



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

[PR-48A/16-DD/223/2016-DC/1426/2021]

**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/48A/2016/DD-223/2016/DC/1426/2021

In the matter of:

**Sh. N Rajashekara**

**Supdt. of Police, Central Bureau of Investigation,**

**CBI, BS & FC,**

**No. 36, Bellary Road,**

**2nd Floor, Ganganagar,**

**BENGALURU – 560032**

**.....Complainant**

**Versus**

**CA. Kavuri Sree Ramulu (M.No.200237)**

**D. No. 1-10-160 A & B,**

**2<sup>nd</sup> Floor, S M L Nivas,**

**Ashok Nagar,**

**HYDERABAD – 500020**

**.....Respondent**

**Members present:**

**CA. Aniket Sunil Talati, Presiding Officer**

**Smt. Anita Kapur, Member (Govt. Nominee)**

**Shri P.K. Srivastava, Member (Govt. Nominee)**

**CA. Vishal Doshi, Member**

**CA. Sushil Kumar Goyal, Member**

**Date of Hearing: 08.04.2022 through Video Conferencing**

**Place of Hearing: New Delhi**

**Party Present:**

**(i) CA. Kavuri Sree Ramulu – Respondent (appeared from his personal location)**

1. That vide report dated 14<sup>th</sup> September 2021 (copy enclosed), the Disciplinary Committee was of the opinion that **CA. Kavuri Sree Ramulu (M.No.200237)** 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 utilization certificates dated 31/08/2011 and 05/01/2012 issued by the Respondent to Corporation Bank in respect of demand loans of Rs. 200 crores and Rs. 100 crores sanctioned by it to M/s Deccan Chronicle Holdings Limited (hereinafter referred to as 'DCHL' or 'Company') on 06/08/2011 and 27/12/2011 respectively by the said bank, without going through the actual utilization of the same.

It was noted that Item (7) of Part I of Second Schedule states as under:-



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**Second Schedule**

**"PART I : Professional misconduct in relation to chartered accountants in practice**

*A chartered accountant in practice shall be deemed to be guilty of professional misconduct, if he-*

...

*(7) 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 25<sup>th</sup> March 2022 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 8<sup>th</sup> April, 2022 through video conferencing.

3. The Respondent appeared before the Committee on 8<sup>th</sup> April 2022 through video conferencing and made his oral representations on the findings of Disciplinary Committee. The Committee considered both the oral submissions as well written submissions made by the Respondent vide his letter dated 13<sup>th</sup> December 2021. The Respondent, at the outset, submitted that the observations made in Findings Report were based on the incorrect surmises that the alleged certificates were issued to certify if the loans were used for the purpose for which they were sanctioned. As per the Respondent, the sanctioned letters did not require any such certification. In fact, the certificates were required by the Banks for the limited purpose of collecting evidences towards disclosure in the financial statements of those banks regarding exposure to sensitive sectors as per RBI norms, which was a regulatory requirement. Accordingly, certificates were issued providing negative assertion that the loan proceeds were not utilized for investment in capital markets, equity instruments or in real estate activities. The Respondent contended that language used in the certificate, was factually not incorrect. In any case, the Respondent pleaded to pardon for the unintended ambiguity in the language of the certificates, as that did not amount to professional misconduct.

4. The Committee considered both the oral as well written submissions of the Respondent and noted at the outset with respect to the Respondent submissions that the purpose of alleged certificates was to enable the Bank to collect evidence that sanctioned loans were not exposed to sensitive sectors in terms of regulatory requirement, it was viewed that that firstly the 'terms and conditions' of the sanctioned loans were sufficient basis to determine the exposure of the Banks to sensitive sectors and that the Respondent had neither mentioned such purpose on the face of the certificate nor he had produced any documentary evidence to corroborate such defense. It was viewed that the alleged demand loans were sanctioned "to meet the short term funds requirements towards procurement of stock of newsprint / other spares, advance payments to suppliers of machineries / equipments, expenditure incurred / to be incurred in connection with launching new editions etc" whereas as per documents available on record the Company had received Rs. 200 Crores and Rs. 100 Crores from Corporation bank on 11/08/2011 and 27/12/2011 respectively and on the same day Rs.198 crores and Rs. 100 crores in two instalments (each time) were transferred from Corporation Bank to its ICICI bank account. Thus, stating in the certificate that the funds were



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utilized 'for general corporate purposes', was not the correct information. It was also noted that the Respondent had at one point of time justified his certificate (W-23) stating that the proceeds "**were spent for repayment of earlier loans** which were utilized for procurement of stock of newsprint / other spares, advance payments, expenditure incurred in connection with launching new editions etc". In other words, the Respondent had changed his line of defense from time to time but also admitted his negligence when he accepted for "the unintended ambiguity in the language of the certificates".

