



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

[PR-318/2014-DD/337/2014/DC/485/2016]

**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.**

In the matter of:

Ms. Richa Kukreja, Joint Director(CL) SFIO, Ministry of Corporate Affairs, New Delhi

-VS-

CA. Rajendra Taneja (M.No.092007), New Delhi

[PR-318/2014-DD/337/2014/DC/485/2016]

Date of Order : 22nd September, 2020

MEMBERS PRESENT:

1. CA. Nihar N Jambusaria, Presiding Officer
2. Shri Arun Kumar, IAS (Retd.), Government Nominee
3. Ms. Nita Chowdhury, IAS (Retd.), Government Nominee
4. CA. (Dr.) Debashis Mitra, Member
5. CA. Jay Chhaira, Member

1. That vide report dated 03rd February, 2020, the Disciplinary Committee held **CA. Rajendra Taneja (M.No.092007), New Delhi** (hereinafter referred to as the “Respondent”) **GUILTY** of professional and other Misconduct falling within the meaning of Clause (2) Part IV of First Schedule and Clause (1) of Part II of the Second Schedule to the Chartered Accountants Act, 1949 as amended from time to time.

2. That an action under Section 21B (3) of the Chartered Accountants (Amendment) Act, 2006 was contemplated against the Respondent and communication was addressed to him



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

[PR-318/2014-DD/337/2014/DC/485/2016]

thereby granting an opportunity of being heard in person and/or to make a written representation before the Committee on 22nd September, 2020.

3. The Respondent appeared before the Committee on 22nd September, 2020 through video conferencing and submitted his written representations dated 14/09/2020 on the findings of Disciplinary Committee.

4. On perusal of findings of earlier Committee dated 03/02/2020, the Committee noted that *“it was clearly established that the Mochiko had received the money which was illegally sourced viz. by double discounting the bills and the Respondent was well aware of the fact. Further it is noted that the Respondent had failed to bring on record the evidences to show that he had ever raised his objection to the same. It was also of the view that such fraudulent transactions carried out by RIC with Mochiko were squarely against the normal business practices and that the same was also well within the knowledge of the Respondent. The Respondent has sought to distance himself from the alleged malpractices adopted by RIC in their dealings with Mochiko on the plea that he had no prior information of the same and that RIC had in the end returned the borrowed finance to respective Banks/Financial institution, along with the interest.*

4.1 *The Committee, however, viewed that the fact remains that the illegal act of raising finance twice on the strength of documents raised by Mochiko was a criminal offence to which the Respondent has partnered as well. The Respondent, for reasons of business relationship, had become a silent spectator to the misdeeds committed by RIC involving the financial affairs of Mochiko of which he was supposed to have been the custodian being its one of the Directors at relevant point of time.*



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

[PR-318/2014-DD/337/2014/DC/485/2016]

4.2 *It was further revealed that the fact of discounting of such sales invoices was authorised by RIC but it was in connivance with Mochiko. It was noted that at the time of cash crisis at RIC the loan amount of Rs 6 crore was arranged by the Respondent on behalf of Mochiko in connivance with the top functionaries of RIC. RIC had issued purchase orders of Rs 9.15 crore to Mochiko and Mochiko in turn got a sum of Rs 6 crore as pre-shipment credit from Standard Chartered Bank against the purchase order. When the pre-shipment credit became due for liquidation, hundis were executed in favour of Mochiko which were later double discounted to meet the commitments of Mochiko”.*

5. Further, the Respondent submitted before the Committee that in the present matter the findings of the Committee are very harsh against him and he always acted within the authority of the Board of Mochiko and he had never abused/misused his power or position as Director (Finance) and he is continuing said position since 2008 to till date in Mochiko. He further submitted that as far as M/s. Reebok India Company is concern, then (RIC) are still working with Mochiko and giving business to the Company (Mochiko).

5.1 The Respondent further assures that he will never do anything which will harm the interest of the Company or bring disrepute to the Chartered Accountancy profession. The Respondent while justifying his defense submitted that he never involved in double discounting of the alleged bills and he had no mala-fide to help anybody in Reebok India Company for such purpose and he pleaded before the Committee to take a lenient view in this case.

6. The Committee considered the written as well as oral submissions made by the Respondent and findings of the earlier Committee holding the Respondent guilty of professional misconduct. The Committee noted that the Respondent was the Director (Finance) in Mochiko



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

[PR-318/2014-DD/337/2014/DC/485/2016]

and Criminal case filed against the Respondent by the SFIO, he has been exonerated from criminal charges alleged against him as his involvement was not established by the SFIO.

