



# THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

PPR/P/382/17/DD/02/INF/18-DC/1352/2020

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/382/17/DD/02/INF/18-DC/1352/2020

In the matter of:

CA. K. Sridhar (M.No. 202382),  
5 Crescent Street Seethamma Colony,  
Alwarpet,  
Chennai - 632 403.

.....Respondent

Members present:

CA. Nihar N Jambusaria, Presiding Officer  
Smt. Anita Kapur, Member (Govt. Nominee)  
Shri Ajay Mittal, Member (Govt. Nominee)  
CA. Chandrashekhar Vasant Chitale, Member  
CA. P.K. Boob, Member

Date of Final Hearing: 29<sup>th</sup> April, 2021 through Video Conferencing

Place of Hearing: Mumbai

Party Present:

CA. K. Sridhar (M.No. 202382) (appeared from his personal location)

1. That vide report dated 3<sup>rd</sup> February 2021 (copy enclosed), the Disciplinary Committee was of the opinion that CA. K. Sridhar (M.No. 202382) was GUILTY of Professional Misconduct falling within the meaning of Item (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949 with respect to allegation made against the Respondent on the basis of investigation conducted by Serious Fraud Investigation Office into the affairs of M/s Subhiksha Trading Services Limited (in liquidation) (hereinafter referred to as 'the Company') whereby it was alleged that the Respondent had issued end use certificate without verifying payments made from the Bank account of the Company in acquiring fixed assets vis-a-vis bills, invoices, vouchers etc.

It was noted that Item (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949 states as under:-

**Second schedule**

**Part I**

"(7) does not exercise due diligence, or is grossly negligent in the conduct of his professional duties;"



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2. An action under Section 21B (3) of the Chartered Accountants Act, 1949 was contemplated against the Respondent and communication dated 12<sup>th</sup> April 2021 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 29<sup>th</sup> April 2021 through video conferencing.
3. The Respondent appeared before the Committee on 29th April 2021 through video conferencing from his personal location and submitted that he had already submitted his written representation before the Committee which it might consider to conclude on the matter. Accordingly, the Committee considered the written submissions made by the Respondent vide his letter dated 22<sup>nd</sup> March, 2021. It was noted that the Respondent, at the outset, submitted that the SFIO Report as well as Prima Facie Opinion of the Director (Discipline) contained no evidences for the allegation made against him. However, the Committee in its Findings claimed to have been able to find evidence which as per him was in gross violation of Rule 18(2) of CA Rules, 2007. The Respondent submitted that based on evidences so collected hearing was concluded by the Committee without giving sufficient opportunity to him to counter the said evidences. The Respondent argued that the Committee had wrongly relied upon two unrelated documents as evidence against him. As per him, the certificate dated 10th July 2008 issued by CA M. Jayaram and another certificate dated 29th September 2007 issued by the Respondent himself were related to different phases of the project i.e. 3/4 of the project and not phase 5 for which the contentious certificate dated 16th April 2008 was issued. He also stated that by presenting these two certificates (which were related to Phase 3 and 4) alongside the contentious certificate in the table given in Para 6 of the Committee's Findings, the whole process of adjudication was vitiated as all four certificates were considered together and there was no evidence or facts on record to support the view of the Committee that all the four certificates were related to same set of assets. He also stated that findings of the Committee that he had not verified the essential records before issuing the certificate was not supported with any reason or evidence as he had affirmed in his written statement that payment for assets were cross verified with Bank statements to the extent of certification done.
4. The Committee considered both the oral as well written submissions of the Respondent and noted that at the outset, the Committee noted that the Director(Discipline) had sought the working papers of the Respondent as retained by him for issuance of alleged certificate which he failed to



