



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

[PR/196/15-DD/293/15-DC/1136/19]

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/196/15-DD/293/15-DC/1136/19

In the matter of:

The Superintendent of Police,  
Central Bureau of Investigation,  
Anti-Corruption Branch ,  
3<sup>rd</sup> Floor, Shasthri Bawan,  
26, Haddows Road,  
Chennai 600 006

...Complainant

Versus

CA. NARASIMHAN T R L  
M/s. TRL Narasimhan & Co.,  
406, 4<sup>th</sup> Floor, Suruthi Block,  
Chitra Avenue No.9, Choolaimedu High Road,  
CHENNAI 600 094

...Respondent

Members present:

CA. Aniket Sunil Talati, Presiding Officer  
Smt. Anita Kapur, Member (Govt. Nominee)  
Dr. K Rajeswara Rao, Member (Govt. Nominee)  
CA. Sushil Kumar Goyal, Member  
CA. Piyush S Chhajed, Member

Date of Final Hearing: 12.04.2023 through Video Conferencing

Place of Hearing: New Delhi

1. That vide report dated 07.10.2022, the Disciplinary Committee was of the opinion that CA. Narasimhan TRL (M. No. 201782) was GUILTY Professional as well as Other Misconduct falling within the meaning of Clause (7) of Part-I of Second Schedule and Clause (2) of Part-IV of First Schedule to the Chartered Accountants Act, 1949 read with Section 22 of the said Act with respect two allegations firstly, the Respondent certified net worth certificates for Sh. P.N.P. Lakshmanan (C-383) and Sh. G. Rajkumar(C-382), Directors, M/s Svyantra Automations P Ltd. & M/s I5 Interiors Pvt. Ltd., wherein it was alleged that the certificates were issued to suit the loan sanction criteria and secondly, the Respondent had issued certificate dated 06th May, 2011 (C-183) stating that Shri P.N.P. Lakshmanan and Shri G. Rajkumar had introduced a sum of Rs. 2 Crores as additional capital to meet capital expenditure and other obligations in M/s Svyantra Automation Pvt. Ltd whereas as per the Complainant, the said amount was not reflected in the bank statement/ book of records of the said entity. It was noted that allegations have been made against the Respondent based



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on complaint made by Indian Overseas Bank in respect of wrongful loss occurred to it of Rs. 378.24 Lacs and Rs. 671.66 Lacs by Proprietors/ Directors of M/s Urappa Foundations, Directors, M/s Svyantra Automations P Ltd. & M/s I5 Interiors Pvt. Ltd. in connivance with the then Branch Assistant General Manager of the Bank to whom the Respondent had issued the alleged certificates..

It was noted that Clause (7) of Part I of Second Schedule and Item (2) of Part IV of the First Schedule states as under:-

**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"*

**First Schedule**

*PART IV: Other misconduct in relation to members of the Institute generally*

*A member of the Institute, whether in practice or not, shall be deemed to be guilty of other misconduct, if he-*

...

*"(2) Brings disrepute to the profession/Institute as a result of his action whether or not related to his professional work"*

2. An action under Section 21B (3) of the Chartered Accountants Act, 1949 was contemplated against the Respondent and communication dated 27<sup>th</sup> March, 2023 was addressed to him thereby granting him an opportunity of being heard in person and/or to make oral/ written representation before the Committee on 12<sup>th</sup> April, 2023 through video conferencing.

3. During the hearing held on 12<sup>th</sup> April 2023, the Committee noted that the Respondent was not present before it for hearing. It was noted that the Respondent vide emails dated 4th April, 2023 and 11th April, 2023 expressed his inability to appear before the Committee on account of health issues and requested the Committee to decide on the matter based on his written submissions. It was noted that the Respondent had given his submissions vide email dated 4<sup>th</sup> April, 2023 wherein he had stated that he had nothing further to submit before the Committee. Accordingly, as per Rule 19(1) of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007, the Committee decided to proceed in the matter.