6.1 After considering all the facts and submissions before it, the Committee was of the view that ends of justice can be met if punishment is given to him in commensurate with his above misconduct.

7. Thus, keeping in view the facts and circumstances of the case as aforesaid, the material on record, submissions of the Respondent before it, this Committee orders that the Respondent i.e. CA. Rajender Taneja (M. No. 092007) be reprimanded and a fine of Rs. 1,00,000/- (Rupees One Lakh only) be also imposed upon him to be paid within 30 days of receipt of this order.

Sd/-
(CA. NIHAR N JAMBUSARIA)
PRESIDING OFFICER

Sd/-
(SHRI ARUN KUMAR, IAS (RETD.)
GOVERNMENT NOMINEE

Sd/-
(MS. NITA CHOWDHURY, IAS (RETD.))
GOVERNMENT NOMINEE

Sd/-
(CA. (DR.) DEBASHIS MITRA)
MEMBER

Sd/-
(CA. JAY CHHAIRA)
MEMBER



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

[PR-318/2014-DD/337/2014/DC/485/2016]

Confidential

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. : DC/485/2017

In the matter of:

**Ms. Richa Kukreja,
Joint Director (CL)
Serious Fraud Investigation Office,
Ministry of Corporate Affairs,
Govt. of India,
2nd Floor, Paryavaran Bhawan,
C.G.O. Complex,
Lodhi Road,
New Delhi-110 003**

.....Complainant

Versus

**CA. Rajender Taneja
(M. No. 092007)
G-25, Saket,
New Delhi-110 017**

.....Respondent

Members Present :

**CA. Prafulla Premeekh Chhajed, Presiding Officer
Smt. Anita Kapur, Member (Govt. Nominee)
CA. Debashis Mitra, Member**

**Date of Hearing : 27th May 2019 (decided on 15th January 2020)
Place of Hearing : New Delhi**

The following parties were also present :

- i. Ms. Deepmala Bagri, Asstt. Director (Law) – the Representative of the Complainant Department.**
- ii. Ms. Nidhi Aggarwal, Law Consultant – the Representative of the Complainant Department.**



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

[PR-318/2014-DD/337/2014/DC/485/2016]

- iii. **Ms. Smriti Chaturvedi, Advocate, ACGC, Union of India – Counsel for Complainant Department.**
- iv. **CA. Rajender Taneja – Respondent**
- v. **CA. C V Sajan – Counsel for Respondent**

Allegations of Joint Director, SFIO, the Complainant:

1. Ms. Richa Kukreja, Joint Director (CL) Serious Fraud Investigation Office, Ministry of Corporate Affairs, Govt. of India, New Delhi (hereinafter referred to as the “**Complainant**”) had filed complaint in Form ‘I’ dated 20th October, 2014 (**C-1 to C-433**) against **CA. Rajender Taneja, (M. No. 092007) New Delhi** (hereinafter referred to as the “**Respondent**”). The background as well as the allegations raised by the Complainant against the Respondent are as under:-

1.1 The Government of India, Ministry of Corporate Affairs ordered an investigation into the affairs of M/s Reebok India Company (hereinafter referred to as the “**RIC**”) and the affairs of the RIC were investigated by the Serious Fraud Investigation Office (SFIO). In its investigation report, it recommended disciplinary proceedings against the Complainant for his professional misconduct. Accordingly, the complaint was filed under the Chartered Accountants Act, 1949.

1.2 That the Respondent was a registered Chartered Accountant and was working with M/s Mochiko Shoes Ltd. (hereinafter referred to as the “**Mochiko**”) as the Director.

1.3 During investigation, it was observed that the Mochiko were the suppliers of sports shoes to RIC. It was stated that as per details provided by RIC, a sum of Rs 6 crore was collected by S.S. Prem and Vishnu Bhagat from Mochiko under ‘Franchisee Referral Program’ (FRP)(**C-16**). On enquiry regarding these deposits, the Respondent who appeared on behalf of Mochiko submitted vide letter dated 05th July, 2012 that Mochiko did not give any money to RIC under FRP in December 2010 / January 2011. Instead, Mochiko had extended a short term loan to RIC for Rs 6 crore, as latter was in financial crisis and said loan was given by Mochiko as follows:



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

[PR-318/2014-DD/337/2014/DC/485/2016]

Date	Cheque no. & issuing Bank	Amount Rs. Crore
28.12.2010	778067 Bank of India	1.80
29.12.2010	778068 Bank of India	0.42
06.01.2011	173259 Standard Chartered	2.38
06.01.2011	173260 Standard Chartered	1.40