4.1 It was viewed by the Committee that despite knowing the purpose for which the funds were sanctioned and the fact as to where it was actually utilised, the Respondent had deliberately chose to omit significant information in the certificates so issued. The Committee, accordingly, was of the considered opinion that the Respondent failed to exercise due diligence while carrying out his professional duties and is thus guilty of Professional Misconduct falling within the meaning of Item (7) of Part-I of the Second Schedule to the Chartered Accountants Act, 1949 with respect to both the allegations.

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 Respondent, **CA. Kavuri Sree Ramulu (M.No.200237)** be Reprimanded and a fine of Rs. 20,000/- (Rupees Twenty Thousand Only) be imposed that shall be payable within a period of 3 (three) months from the date of receipt of the Order and in case he failed to pay the same as stipulated, the name of the Respondent be removed for a period of 1 (one) month from the Register of members.

Sd/-  
[CA. Aniket Sunil Talati]  
Presiding Officer

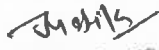
Sd/-  
[Smt. Anita Kapur]  
Member (Govt. Nominee)

Sd/-  
[Shri P.K. Srivastava]  
Member (Govt. Nominee)

Sd/-  
[CA. Vishal Doshi]  
Member

Sd/-  
[CA. Sushil Kumar Goyal]  
Member

Date: 14/06/2022  
Place: New Delhi

  
प्रमाणित सत्य प्रतिलिपि / Certified true copy

सीए. ज्योतिका ग्रोवर / CA. Jyotika Grover  
सहायक सचिव / Assistant Secretary  
अनुशासक / Discipline Officer  
इंस्टीट्यूट ऑफ चार्टर्ड अकाउंटेंट्स ऑफ इंडिया  
The Institute of Chartered Accountants of India  
आइए  
ICAI (Institution) का कार्यालय, शान्ति, दिल्ली-110032

**CONFIDENTIAL**

**DISCIPLINARY COMMITTEE [BENCH – III (2021-22)]**

**[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. : [PR-48A/16-DD/223/2016] -DC/1426/2021]**

**In the matter of:**

**Sh. N Rajashekara**

**Supdt. of Police, Central Bureau of Investigation,**

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**No. 36, Bellary Road,**

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**D. No. 1-10-160 A & B,**

**2<sup>nd</sup> Floor, S M L Nivas,**

**Ashok Nagar,**

**HYDERABAD – 500020**

**.....Respondent**

**MEMBERS PRESENT:**

**Smt. Anita Kapur, Member (Govt. Nominee) & Presiding Officer**

**CA. Chandrashekhar Vasant Chitale, Member**

**CA. P.K. Boob, Member**

**Date of Final Hearing: 8<sup>th</sup> July, 2021 through Video Conferencing**

**Place of Final Hearing: New Delhi**

**The following persons were also present:**

**i) Shri P. Subramanyam, Inspector of Police - Complainant's Representative  
(appeared from ICAI Bengaluru Office)**

**ii) CA. Kavuri Sree Ramulu – Respondent**

**iii) CA. C.V.Sajan – Counsel for Respondent**

**(both the parties at (ii) and (iii) 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 held *prima facie* guilty of Professional Misconduct falling within the meaning of Item (7) of Part-I of the Second Schedule to the Chartered Accountants Act, 1949. The said Clause to the Schedule states as under: -

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

**Brief background and allegations against the Respondent:**

2. The extant case had emanated out of a case registered by CBI dated 22.05.2014 against Chairman of M/s Deccan Chronicle Holdings Limited (hereinafter referred to as 'DCHL' or 'Company') and six others on the basis of written complaint received from AGM, Corporation Bank, Bangalore for causing loss of Rs. 116.35 crores as on 30.09.2013 (including interest) to the bank. As per the Complainant, investigations disclosed that conspiracy was entered into at Bangalore, Hyderabad and other places during the period from 2011 to 2012 and in furtherance to the said conspiracy, M/s DCHL fraudulently availed excessive credit facilities, by inflating its revenue, suppressing actual borrowings from other banks / financial institutions, furnishing fake and fabricated financial statements and diverting the said loan amount for purposes other than for which it was sanctioned, thereby causing a wrongful loss of Rs. 116.35 crores with interest as on 30.09.2013 to Corporation Bank, Bangalore. The Company availed credit facilities from various banks / Financial Institutions and which resulted in the outstanding liabilities of the company of more than Rs. 4067 crores.