4. The Committee considered the submissions of the Respondent already placed on record. Regarding the net worth certificates issued by him for Sh. P.N.P. Lakshmanan (C-383) and Sh. G. Rajkumar(C-382), Directors, M/s Svyantra Automations P Ltd. & M/s I5 Interiors Pvt. Ltd., which were alleged to have been issued to suit the loan sanction criteria, the Committee noted that approximately 93% of the net-worth value certified by the Respondent had primarily been derived from the valuation of properties which as per the Complainant was not correct whereas the Respondent had submitted to have relied upon



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the valuation statements given by Dr. R. Natarajan and Associates, an ISO certified institution of Chartered Engineers and who was in the panel of bankers as approved valuer. On perusal of said certificate, it was noted that the said fact of relying upon the valuation report of valuer was not mentioned by the Respondent in the alleged certificates. It was against the requirements of 'Guidance note on Reports and Certificates for Special purposes', wherein it is clearly stated that the reference to the specific information relied upon should be included in the certificate. It is noted that a professional is expected to clearly indicate in his certificate, the extent of responsibility which he assumes. In case, if he relies on the statement/ specific information of another professional he is required to explicitly state the particulars of said information in his certificate. Thus, the submission of the Respondent that he relied upon the valuation report furnished by Dr. R. Natarajan and Associates (W-34 to W-84, W-86 to W-105) while certifying the alleged net worth certificates, could not be accepted as he omitted to report the said fact in the alleged certificates though the properties concerned constitute substantial portion of the total value of networth certified by him. In fact, on the face of certificate he had stated that the certificates were based on "records, information and explanations provided" which was an incomplete fact and also misleading. Further, it was observed that both the certificates were undated on account of which a reader/user of certificate would fail to find the date as to when the individuals held the certified value of net worth which was again misleading and points out at misconduct. The Committee, accordingly, was of the view that on account of said discrepancies the very purpose of certification was defeated.

5. Regarding the certificate dated 06th May, 2011 (C-183) issued by the Respondent stating that Shri P.N.P. Lakshmanan and Shri G. Rajkumar, Directors of M/s Svyantra Automations P Ltd, had introduced a sum of Rs. 2 Crores as additional capital to meet capital expenditure and other obligations the said entity whereas as per the Complainant, the said amount was not reflected in its bank statement/ book of records. . On perusal of documents available on record, the Committee noted from the communication dated 25th March 2011 held between M/s. Urappaa Food Park Private Limited and M/s. Svyantra Automations P Ltd., that the latter company was authorised "to execute the projects/work in progress/ orders on hand and close the leads already generated" by marketing team of M/s. Urappaa Food Park Private Limited. Thereafter a list of 13 orders on hand/ work in progress as on 25.03.2011 was provided. On the same day vide resolution, the Company decided to accept the orders/ work in progress/ leads generated by M/s. Urappaa Food Park Private Limited for supply of computers, automation equipments, network services and systems as detailed in the aforesaid letter. Subsequently, vide resolution dated 4th May 2011, the Company resolved that to treat the work in progress of various works handed over by M/s. Urappaa Food Park Private Limited as being additional capital brought in by the Directors and accordingly decided to issue shares to the Directors and/ or their families to the extent of Rs. 2 crore. It was noted that it was on the basis of said resolutions the Respondent had contended to have issued the certificate dated ~~6th May 2011~~.

It was noted that M/s. Svyantra Automations P Ltd, had accepted to execute the orders/ work in progress/ leads generated by M/s. Urappaa Food Park Private Limited worth around two crores and that if any work-in-progress was accepted then the works was required to be finished to the satisfaction of the customer so a cost and uncertainty was associated till the amounts were realised from the said customers. Similarly, merely introduction of orders or closing the leads generated by marketing team, indicate the projects in context of those



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orders were to be worked upon before any amount was realised by them. Hence, the cost was associated with orders/ work in progress/ leads introduced into the Company. It is, accordingly, noted that by no stretch of mind introduction of orders or closing the leads generated by marketing team of another Company could be considered as capital introduced. Hence, on 6th May 2011 when the certificate was issued by the Respondent stating that Mr. PNP Lakshmanan and Shri G. Rajkumar, Directors of M/s Svyantra Automations P Ltd. had introduced a sum of Rs.2,00,00,000 (Rupees Two Crores Only) as additional capital to meet the capital expenditure and other obligations of the entity (C-183) was false. It is also evident from Indian Overseas Bank statement of account annexed to submissions dated 05 May, 2021 that the dues from the said orders/ work in progress/ leads were realised during 20th May 2011 to 25th Jan 2012. Thus, the Committee noted that the Respondent had failed to exercise due diligence and showed gross negligence while performing his professional duties by treating work in progress/orders/leads received as capital introduced though there existed uncertainty about such work in progress/orders/leads turning into actual funds and also demonstrated conduct as to unbecoming of a Chartered Accountant.