It was further stated that in the investigation it was found that in the books of RIC – the amounts received from Mochiko was accounted in the accounts of above ageing debtors and that the same was not credited in the ledger account of Mochiko. The issue of loan was confronted to the Respondent during recording of his statement on oath u/s 240(2) of the Companies Act, 1956 on 13.07.2012, and he confirmed and elaborated the facts as follows **(C-9 to C-11):-**

- i) Short term loan of Rs 6 crore was given on 28.12.2010, 29.12.2010 and 06.01.2011 by using four cheques (totalling Rs 6 crore). This loan was returned by RIC to Mochiko through bills of exchange (hundis) duly executed and accepted by them.
- ii) On double discounting of bills/invoices, he confirmed that the same invoices/bills were discounted twice with Standard Chartered Bank, Tata Capital and HDFC Bank to the extent of Rs 6.67 crore.
- iii) In the month of December 2010/January 2011, RIC through their Finance Team comprising Mr. Anand Agarwal and Mr. Sandeep Mathur, payables manager told them that there were certain cash flow issues with the Company at that time and RIC needed funds to the tune of Rs 6 crore to meet their immediate requirements.
- iv) RIC advised them to obtain the funds from Standard Chartered Bank through pre-shipment credit for 90 days and arranged the same for them.



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

[PR-318/2014-DD/337/2014/DC/485/2016]

- v) RIC issued purchase orders totalling Rs 9.15 crore (approx) for obtaining pre-shipment credit by Mochiko.
- vi) On the basis of these Purchase Orders (PO), the pre-shipment credit was obtained from Standard Chartered Bank on a bonafide belief and good faith that it would be repaid to the Bank by RIC on or before the date of maturity.
- vii) In April 2011, when the pre-shipment credit became due for liquidation, RIC executed and accepted hundis in their favour aggregating to Rs 6.67 crore instead of returning the loan through cheques.
- viii) Out of the total Rs 6.67 crore, consolidated hundis of Rs 4.30 crore were first discounted from Tata Capital and again the same were discounted from Standard Chartered Bank. The remaining consolidated hundis for Rs 2.37 crore were first discounted from Standard Chartered Bank and then again from HDFC Bank.
- ix) They were under pressure from the Bank to liquidate the pre-shipment credit and the Company was not forthcoming with payment. Instead, RIC devised a way out by providing Mochiko consolidated hundis (which were already discounted earlier) along with their authorisation letters addressed to the respective banks to discount such hundis facilitating the repayment of due debts. Later on, the recourse of these finances fell on RIC, which was duly honoured by it.
- x) On being asked regarding the officials, who were instrumental in preparation of these hundis and releasing the same to Mochiko, he stated that the authorisation letter along with the duly accepted hundis were signed by Shri Subhinder Singh Prem and Shri Vishnu Bhagat. All communications in this matter were made with Mr. Anand Agarwal, Mr. Sandeep Mathur and Mr. Girish Goel on behalf of RIC.



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

[PR-318/2014-DD/337/2014/DC/485/2016]

1.4 Thus, as per the Complainant, the above transactions established that RIC had paid Rs 12,88,38,470 as original amount and Rs 20,46,319.57 as interest to the above said financial institutions, while this amount was released to Mochiko on discounting the bills. In this way, as per the Complainant, it was double discounting of bills by Mochiko in connivance **(C-15)**.

Against the aforesaid back ground, it has been alleged against the Respondent as under:

1.5 That the Respondent being the Director of Mochiko aided in twisting the true nature of transaction and falsification of account. Being a Chartered Accountant, he was expected to know all statutory provision and correct procedure but deliberately connived with other officials of the local management of RIC and aided them in the falsification of the books of accounts of the Company.

PROCEEDINGS:

2. At the outset, the Committee noted that the representative on behalf of the Complainant Department along with their authorized Counsel and the Respondent along with his authorized Counsel were present in person before it. The Committee noted that the matter was part heard as the business of the first hearing had been accomplished at the time of last hearing. Thereafter, the Counsel for the Complainant presented the case before the Committee. The Committee asked the Counsel for the Respondent to make his oral submissions in the matter. It, thereafter, examined the Respondent. Thereafter, the Counsel for the Respondent made his final submissions in the matter.

