



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

[PR-108/2014-DD/149/2014/DC/744/2018]

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. : [PR-108/2014-DD/149/2014/DC/744/2018]

In the matter of:

**Shri C Easwaramoorthy, IPS,
DIG of Police, Head of Branch, CBI-ACB,
1-83-21/4, M V P Colony,
Sector-8
Visakhapatnam-530 017**

....Complainant

Versus

**CA. V VenkataSatyanarayana....(M. No. 022084)
D. No. 75-6-11, Flat No. 103,
Susheela Shelters,
Opp. Anand Shelters,
Prakash Nagar,
Rajamundry-533 103**

.....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**

Date of Final Hearing : 28th December, 2020 through Video Conferencing

Place of Final Hearing : New Delhi

1. That vide report dated 10th February 2020 (copy enclosed), the Disciplinary Committee was of the opinion that **CA. V VenkataSatyanarayana (M. No. 022084)** was GUILTY of Professional Misconduct falling within the meaning of clause (7) of Part I of Second Schedule to Chartered Accountants Act 1949 with respect to issuance of certificates to M/s VNR Refineries Pvt Ltd (herein after referred to as the '**Company**') without verifying the underlying details. It also noted that the Respondent was held guilty of said professional misconduct by the Committee for allegation raised in third charge as alleged in the complaint and detailed out in Para no 4 of the Findings of the Committee which was related to issuance of certificate confirming the increase of authorised capital of the Company from



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Rs. 2.00 Crores to Rs. 5.00 Crores. However, due to inadvertence, while dealing with the reasoning, the nomenclature of 'third charge' was given to charge no 2 in Para no 9 of the Findings of the Committee, for which the Committee had held the Respondent not guilty of the allegation. The same was accordingly considered by the Committee while hearing the extant case.

It is noted that the Respondent was held guilty under Clause (7) of Part I of Second Schedule which state as under:-

“does not exercise due diligence, or is grossly negligent in the conduct of his professional duties.”

2. An action under Section 21B (3) of the Chartered Accountants Act, 1949 was contemplated against the Respondent and communication dated 17th December 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 28th December 2020 through video conferencing.

3. The Respondent appeared before the Committee on 28th December 2020 through video conferencing and made oral submissions before the Committee. He also submitted his Written Representation dated 30th September 2020 and 24th December 2020 wherein he, inter-alia, as regard third charge relating to issuance of certificate confirming the increase of authorised capital of the Company from Rs. 2.00 Crores to Rs. 5.00 Crores, admitted his mistake in mentioning the incorrect date in the certificate issued for authorised capital. He also stated that he had verified all the records and documents before certifying the increase of authorized capital and though the certificate was prepared by him one day before the date of EGM but he had actually signed and issued the certificate after the EGM was held and after ascertaining the resolution passed in the EGM for the increase of authorized capital.

4. The Committee considered the oral and written submissions made by the Respondent and noted that the Respondent had accepted his inadvertent mistake before the Committee wherein he had missed out to remove the word "Draft" and also missed out to change the date of certificate from '21.12.2010' to '22.12.2010' while submitting the certificate after the date of AGM which took place on 22.12.2010. Thus, the Committee was of the view that it was a technical mistake being committed by the Respondent.



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5. The Committee thus viewed that the misconduct on the part of the Respondent has been held and established 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 that the Respondent **CA. V VenkataSatyanarayana (M. No. 022084)** be reprimanded.

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

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

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

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

Date: 28th December, 2020



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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) of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007.

File No. : [PR-108/2014-DD/149/2014/DC/744/2018]

In the matter of:

**Shri C Easwaramoorthy, IPS,
DIG of Police, Head of Branch, CBI-ACB,
1-83-21/4, M V P Colony,
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....Complainant

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D. No. 75-6-11, Flat No. 103,
Susheela Shelters,
Opp. Anand Shelters,
Prakash Nagar,
Rajamundry-533 103**

.....Respondent

MEMBERS PRESENT:

**CA. Atul Kumar Gupta, Presiding Officer
Shri Rajeev Kher, I.A.S. (Retd.) Govt. Nominee
CA. Rajendra Kumar P, Member**

DATE OF FINAL HEARING : 27.12.2019

PLACE OF FINAL HEARING : ICAI Bhawan, Chennai

PARTIES PRESENT:



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Complainant : **Shri K. Suryanarayanan, Sr. Public
Prosecutor, CBI, Vishkhapatnam**
Respondent : **CA. V. Venkata Satayanarayana**
Counsel for the Respondent : **CA. R. G. Rajan**

Charges in Brief:-

1. This complaint has been filed by Complainant against CA. U. Venkata Satyanarayana, Respondent for issuing wrong certificates for inclusion of capital in the complaint. 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 Clauses (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. The primary charge of the Complainant against the Respondent relates to issuance of 3 certificates to M/s VNR Refineries Pvt. Ltd. i.e. the Company without verifying the actual infusion of funds and issued on the basis of false and fictitious book of accounts of the Company. A Certificate dated 24.02.2010, certifying the infusion of capital of Rs 2.00 crores into the Company by the Directors.