5. The Committee thus viewed that the misconduct on the part of the Respondent has been held and established within the meaning of Clause (7) of Part I of Second Schedule as well as Clause (2) of Part IV of the First Schedule to the Chartered Accountants Act, 1949 read with Section 22 of the said Act and keeping in view the facts and circumstances of the case as aforesaid, ordered that the name of the Respondent **CA. Narasimhan TRL (M. No. 201782)** be removed for a period of 4 (Four) months from the Register of members alongwith a fine of Rs. 25,000/- (Rupees Twenty Five Thousand Only) be levied upon him 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 from the Register of members for a further period of 1 (One) month as per the order of the Committee.

Sd/-

[CA. Aniket Sunil Talati]

Presiding Officer

Sd/-

[Smt. Anita Kapur]

Member (Govt. Nominee)

Sd/-

[Dr. K Rajeswara Rao]

Member (Govt. Nominee)

Sd/-

[CA. Sushil Kumar Goyal]

Member

Sd/-

[CA. Piyush S Chhajed]

Member

सही प्रतिलिपि होने के लिए प्रमाणित  
Certified to be true copy

शिक्षा नथ शिवाड़ी / Shikha Neth Tiwari  
कार्यकारी अधिकारी / Executive Officer  
अनुशासनमालका निर्देशालय / Disciplinary Directorate  
इंस्टिट्यूट ऑफ चार्टर्ड एकाउंटेंट्स ऑफ इंडिया  
The Institute of Chartered Accountants of India  
आईसीएआई भवन, विश्व नगर, शाहदरा, दिल्ली-110032  
ICAI Bhawan, Vishwas Nagar, Shahdara, Delhi-110032

Date: 1<sup>st</sup> May, 2023

Place: New Delhi

CONFIDENTIAL

**DISCIPLINARY COMMITTEE [BENCH – III (2022-23)]**  
**[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**

Ref. No. [PR /196/15/DD/293/2015/DC/1136/2019]

In the matter of:

**The Superintendent of Police,**  
Central Bureau of Investigation,  
Anti-Corruption Branch ,  
3<sup>rd</sup> Floor, Shastri Bawan,  
26, Haddows Road,  
Chennai 600 006

...Complainant

Versus

**CA. TRL Narasimhan,**  
M/s. TRL Narasimhan & Co.,  
406, 4<sup>th</sup> Floor, Suruthi Block  
Chitra Avenue No.9  
Choolaimedu High Road,  
CHENNAI 600 094.

...Respondent

Members Present:

**CA. Aniket Sunil Talati, Presiding Officer**  
**Smt. Anita Kapur, Member (Govt. Nominee)**  
**CA. Vishal Doshi, Member**  
**CA. Sushil Kumar Goyal, Member**

**Date of Final Hearing: 25<sup>th</sup> August, 2022 through Video Conferencing**

PARTIES PRESENT:

- (i) Shri Narinder Kumar, DSP, CBI - Authorised Representative of the Complainant Department
- (ii) Shri B Ramana Kumar - Counsel for Respondent

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 and Other Misconduct falling within within the meaning of Clause (7) of Part I of Second Schedule and Clause (2) of Part-IV of First Schedule to the Chartered Accountants Act, 1949.