After considering the facts and circumstances of the case, the Committee directed the Respondent to submit following documents in the matter with 15 days from the date of hearing:



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

[PR-318/2014-DD/337/2014/DC/485/2016]

- a) Copy of the complete set of the audited financial statements of the Company for the F.Y. 2009-10, 2010-11 and 2011-12 alongwith the audit report.
- b) Copy of the approved minutes of the Board of Directors authorizing the loan of Rs.6 Crores to Reebok India Ltd.
- c) Copy of the observation of the Board of Directors on recovery of loan of Rs.6 Crores.

The Committee further directed the Respondent to send a copy of the aforesaid documents to the Complainant Department within the prescribed time so as to enable latter to file their response on the same within next 15 days from the date of receipt of such documents. The Committee, accordingly, concluded the oral submissions from both the parties in the matter.

3. On 15th January, 2020, the Committee noted that the Respondent vide his letter dated 10th June 2019 had submitted certain documents alongwith written submissions. The Committee, thereafter, considered the documents on record and decided the matter on merits.

Finding of the Committee:

4. The Committee noted that the allegation against the Respondent was that while acting as the Director (Finance) of Mochiko, he misused his power by being instrumental in arranging amount of Rs. 6 Crores from his Company i.e Mochiko to RIC by obtaining pre-shipment finance from banks. The funds so obtained were used by RIC to reduce the liabilities of aging customers and thus, these funds were never credited in the accounts of Mochiko. Further, such loan was repaid by RIC when it double discounted the bills of Mochiko with banks. Since the bills which were double discounted belongs to Mochiko and it was Mochiko that received the payments, it was thus alleged that the Respondent was involved in twisting the true nature of transaction and falsification of accounts. It was alleged that the Respondent deliberately connived with other officials of the local management of RIC and aided them in the falsification of the books of accounts of the Company.



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

[PR-318/2014-DD/337/2014/DC/485/2016]

5. The Committee noted that the Respondent submitted before the Committee that Mochiko was the supplier of shoes to RIC and its business depended largely on RIC. Therefore, it was necessary for Mochiko to maintain a very cordial relation with RIC team at all times. The finance department of RIC had originally shared their liquidity issues with Mochiko in January 2010 and wanted to get a short term advance of Rs 3.50 crores from Mochiko, it did not raise any apprehension in the mind of Mochiko management. This loan was refunded within a month by RIC which affirmed Mochiko's faith in them.

5.1 Again in December 2010, another request of a short term advance of Rs 6.00 crores came from Shri Anand Agarwal, RIC official. Since the Respondent did not suspect anything foul, the said short term loan was given. On 26th April 2011, when the Respondent received a credit worth Rs 4.30 crores on RIC account from Standard Chartered Bank against the same set of Hundis discounted before through Tata Capital, he took up the matter with RIC. The Respondent was requested not to bother about the source of fund as it was an RIC's internal matter. The Respondent was told to adjust this amount against the short term advance of Rs 6.00 crores that was given in December 2010/January 2011 referred above. In order to settle the balance of the short term advance RIC again sent another credit from bill discounted worth Hundis of Rs 2.37 crores on 6th June, 2011 which also was discounted once before. Although the Respondent requested them to settle the short term advance through cheques, the Complainant raised excuses citing internal reasons and asked the Respondent to adjust the excess Rs 67.00 lakhs towards the supplies made by them in April / May 2011. Accordingly, the Respondent submitted that he had no prior information of double discounting of bills. Such double discounting was possible on the strength of the signatures of the Reebok management. It is submitted that it was a case of abusing the extra copies of delivery documents in the custody of RIC by exploiting the clout with the banks/ financiers concerned.

6. The Committee further noted that the Complainant department vide its letter dated 29th August 2017 submitted a copy of the evidences as contained in Investigation



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

[PR-318/2014-DD/337/2014/DC/485/2016]

Report, viz. Copy of invoices, Bills/Hundies specifically in relation to double discounting of bills. The Complainant also provided copy of the Statement on Oath of the Respondent wherein he was examined in context of the invoices raised by the Respondent's Company which were discounted twice.

