



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

[PR-270A/14/DD/332/2014/BOD/357/2017]

ORDER UNDER SECTION 21A(3) OF THE CHARTERED ACCOUNTANTS ACT, 1949 READ WITH RULE 15(1) OF THE CHARTERED ACCOUNTANTS (PROCEDURE OF INVESTIGATIONS OF PROFESSIONAL AND OTHER MISCONDUCT AND CONDUCT OF CASES) RULES, 2007.

In the matter of:-

Shri V. Chandrasekhar,

Superintendent of Police, Head of Branch, CBI,

Hyderabad

.... Complainant

-Vs-

CA. Bhaskar Reddy, G. (M.No.220550)

M/s. Reddy Raju & Associates, Chartered Accountants,

Hyderabad

.... Respondent

[PR-270A/14/DD/332/2014/BOD/357/2017]

MEMBERS PRESENT:

CA. Prasanna Kumar D, Presiding Officer (physically at ICAI Bhawan, Vishwas Nagar, New Delhi)

Mrs. Rani Nair, (IRS, Retd.), Govt. Nominee (attended through VC)

CA. Durgesh Kumar Kabra, Member (physically at ICAI Bhawan, Vishwas Nagar, New Delhi)

Date of final hearing: 18th January, 2021

1. The Board of Discipline vide Report dated 6th January, 2020 was of the opinion that **CA. G. Bhaskar Reddy (M.No.220550)** is guilty of "Other Misconduct" falling within the meaning of Clause (2) of Part-IV of the First Schedule of the Chartered Accountants Act, 1949 read with section 22 of the said Act.

2. An action under Section 21A (3) of the Chartered Accountants Act, 1949 was contemplated against **CA. G. Bhaskar Reddy** and communication dated 6th January, 2021 was addressed to him thereby granting him an opportunity of being heard in person and/or to make written representation before the Board on 18th January, 2021.

3. Board noted that the Respondent was not present before it. The Board also noted that the case had been listed before it for award of punishment on earlier occasions also, however, the

13
Shri V. Chandrasekhar, Superintendent of Police, Head of Branch, CBI, Hyderabad -Vs- CA. Bhaskar Reddy, G. (M.No.220550)

M/s. Reddy Raju & Associates, Chartered Accountants, Hyderabad



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Respondent did not appear on those occasions also. The Board noted that notices communicating the date of hearing for award of punishment sent to the address available in the ICAI member's records were received back 'undelivered' with the comment 'left with instructions'. However, the said communication was also e-mailed to the Respondent at the email-id available in the ICAI member's records and was duly delivered as per the delivery receipt from the destination server. Also, the Respondent vide his letter dated 13th February, 2020 had submitted his written representation on the findings of the Board.

The Board in this regard took into view the provisions of Rule 15(1) of the aforesaid Rules relating to "Orders of the Board of Discipline" wherein it is provided as under:

"(1) On arriving at a finding under sub-rule(9) of rule 14 that the Respondent is guilty of professional or other misconduct, the Board of Discipline shall give the Respondent an opportunity to be heard before passing any order under sub-section 930 of section 21A of the Act:

Provided that if the Respondent does not appear before the Board of Discipline at the time directed to do so when given such an opportunity to be heard, the Board of Discipline shall presume that he has nothing more to represent before it and shall pass orders under sub-section 21A of the Act."

The Board accordingly decided to proceed ahead in the case keeping in view the written representation of the Respondent on the findings of the Board.

4. The Respondent in his written representation, inter-alia, submitted as under:

4.1 FIRST CHARGE

The Respondent and one Rama Raju who were chartered accountants started a partnership firm under the name of Reddy Raju Associates and with a view to establish the office, they availed loan of Rs. 10,00,000/- from the Indian Overseas Bank, MLA Colony Branch, Hyderabad and after securing loan, the office was established. Due to disputes raised between the partners, they decided to practice independently and decided to close the running of the firm along with the loan availed from the Bank by their firm Reddy Raju & Associates. The said issue was explained to the Bank Manager with regard to separation of partners of the Reddy Raju Associates and the Bank Manager informed that the Respondent is independently eligible to take loan for Rs.10,00,000/- under CGTSME Scheme and they can clear the partnership firm loan from this loan because the office furniture and equipment, which were purchased through earlier loan of Reddy Raju Associates were divided in to

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two equal halves.