Clause (7) of Part I to the Second Schedule and Clause (2) of Part IV to the First Schedule state as under: -

**Part I of 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"*

**PART IV First Schedule:**

*Part IV: Other misconduct in relation to members of the Institute generally*

*A member of the Institute, whether in practice or not, shall be deemed to be guilty of other misconduct, if he-*

...  
*"(2) in the opinion of the Council, brings disrepute to the profession or the Institute as a result of his action whether or not related to his professional work."*

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

2. In the extant case, Central Bureau of Investigation, Anti-Corruption Branch, Chennai has made allegations against the Respondent on the basis of the cases registered with it for complaints made by Indian Overseas Bank, Mount Road Branch, Chennai in respect of wrongful loss occurred to the Bank by Mr. R. S. Jayachandran, Proprietor, M/s Urappa Foundations, Proprietors/ Directors of M/s Urappa Foundations, Sh. P.N.P. Lakhsmanan, Sh. G. Rajkumar, Directors, M/s Svyantra Automations P Ltd. & M/s I5 Interiors Pvt. Ltd. in connivance with DR. R Natarajan & Associates and Ms. R. Saradha, the then Branch Assistant General Manager of the Bank. They are reported to have caused wrongful loss of Rs. 378.24 Lacs and Rs. 671.66 Lacs to the Bank in two separate cases - Case no.RC MA 1 2013 A 48 and Case no.RC MA 1 2013 A 52 and A 53 respectively.

The role of the Respondent is that he had certified Book Debts statements of the above Firm/Companies and also Networth statements which as per the Complainant were inflated to suit the loan sanction criteria.

**Proceedings:**

3. During the hearing held on 25<sup>th</sup> August 2022, the Committee noted that the Complainant's representative and the Counsel for the Respondent appeared before it through video conferencing from their respective location. Thereafter, they all gave declaration that there was nobody present except them in their respective rooms from where they were appearing and that they would neither record nor store the proceedings of the Committee in any form.

The Committee further noted that the constitution of the Bench had undergone substantial change since the matter was last heard, it therefore asked the Counsel as to whether they would like the hearing to be de-novo or that matter could be heard from the stage where it was left. The Counsel for the Respondent opted for de-novo hearing and accordingly the proceedings to the case were initiated afresh.

Thereafter, the Committee 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 he was aware of the allegations raised against the Respondent and that the same might be taken as read. On being asked, as to whether the Respondent pleaded guilty, he pleaded not guilty and opted to defend the case.

The Committee, thereafter, asked the Counsel for the Respondent to make submissions on the matter. The Complainant as well as the Respondent was examined by the Committee on the submissions made. Thereafter, the Respondent made final submissions in the matter.

Based on the documents and after considering the oral and written submissions available on record before it, the Committee concluded hearing in the matter. Accordingly, the matter was heard and concluded.

**Findings of the Committee:**

4. The Committee noted that the first allegation against the Respondent was regarding certification of Book Debts statements of M/s Urappaa Foundations, M/s Svyantra Automations Pvt.Ltd., and M/s I5 Interiors Pvt.Ltd. It was stated that in case of M/s Urappaa Foundations, as per the comparison of book debt statement as on 30.11.2011 (C-1647 to C-1648) and 31.12.2012 (C-1645 to C-1646), credit in respect of two parties namely M/s Tafal Technologies and M/s Vikram Leisures should be Rs. 16,74,521/- and Rs. 10,56,872/- respectively whereas as per the books of accounts no such credit was made from the account of the above parties to the account of the Firm.

In respect of the book debts statement of M/s Svyantra Automations Pvt. Ltd. and M/s I5 Interiors Pvt. Ltd, the Complainant alleged that as per book debt statement dated 06.10.2011 (C-366 to C-367), there was no credit transaction in the account of M/s Urappaa Food Park P. Ltd., however, as per the account statement on 29.09.2011, an amount of Rs. 3,70,000/- was transferred/debited from the account of the said Company (C-3153).