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provide stating that the documents were lying with the Company which he sought from the Managing Director of the Company vide his letter dated Jan, 2014 but was unable to obtain them. In the absence of any documents being produced by the Respondent, the Committee considered the facts as available on record. It was noted that while the Respondent had argued that the Committee had compared unrelated documents to arrive at its conclusion which is completely unacceptable because both the partners of the firm, the Respondent and his partner, issued four separate certificates dated 29th Sept, 2007, 27th Feb, 2008, 16th April, 2008 and 10<sup>th</sup> July 2008 alternatively that provided contradictory information. Neither the certificates pertaining to same phase were providing same information viz certificate dated 27<sup>th</sup> Feb, 2008 and the alleged certificate dated 16<sup>th</sup> April, 2008 when Phase 5 in one certificate was described as opening of 390 stores and one warehouse but the other described it as acquisition of 500 stores and one warehouse. It was also noted that whereas the Respondent had certified in the alleged certificate to have obtained only Rs.35cr term loan from Bank of Baroda, whereas as per the Investigation Report, Rs. 49cr had been disbursed by Bank of Baroda as on 31.03.2008 (A-82). Further, the Committee noted that its Findings were arrived at based on basic evaluation of facts wherein it was found that the certificates dated 29th Sept, 2007, 27th Feb, 2008 & 16th April, 2008 were issued for same value of investments i.e. Rs.136.35cr or Rs.136.40cr while the certificate dated Sept 2007 (issued by his partner) described the investment done for Phase 3 but the alleged certificate as well as certificate dated 27th February 2008 issued by the other chartered accountant described it as Phase 5 investment. It was viewed the same value of investments could never describe the different phases as was being done by the Respondent in his certificate dated 29th Sept, 2007 and 16th April, 2008.

Further, the Committee noted that the Respondent had certified the value of investments and source of financing the same which were stated to have been verified from the books of accounts and bills/ information as received from the management as stated by the Respondent before the Informant Department and in his certificate dated 29th September, 2007. It was viewed that the value of investments and its source of finance could not be verified without referring to the bank statements and valuer's report. It was viewed that a bill/voucher could never be considered as sufficient evidence for verification of value of investments because value does change with time. Further neither the books of accounts nor the bills could corroborate the evidence for sources of finance.



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4.1 Thus, the Committee while noting the content of paragraph 2.2 of 'Guidance Note on Audit Reports and Certificates for Special Purposes', issued by the Institute, viewed that being a professional, the Respondent was responsible for the factual accuracy of the facts certified therein and his examination of the facts were required to be more intense at the time of issuing certificate than that issuing audit report. However, in view of the contradictions, as reflected in the Certificates issued by the Respondent himself and also an incomplete verification done by him, it was viewed that he had not performed his professional duties diligently.

5. The Committee thus viewed that the misconduct on the part of the Respondent has been held and established within the meaning of Item (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949 and keeping in view the facts and circumstances of the case as aforesaid, ordered that the name of the Respondent, **CA. K. Sridhar (M.No. 202382)** be removed from the Register of members for a period of 1(one) year along with a fine of Rs. 1,00,000/- be levied upon him that shall be payable within a period of 3 months from the date of receipt of the Order. In case the Respondent, failed to pay the same as stipulated, the name of the Respondent, **CA. K. Sridhar (M.No. 202382)** be removed for a further period of 1(one) month from the Register of members on the lines of Section 64 of the Indian Penal Code.

Sd/-  
[CA. Nihar N Jambusaria]  
Presiding Officer

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

Sd/-  
[CA. P.K. Boob]  
Member  
[approved and confirmed through e-mail]

Date : 29<sup>th</sup> April, 2021

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

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

Certified to be true copy  
*Mohita Khanna*  
CA. Mohita Khanna  
Assistant Secretary,  
Disciplinary Directorate  
The Institute of Chartered Accountants of India,  
ICAI Bhawan, Vishwas Nagar, Shahdra, Delhi-110032

**CONFIDENTIAL**

**DISCIPLINARY COMMITTEE [BENCH - III (2020-21)]**  
**[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/382/17/DD/02/INF/18-DC/1352/2020**

