



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

[PR/159/2016/DD/206/16/BOD/408/2017]

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 G.D. Chandrasekhar, DGM,
State Bank of India, Hyderabad.

.....Complainant

Vs-

CA. K. Ranganathan (M.No.010842), Partner,
M/s. P Srinivasan & Co (FRN No.004055S)
Secunderabad.

.....Respondent

[PR/159/16/DD/206/2016/BOD/408/2017]

MEMBERS PRESENT(in person):

CA. Rajendra Kumar P, Presiding Officer

Ms. Dolly Chakrabarty (IAAS, Retd.), Government Nominee

Date of Final Hearing: 19th April, 2023

Place of Final Hearing: Chennai

1. The Board of Discipline vide Findings dated **10th February, 2023** was of the view that **CA. K. Ranganathan (M. No.010842)** is Guilty of "Other Misconduct" falling within the meaning of Item (2) of Part-IV of the First Schedule to 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. K. Ranganathan (M. No.010842)** and communication dated 27th March, 2023 was addressed to him thereby granting him an opportunity of being heard in person and/or to make written representation before the Board on or before 19th April 2023.
3. **CA. K. Ranganathan (M. No.010842)** was present in person before the Board on 19th April 2023, he was put on oath and also submitted his written representation on the Findings of the Board. He also made his oral representations before the Board and requested to take lenient view of the case.



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4. **CA. K. Ranganathan (M. No.010842)** in his written representation, inter-alia, submitted as under:

- (i) One of the main complaints is that he was responsible for diversion of Funds by SSL out of the T.L. disbursed by SBI. There were transaction between two limited companies SSL and SHCL and he was not a director of SHCL at that time as per evidences submitted already. The amount advanced by SSL to SHCL was immediately returned as evidenced by the Statement of Accounts submitted by both companies. As per the RBI definition there was actually no diversion of funds by SSL since the entire amount transferred by SSL to SHCL was returned by credit to SSL Account maintained in Karnataka Bank Ltd.
- (ii) Both SSL and SHCL have confirmed that no Equity Shares were applied for by SHCL and no Equity Shares are allotted or held in the name of SHCL in the equity capital of SSL. Under these circumstances his role/ influencing SSL as Auditor does not arise.
- (iii) SBI has not charged or complained on SSL about any diversion/ misuse of Funds under such circumstances it is strange that they have charged the Respondent for alleged violation or diversion which is without basis and deserves to be ignored. As per letter of SBI Dt: 09.01.2023 the loan A/c of SSL is duly closed and no actions are taken on them.
- (iv) Thus, considering his position as a senior citizen of 79 years age and person of poor health and under continuous medical treatment since long time and unable to attend Hearings on 8 occasions the lapse which are not willful and not committed knowingly be condoned and further proceedings be dropped

5. The Board has carefully gone through the facts of the case along with the oral and written representation of **CA. K. Ranganathan (M. No.010842)**.

6. As per the Findings of the Board as contained in its report, the Respondent was the auditor of SSL up to the financial year 2013-14. As per the audited Financial Statement of SSL for the FY. 2012-2013 and 2013-14 filed with ROC, SHCL is shown to be holding a total of 45.5 % and 10.27% of shares respectively of SSL. Whereas, the Respondent in his submissions stated that SHCL was not holding any equity shares in SSL and brought on record the financial statement of SHCL for the FY. 2012-2013 and 2013-14 wherein investments held in SSL were not reflected. However, since the Financial Statement of SSL for the FY. 2012-2013 and 2013-14 had been audited by the Respondent only and return of allotment had also been filed with the ROC showing shares allotment to SHCL, credence on the same cannot be avoided. Thus, the Board observed that in the company SSL, the Respondent was not only the auditor but also shareholder through his family company SHCL during the FY. 2012-2013 and 2013-14. He was in a position to exercise significant influence



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over the Company M/s SHCL also. The Board also observed that the Respondent was at a pedestal to prove or disprove the disbursement of funds as alleged with relevant documentary evidences, however, he chose to give an evasive reply that it is a matter between SSL and SHCL and he had no role to play in the same which is not acceptable in view of the significant position held by him in both the companies at the relevant period of time. The Board was of the view that the said conduct of the Respondent is clearly unwarranted and he seems to have used his professional acumen to provide undue benefit to the companies with which he was associated. Accordingly, the Board held the Respondent Guilty of 'Other Misconduct' falling within the meaning of Item (2) of Part IV of the First Schedule to the Chartered Accountants Act, 1949 read with section 22 of the said Act.