4.1 The Committee noted the plea of the Respondent that the alleged certification was required by the Bank on quarterly basis and he had to certify the book debts due for less than 120 days. Accordingly, he argued that the Bank had not considered any debt over 120 days at all while sanctioning any loans on the basis of his certification. Further, the amounts received by the client from its debtors was never certified by him. As per him, the two debtors - Vikram Leisures and Tafal Technologies were two debtors due for more than 120 days and thus their invoices - Invoice No 55 and 56 was omitted in the debt statement of December 2011 which was no irregularity since their figures were of no relevance. In fact, even if it is assumed that the bank would have acted on those figures it would have been a lesser amount leading to lesser limits only. Thus, he contended that comparing the debtor statement with the receipts is not a correct approach. Further, he also informed that the statements as on 30.4.2011, 31.8.2011, 30.11.2011 and that of 31.1.2012 were not signed/ certified by him. Thus, there were statements that were given by the client directly to the Bank without any attestation. He had attested the book debts only on quarterly basis and thus, it was a case of mistaken

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comparison. However, the Complainant Department argued, in its Rejoinder, that as per due verification procedure to be adopted by the Respondent for alleged certification, he was required to verify the invoices issued in the name of debtors and confirm the credit of payments from bank account statements and account for those in the Book Debt Statements. Further, the Respondent was also expected to get confirmation from some of the debtors before certifying the Book Debt Statements. The Complainant Department contended that the respondent had failed to bring on record any evidence in respect of obtaining external confirmation from parties.

4.2 The Committee noted that in extant allegation the Complainant Department had reported certain discrepancies by comparing the book debts statement, as submitted by the concerned Firm/ Company to the Bank on monthly basis, with the bank statement of certain selective parties alleging that amounts were received but not adjusted or vice versa and thus book debt statement certified by the Respondent was not correct. It was noted that all book debt statements used for comparison were not certified by the Respondent. For instance, when book debt statement of M/s Urappaa Foundations as on 30.11.2011 and 31.12.2012 were compared, the debt statement as on 30.11.2011 was not certified by the Respondent. Hence, any figures submitted by the client to the Bank could not be relied upon to raise allegations against the Respondent. Further, all the instances of discrepancies brought on record were pertaining to debtors due for more than 120 days which would have not impacted/enhanced the drawing power of the alleged entities. Thus, keeping in view, the submissions of the parties and documents placed on record, the Committee is of the view that due to lack of merits in the extant allegation against the conduct of the Respondent, the Committee held the Respondent **Not Guilty** of alleged misconduct.

5. The second allegation against the Respondent was regarding the net worth certificates issued by him for Sh. P.N.P. Lakshmanan (C-383) and Sh. G. Rajkumar(C-382), Directors, M/s Svyantra Automations P Ltd. & M/s I5 Interiors Pvt. Ltd., wherein it was alleged that the certificates were issued to suit the loan sanction criteria. The Complainant has brought the alleged certificates. The Complainant has stated that valuation of properties should be based

on the guideline value, however in the certificates the same has been shown at very higher value than the guideline value so as to commensurate with the loan conditions. The Complainant under the heading RC 53/A2013 (C-7 to C-10) detailed as to what should be the actual value of different properties owned by Sh. P.N.P. Lakshmanan and Sh. G. Rajkumar.

5.1 The Respondent submitted that any bank sanctions loan based on market value of the property and not the guideline value. Further, he contended that the value of immovable properties mentioned in the net worth certificates were based on the valuation statements given by Dr. R. Natarajan and Associates, an ISO certified institution of Chartered Engineers and who was in the panel of bankers as approved valuer (W-34 to W-84, W-86 to W-105). Thus, as per him, he had adopted the correct basis for issuing the alleged certificate. However, the Complainant Department stated in its rejoinder that the Respondent had not submitted any evidence that he had ascertained market value of the properties. He had been taking different stands on different occasions. He stated during CBI investigation that immovable properties values were based on guideline value and that he did not conduct any market value verification of those properties. In his written submission dated 24/02/2016 (W-S) before Director (Discipline), he submitted that the valuation of immovable properties adopted was based on valuation statements given by DL R. Natarajan and Associates. However, the said fact was not mentioned in the Net Worth Certificates issued by him. Further, the Net Worth certificates (C-382 & 383) were undated which signifies the carelessness on the part of the Respondent towards his profession and rules and regulations issued by ICAI.

5.2 At the outset, the Committee noted that the extant matter pertains to net worth certificates issued by the Respondent wherein the properties constitute substantial value of networth certified and that both the Complainant and the Respondent had argued in length about the better parameter being guideline value or market value, however, the Committee viewed that besides the policy of bank and the purpose of certificate, circumstances of each case play an important role to decide an appropriate parameter. In the absence of such facts, the Committee decided to consider the matter on the merits of the case without getting into the question of better parameter.

