भारतीय सनदी लेखाकार संस्थान

(संसदीय अधिनियम द्वारा स्थापित)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

[DISCIPLINARY COMMITTEE [BENCH-I (2024-2025)]
[Constituted under Section 21B of the Chartered Accountants Act, 1949]

ORDER UNDER SECTION 21B(3) OF THE CHARTERED ACCOUNTANTS ACT, 1949 READ WITH RULE 19(1) OF THE CHARTERED ACCOUNTANTS (PROCEDURE OF INVESTIGATIONS OF PROFESSIONAL AND OTHER MISCONDUCT AND CONDUCT OF CASES) RULES, 2007.

[PR/G/29/2018/DD/78/2018/DC/1532/2022]

In the matter of: -

Shri Subhendu Bhattacharyya
DGM, Reserve Bank of India,
Department of Non-Banking Supervision,
Central Office, Center-I, World Trade Centre
Mumbai - 400005 .....**Complainant**

-Vs-

CA. Anand Kumar Jhunjhunwala (M. No. 056613),
Partners, M/s Haribhakti & Co. LLP, Chartered Accountants,
Bagrodia Niket, 1st Floor, 19C,
Sarat Bose Road,
Kolkata (West Bengal) – 700080 .....**Respondent**

MEMBERS PRESENT: -

CA. Charanjot Singh Nanda, Presiding Officer
Shri Jugal Kishore Mohapatra, IAS (Retd.) (Government Nominee)
CA. Chandrashekhar Vasant Chitale, Member

Date of Hearing : **2nd April 2024**
Date of Order : **26.06.2024**

1. That vide findings under Rule 18(17) of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007, the Disciplinary Committee noted that **CA. Anand Kumar Jhunjhunwala, (M. No. 056613)** (hereinafter referred to as the **Respondent**") was held **GUILTY** of professional misconduct falling within the meaning of Item (5) & (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

2. That pursuant to the said findings, an action under Section 21B(3) of the Chartered Accountants (Amendment) Act, 2006 was contemplated against the Respondent and communication was

addressed to him thereby granting opportunity of being heard in person / through video conferencing and to make written & verbal representation before the Committee on 2nd April 2024.

3. The Committee noted that on the date of the hearing held on 2nd April 2024, the Respondent was present through video conferencing, and he made his verbal submission on the findings of the Disciplinary Committee.

4. In his verbal submission the Respondent inter alia stated at this stage of his career he is left with a job and if anything impinges on that he will be in a grave difficulty because supporting his family and parents would become that much more challenging and begged for some leniency on that count.

5. The Committee considered the reasoning as contained in the findings holding the Respondent Guilty of professional misconduct vis-à-vis verbal submissions of the Respondent.

6. Keeping in view the facts and circumstances of the case, material on record including verbal submissions of the Respondent on the findings of the Committee, the Committee is of the view that the professional misconduct on the part of the Respondent is established. Accordingly, the Committee ordered that **the name of the Respondent i.e., CA. Anand Kumar Jhunjhunwala (M. No. 056613) be removed from the Register of Members for a period of three years and a fine of Rs. 5,00,000/- (Rupees Five Lakhs only) be imposed upon the Respondent to be paid within 90 days of receipt of the Order. If the Respondent fails to pay the fine within the stipulated period, his name be removed from the Register of Member for an additional period of one month.**

Sd/-
(CA. CHARANJOT SINGH NANDA)
(PRESIDING OFFICER)

Sd/-
(SHRI JUGAL KISHORE MOHAPATARA),
I.A.S. (RETD.), (GOVERNMENT NOMINEE)

Sd/-
CA. CHANDRASHEKHAR VASANT CHITALE
(MEMBER)

Place : 26.06.2024
Date : New Delhi

सही प्रतिलिपि होने के लिए प्रमाणित/
Certified to be true copy
निशा शर्मा/Nisha Sharma
वरिष्ठ कार्यकारी अधिकारी/Sr. Executive Officer
अनुशासनात्मक निदेशालय/Disciplinary Directorate
इंस्टिट्यूट ऑफ चार्टर्ड एकाउंटेंट्स ऑफ इंडिया
The Institute of Chartered Accountants of India
आईसीएआई भवन, विश्वास नगर, शाहदरा, दिल्ली-110032
ICAI Bhawan, Vishwas Nagar, Shahdra, Delhi-110032

CONFIDENTIAL

DISCIPLINARY COMMITTEE BENCH – I (2023-2024)

[Constituted under Section 21B of the Chartered Accountants (Amendment) 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/29/2018-DD/78/2018/DC/1532/2022]