2.1 It was stated that M/s DCHL availed three demand loans of Rs. 200 crores dated 30.03.2011, Rs. 200 crores dated 11.08.2011 and Rs. 100 crores dated 27.12.2011 during 2011 from Corporation Bank, CBB Branch, Bangalore. It was alleged against the Respondent that

(i) the Respondent had issued Net Worth certificates dated 29.12.2010 (**W-25; W-47 and W-72**) in respect of promoter directors of M/s DCHL at the time of 1<sup>st</sup> sanction of Demand loan of Rs. 200 crores made to M/s DCHL by Corporation bank.

(ii) The Respondent had issued utilization certificates dated 31.08.2011 (**W-115**) and 05.01.2012 (**W-164**) to Corporation bank in respect of demand loans of Rs. 200 crores and Rs. 100 crores sanctioned to M/s DCHL on 06.08.2011 and 27.12.2011 respectively by the said bank, without going through the actual utilization of the same.

(iii) the Respondent also issued Search Report dated 15.12.2011 for charge created in respect of Corporation bank only as on 15.12.2011 (**W-96**), thereby suppressing the details of charge creation of other banks / FIs on various dates on the said securities (**C-13 to C-14**).

### Proceedings:

3. At the time of hearing on 8<sup>th</sup> July 2021, the Committee noted that the Complainant's Representative and the Respondent alongwith his Counsel appeared before it through video conferencing. Thereafter, they all gave declaration that there was nobody present 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. The Committee, thereafter, asked the Counsel for the Respondent whether he wished the charges to be read out or it could be taken as read. The Counsel for the Respondent stated that the Respondent was aware of the charges raised against him and the same might be taken as read. On being asked, as to whether the Respondent pleaded guilty, the Respondent replied that he did not plead guilty and opted to defend his case.

Thereafter, the Committee asked the Complainant to present his case to which he replied that he had already submitted on record the documents/evidences of the charges alleged against the Respondent. The Counsel for the Respondent was thereafter asked to make his submissions in the matter. The Counsel for the Respondent made his submissions on the allegations raised in the extant case. The Committee thereafter examined the Respondent on the submissions made by his Counsel. The Counsel for the Respondent made his final submissions in the matter. Thereafter, based on the documents available on record and after considering the oral and written submissions made by both parties before it, the Committee concluded hearing in the matter.

3.1 The Committee noted that the Director (Discipline) in his *Prima Facie* Opinion had held the Respondent guilty of professional misconduct for only 2<sup>nd</sup> charge discussed in para 2.1(ii) above

relating to issuance of utilisation certificate in respect of second and third demand loan whereas in respect of 1<sup>st</sup> and 3<sup>rd</sup> charge, relating to issuance of net worth certificates dated 29.12.2010 (**W-25; W-47 and W-72**) of the promoters Directors and issuance of search report dated 15.12.2011 for the charge created in respect of Corporation Bank respectively, the Respondent was held not guilty of the allegations. However, the Committee on consideration of the *prima-facie* opinion dated 3<sup>rd</sup> September, 2020 of the Director (Discipline) along with the Complaint, Written Statement, and the additional documents received in the matter and concurred with the reasons given against the charge(s) and thus, agreed with the *prima-facie* opinion of the Director (Discipline) except the following:

- i) In respect of first allegation regarding net worth certificates issued by the Respondent in respect of promoters, it was noted that the accounts brought on record by the Respondent based on which the alleged net worth certificates were issued were observed to be neither audited nor bear any signature/seal of the professional. Hence, it raised doubt on veracity of the said accounts in the absence of evidences based on which said accounts were prepared. Accordingly, the Respondent was held *prima facie* guilty of professional misconduct falling within the meaning of Item (7), Part I of Second Schedule to the Chartered Accountants Act, 1949 and
- ii) With respect to allegation in respect to Search Report, the Committee considered the documents available and differed on the rationale In respect of said allegation. It was viewed that considering the scope of Respondent's appointment wherein he was confined to only provide information in respect of charges of Corporation Bank, the Respondent was held *prima facie* not guilty of professional misconduct with respect to the said allegation.