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5.2.1 The Committee, accordingly, noted that the alleged Net worth Certificates were issued by the Respondent for Mr. G. Rajkumar and Mr. PNP Lakshmanan Directors, M/s Svyantra Automations P Ltd. & M/s I5 Interiors Pvt. Ltd. In case of certificate issued for Mr. G. Rajkumar, out of Net Worth of Rs.842.72 Lakhs certified by the Respondent, Housing plots & Lands at Madurai were stated at Rs.792.42 lakhs in terms of market value. Similarly, in case of certificate issued for Mr. PNP Lakshmanan, out of Net Worth of Rs. Rs.802.82 Lakhs certified by the Respondent, Land & Bldg at U. Kidaikulam, Karuppayurani, Madurai was stated at Rs. 750.82 lakhs. Accordingly, it was viewed that the alleged immovable properties constitute more than 93% of the certified value of net-worth and that only in case of certificate issued for Mr. G Rajkumar, he had mentioned that the properties concerned were stated at market value but in case of certificate issued for Mr PNP Lakshmanan no fact in relation to nature of value viz guideline value or market value was mentioned. Further, the fact that the Respondent had relied on the valuation statements given by Dr. R. Natarajan and Associates, an ISO certified institution of Chartered Engineers and who was in the panel of bankers as approved valuer was also not mentioned by the Respondent in the alleged certificates which was against the requirements of 'Guidance note on Reports and Certificates for Special purposes', wherein it is clearly stated that the reference to the specific information relied upon should be included in the certificate, when it states as under:-

- d. Assumptions on which the special purpose statement is based should be clearly indicated if they are fundamental to the appreciation of the statement.**
- e. Reference to the information and explanations obtained should be included in the report or certificate. In certain cases apart from a general reference to information and explanations obtained, a reporting auditor may also find it necessary to refer in his report or certificate to specific information or explanations on which he has relied.**

In other words, a professional is expected to clearly indicate in his certificate, the extent of responsibility which he assumes. In case, if he relies on the statement/ specific information of another professional he is required to explicitly state the particulars of said information in his certificate.

5.2.2 Thus, the Respondent's contention that he relied upon the valuation report furnished by Dr. R. Natarajan and Associates (W-34 to W-84, W-86 to W-105) while certifying the net worth, could not be accepted as he omitted to report the said fact in the alleged certificates though the properties concerned constitute substantial portion of the total value of networth certified by him. In fact, on the face of certificate he had stated that the certificates were based on "records, information, and explanations provided" which was an incomplete fact and also misleading.

Further, it was observed that both the certificates were undated on account of which a reader/user of certificate would fail to find the date as to when the individuals held the certified value of net worth which was again misleading and points out at misconduct. The Committee, accordingly, was of the view that on account of said discrepancies the very purpose of certification was defeated which clearly signifies that the Respondent had failed to exercise due diligence while performing his professional duties and accordingly, held the Respondent **Guilty** under Clause (7) of Part- I of Second Schedule to the Chartered Accountants Act, 1949.

5.3 The next allegation against the Respondent was regarding a certificate dated 06<sup>th</sup> May, 2011 (**C-183**) issued the Respondent stating that Shri P.N.P. Lakshmanan and Shri G. Rajkumar had introduced a sum of Rs. 2 Crores as additional capital to meet capital expenditure and other obligations in M/s Svyantra Automation Pvt. Ltd whereas as per the Complainant, the said amount was not reflected in the bank statement/ book of records of the said entity.