In the matter of:

Sh. Subhendu Bhattacharyya
Deputy General Manager, Reserve Bank of India,
Department of Non-Banking Supervision,
Central Office, Centre - I, World Trade Centre,
Mumbai - 400005

.....Complainant

CA. Anand Kumar Jhunjhunwala (M. No. 056613)
Partner, M/s Haribhakti & Co. LLP, Chartered Accountants,
Bagrodia Niket, 1st Floor, 19 C,
Sarat Bose Road, Kolkata - 700020

.....Respondent

MEMBERS PRESENT: -

i) **CA. Aniket Sunil Talati; Presiding Officer**
ii) **Shri Prabhash Shankar, IRS (Retd.), (Government Nominee)**
iii) **CA (Dr). Rajkumar Satyanarayan Adukia, Member**
iv) **CA. Gyan Chandra Misra, Member**

DATE OF FINAL HEARING : 06-12-2023
PLACE OF FINAL HEARING : New Delhi / Through Video Conferencing

PARTIES PRESENT:

Complainant's Representative : Smt. Gomathi Vijayan
Respondent : CA Anand Kumar Jhunjhunwala
Counsel for the Respondent : CA. A P Singh & CA. Utsav Hirani

1- BRIEF FACTS OF THE PROCEEDINGS:

(i) Brief of the hearing held on 6th December 2023

At the outset, the Committee noted that the Complainant's representative was present. The Respondent along with his counsels were also present through VC. The Committee continued the hearing in the matter from the stage it was left in the last hearing. Thereafter, the Complainant's representative & counsel of the Respondent made their detailed submissions on the allegations. After hearing their respective submissions, the Committee decided to **conclude the hearing** in the matter.

(ii) Brief of the hearing held on 07th November 2023

At the outset, the Committee noted that the Complainant was not present however, the Respondent & his Counsels were present through VC. Thereafter, hearing in the above matter continued from the stage where it was left in the last hearing. The Counsels for the Respondent made their detailed submissions on the allegations. The Committee also posed various questions to the counsels of the Respondent. Thereafter, the Committee decided to adjourn the hearing in the above matter. With this, the hearing in the matter was **part heard & adjourned.**

(iii) Brief of the hearing held on 31st October 2023

At the outset, the Committee noted that the Complainant was not present however, the Respondent & his Counsels were present through VC. Thereafter, the Counsels for the Respondent made their brief submissions on the allegations. The Committee also posed questions to the counsel of the Respondent. Thereafter, the Committee decided to adjourn the hearing on the above matter. With this, the hearing in the matter was **part heard & adjourned.**

(iv) Brief of the hearing held on 14th September 2022

At the outset of the hearing, the Committee noted that Complainant's Representative was present. The Respondent was also present along with his Counsel. The hearing continued from the stage as it was left in the last hearing. Both Respondent's Counsel and the Complainant's representative made their submissions on the allegations. The Committee also posed questions to both the parties. Thereafter, the Committee decided to adjourn the hearing in the above matter. With this, the hearing in the matter was **part heard & adjourned.**

(v) **Brief of the hearing held on 15th June 2022**

At the outset, the Committee noted that the Complainant's representatives were present. The Respondent along with his Counsel was also present. The Complainant's representative and the Respondent were put on oath. The Respondent confirmed receipt of Prima Facie Opinion in the above matter and confirmed that he understood the charges levelled against him. On being enquired, the Respondent pleaded not guilty to the charges. The Counsel for the Respondent stated that copy of the authorization letter / e-mail in favour of the Complainant's representative may be provided to him. On the same, the Committee directed the office to send the same to the Respondent. With this, the hearing in the matter was **partly heard & adjourned.**

2- BACKGROUND OF THE CASE-

It is stated that the Reserve Bank of India carried out inspection of the books of accounts of **'SREI Infrastructure Finance Limited' (herein after referred as SREI)** with reference to its financial position as on March 31, 2016, and it had concluded that the audited financial statements of the SREI as on March 31, 2016, did not provide the true and fair view of its state of affairs. In this connection, the Complainant has also provided list of 29 entities wherein it was found that the wrong classification of NPA accounts were done by the SREI. The Complainant has also submitted the extracts of its Inspection Report 2016 wherein it had mentioned the response of the Respondent on the 29 listed entities. The Respondent firm conducted the Statutory Audit of M/s SREI Infrastructure Finance Limited **"SREI"** for the F.Y 2015-16 where SREI was registered as NBFC with the RBI. It is noted by the Complainant that during inspection, large divergences were observed in asset classification and provisioning norms. It is stated that the gross amount of non-performing assets (NPAs) was assessed by the Complainant at Rs. 4,303.77 crores as against the reported gross NPAs of Rs. 804.26 crores in the financial statements as on March 31, 2016.