**In the matter of:**

**CA. Sridhar K (M.No. 202382),**  
5 Crescent Street Seethamma Colony,  
Alwarpet,  
Chennai - 632 403.

**-----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: 22<sup>nd</sup> January, 2021**

**Place of Final Hearing: New Delhi (through Video-conferencing)**

**PARTIES PRESENT:**

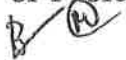
**(i) CA. Sridhar K - Respondent**

**(ii) CA C.V. Sajan- Counsel for Respondent**

**(Both appeared from their respective personal location)**

**Charges in Brief:**

1. 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 was *prima facie* held guilty of Professional Misconduct falling within the meaning of Item (7) of Part I



of Second Schedule to the Chartered Accountants Act, 1949. The said Item to the Schedule state as under:-

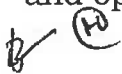
*“(7) does not exercise due diligence, or is grossly negligent in the conduct of his professional duties; and*

**Brief Background and Allegations against the Respondent:**

2. SFIO, the Informant, had conducted investigation under section 235 of the Companies Act, 1956 into the affairs of M/s Subhiksha Trading Services Limited (in liquidation) [hereinafter referred to as “**Company/ STSL**”]. During the Investigation, SFIO came to conclusion that the promoter directors of the Company conducted the business by adopting various fraudulent method and fabrication of financial statements and certain deficiency on the part of Respondent was observed who had certified **(A-85 and A-112)** end use certificate without verifying payments made from the Bank account of the Company in acquiring fixed assets vis-a-vis bills, invoices, vouchers etc.

**Proceedings:**

3. At the time of hearing on 22<sup>nd</sup> January 2021, the Committee noted that the Respondent along-with his authorized Counsel were present before it from their respective personal location. Thereafter, they gave a declaration that there was nobody except them in their respective room from where they were appearing and that they would neither record nor store the proceedings of the Committee in any form. Being 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 it could be taken as read. The Counsel for the Respondent stated before the Committee that he was aware of the charges made against him and the same might be taken as read. On being asked, as to whether the Respondent pleaded guilty, he did not plead guilty and opted to defend the case.



Thereafter, the Counsel for the Respondent made his submissions on the allegations.

Based on the documents available on record and after considering the oral and written submissions made by the Counsel for the Respondent before it, the Committee concluded hearing in the matter.

**Findings of the Committee:**

4. The Committee noted that it was alleged against the Respondent that he had issued the end use certificate dated 16.04.2008 (**B-6 to B-7**) to AGM, Bank of India without verifying payments made from the Bank account of the Company in acquiring fixed assets vis-a-vis bills, invoices, vouchers etc. The Committee noted the oral as well as the written submissions made by the Respondent wherein inter-alia he stated that :

- (i) During the investigation of STSL, SFIO, the Informant, summoned him and took his statement. It wanted him to provide the invoices, bills, vouchers, bank records etc. that were verified to issue the said certificate. The Respondent expressed his helplessness over the fact that these records were with the Company. It was contended before them that the certificates were issued by the Respondent after thorough verification of the records including the account books, bank records, invoices /vouchers but SFIO, the Informant, while concluding its report made the allegations that the certificate issued by the Respondent was issued without verification of bills, vouchers, bank payments etc.
- (ii) He also stated that Certificate issued by him on 16.04.2008 to the Company (**B-6 to B-7**) for obtaining loan from Bank of India was not an end use certificate. The SFIO had wrongly assumed the same. The

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alleged certificate confirmed only the purchase of fixed assets by the Company on the basis of bills and books of accounts.

- (iii) As per the Respondent, the allegations were made on the basis of differences observed in the Certificates issued by the two different chartered accountants who were the partners of the same audit firm. The Respondent argued that there was no difference in the amount certified by them except the number of stores which occurred because certain number of units that were not fully ready for operation had not been included in the certificate issued by the other chartered accountant which was as certified by the management. He stated that the said number was non-financial number and hence insignificant.

5. The Committee noted that both cases under reference number PPR/P/382/17/DD/02/INF/18-DC/1352/2020 and PPR/P/382/17/DD/03/INF/18-DC/1353/2020 have emanated out of a common Investigation Report of SFIO given in the case of the Company, M/s Subhiksha Trading Services Limited (in liquidation), accordingly, the documents available in both the matters have been considered while conducting the enquiry so as to arrive at a logical conclusion.