7. Thus, upon consideration of the facts of the case, the consequent misconduct of CA. K. Ranganathan (M.No.010842) and keeping in view his oral and written representation before it, the Board decided to remove the name of CA. K. Ranganathan (M.No.010842) from the Register of Members for a period of 15 (fifteen) days.

Sd/-

CA. Rajendra Kumar P
(Presiding Officer)

Sd/-

Ms. Dolly Chakrabarty (IAAS, retd.)
(Government Nominee)

DATE: 22-05-2023

सही प्रतिलिपि होने के लिए प्रमाणित
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मीनू गुप्ता / Moenu Gupta
कार्यकारी अधिकारी / Executive Officer
अनुशासनात्मक निदेशालय / Disciplinary Directorate
इंस्टीट्यूट ऑफ चार्टर्ड एकाउंटेंट्स ऑफ इंडिया
The Institute of Chartered Accountants of India
आईसीएआई भवन, विश्वास नगर, शाहदरा, दिल्ली-110032
ICAI Bhawan, Vishwas Neger, Shahdra, Delhi-110032

CONFIDENTIAL

BOARD OF DISCIPLINE

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/159/2016/DD/206/16/BOD/408/2017

CORAM: (Present in Person)

CA. Prasanna Kumar D., Presiding Officer

Ms. Dolly Chakrabarty (IAAS, Retd.), Government Nominee)

CA. (Dr.) Raj Chawla, Member

In the matter of:

Shri G.D. Chandrasekhar, DGM,
State Bank of India, Hyderabad.

.....Complainant

Versus

CA. K. Ranganathan (M.No.010842), Partner,
M/s. P Srinivasan & Co (FRN No.0040555)
Secunderabad.

.....Respondent

DATE OF FINAL HEARING : 6th January, 2023
PLACE OF FINAL HEARING : New Delhi/ through video conferencing

PARTIES PRESENT:

Complainant : None
Respondent : None

FINDINGS:

BACKGROUND OF THE CASE:

1.1 The Complainant stated that the Company namely M/s Sreevasa Spinners Limited (hereinafter referred to as the "SSL") was sanctioned a Term loan of Rs.35 crores by the Complainant Bank in June, 2011 for establishing a spinning mill. Upon request of SSL, the Complainant Bank made disbursements on several dates directly to the Bank account of M/s Seven Hills Colonizers Limited (hereinafter referred to as 'SHCL') by way of RTGS aggregating to Rs. 3.11 crores towards civil works. The Complainant stated that as per the Statement of Account and the records available with SBI, Amberpet Branch, 5 RTGS remittances aggregating Rs.2,61,21,716/- have been sent by SHCL to SSL A/c maintained with Karnataka Bank Branch at Kukatpally. The said Company i.e. SHCL is owned by the Respondent and his family and he was also the auditor of SSL. The Respondent, his wife Smt. Geeta Ranganathan and his son Sri Vijay Raghavan Ranganathan are the Directors and shareholders

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of SHCL. The Respondent had signed various Certificates for SSL, which have been submitted by SSL to the Bank in fulfilment of the Term Loan conditions and equity infusion.

- 1.2 The Complainant further stated that the account of SHCL at SBI Amberpet Branch does not contain transactions substantiating their construction activity. Credit summations in SHCL A/c from 24.01.2005 to 31.03.2012 ((five financial years) are Rs.1,07,77,628.04 averaging Rs.22.00 lakhs per annum. During the year 2012-13, the credit summations in the account amounted to Rs.3,28,76,701/- including the amount of Rs.3,11,26,701/- was received from SSL. Rest of the transactions amounts to Rs.17.50 lakhs. Further, SSL allotted 19,51,000 equity shares to SHCL and filed Form 2 with ROC on 27.03.2013 in respect of allotment of shares to SHCL. The audited Balance sheets of SSL as on 31.03.2013 and 31.03.2014 confirm the allotment of shares of SHCL. ROC search report on SHCL on 15.06.2016 indicated that authorized share capital is Rs.5,00,000/- and paid up share capital is Rs.5,00,000/- .SHCL filed ABS with RoC upto the year 2010-11 only and it may be inferred that SHCL might not have the net worth adequate enough to invest to the tune of Rs. 1.95 crores.
- 1.3 With the above background, the Complainant concluded and alleged that the loan funds disbursed by their Bank to SSL towards Civil works had gone to SHCL, out of which, SHCL had retransmitted Rs. 2.61 Crores back to SSL (i.e. the borrower Company). Further, SSL allotted equity shares worth Rs. 1.95 Crores to SHCL on 27th March, 2013.