When the Respondent applied for the said loan, the bank officials visited the premises of the office of the Respondent where he was doing practice and at that time the Respondent categorically informed that the furniture and the office establishment of the Reddy Raju Associates were divided and the Inspection team was satisfied after due enquiry and thereafter loan was sanctioned to the Respondent. The Respondent agreed and informed the bank that he has taken the 50% of furniture from Reddy Raju Associates as his share and requested the bank manager to deduct the amount of Rs. 5,03,319/- towards existing loan of Reddy Raju Associates as per his liability and the remaining amount was withdrawn for payment of liabilities towards expenses incurred for office establishment.

The Respondent repaid the loan amount regularly before declaring the account as NPA, but the bank authorities for reasons best known to them, fixed the Respondent account as NPA without following the procedure as contemplated under law. There is no default on part of payment of the loans taken by the Respondent and the said loan amount were utilized for the office establishment and there is no intention on the part of the Respondent to fraud the bank and he never diverted the loan amounts for any other purpose than the loan purpose.

4.2 SECOND CHARGE

The Deccan cinema was registered on 16th day of September 2008, much prior to the alleged loan transactions and the company was registered to accommodate the family members in the business, but the family members did not come forward to take the business and hence, the Respondent kept silent by not doing any business in the name of Deccan Cinemas.

It is true that as per the request of M/s Creative Mind Film Productions producer, the Respondent came forward to take the production of the film "6" in the name of Deccan Cinemas and the Producer B. Krishna has also given No-Objection for transferring cinema Title "6" to Deccan Cinemas to the Telugu Film Federation, Hyderabad and later, Respondent took temporary adjustment from M/s Bharathvarsh Mines for an amount of Rs.21,40,000/- through transfer and cash of Rs.3,48,000/- through cheque. Respondent also got transfer of Rs.15,70,000/- from Anjali Enterprises, Linga Swamy to Deccan Cinemas as per the directions of B. Krishna. These amounts were utilized for production of Film "6" and every transaction was done online.



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After utilizing the deposit amount from M/s Deccan Cinemas by making part payments to the production, M/s Creative Mind Film Productions producer, B. Krishna changed his version and started interfering in the production and simultaneously took over the production from Respondent's hands by agreeing to give satellite rights of the film to Deccan Cinemas and Process with Prasad Laboratories on paying of 100000 for balance payment. In that process he executed D-172 of the documents filed by CBI. While things stood thus, for the reasons best known B. Krishna without intimation to the Respondent, executed the world satellite rights in the name of Vega Enterprises Private Limited vide D-179 of documents filed by CBI and cheated the company. Due to that the Respondent's company sustained loss of nearly 40 Lakhs. Every transaction was done by Respondent's company through online payments in good faith and hence, the Respondent was falsely implicated by the CBI in the said Cases and all the alleged allegations made against him and the Deccan Cinemas are false. Moreover, the said Krishna has given statement before the bank authorities and also before the Honourable Judge of Lok Adalat that the Respondent is in no way responsible for the production of film 6 and also informed that he alone was responsible for the loan amounts utilized for the production of film 6.

The CBI has given adverse findings on the Respondent and Deccan Cinemas which was benefited with the satellite rights, which is contrary to their own documents filed before the CBI court vide D-169 of documents filed by CBI. The said document carries the information that "photo copy of Letter dated 17.09.2012 of creative mind film productions assigning World satellite rights in favor of Deccan Cinemas private limited'. The CBI except mere filing the document failed to produce the conformation letter from the Prasad Lab to prove that world satellite rights were assigned to Deccan Cinemas. The Respondent even after payment of Rs 1,00,000 to the Lab, for the reasons best known to the lab authorities failed to issue conformation letter to Deccan Cinemas and inturn, both B. Krishna and Lab Employee Rajesh executed the document by assigning rights of World Satellite rights for the Movie 6 to the Vega Entertainments Pvt Ltd. to CBI has filed the document baring D-179 and hence the Respondent is no way benefited from the above said transactions and ultimately he got huge loss due to the acts of B Krishna.