6. The Committee on perusal of the certificate dated 16.04.2008 noted that the Respondent had certified that total sum of Rs. 136.40 crores (being project cost of phase 5) was fully invested in acquisition of assets for 500 stores and 1 (one) warehouse. He further certified that this sum was financed out of residual charge short term loans raised by the Company- in lieu of equity- to the extent of Rs 1250 mn from ICICI Bank, Yes Bank and Centurion Bank of Punjab and the balance Rs. 114 mn was met from internal accruals. Further, it was noted that another certificate dated 29.09.2007 as issued by the Respondent himself and certificates dated 27.02.2008 and 10.07.2008 as issued by another

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Chartered Accountant who was also the partner of the same Respondent Firm. On review of the all the certificates as available on record, the Committee observed certain variations in the information given therein as tabulated below:

Sl. No	Date of Certificate	29 <sup>th</sup> September 2007	27 <sup>th</sup> February, 2008	16 <sup>th</sup> April 2008	10 <sup>th</sup> July 2008
1.	Name of Chartered Accountant who issued certificate	CA K. Sridhar	CA M Jayaram	CA K. Sridhar	CA M Jayaram
	Issued to	Centurion Bank of Punjab	Bank of Baroda	Bank of India	The Fedral Bank Ltd.
2.	Amount Certified	Rs.136.35 Cr	Rs.136.40 Cr	Rs.136.40 Cr	Rs.168.45 Cr
3.	Phase described as	<b>Phase 3</b>	<b>Phase 5</b>	<b>Phase 5</b>	<b>Phase 3</b>
4.	Nature of Assets & their location	Acquisition of assets for stores & Warehouse as part of expansion in Pune, Rest of Maharashtra, Punjab, Haryana, Chandigarh & UP	Opening 390 stores and one warehouse	Acquisition of assets for 500 stores & 1 Warehouse	Acquisition of assets for stores & Warehouse as part of expansion in Pune, Rest of Maharashtra, Punjab, Haryana, Chandigarh & UP
<b>Items / Components</b>					
1.	Warehouse	3,26,01,107	NA	6,99,61,048	4,42,26,433
2	Plant and Machinery	5,70,74,741	NA	19,70,45,262	9,61,28,784
3	Furniture and fixtures	30,95,98,729	NA	27,91,59,813	41,52,22,231
4.	Office equipment	30,80,26,240	NA	19,87,16,912	34,52,89,330
5	Computers	26,74,35,091	NA	27,05,04,230	33,90,54,592
6	Electrical fittings	28,41,66,270	NA	27,93,71,302	33,08,05,940
7	sign board	<b>10,46,25,110</b>	NA	<b>6,92,94,882</b>	12,37,96,731
	Total	136,35,27,288		136,40,53,449	168,45,24,041
<b>Source of Finance</b>					
1.	Source 1	NA	1250 million from residual	1250 million from residual charge short term loans	-

B/A

			charge short term loans raised from ICICI Bank, Yes Bank, Centurion Bank of Punjab	raised from ICICI Bank, Yes Bank, Centurion Bank of Punjab	
2	Source 2	NA	Balance from internal accruals	Rs. 11.4 Crores from internal accruals	Rs. 92.45 Crores from equity and internal accruals
3	Regarding Term loans	NA	The Company has not availed any long term loans from Bank or others in respect of stores or warehouses.	In terms with company's plans to substitute the short term finance of Rs. 1250 million with equity of Rs. 65 Crores and balance Rs. 60 Crores by way of term loan financing from banks/institutions, the company <b>has already raised Rs. 35 Crores as Term Loan for phase 5 from Bank of Baroda</b> and proposed to be raised for Rs. 25 Crores from Bank of India.	a) ABN Ambro for 20 Crores b) Centurion Bank of Punjab for Rs 15 Crores c) Fedral Bank of Rs. 16 Crores <b>d) Bank of Baroda for Rs. 15 Crores</b>

7. It was noted that firstly the Respondent, in his alleged certificate dated 16.04.2008, had not only contradicted the facts certified by his partner vide

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certificate dated 27.02.2008 but also contradicted his own previous certificate dated 29.09.2007. It was noted, at the outset, that the three certificates were issued for same value of investments i.e. Rs.136.35cr or Rs.136.40cr but while the certificate dated Sept 2007 (issued by himself) described the investment done for Phase 3 but the alleged certificate as well as certificate dated 27<sup>th</sup> Feb, 2008 issued by the other chartered accountant described it as Phase 5 investment. It was viewed the same value of investments could never describe the different phases as being done by the Respondent in his certificate dated 29<sup>th</sup> Sept, 2007 and 16<sup>th</sup> April, 2008.