3.2 Thus in light of above, the Committee at the time of hearing accordingly inquired into the matter.

**Findings of the Committee:**

4. As regard **the first charge**, the Committee noted that it has been alleged against the Respondent that he had issued Net Worth certificates dated 29.12.2010 (**W-25; W-47 and W-72**) to promoter directors of M/s DCHL at the time of 1<sup>st</sup> sanction of Demand loan of Rs. 200 crores made to M/s DCHL by Corporation bank. The alleged net worth certificates issued were

for Rs. 890.37 crores to Shri T Venkatram Reddy, Chairman of DCHL (W-25), for Rs. 857.80 crores to Shri T Vinayaka Ravi Reddy, Vice Chairman of DCHL (W-47) and for Rs. 851.22 crores to Shri P K Iyer, Vice Chairman of DCHL (W-72) as on 31.03.2010. It was noted that the Respondent has submitted in this regard that the calculations and disclosure made under various heads of net worth certificates were as per the Audited balance sheet of the individuals concerned as on 31.03.2010. The Respondent also gave the details of the break-up according to which the aforesaid certificates were issued (W-9 to W-18). He also argued that the Guidance Note only applies to the enterprises and not to individuals who are running enterprise (D-58).

4.1 The Committee in this regard noted that the Respondent had mentioned the details / value of the various assets like Land & Building, Vehicles, Investments in DCHL, Investments in other entities etc. in the aforesaid three net worth certificates and had also submitted the copy of audited accounts of aforesaid three individuals for the year ended on 31.03.2010 (W-27 to W-46; W-49 to W-55; W-59 to W-71; W-74 to W-80; W-84 to W-95) in order to substantiate the figures of three net worth certificates issued by him. The Committee was thus of the considered opinion that the Respondent has duly discharged his professional duties with diligence and was accordingly held not guilty of the professional misconduct as alleged in this charge.

5. As regard the **second allegation**, it was noted that there were two legs both pertaining to utilization certificate issued by the Respondent but with respect of different loans i.e. one amounting Rs. 200 Crores and other Rs.100 Crores received by M/s DCHL from Corporation Bank. It was noted that while the loans were sanctioned to meet the short term requirements towards procurement of stock of newsprint / other spares, advance payments to suppliers of machineries / equipment, expenditure incurred / to be incurred in connection with launching new editions etc. but in the utilization certificates dated 31.08.2011(W-115) and 05.01.2012(W-164) for loan of Rs. 200 crores & Rs. 100 crores respectively, the Respondent had certified as follows:

*Utilization Certificate dated 31.08.2011 (W-115)*

*ve*



*"This is to certify, based on the verification of books of accounts and other relevant records of MIS. Deccan Chronicle Holdings Ltd., and information provided and explanations given to us, the proceeds of the Short Term Loan of Rs. 200,00,00,000/- (Rupees Two Hundred Crores Only) sanctioned by Corporation Bank vide Sanction letter No. **CDS:CSI:NK:MC:148:2010-11** Dt. 06.08.2011 have been utilized for general corporate purpose and not utilized by the company for investment in capital market instrument such as equity / equity linked instruments or any capital market related activities, or real estate purpose."*

*Utilization Certificate dated 05.01.2012 (W-116)*

*"This is to certify, based on the verification of books of accounts and other relevant records of MIS. Deccan Chronicle Holdings Ltd., and information provided and explanations given to us, the proceeds of the Demand Loan of Rs. 100 crore (Rupees One Hundred Crores Only) sanctioned by Corporation Bank, IFB Branch, Bangalore vide Sanction letter dtd. 27<sup>th</sup> December 2011, have been utilized for procurement of Stock of newsprint/other spares, advance payments, expenditure incurred in connection with launching of new editions, not utilized by the company for investment in capital market instrument such as equity / equity linked instruments or any capital market related activities, or real estate purpose."*

5.1 In this regard, the Committee perused various documents available on record and noted that the Company had received Rs. 200 Crores and Rs. 100 Crores from Corporation bank on 11.08.2011 and 27.12.2011 respectively and on the same day Rs.198 crores and Rs. 100 crores in two instalments (each time) were transferred from Corporation Bank to its ICICI bank account.