7. The Committee in this regard perused the matter at two stages – when the pre-shipment finance was obtained from the banks for RIC and when the same was repaid by RIC by double discounting the bills of Mochiko. In order to ascertain as to whether, the loans so given were properly authorised by Mochiko, it was noted that documents like Board's minutes to authorise loan to RIC, its observation on recovery of loan alongwith financials of Mochiko were sought. It was noted that Respondent had produced on record a copy of the board resolution dated 13th December 2010 wherein it was resolved to grant temporary loan to RIC subject to a maximum of Rs 6 crore and had authorised the Respondent to grant the said loan on behalf of the Company on temporary basis as well as to sign or execute any papers, forms, cheques or to take all steps to give effect to that resolution. When such resolution was read with financials of Mochiko for the year ended 31st March 2011, it was noted that nowhere the said amount of loan given was reflected under the head 'Loans and Advances' as evident from 'Schedule IX: Loans & Advances' to the said financial statements. It was noted that when pre-shipment advance appeared under the head 'Current liabilities & Prpovisions', the corresponding receivable was bound to be recorded which was resolved to be a temporary loan by the Company. It was more pertinent to note that the Respondent had also signed the said financials of Mochiko. Hence, the Board's resolution did not appear to have been adopted in spirit. Incidentally, it was noted that the letter head on which said Board resolution was produced was different from the one that were produced on record by the Complainant Department used by the Respondent to get the bills discounted (Pg 7684 & 7691). Apart from format and style of the letter head, the address of Registered office was also different. The Board's resolution was given on letter head stating Registered office at Rani Bagh, while that produced by SFIO stated Registered Office at Malviya Nagar. The Committee was, thus, of the view that the Respondent had misused his power as on one hand he had



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

[PR-318/2014-DD/337/2014/DC/485/2016]

not only failed to maintain true and fair affairs view in the account of Mochiko, but was also instrumental in arranging amount of Rs. 6 Crores by way of wrong means that is by way of pre-shipment finance which should be used to produce goods for supply, instead in the extant case, such finances were loaned by Mochiko to RIL which was again misused by RIC for creating false entries. Such transactions were not reflected in the books of either companies.

8. On perusal of further facts on records relating to realisation of such amounts by Mochiko, the Committee noted that it was clearly established that the Mochiko had received the money which was illegally sourced viz. by double discounting the bills and the Respondent was well aware of the fact. Further it is noted that the Respondent had failed to bring on record the evidences to show that he had ever raised his objection to the same. It was also of the view that such fraudulent transactions carried out by RIC with Mochiko were squarely against the normal business practices and that the same was also well within the knowledge of the Respondent. The Respondent has sought to distance himself from the alleged malpractices adopted by RIC in their dealings with Mochiko on the plea that he had no prior information of the same and that RIC had in the end returned the borrowed finance to respective Banks/Financial institution, along with the interest. The Committee, however, viewed that the fact remains that the illegal act of raising finance twice on the strength of documents raised by Mochiko was a criminal offence to which the Respondent has partnered as well. The Respondent, for reasons of business relationship, had become a silent spectator to the misdeeds committed by RIC involving the financial affairs of Mochiko of which he was supposed to have been the custodian being its one of the Directors at relevant point of time.

9. The Committee noted that the fact of double discounting of invoices raised by Mochiko has been accepted by the Respondent in his statement on oath as reproduced in paragraph 1.3 above. It was further revealed that the fact of discounting of such sales invoices was authorised by RIC but it was in connivance with Mochiko. It was noted that at the time of cash crisis at RIC the loan amount of Rs 6 crore was arranged by the Respondent on behalf of Mochiko in connivance with the top functionaries of RIC. RIC



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

[PR-318/2014-DD/337/2014/DC/485/2016]

had issued purchase orders of Rs 9.15 crore to Mochiko and Mochiko in turn got a sum of Rs 6 crore as pre-shipment credit from Standard Chartered Bank against the purchase order. When the pre-shipment credit became due for liquidation, hundis were executed in favour of Mochiko which were later double discounted to meet the commitments of Mochiko **(C-15)**.

10. Further, it was viewed that since the alleged misconduct was in relation to the Respondent's duties as an employee of the Mochiko being the Director (Finance), he is prima facie guilty of professional misconduct falling within the meaning of Clause (1) of Part II of Second Schedule read with Chapter II of the Council General Guidelines, 2008 1- CA (7)/02/2008 dated 8th August, 2008. Also the acts of the Respondent has clearly brought disrepute to the profession making him prima facie guilty of "Other Misconduct" falling within the meaning of clause (2) of Part IV of the First Schedule to the Chartered Accountant Act 1949.

Conclusion

11. Thus, in view of the above, the Committee is of the opinion that the Respondent is **GUILTY** of professional and/or Other Misconduct falling within the meaning of Clause (2) of Part IV of First Schedule and Clause (1) of Part II of the Second Schedule to the Chartered Accountants Act, 1949.

Sd/-
CA. Prafulla Premsukh Chhajed,
Presiding Officer

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

Sd/-
CA. Debashis Mitra
Member

Date: 3rd February, 2020

Place: New Delhi



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

[PR-318/2014-DD/337/2014/DC/485/2016]