Further, on comparison of two certificates issued by the Respondent himself, it was noted that the figures of each asset certified to have been acquired varied substantially as could be viewed from the figures given in the table. While investments in warehouse, plant and machinery, computers had increased from Sept, 2007 to April, 2008, the value of signboards invested in had decreased substantially till April, 2008 but increased against in July, 2008 certificate issued by the other Respondent who was his partner. It was viewed that there appeared no logical reason for such variation in figures and the certificate appeared to be containing doubtful information when Phase 5 in one certificate is described as opening of 390 stores and one warehouse the other described it as acquisition of 500 stores and one warehouse. It was also noted that whereas the Respondent had certified in the alleged certificate to have obtained only Rs.35cr term loan from Bank of Baroda, whereas as per the Investigation Report Rs. 49cr had been disbursed by Bank of Baroda as on 31.03.2008 (A-82).

8. Further, the Committee noted that the Respondent had certified the value of investments and source of financing the same. However, the same was verified from the books of accounts and bills/ information as received from the management as stated by the Respondent before the Informant Department or

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stated in his certificate dated 29<sup>th</sup> September, 2007. It was viewed that the value of investments and its source of finance could not be verified without referring to the bank statements and valuer's report. It was viewed that a bill/voucher could never be considered as sufficient evidence for verification of value of investments because value does change with time. Further neither the books of accounts nor the bills could corroborate the evidence for sources of finance.

9. In this regard, the Committee noted paragraph 2.2 of 'Guidance Note on Audit Reports and Certificates for Special Purposes', issued by the Institute, which states that a "certificate" is a written confirmation of the accuracy of the facts stated therein and does not involve any estimate or opinion. A "report", on the other hand, is a formal statement usually made after an enquiry, examination or review of specified matters under report and includes the reporting auditor's opinion thereon". Thus, it was viewed that when a professional issues a certificate, he is responsible for the factual accuracy of what is stated therein. In fact his examination of the company records should be more intense at the time of issuing certificate than that issuing audit report. However, in view of the contradictions, as reflected from the Certificates issued by the Respondent himself and also an incomplete verification done by him, it was viewed that he had not performed his professional duties diligently. In fact, the Committee did not find merit in the submission of the Respondent regarding his working papers lying with the Company as he contended to have sent letters dated 18.01.2014 (C-3 to C-4) and 30.01.2014(C-5) to the Company for relevant documents since the working papers are widely acknowledged to be the property of the Chartered Accountant and that of his firm who undertake the professional assignment and are required to be retained by him to form records of the work done by him/firm and the basis for arriving at a conclusion. The Committee thus was of the considered view, in light of the reasons stated in the preceding paras, together with the fact that

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there was failure on part of the Respondent to bring on record the information based on which the certificate dated 16th April 2008 was issued by him. It was viewed that the Respondent had failed to exercise due diligence in carrying out his professional duties and was thus held guilty of professional misconduct falling within the meaning of Item (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

**Conclusion:**

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

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

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

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

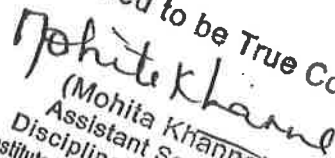
**Sd/-**  
**[CA. Chandrashekhkar Vasant Chitale]**  
**Member**  
**(approved & confirmed through e-mail)**

**Sd/-**  
**[CA. Manu Agrawal]**  
**Member**  
**(approved & confirmed through e-mail)**

**DATE: 3<sup>rd</sup> February, 2021**

**PLACE: New Delhi**



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