3. The next charge is related to issue of a certificate by the Respondent on 21.12.2010, certifying the decision of the Board of Directors to infuse Rs 1.70 crores on or before 31.03.2011 towards working capital of the Company.

4. In respect of third certificate, it is noted that Sh. M.V. Narayan Reddy vide his letter dated 27.11.2010 had requested the Respondent to issue certificate confirming the increase of authorised capital of the Company from Rs 2.00 crores to Rs 5.00 crores **(W-19)**. As per the certificate dated 21.12.2010 **(C-32)**, the Respondent confirmed that authorised capital of the Company has been



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enhanced from Rs 200 lacs to Rs 500 lacs. It was further certified that “They had completed all formalities of ROC, process is going on.

Brief facts of the Proceedings:

5. On the day of hearing i.e. 10/12/2019, the Committee noted that the Complainant in person and the Respondent alongwith Counsel was present and appeared before it. The Complainant and the Respondent were put on oath. The charges were explained to the Respondent. On being enquired by the Committee, the Respondent pleaded not guilty and wished to defend the charges.

The Complainant and the Counsel for the Respondent/Respondent made their submissions. After recording the submissions of the parties, the Committee directed the Complainant to produce copy of bank statement to the Committee and the Respondent within 7 days time.

With above directions, the Committee adjourned the case to a future date.

5.1 Further, on the day of hearing i.e. 27/12/2019, the Committee noted that the Complainant's Authorised Representative was present and the Respondent alongwith Counsel were present and appeared before it. As this case was part heard on 10/12/2019, the Committee directed the parties present to proceed with their submissions.

The Complainant and the Respondent made final submissions to substantiate/defend the charges.

After recording the submissions of the parties, the Committee concluded the hearing in caption case.

Findings of the Committee

6. The Respondent's case is that the Company in its Board meeting held on 25.11.2010 approved the increase of its authorised capital from Rs.2.00 Cr. to Rs.5.00 Cr. and recommended the same for approval of its shareholders in the EGM to be held on 22.12.2010. To comply with the banks' sanctioning terms at the earliest, the Company's Directors approached the Respondent to issue a



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certificate confirming the increase of authorised capital from Rs.2.00 Cr. to Rs.5.00 Cr. vide their letter dated 27.11.2010. In this connection, the directors have submitted that since it is a private company and all the shares and voting rights are held by the directors, they do not foresee any problem in getting the approval of shareholders for the increase of authorised capital. Accordingly, they requested the Respondent to issue the certificate at the earliest so as to submit the same to the Bank.

7. The Committee noted that the Respondent prepared the draft of certificate on 21.12.2010, i.e. a day earlier than the EGM date i.e. 22.12.2010, but issued the same after conclusion of EGM on 22.12.2010 in which the resolution concerned was passed. However, while releasing the certificate, by inadvertent mistake, the Respondent left the date of certificate i.e. 21.12.2010 unchanged. This happened purely by inadvertent mistake. Therefore, merely based on the date of certificate, it cannot be said that the Respondent is guilty of professional misconduct.
8. It is also worth mentioning that the Company has actually held its EGM on 22.12.2010, increased its authorised capital from Rs.2.00Crore to Rs.5.00Crore and filed necessary forms in the ROC to register the same. This is an undisputed fact.
9. As regards the third charge, the Respondent submitted that “The allegation is that the respondent issued a certificate stating that the company has decided to infuse additional amount of Rs.1.70 Cr. into the Company in the financial year 2010-11 on or before 31.3.2011 to meet the Company’s requirements.” The CBI alleges that the Respondent issued this certificate without verifying the details and thus he is guilty of professional misconduct.
10. It is submitted that the Respondent, in the certificate issued, has only certified the decision taken by the Board of Directors of the Company to bring in additional funds of Rs.1.70 Cr. on or before the end of the financial year i.e.2010-11. The certificate is a mere confirmation of a decision taken by the Board and does not confirm any actual infusion of capital into the company. By no stretch of imagination, one can understand that this certificate confirms the



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actual infusion of funds into the Company and based on this certificate no Bank can release the loan.

Conclusion

11. In view of the above findings, and reasoning as stated in above Para, the Committee is of the considered opinion for the third charge the Respondent is held **GUILTY** under Clause (7) of Part I of the Second Schedule of Chartered Accountant Act 1949.

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

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

Sd/-
(CA. RAJENDRA KUMAR P)
MEMBER

DATE:10.02.2020

PLACE: New Delhi