CHARGE ALLEGED:

- 2.1 In the instant case, the allegation against the Respondent is that he being the Statutory Auditor of "SSL" and one of the Directors of SHCL (his wife and son being the other Directors) had been instrumental in diversion of disbursed term loan of the Complainant Bank back to the borrower Company SSL through SHCL.

BRIEF OF PROCEEDINGS HELD:

- 3.1 In the aforesaid case, at the time of hearing held in the case on 11th September, 2019, the Representative from the Complainant bank and the Counsel for the Respondent was present before the Board. The Counsel for the Respondent placed the adjournment request of the Respondent before the Board. The office apprised the Board that the said request for adjournment was received from the Respondent vide his email dated 3rd September 2019, to which the Respondent was asked to arrange an authorized representative to defend his case as the case had earlier been also adjourned at his request. Thus, the Board decided to proceed ahead with the hearing in the case. Thereafter, the charges alleged against the Respondent were read. The Representative from the Complainant bank made his submissions before the Board. On consideration of the submissions of the Representative from the Complainant bank, the Board decided to adjourn the hearing in the case with the direction to the Complainant bank to file their submissions in the case within 7 days with a copy to the Respondent.
- 3.2 Thereafter, at the time of hearing held in the case on 6th January, 2023 neither the Complainant/authorised representative was present before the Board nor was there any communication as regards their non- appearance. The Board further noted that the

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Respondent vide email dated 3rd January 2023 again sought adjournment on the ground that he is experiencing breathing problem and the doctor has advised him bed rest for 10 days and that he is required to submit certain documents from Karnataka bank, but, since the same pertain to the year 2012, the bank needs more time to provide the said documents. The Board noted that the case had been placed for hearing on nine occasions earlier also and had been adjourned for hearing at the request of the Respondent on eight occasions. Further, the case had been heard on one occasion wherein the representation of both the parties was there. Thus, the Board did not accede to the adjournment request of the Respondent. Also, the written submissions of both the Complainant bank and the Respondent were on record. Thus, the Board concluded the hearing in the case. On consideration of the submissions and documents on record, the Board advised the office to check as to when the Respondent resigned from the position of the director of the company M/s Seven Hills Colonizers Ltd. and when the same had been intimated to the ROC. Accordingly, the decision on the conduct of the Respondent was kept reserved by the Board.

- 3.3. Thereafter, the Board on consideration of the submissions and documents on record, in its meeting held on 3rd February, 2023 decided on the conduct of the Respondent.

BRIEF SUBMISSIONS OF THE PARTIES:

(a) Respondent:

4.1 The Respondent in his defence, inter-alia, stated as under:

- (a) The Bank has presumed that there was a diversion of funds by its borrower SSL. They have neither charged SSL with this type of observation/ complaint nor established by any enquiry that the allegation is correct or proved.
- (b) Just on the presumption the Bank has made a complaint against Respondent for reason best known to them.
- (c) This is established / proved by the Complainant's attitude in not responding to the letter dated 26/02/2017 and reminders dated 28/07/2017 & 25/10/2017 of the ICAL.
- (d) The submitted statement of accounts of SHCL in SSL Books and the copy of letter addressed by SSL to SHCL clearly indicate that no shares were allotted to SHCL by SSL.
- (e) As seen from the Statement of Account the entire amount of Rs. 3.11 Crore remitted by SSL was remitted back to SSL and account is closed. No amount was remitted by SHCL to SSL towards Share Capital nor any equity shares were allotted to SHCL.
- (f) Due to some discrepancies and communication gap, erroneously SHCL was shown as equity share holder in ABS of SSL. The Respondent submitted copy of annual balance sheet of SHCL for FY 2012-13 and 2013-14. They do not indicate that SHCL have invested any amount in SSL.
- (g) The transactions between SSL and SHCL are between two legal entities. The transactions did not involve any Company Law or Tax Laws violations.
- (h) The Respondent was not a Director of SHCL during the period the transaction took place. The transactions between two companies have taken place as per proper approvals of the concerned Board of Directors. The transactions involved of advance of funds by SSL and return of the amount by SHCL. SHCL have not applied for any equity shares in SSL.
- (i) As per statutory records of SSL and SHCL, SHCL does not hold any equity shares in SSL.

