Nominee)
Shri Ajay Mittal, Member (Govt. Nominee)
CA. Chandrashekhar Vasant Chitale, Member
CA. Manu Agrawal, Member

Date of Final Hearing: 2nd July 2020 through Video Conferencing

Place of Hearing: Gurugram

1. Vide report dated 12th December 2019 (**copy enclosed**), the Disciplinary Committee was of the opinion that **CA. P. Raveendranadh Reddy (M. No. 021149)** was **GUILTY** of Professional Misconduct falling within the meaning of Clause (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949 with respect to the attestation of the e-form 32 of M/s Kadambari Consultants Pvt. Ltd, (hereinafter referred to as the "**Company**") Hyderabad, in relation to the appointment of additional directors by the Board of Directors.

2. An action under Section 21B (3) of the Chartered Accountants Act, 1949 was contemplated against the Respondent and communication dated 15th June 2020 was addressed to him thereby granting him an opportunity of being heard in person and/or to make a written representation before the Committee on 2nd July 2020 through video conferencing.

3. The Committee noted that the Respondent did not appear before it at the time of hearing but in his written submissions sent vide his e-mail dated 21st March 2020, he submitted that in view of medical emergency conditions prevailing all over India, he would not be able to travel to appear before the Disciplinary Committee through e-



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hearing and thus requested to decide the case based on his written submissions made before it. The Committee in light of the same, accordingly, considered the written submissions of the Respondent dated 22nd January, 2020 and 21st March, 2020 available on record wherein he stated to have attested the said e-form 32 based on certified true copies of Board Resolutions and only after the said e-form was digitally signed by the Director, Mr. P. Ravi Kumar. Thus, he contended that there was no element of malafide intention or fraud or negligence while attesting the said e-form regarding the appointment of additional directors by the Board of Directors at the meeting held on 31st January 2012.

4. The Respondent further submitted that his act of affixation of digital signature on e-form 32 would not fall under the definition of misconduct as he was neither negligent in attesting the e-form nor any loss had incurred to the Company, in as much as the original directors were restored. The Respondent also stated that he had taken due care and was diligent in his conduct. The Respondent also referred to a Supreme Court Judgement in case of **Central Bureau of Investigation, Hyderabad -vs- K. Narayana Rao** and Hon'ble Bombay High Court Judgement in case of **Satyendra Singh Gurjar -vs- Union Of India** while submitting that even though there was negligence or carelessness on the part of a person, it did not tantamount to misconduct unless there is bad or ill motive in discharge of his duties. He also submitted that he had exercised reasonable due care and diligence coupled with the expertise which a reasonable person is expected to exercise in attesting the e-form in as much as he has attested the e-form based on the certified true copies of the Board Resolutions only and after the e-form was duly digitally signed by the concerned Director of the Company.

5. The Committee considered the written submissions made by the Respondent The Committee was of the view that the certification assumes importance and he was not the statutory auditor of the Company and failed to examine related facts from original record, as stated in the report.

6. The Committee noted that the Respondent has been held guilty within the meaning of clause (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949 and keeping in view the facts and circumstances of the case as aforesaid, ordered the removal of name of Respondent **CA. P. Raveendranadh Reddy, (M. No. 021149)** from the Register of Members for a period of 6 (six) Months.

Sd/-
[CA. Atul Kumar Gupta]
Presiding Officer

Sd/-
[Shri Ajay Mittal]
Member, (Govt. Nominee)
(approved & confirmed through e-mail)

Sd/-
[CA. Manu Agrawal]
Member
(approved & confirmed through e-mail)
Date : 2nd July, 2020 through Video Conferencing

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Sd/-
[Smt. Anita Kapur]
Member, (Govt. Nominee)
(approved & confirmed through e-mail)

Sd/-
[CA. Chandrashekhar Vasant Chitale]
Member
(approved & confirmed through e-mail)

Certified to be True Copy
Mehita Khanna
[Mehita Khanna]
Joint Secretary
Joint Directorate
The Institute of Chartered Accountants of India

DISCIPLINARY COMMITTEE [BENCH-III (2019-20)]

(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. : PPR/P/21/S/13/DD/19/INF/14-DC/657/17

In the matter of :

CA. P. Raveendranadh Reddy, (M. No. 021149)
H.No.302, Samvai Towers,
3-5-694/1, New Narayanaguda,
Hyderabad - 500 029

----- Respondent

Members Present:

CA. Prafulla Preme Sukh Chhajed, President
Smt. Anita Kapur, Member (Govt. Nominee)
Shri Ajay Mittal, Member (Govt. Nominee)
CA. Manu Agrawal, Member

Date of Final Hearing: 31st October, 2019

Place of Final Hearing: Bengaluru

Parties Present:

- (i) CA. P. Raveendranadh Reddy - Respondent
- (ii) CA. R. G. Rajan – Counsel for Respondent

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Allegations of the Deputy Director, MCA:

1. It was alleged that the Respondent had wrongly certified E-form 32 of M/s. Kadambari Consultants Private Limited (hereinafter referred to as the "Company") which was filed /uploaded with the Registrar of Companies on 26th February 2012. It was stated that for the purpose of verification, the Respondent had only relied upon the extract of minutes of the meeting of Board of Directors dated 31/01/2012 (A-26 & 27) of the Company as shown by Mr. Ravi Kumar, the then Director of the Company, which was not correct. It was also informed that the resolution referred to in the said forms/minutes were never passed by the Board of Directors of the Company and also that four of the Directors had not consented to any of those resolutions and they were the unilateral actions of one Director. Thus, it was alleged against the Respondent that he failed to examine the veracity of said E-form 32 of the Company and thus wrongly certified the same without exercising due diligence in carrying out his professional assignment.