3- CHARGES IN BRIEF:

3.1 The Complainant has levelled charges in respect of multiple borrower entities of which the Director (Discipline) has held the Respondent prima facie guilty in respect of 12 such entities for short provisioning / wrong asset classification and also with respect to divergence in valuation of non-current investments. The list of 12 entities along with charges levelled in respect of same are listed below:

i) In respect of **"Deccan Chronicle Holdings Limited"** (DCHL), it was alleged that short provisioning was made in the books of SREI.

ii) In respect of entities namely **Mahakaleshwar Tollways Pvt Ltd (MTPL), Kurukshetra Expressway Pvt Ltd (KEPL) and Solapur Tollways Pvt Ltd (STPL),** the Complainant has alleged that the Respondent has failed to report wrong classification of asset as "standard asset" in violation of Master Directions on NBFC-ND SI dated September 01, 2016, by including a clause in the loan agreement to the effect that the interest shall be serviced only on availability of free cash flows thereby avoiding asset classification norms by the RBI.

iii) In respect of **Punj Llyod Limited,** it is alleged that the borrower has serviced the interest & principal repayments towards the initial loan by using fresh disbursal of the same loan to avoid loan slipping into NPA category. It is alleged that the Respondent has failed to report such wrong practice being adopted for wrong classification of assets.

iv) In respect of **Environ Energy Corporation India Pvt. Ltd. (EECIPL)**, the RBI in its inspection report 2016 **(C-14)** has alleged that the Auditor had retained the account status of said company as "Standard Asset" on the basis of record of recovery despite the fact that the said Company has serviced its interest & principal by resorting to evergreening (utilization of fresh loan to avoid default on existing loan) and the Respondent has failed to report such wrong classification.

v) In respect of entity **Resurgent Infratel Pvt Ltd (RIPL)**, the Complainant in its inspection report 2016 has alleged that as on March 31, 2016, the Respondent has retained the account status of said company as "Standard Asset" on the basis of record of recovery despite the fact that the said Company has serviced its interest & principal by resorting to evergreening (utilization of fresh loan to avoid default on existing loan) and the Respondent has failed to report such wrong classification.

vi) In respect of entity namely **EMTA Coal Ltd** (EMTA), the Complainant in its inspection report 2016 has alleged that as on March 31, 2016, the Respondent had retained the account status of said company as 'Standard Asset' based on the record of recovery despite the fact that the said Company has serviced its interest & principal by resorting to evergreening (utilization of fresh loan to avoid default on existing loan) and the Respondent has failed to report such wrong classification.

vii) In respect of entity namely **Transtel Infrastructure Limited** (hereinafter referred to as **'TIL'**), the Complainant in its inspection report 2016 has alleged that as on March 31, 2016, the Respondent had retained the account status of such company as 'Standard Asset' based on the record of recovery despite the fact that the said Company has serviced its interest & principal by resorting to evergreening (utilization of fresh loan to avoid default on existing loan) and the Respondent has failed to report such wrong classification.

viii) In respect of entity namely **Abhijeet Roads Ltd** (hereinafter referred to as **'ARL'**), the Complainant in its inspection report of 2016 has alleged that as on March 31, 2016, the Respondent had retained the account status of said company as Standard Asset based on the basis of recovery despite the fact that the said Company has serviced its interest & principal by resorting to evergreening (utilization of fresh loan to avoid default on existing loan) and the Respondent has failed to report such wrong classification.

ix) In respect of entity namely **Essar Steel India Ltd** (hereinafter referred to as **'ESIL'**), the Complainant in its inspection report of 2016 has alleged that as on March 31, 2016, the Respondent had retained the account status of said company as 'Standard Asset' based on the record of recovery despite the fact that the said Company has serviced its interest & principal by resorting to evergreening (utilization of fresh loan to avoid default on existing loan) and the Respondent has failed to report such wrong classification.

x) In respect of entity namely **Sahaj e-Village Limited (Sahaj),** the Complainant in its inspection report of 2016, alleged that as on March 31, 2016, the Respondent had retained the account status of such company as 'Standard Asset' based on the record of recovery despite the fact that the said Company has serviced its interest & principal by resorting to evergreening (utilization of fresh loan to avoid default on existing loan) and the Respondent has failed to report such wrong classification.