- (j) The Complainant did not provide any basis to prove that SSL has diverted funds as loan. The ledger accounts of SHCL in Books of SSL indicate that amounts were paid and received back. There is no indication that SHCL have purchased equity shares from SSL with that money. It is probably a wrong presumption by the Complainant and based on imagination only.
 - (k) The Complainant must first establish on record that there was a diversion of funds by SSL before they can pass an allegation that SHCL/ Respondent has helped SSL in diverting funds.
 - (l) SSL has got the term loan of Rs. 35 Crores released after the Bank got fully satisfied about the compliance of Terms and Conditions, inspection by the officials of the Bank, Valuation and report by Independent Bank approved valuer and on submission of vouchers, bills etc.
 - (m) SSL has completed the implementation of the project and also started repayment of principal besides timely payment of interest.
 - (n) As per the letter of SSL dated 22/06/2018 there is no shareholding for SHCL in SSL.
 - (o) The Company is complying with all the provisions of the Companies Act, Income Tax etc.
 - (p) Thus, there is no direct or indirect involvement of Respondent in these transactions between SSL and SHCL. No evidence is placed by the Complainant to prove that the incident or action of Respondent has brought disrepute to the profession.
- (q) The details of documents submitted by the Respondent are as under:
- (i) Letter of SSL dated 22/06/2018
 - (ii) Statement of account of SHCL in SSL Books
 - (iii) Balance Sheet of SHCL filed in ROC for the FY 2012-13
 - (iv) Balance Sheet of SHCL filed in ROC for the FY 2013-14
 - (v) Profit and Loss Account for the FY 2012-13 filed with ROC
 - (vi) Profit and Loss Account filed in ROC for the FY 2013-14

(b) Complainant:

The Complainant in his submissions, inter-alia, submitted as under:

- a) The Respondent had signed the Balance Sheet for the Financial Year 2013-14 which the Respondent has denied in his replies to the Written Statement.
- b) M/s. Seven Hills Colonizers Limited (in which the Respondent is a Director and also Authorised Signatory for the Current Account of the same Company) is one of the shareholders of M/s. SSL.

OBSERVATIONS OF THE BOARD:

- 5.1 The Board noted that the Complainant has alleged that the Respondent being the Statutory Auditor of M/s SSL and one of the Directors of M/s SHCL had been instrumental in diversion of disbursed term loan of the Complainant Bank back to the borrower Company SSL through SHCL.
- 5.2 The Board observed that the Respondent was the statutory auditor of the Company (SSL) for the Financial Year 2012-13 and 2013-2014. He was the Director of the Company M/s SHCL. The Respondent, his wife Smt. Geeta Ranganathan and his son Sri Vijay Raghavan Ranganathan were the Directors and shareholders of SHCL. However, the Respondent in his pleadings stated that he had resigned as the Director of SHCL in April, 2012 and the same was accepted by the Board of Directors of SHCL in the meeting held on 15/04/2012. The extracts of Minutes of Meeting of the Board of Directors of M/s SHCL were brought on

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record by the Respondent at the PFO stage. However, as per the records available at MCA, the Respondent is seen to have resigned from the position of the Director of the Company SHCL with effect from 15/04/2012 and again became a director of SHCL with effect from 29/09/2017 holding 27 % shares of the company. The Board also noted that the Family Holding of the Respondent in SHCL for the Financial Year 2012-2013 was as under:

Particulars	As on 31-03-2013	
	Name of Shareholder	No. of Shares
K. Ranganathan	20000	40
Geetha Ranganathan	20000	40
Vijay Raghavan	10000	20
Total	50000	100.00

Similarly, the Family Holding of the Respondent in SHCL for the Financial Year 2013-2014 was as under:

Particulars	As on 31-03-2014	
	Name of Shareholder	No. of Shares
K. Ranganathan	19960	39.92
Geetha Ranganathan	20000	40
Vijay Raghavan	10000	20
Total	49960	99.92

In view of the above, the Board observed that the Respondent was a majority shareholder in the Company i.e., SHCL and the entire shareholding of the company was with family only. This clearly indicates that he was in a position to exercise significant influence over the Company M/s SHCL.

- 5.3 The Board on perusal of the bank statement of SHCL for the period from 1st July, 2012 to 6th September, 2012 observed that funds were disbursed (credited) in the bank account of the said Company in the form of Industrial finance amounting to Rs. 80,00,055/- , Rs. 80,14,875/-, Rs. 15,00,000/- on 10th July, 2012 and 3rd September, 2012 respectively. Furthermore, it was observed that out of the above disbursement, amount of Rs. 80,00,051/-, 11,23,655/- and 80,10,055/- had been debited from the account on 11th July 2012 and 4th September, 2012 respectively in the name of RTGS.