Proceedings:

2. At the time of hearing on 31st October 2019, the Committee noted that the Respondent, along with his authorized Counsel, was present during the hearing of the matter. On being asked by the Committee, whether the Respondent was aware of the charges, the Counsel replied in affirmative and stated that he was aware of the charges. Since it was the first hearing, the Respondent was put on oath. Thereafter, the Committee asked the Respondent whether he wished the charges to be read out or these could be taken as read. The Respondent stated that he was aware of the allegations raised against him and the same might be taken as read. On being asked as to whether he pleaded guilty, he pleaded not guilty and opted to defend his case.

Thereafter, the Committee asked the Counsel of the Respondent to make his oral submissions. The Counsel for the Respondent made his submission before the Committee. Thereafter, the Committee examined the Respondent on the submissions made by him. The Counsel for the Respondent, thereafter, made his final submissions in the matter. Accordingly, on consideration of all the

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documents/information available on record as well as written/oral submissions made by the Respondent, the hearing in the matter was concluded.

Findings of the Committee:

3. The Committee noted that the only allegation of the Informant against the Respondent was that he had wrongly certified E-Form 32 of the Company as he had had relied upon the extract of minutes of the meeting of Board of Directors dated 31/01/2012 (A-26 & 27) of the Company as shown to him by Mr. Ravi Kumar, one of the then Director of the Company in this respect and considered the same as true and genuine. It was stated that the resolution referred to in the said forms/minutes were never passed by the Board of Directors of the Company and it was a unilateral action of one Director.

4. The Respondent has submitted in his defence that Mr. P. Ravi Kumar, the then Director of the Company had approached him on 23rd February, 2012 (B-15) with a request to certify certain e-forms of the Company to be filed with MCA and had shown him, the certified copy of extracts of the minutes of Board meeting held on 31/01/2012 in respect of appointment of Mr. Ramesh Polasa, Ms. Bhargavi Busi, Ms. K. Premlatha, Mr. Murali Talari, Mr, Satyanarayana Gali, Mr. Ravinder Tipparti and Mr. Kannuri Sekhar as Directors of the Company. Mr. Ravi Kumar had also brought with him soft copies of Form 32, duly digitally signed by him and requested the Respondent to certify the same. Based on the fact that documents were duly certified by the Director himself, the Respondent verified the particulars mentioned in the said Board (B-18) vis-à-vis the particulars mentioned in the relevant Form 32 and certified the Form. The Respondent was under bonafide impression that the said documents shown to him were true and genuine documents and he did not suspect the genuineness of the same and accordingly, he had affixed his digital signature on the said E-form.

He also submitted that the Informant while raising the allegations had enclosed an enquiry report of the Regional Director of MCA dated 18th July 2013 which was based on a complaint dated 23rd June 2013 by one of the Directors of the

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Company that the Respondent failed to examine the veracity of E-form 32. However, the Regional Director did not call the concerned director for enquiry and the report was silent on this aspect and thus the enquiry conducted was one sided without considering all available evidences. However, the moment he became aware of the disputes between the Directors, he wrote to the Company on 5th September 2012 and withdrew his certificate which was forwarded by the Company to the Office of the ROC. He himself also directly informed the ROC about the withdrawal of the certification. He also brought on record a letter dated 11th September 2019 written by one of the Director of the Company wherein it was stated that the Respondent had been a victim of the fraud perpetrated by Sh. P. Ravi Kumar and was thus misled to certify the wrong document but the Company did not suffer any losses on account of the purported appointment of the new directors and they were later on disqualified under section 164(2)(a) of the Companies Act 2013.

5. The Committee in this regard noted that the essence of this case is that the E-Form 32 of the Company certified by the Respondent was based on incomplete verification as he relied upon the extract of minutes of the meeting of Board of Directors dated 31/01/2012 (A-26 & 27) of the Company which was shown to him by Mr. Ravi Kumar being one of the then Director of the Company. He did not verify the original documents/records of the Company before certification. It was further noted that even in an attest function, due diligence of professional is expected of highest order and considering the fact that he was certifying a form for submission to a Government authority, he should have exercised his due diligence and also his professional skepticism while carrying out his professional assignment. This was even more important as he was approached for only certification and he was not the statutory auditor of the company who might have been aware of its related facts. Thus, in light of the fact that the Respondent failed to exercise his due diligence, he is held guilty of professional misconduct falling within the meaning of Clause (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

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Conclusion:

6. Thus in conclusion, in the considered opinion of the committee, the Respondent is held guilty of professional misconduct falling within the meaning of Clause (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

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Sd/-
CA. Prafulla Premasukh Chhajer,
Presiding Officer

Sd/-
Smt. Anita Kapur
Member, (Govt. Nominee)

Sd/-
Shri Ajay Mittal, IAS (Retd.)
Member (Govt. Nominee)

Sd/-
CA. Manu Agrawal
Member

Date: 12th December, 2019
Place: New Delhi

Certified to be True Copy
Mohita Khanna
(Mohita Khanna)
Assistant Secretary
Disciplinary Directorate
The Institute of Chartered Accountants of India

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