The CBI even knowing well that the Respondent is in no way concerned for the allegations reviled against the production of film 6. For the reasons best known to them they impleaded the Respondent as accused no 3 in the above case instead of showing the Respondent as victim or witness.



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4.3 THIRD CHARGE

In respect of the 3rd charge, the Respondent submitted that he merely introduced Mr. Suresh Reddy for opening the saving account with the bank. The CBI has not filed any single document to prove or show the involvement of the Respondent in sanctioning of the loan and hence, the Respondent is no way concerned for the loan sanctioned by the bank. From the said term loan, an amount of 5 lakhs was transferred to the current A/c No 12 and 9 of Sri Datla Sree Rama Raju and the Respondent. Further an amount of Rs.2000/- was transferred to the Current A/c No.9 of the Respondent, Rs.41000/- to cc account No.33 of Bharathvarsh Mines Pvt Ltd Rs.15000/- to the CD48 of Deccan Cinemas Private limited. Thus, the term loan of Surya industries was fraudulently transferred for the benefit of utilization by Sri Datla Sree Rama Raju and the Respondent. The amount received from Mr. Suresh Reddy was from his savings account and the Respondent repaid the said borrowed amount to Suresh Reddy savings account within 20 days. The transaction happened with savings bank account of the Suresh Reddy and not with his firm M/s. Surya Industries. The Respondent did not know that the amount which the Suresh Reddy gave is from the bank loan amount of Surya Industries and he received the same from saving account of Suresh Reddy and if the Respondent had any intention or participation in the Suresh Reddy company, he would have never repaid the said amount of Rs.5,00,000/- but in this case, the Respondent immediately after 20 days paid back the hand loan amount which is evident from bank account copy.

As per the statement of the bank for term loan summary ac no 261200003 which is the account of M/ Surya Industries, it was categorically stated that the disbursement of table shows the use of funds . The transactions of the Respondent is at serial no. 11, 13 and 14 which clearly shows that a single cheque for Rs 478000 dated 30/03/2012 has been transferred to the several accounts by the then Manager Y Srinivasula Reddy. He transferred some amounts to the accounts of Respondent and his company along with Bharath Varshmines and others in order to facilitate to cover up the loan instalments and not to become NPA on 30/03/2012 which is financial year closing and he never disclosed the Respondent with regard to said transfers and the vouchers for the said transactions was filled and signed by the said manager and hence, the Respondent is in no way responsible for the acts done by the said manager.

5. The Board has carefully gone through the facts of the case as well as the written representation of the Respondent. As per the findings of the Board as contained in its report, it is conclusively proved that the Respondent had diverted the loan amount and utilized it for purpose



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other than for which the loan was sanctioned under CGT/MSME scheme and also defaulted in the repayment and the bank termed the term loans and CC facilities availed by them as NPA. Further, the Board noted that the Respondent floated different entities, raised finances through the bank and diverted it to other uses and thus, the Respondent is guilty of 'Other Misconduct' falling within the meaning of Clause (2) of Part IV of the First Schedule to the Chartered Accountants Act, 1949 read with Section 22 of the said Act.

6. Upon consideration of the facts of the case, the consequent misconduct of **CA. Bhaskar Reddy G.** and keeping in view his written representation before it, the Board decided to impose a fine of **Rs.30,000/- (Rs. Thirty Thousand Only)** on **CA. Bhaskar Reddy G. (M.No.220550)** payable within a period of 60 days from the date of receipt of the Order.