5.3.1 It was noted that the Respondent in his defence inter-alia stated that M/s Urappaa Food Park Pvt. Ltd. had been given a huge order for automation and interiors. Since the order was large and running into crores, to have better accountability and legal standing, Mr. T.S. Jeyachandran had asked to the promoters of M/s I5 Interiors and Svyantra Automation Pvt. Ltd. to form a corporate entity and bill the work in the new entity. Hence, their work in progress with their various entities at the time of formation of the company was billed after the company got incorporated. Thus, the Respondent contended that the amount spent by them for their clients' works on raw material and labour were taken as their capital contribution. As per the Respondent, the additional capital was introduced in the form of the book debts transferred

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from the personal concerns of the promoters to the company. He argued that the assignment of debts could be a source of additional capital and that all the said dues were realised. It was submitted that debts of Rs. 2,09,76,353 was transferred from M/s Urappaa Food Park Pvt. to Svyantra Automation Pvt. Ltd. out of which Rs.2,00,23,384 was realised as evident from the bank statements brought on record by the Respondent. Thus, he argued that the money was brought into the Company and that the Board of Directors of Svyantra Automation Pvt. Ltd. had accepted the book debts vide resolution passed in BoD meeting held on 25.02.2011. The Respondent submitted that it was based on said documents that the certificate was issued by him on 06.05.2011.

5.3.2 However, the Complainant Department, in its rejoinder, submitted that the Respondent had continuously changed his stand. Further, it was submitted that as per documents brought on record by the Respondent, M/s Urappaa Food Park Private Limited had transferred their Projects/Work in Progress/Orders on Hand to M/s Svyantra Automation P Ltd. to execute the same and close the leads. Thus, it argued that projects might have been executed by M/s Svyantra Automation P Ltd but it could not be treated as introduction of additional Capital by Mr. PNP Lakshmanan and Mr. G. Rajkumar.

5.3.3. The Committee noted that the Respondent had issued Certificate dated 06.05.2011 certifying that Mr. PNP Lakshmanan and Shri G. Rajkumar, Directors of M/s Svyantra Automations P Ltd. had introduced a sum of Rs.2,00,00,000 (Rupees Two Crores Only) as additional capital to meet the capital expenditure and other obligations of the entity during the Financial Year 2011-12 (C-183). It was noted that the Respondent had brought on record Form 5 reflecting increase in authorised capital from Rs.25 lakhs to Rs.3 crores as per Special resolution passed on 29<sup>th</sup> April 2011 which was filed by the Respondent himself on 6<sup>th</sup> May 2011. Moreover, the communication held between M/s. Urappaa Food Park Private Limited and M/s. Svyantra Automations P Ltd. dated 25<sup>th</sup> March 2011, extract of minutes of BoD meeting of M/s Svyantra Automations P Ltd. held on 25<sup>th</sup> March 2011 as well as that held on 4<sup>th</sup> May 2011 alongwith details of dues realised from various clients as placed on record by the Respondent were considered by the Committee.

5.3.4 The Committee noted from the communication dated 25<sup>th</sup> March 2011 held between M/s. Urappaa Food Park Private Limited and M/s. Svyantra Automations P Ltd., that *the latter company was authorised "to execute the projects/work in progress/ orders on hand and close the leads already generated" by marketing team of M/s. Urappaa Food Park Private Limited.* Thereafter a list of 13 orders on hand/ work in progress as on 25.03.2011 was provided. On the same day vide resolution, the Company decided to accept the orders/ work in progress/ leads generated by M/s. Urappaa Food Park Private Limited for supply of computers, automation equipments, network services and systems as detailed in the aforesaid letter. Subsequently, vide resolution dated 4<sup>th</sup> May 2011, the Company resolved that to treat the work in progress of various works handed over by M/s. Urappaa Food Park Private Limited as being additional capital brought in by the Directors and accordingly decided to issue shares to the Directors and/ or their familieies to the extent of Rs. 2 crore. It was noted that it was on the basis of said resolutions the Respondent had contended to have issued the certificate dated 6<sup>th</sup> May 2011.