The table below highlights the movement of funds between SSL and SHCL (on the basis of Ledger Account of SHCL maintained in the books of SSL for the FY 2012-13 and statement of account of SHCL):

S.No.	Date	Amount debited by SSL in the account of SHCL	Statement of Account of SHCL- Amount Credited	Statement of Account of SHCL- Amount Debited	Amount credited by SSL in the account of SHCL
1.	24/04/2012	Rs. 50,00,000/-			
2.	24/04/2012		Rs. 50,00,055		

3.	25/04/2012			Rs. 25,00,000/-	
4.	26/04/2012			Rs. 25,00,000/-	
5.	25/04/2012				
6.	16/05/2012	Rs. 75,00,000/-			
7.	16/05/2012		Rs. 75,00,000/-		
8.	17/05/2012			Rs. 45,00,055/-	
9.	17/05/2012				Rs. 45,00,000/-
10.	18/05/2012			Rs. 30,00,055/-	
11.	18/05/2012				Rs. 30,00,000/-
12.	06/06/2012	Rs. 26,11,716/-			
13.					
14.	06/06/2012		Rs. 26,11,716/-	Rs. 26,11,716/-	
15.	06/06/2012				Rs. 26,11,666/-
16.	10/07/2012	Rs. 80,00,000/-			
17.	10/07/2012		Rs. 80,00,055/-		
18.	11/07/2012			Rs. 80,00,051/-	
19.	11/07/2012				Rs. 80,00,000/-
20.	03/09/2012	Rs. 80,14,875/-			
21.	03/09/2012		Rs. 80,14,875/-		
22.	03/09/2012		Rs. 15,00,000/-		
23.	04/09/2012			Rs. 11,23,655/-	
24.	04/09/2012			Rs. 80,10,055/-	
25.	04/09/2012				Rs. 80,10,000/-

There was only one journal entry of civil work to the tune of Rs. 50 Lakhs which was credited by SSL in the account of SHCL. The only justification provided by the Respondent in respect of such transactions was that it involved advance of funds by SSL and return of the amount by SHCL. However, no reasonable documentary evidence in support of the same was brought on record.

It is pertinent to mention herewith that diversion of funds means the use of funds by the debtor in defiance of the authorized terms of the moneylender, in a number of circumstances such as the extension of the credit facility, shifting the funds to its subsidiaries or other companies, and various other circumstances which are not in compliance with the authorized terms.

Thus, the Board was of the view that in view of the pattern identified above it is evident that the funds disbursed in the bank account of SHCL by the Complainant Bank were immediately diverted to the borrower Company SSL as alleged by the Complainant Bank.

- 5.4 The Board also noted that admittedly the Respondent was the auditor of SSL up to the financial year 2013-14. As per the audited Financial Statement of SSL for the FY. 2012-2013 and 2013-14 filed with ROC, SHCL is shown to be holding a total of 45.5 % and 10.27% of shares respectively of SSL. Whereas, the Respondent in his submissions stated that SHCL was not holding any equity shares in SSL and brought on record the financial statement of SHCL for the FY. 2012-2013 and 2013-14 wherein investments held in SSL were not reflected.

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However, since the Financial Statement of SSL for the FY. 2012-2013 and 2013-14 had been audited by the Respondent only and return of allotment had also been filed with the ROC showing shares allotment to SHCL, credence on the same cannot be avoided. Thus, the Board observed that in the company SSL, the Respondent was not only the auditor but also shareholder through his family company SHCL during the FY. 2012-2013 and 2013-14. He was in a position to exercise significant influence over the Company M/s SHCL also. The Board also observed that the Respondent was at a pedestal to prove or disprove the disbursement of funds as alleged with relevant documentary evidences, however, he chose to give an evasive reply that it is a matter between SSL and SHCL and he had no role to play in the same which is not acceptable in view of the significant position held by him in both the companies at the relevant period of time.

Thus, the Board was of the view that the said conduct of the Respondent is clearly unwarranted and he seems to have used his professional acumen to provide undue benefit to the companies with which he was associated. Accordingly, the Board held the Respondent guilty in respect of the charge alleged.

CONCLUSION:

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

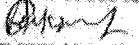
Sd/-
CA. Prasanna Kumar D.
(Presiding Officer)

Sd/-
Ms. Dolly Chakrabarty
(Government Nominee)

Sd/-
CA. (Dr.) Raj Chawla
(Member)

Date: 10th February 2023

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अरुण कुमार / Arun Kumar
कार्यकारी अधिकारी / Executive Officer
अनुशासनसूचक विभाग / Disciplinary Directorate
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