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Sd/-
CA. PRASANNA KUMAR D.
(PRESIDING OFFICER)

Certified to be true copy
Harleen Bhalla
CA. Harleen Bhalla
Assistant Secretary,
Disciplinary Directorate
The Institute of Chartered Accountants of India,
ICAI Bhawan, Vishwas Nagar, Shahrda, Delhi-110032

BOARD OF DISCIPLINE (BENCH I)

Constituted under Section 21A of the Chartered Accountants Act 1949

Findings under Rule 14(9) of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007

File No. : PR-270A/14/DD/332/2014/BOD/357/2017

QUORUM:

CA. Sushil kumar Goyal, Presiding Officer
Mrs. Rani Nair (IRS, Retd.), Government Nominee

In the matter of:

Shri V. Chandrasekhar,
Superintendent of Police, Head of Branch, CBI,
3rd Floor, Kendriya Sadan,
Sultan Bazar, Koti,
HYDERABAD – 500 195Complainant

-Vs-

CA. Bhaskar Reddy, G. (M.No.220550)
M/s. Reddy Raju & Associates, Chartered Accountants,
H.No.8-2-269/5/101/B, Sagar Society,
Road No.2, Banjara Hills
HYDERABAD – 500 034Respondent

DATE OF FINAL HEARING : 11th September, 2019

PLACE OF HEARING : Hyderabad

PARTIES PRESENT:

Representative from the Complainant Department : Sh. Rajpal Singh, ASP

Counsel for the Respondent : Sh. Mastan Vali Sharik,
Advocate

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FINDINGS:

1. The Board noted that charges against the Respondent are as under:
 - 1.1 The Respondent had opened a saving account and current account in IOB, MLA Colony branch and also had opened an account in the name of the firm. The term loan for Rs. 10 lakhs was availed by the Respondent firm on 06.08.2011. The Respondent also availed a term loan for Rs. 10 lakhs dated 25.08.2011 for purchase of furniture, computers and other office equipments and had misutilized the same as said term loan amount was utilized to repay the term loan of the Respondent's Firm (M/s Reddy Raju & Associates).
 - 1.2 The Respondent also availed CC limit of Rs. 5 lakhs on 28.03.2012. The Respondent defaulted in the payment of loans availed from Indian Overseas Bank (hereinafter referred to as the "bank") and said term loans and CC facilities were termed as NPA. The Respondent had not repaid the term loan and the outstanding as on 08.7.14 in the said account was Rs. 849962/- inclusive of the principal and undebited interests etc.
 - 1.3 Smt. Jyotshna w/o the Respondent, Smt. D. Samatha Rani w/o Mr. Sree Rama Raju Datla and Smt. Nambi Geetha w/o Mr Santosh Kumar were the Directors of the Company M/s Bharathvarsh Mines Private Limited. The said Company availed CC limit of Rs. 25 Lakhs on 30.01.2012 from the Bank and the said CC limit was misutilized by fraudulent diversion to M/s Deccan Cinemas Private Limited wherein the Respondent and Mr. Sree Rama Raju Datla were the Directors. Also, M/s Deccan Cinemas Pvt. Ltd. had ventured into production of Telegu film '6' alongwith M/s. Creative Mind Film Productions and had obtained the rights of the film.
 - 1.4 Shri Suresh Reddy, an employee in the Respondent firm, was falsely made proprietor of M/s. Surya Industries which was sanctioned loan of Rs. 40 lakhs and this amount was siphoned off by withdrawing/transferring. One of the transferee was the Respondent who was given an amount of Rs. 5 lakhs. Further, an amount of Rs. 2,000/- was transferred to the Current A/c of the Respondent, Rs. 41,000/- to the CC A/c of M/s Bharathvarsh Mines Pvt Ltd., Rs. 15,000/- to the Current a/c of M/s Deccan Cinemas Pvt Ltd. Thus the term loan of Surya Industries was fraudulently transferred for the benefit of/utilization by Sri Datla Sree Rama Raju and the Respondent.
2. The Board noted that at the time of hearing held on 11th September, 2019 at Hyderabad, the Representative from the Complainant Department and the Counsel for the Respondent

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was present before it. The Board noted that the Respondent did not file his written statement inspite of being given time specifically for the same at the time of last hearing held on 2nd August 2019. Thus, the Board concluded the hearing in the case with the direction to the Respondent to file his further written statement in the matter within 7 days with a copy to the Complainant Department and the Complainant Department to provide the current status of the proceedings pending in the court of 1st Addl. Special Judge for CBI cases Hyderabad.