5.2 Further, on perusal of the copy of sanction advise issued by Corporation Bank and Annexure - I – 'Terms & Conditions' (W-117 to W-119) and (W-166 to W-168) for both the loans, the Committee noted that the purpose of demand loan of Rs. 200 crores and Rs 100 Crores was clearly mentioned as under:

***'to meet the short term funds requirements towards procurement of stock of newsprint / other spares, advance payments to suppliers of machineries /***

*VE*

**equipments, expenditure incurred / to be incurred in connection with launching new editions etc'**

The Committee further noted that the Respondent had also referred the details of sanction letter of Corporation Bank in relation to sanction of loans of Rs. 200 crores and Rs 100 Crores by it to M/s DCHL, in his Utilization Certificate dated 31<sup>st</sup> August 2011 (**W-115**) and 5<sup>th</sup> January 2012 (**W-164**) which made it evident that the Respondent already knew the terms and conditions and purpose of sanction of such loan by the Corporation Bank to M/s DCHL. The Committee, accordingly, noted that the loans were sanctioned for certain specific purpose and the Respondent was expected to certify if the funds were utilised for the said purpose. However, on perusal of the Certificates issued, it was noted that the Respondent had certified explicitly the purposes for which the proceeds of the loan were not utilised when it stated in both the certificates that "*not utilized by the company for investment in capital market instrument such as equity / equity linked instruments or any capital market related activities, or real estate purpose*". Further, if the Respondent had stated that the funds were utilised 'for general corporate purposes', it was not providing the information in the certificate for which it was required or if the Respondent had certified that the proceeds '*have been utilized for procurement of Stock of newsprint/other spares, advance payments, expenditure incurred in connection with launching of new edition*', it was not the correct information because later the Respondent justified his certificate (W-23) stating that the proceeds "**were spent for repayment of earlier loans which were utilized for procurement of stock of newsprint / other spares, advance payments, expenditure incurred in connection with launching new editions etc**". Incidentally, it was noted that the Respondent in his written submission on prima facie opinion had admitted the negligence when he submitted that "there was an apparent error in the language used in the certificate which completely missed the aspect of repayment of loan, bordering negligence."

5.3 It was viewed by the Committee that the Respondent was expected to exercise due diligence as was warranted under the circumstances by checking books and records of the Company before issuance of such certificates which could not have been issued by merely relying upon the information / letter provided by the management of the Company. In this

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regard, the Committee noted **Para 4.1 (D-59)** of 'Guidance Note on Audit Reports and Certificates for Special Purposes' (D-56 to D-68) which reads as under:

*"4.1 A reporting auditor should have a **clear understanding of the scope and nature of the terms of his assignment**. It is desirable for him to obtain the terms in writing to avoid any misunderstanding". (emphasis added)*

The Committee thus was of the view that the Respondent had issued both the aforesaid Utilization Certificates dated 31<sup>st</sup> August 2011 (W-115) and 5<sup>th</sup> January 2012 (W-164) in respect of loans of Rs. 200 crores and Rs. 100 Crores respectively sanctioned by the Corporation Bank to M/s DCHL wherein despite knowing the terms of his assignment as well as the purpose for which the funds were actually utilised, the Respondent deliberately chose to omit significant information in the certificates so issued. The Committee, accordingly, was of the considered opinion that the Respondent failed to exercise due diligence while carrying out his professional duties and is thus guilty of Professional Misconduct falling within the meaning of Item (7) of Part-I of the Second Schedule to the Chartered Accountants Act, 1949 with respect to both the allegations.

**Conclusion :**

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

V/A

Sd/-  
[Smt. Anita Kapur]  
Member, (Govt. Nominee) & Presiding Officer

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, Shahdara, Delhi-110032

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

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

DATE: 14<sup>th</sup> September, 2021  
PLACE: New Delhi

Certified to be true copy

CA. Mohita Khanna  
Assistant Secretary,  
Disciplinary Directorate  
The Institute of Chartered Accountants of India,  
ICAI Bhawan, Vishwas Nagar, Shahdara, Delhi-110032