5.3.5 At the outset, the Committee noted that M/s. Svyantra Automations P Ltd. had accepted to execute the orders/ work in progress/ leads generated by M/s. Urappaa Food Park Private Limited worth around two crores. The Committee viewed that if any work-in-progress was accepted then the works was required to be finished to the satisfaction of the customer so a cost and uncertainty was associated till the amounts were realised from the said customers. Similarly, merely introduction of orders or closing the leads generated by marketing team, indicate the projects in context of those orders were to be worked upon before any amount was realised by them. Hence, the cost was associated with orders/ work in progress/ leads introduced into the Company. They could not be considered as capital introduced. Capital refers to money invested in an enterprise. It is a source of funds available with the company to meet its capital expenditure requirement and obligations. Such capital could not be pre-conditioned with certain commitments like completing the work-in-progress or working on orders/ leads. Hence, on 6<sup>th</sup> May 2011 when the certificate was issued by the Respondent stating that Mr. PNP Lakshmanan and Shri G. Rajkumar, Directors of M/s Svyantra Automations P Ltd. had introduced a sum of Rs.2,00,00,000 (Rupees Two Crores Only) as additional capital to meet the capital expenditure and other obligations of the entity (C-183)



was false. It is also evident from Indian Overseas Bank statement of account annexed to submissions dated 05 May, 2021 that the dues from the said orders/ work in progress/ leads were realised during 20<sup>th</sup> May 2011 to 25<sup>th</sup> Jan 2012.

5.3.6 In the light of above discussion, the Committee was of the view that the Respondent had failed to exercise due diligence and showed gross negligence while performing his professional duties by treating work in progress/orders/leads received as capital introduced though there existed uncertainty about such work in progress/orders/leads turning into actual funds and also demonstrated conduct as to unbecoming of a Chartered Accountant.

The Committee viewed that the said conduct of the Respondent makes him Guilty as he malafidely provided platform to the management of the Company because based on certificates issued by him containing misleading information, the Company could procure funds from sources not otherwise available to it.

Accordingly, the Respondent was held **Guilty** of Professional as well as Other Misconduct falling within the meaning of Clause (7) of Part-I of Second Schedule and Clause (2) of Part-IV of First Schedule to the Chartered Accountants Act, 1949 read with Section 22 of the said Act.

5.4 Further, it was observed that while raising allegations against the Respondent, the Complainant had pointed out that M/s Naya- e- services; a Company owned by the Respondent's wife was paid amount of Rs. 3.5 Lakhs, 4 Lakhs and 3.5 Lakhs on 07.01.2011, 18.03.2011 and 24.04.2011(C-3763) respectively from the account of M/s Svyantra Automations Pvt. Ltd. Further, the Respondent was also paid amount of Rs. 5.50 Lakhs from M/s I5 Interiors P Ltd. (C-3771) wherein he was the statutory auditor. As per the Complainant, the said payments were made as quid- pro- quo for the incorrect book debt statements and assets and liabilities certificates issued by him. The Respondent in his defence stated that his wife was a postgraduate in Mathematics and was well versed in MCA matters. The stated fees/monies were received by him for various services rendered such as preparation of HR manual, implementation of systems and procedures, preparation of project reports, for incorporation of companies, audits, compliance, secretarial works including increase of authorised capital, appointment and removal of directors, other engagements and respective reimbursements over an engagement period of over 3-4 years.

5.4.1 In this regard, it was viewed that in view of the works done the reported fees appeared justified. Further, it was noted that the Complainant Department had failed to bring on record any evidence to justify their observation that said payments were made as quid- pro- quo for the incorrect book debt statements and assets and liabilities certificates issued by the Respondent. Accordingly, it was viewed that in the absence of any evidence the Respondent was held Not Guilty of Other Misconduct in respect of the said allegation within the meaning of Clause (2) of Part- IV of First Schedule to the Chartered Accountants Act, 1949.

**Conclusion:-**

6. Thus in conclusion, in the considered opinion of the Committee, the Respondent is **GUILTY** of Professional as well as Other Misconduct falling within the meaning of Clause (7) of Part-I of Second Schedule and Clause (2) of Part- IV of First Schedule to the Chartered Accountants Act, 1949 read with Section 22 of the said Act.

Sd/-

[CA. Aniket Sunil Talati]  
Presiding Officer

Sd/-

[Smt. Anita Kapur]  
Member (Govt. Nominee)

Sd/-

[CA. Vishal Doshi]  
Member

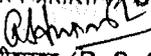
Sd/-

[CA. Sushil Kumar Goyal]  
Member

Date: 7<sup>th</sup> OCTOBER, 2022

Place: New Delhi

प्रमाणित सत्य प्रतिलिपि / Certified true copy

  
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