Thus, the decision on the misconduct of the Respondent was kept reserved by the Board subject to receipt of aforesaid documents/submissions.

3. Thereafter, the Board at its meeting held on 4th November 2019 considered the submissions made by the Respondent and the Complainant Department subsequent to the conclusion of hearing and considering the papers, thus, on record, the Board took a decision as regards the misconduct of the Respondent.

4. As regards the first and the second charge, the Board noted the submissions of the Respondent that there is no default in respect of payment of the loans taken by the Respondent and the said loan amount was utilized for the office establishment and there is no intention on the part of the Respondent to fraud the bank and he never diverted the loan amounts for any other than the loan purpose.

5. With regard to the aforesaid first and second charge, the Board observed that the Respondent had applied for term loan of Rs. 10 Lakhs vide application dated 25.08.2011. The purpose of loan was to purchase furniture and computers and other office equipment. The pre-sanction inspection report dated 25.08.2011 was prepared by Mr. Srinivasa Reddy, the then Sr. Manager of the Bank and the loan was considered under CGT/MSME scheme without insisting for any collateral security and personal guarantee. On the same day, term loan TL No. 381100005 for Rs. 10 lakhs was sanctioned to the Respondent and was credited to his Saving Bank Account No. 39. On the same day, he transferred Rs. 5,03,319/- to the loan account of his Firm and withdrew the remaining amount as cash. Thus, it is coming out from facts available that the Respondent had diverted the loan amount and utilized it for purpose other than for which the loan was sanctioned under CGT/MSME scheme. It was noted that utilizing the loan amount for purposes other than for which the loan is sanctioned is by itself a misdemeanour that too by a professional like Chartered Accountant. Though there may not be a direct loss caused to the bank, nevertheless the resources of the bank were mis-utilized by the Chartered Accountant. The Board also noted that the Respondent availed CC limit of Rs. 5 lakhs on 28.03.2012 from the bank. The Respondent defaulted in the repayment and the bank termed the term loans and CC

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facilities availed by them as NPA. Accordingly, the Respondent is guilty in respect of the said charge.

6. As regards the third charge, the Board noted the Respondent's submissions that as per the request of M/s Creative Mind Film Productions producer, the Respondent came forward to take the production of the Film " 6 " in the name of Deccan Cinemas and the Producer B. Krishna has also given No Objection for transferring cinema Title " 6" to Deccan Cinemas to the Telugu Film Federation, Hyderabad, and later on the Respondent took temporary adjustment from M/s Bharathvarsh Mines for an amount of Rs.21,40,000/- through transfer and cash of Rs.3,48,000/- through cheque. The Respondent also got transfer of Rs.15,70,000/- from Anjali Enterprises, Linga Swamy to Deccan Cinemas as per the directions of B. Krishna. These amounts were utilized for production of Film "6" and every transaction was done through online in good faith and the Respondent is falsely implicated by CBI in the said cases and all the alleged allegations made against him and the Deccan Cinemas are false. He also submitted that the CBI knowing well that the Respondent was no way concern for the allegations reviled against the production of film "6" impleaded the Respondent as accused no 3 in the above case instead of showing him as victim or witness.

7. As regards the third charge, the Board noted that the Respondent and Sree Rama Raju Datla are the Directors of M/s Deccan Cinemas Pvt. Ltd. (hereinafter referred to as the "Company"). The Company had opened Current A/c No. 48 in IOB, MLA Colony branch, Hyderabad. As per the investigation carried out by CBI, the company represented by the Respondent and Sree Rama Raju Datla ventured into production of Telugu film '6' along with M/s Creative Mind Film Productions. Sri G.Bhaskar Reddy had also made payment in Prasad Film Laboratories Pvt. Ltd. towards the account of Creative Mind Film Productions and had also obtained the rights of the film. The Board also noted that Smt. Jyotshna, w/o the Respondent Smt. D. Samatha Rani, w/o Sree Rama Raju Datla and Smt. Nambi Geetha, W/o Mr Santosh Kumar were the Directors of the Company M/s Bharathvarsh Mines Private Limited. The said Company availed CC limit of Rs. 25 Lakhs on 30.01.2012 from the Bank. The CC limit was misutilized by fraudulent diversion to M/s Deccan Cinemas Private Limited. Thus, the Board noted that the Respondent floated different entities, raised finances through the bank and diverted it to other uses. Accordingly, the Board held that the intent with which the transactions were entered was not genuine and thus, held the Respondent guilty in respect of the said charge.

8. As regards the fourth charge, the Board noted the Respondent's submissions that, except for introducing Suresh Reddy for the bank for opening saving account, there is nothing on record to show against the Respondent and moreover the CBI has not filed any single document to prove or show the involvement of the Respondent in sanctioning of the

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loan. The Respondent also submitted that the amount received from Mr. Suresh Reddy was from his savings account and the Respondent had repaid the said borrowed amount to Suresh Reddy's savings account within 20 days being evident from bank account copy.

The transaction happened with savings bank account of the Suresh Reddy and not with his firm M/s. Surya Industries. He further submitted that the then Manager Mr. Y. Srinivasula Reddy had transferred some amounts to the accounts of the Respondent and his Company along with M/s. Bharath Varsh Mines and others in order to cover up the loan installments for not becoming NPA on 30.03.2012 which is financial year closing and he never disclosed to the Respondent with regard to said transfers and the vouchers for the said transactions were filled and signed by the said manager, and hence, the Respondent is no way responsible for the acts done by the said manager.

9. As regard the fourth charge, the Board noted that as per the Investigation carried out by CBI, Sri Suresh Reddy was an employee of the Respondent in the Audit firm M/s. Reddy Raju & Associates. A fictitious firm in the name of M/s Surya Industries was floated in the name of the said Suresh Reddy and a term loan vide No. 261200003 for Rs. 40 lakhs dated 09.03.2012 was availed from IOB MLA colony branch for the purpose of purchase of articles of concrete cement and plaster. From the said term loan, an amount of Rs. 5 lakhs was transferred to the Current A/c of the Respondent and Sh. Sree Rama Raju Datla. Further, an amount of Rs. 2,000/- was transferred to the Current A/c No. 9 of Respondent, Rs. 41,000/- to the CC A/c No. 33 of Bharathvarsh Mines Pvt. Ltd., Rs. 15,000/- to the CD 48 of the Company M/s. Deccan Cinemas Pvt. Ltd. Thus, the term loan of Surya Industries was fraudulently transferred for the benefit of / utilization by the Respondent and Sree Rama Raju Datla. The Board opined that the amount of term loan was not utilised for the purpose for which it was granted and in fact it emerges from the facts narrated above that the modus operandi of the Respondent was to obtain the loans for specific purposes either directly or through entities in which individuals associated with him were involved and utilise it for a different purpose. Accordingly, the Board holds the Respondent guilty in respect of the said charge.

10. While holding the Respondent guilty in respect of the aforesaid charges, the Board also noted that three charge sheets have been filed in the court of 1st Addl.Special Judge for CBI cases Hyderabad in above case, out of which the Respondent is accused in two charge sheets u/s 1208 r/w 420,468 R/w 471 of IPC and section 13(2) /w 13(1XD) of PC act, 1988 and currently the matter is at the stage of framing of charges.

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CONCLUSION:

11. Thus, in conclusion, in the considered opinion of the Board, the Respondent is held **GUILTY** of "Other Misconduct" falling within the meaning of Clause (2) of Part IV of the First Schedule to the Chartered Accountants Act, 1949 read with Section 22 of the said Act.

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Sd/-
CA. SUSHIL KUMAR GOYAL
(PRESIDING OFFICER)

Sd/-
MRS. RANI NAIR (IRS, Retd.)
(GOVERNMENT NOMINEE)

DATE: 6TH JANUARY, 2020
PLACE: NEW DELHI

Certified Copy
Rani Nair
Assistant Secretary
Disciplinary Director - Ho
The Institute of Chartered Accountants of India
ICAI Bhawan, I.P. Marg, New Delhi-110 002