3.2 **Second allegation** levelled by the Complainant is regarding divergences observed in valuation of Non-Current Investments in the books of SREI as on March 31, 2016. The Complainant mentioned that the investments in unquoted shares of subsidiaries and associates were valued at carrying cost in the books of SREI where the accumulated losses of the subsidiaries had eroded their net worth completely as on March 31, 2016. Thus, the valuation of investment was not done as per the provisions of Accounting Standard-13 and the Complainant has suggested provisions for diminution (other than temporary) in the value of investments which the Respondent has failed to report.

4- **SUBMISSIONS OF THE PARTIES AND FINDINGS OF THE COMMITTEE: -**

(i) In respect of Company namely ***Deccan Chronicle Holdings Limited ("DCHL")***, it is alleged that short provisioning was done in the books of SREI. It was observed that the Respondent has himself stated that the Company had exclusive mortgage of 5 immovable properties of DCHL valued at Rs. 211 crores against the total exposure of Rs. 240 crores, it is viewed that 100% provision of remaining 29 crores should had been made in the books as at 31st March 2016 along with the provision of 30% on the covered exposure i.e. Rs. 211 crores.

In respect of instant allegation, a reference to MRL was made by the Respondent which stated that: -

"*The Company has restructured INR 240 crores outstanding credit facilities of Deccan Chronicle Holdings Limited on 1st July 2012 whereby the payment due date for interest due as on 15 March 2012 was extended to 15th October 2012 and the principal repayment date was shifted to 13th October 2013.*"

It is observed that the Respondent during the course of hearing and /or through his written statement has inter-alia made the following submissions in his defence:

- That the adequacy of the provisioning of the loan amount of DCHL was primarily the responsibility of the Management and the audit committee and they were required to review the same on a periodic basis. Further, that the Respondent has performed his duties as per SA 200" Overall objectives of the independent auditor and the conduct of an audit in accordance with Standard on Auditing.
- That the SREI had exclusive mortgage of 5 immovable properties of DCHL valued at Rs. 211 crores against the total exposure of Rs. 240 crores and pursuant to the direction of DRT Kolkata, 6.6 crores, equity shares of DCHL have been allotted to SREI, making it the largest shareholder of DCHL as on 31.3.2016. by virtue of holding 24.01% of the DCHL equity shares.

In respect of instant allegation, the Committee viewed that **Para 8(1), 9 and 9(1) of RBI Notification Number DNBS. 193 DG(VL)-2007 dated February 22, 2007, reads as under:**

(1) Every non-banking financial company shall, ***after taking into account the degree of well-defined credit weaknesses and extent of dependence on collateral security for realization, classify its*** *lease / hire purchase assets,*

loans and advances *and any other forms of credit into the following classes, namely:*
(i) Standard assets;
(ii) Sub-standard assets;
(iii) Doubtful assets; and
(iv) Loss assets.

Every non-banking financial company shall, after taking into account *the time lag between an account becoming non-performing, its recognition as such,* ***the realization of the security and the erosion over time in the value of security charged, make provision against sub-standard assets, doubtful assets and loss assets*** *as provided hereunder: -*

(1) The provisioning requirement in respect of loans, advances and other credit facilities including bills purchased and discounted shall be as under:
(i) Loss Assets

.....

(ii) ***Doubtful Assets***
(a)100% provision to the extent to which the advance is not covered by the realizable value of the security to which the non-banking financial company has a valid recourse shall be made. The realizable value is to be estimated on a realistic basis;
*In addition to item (a) above, depending upon the period for which the asset has remained doubtful, provision to the extent of 20% to 50% of the secured portion (i.e. estimated realizable value of the outstanding) shall be made on the following basis....***(emphasis added)**

Further, **Para 20(1)(ii) of RBI Notification Number DNBS. 193 DG(VL)-2007 dated February 22, 2007, reads as under:**

Norms relating to Infrastructure loan.

Where the asset is partly secured, ***a provision to the extent of shortfall in the security available, shall be made while restructuring*** *and / or rescheduling and / or renegotiation of the loans,* ***apart from the provision required on present value basis and as per prudential norms.***

On combined reading of content of MRL and provisions of RBI notifications, the Committee observed that, 100% provision was required to be done in respect of 29 crores (240 crore-211 crore) as on 31st March 2016 along with the provision of 30% on the covered exposure of Rs. 211 crores. However, considering the overall securities in hand and the other mitigating factors, the provision of only 30% of loan (i.e. Rs 72 crores) as at 31st March, 2016 was

though considered appropriate by the Respondent but he also submitted that the same however turned out to be an error of judgment on his part to consider that the equity shares of DCHL would materialize into any tangible realization / recovery in the subsequent year i.e. 2016-17 as per the expectations of SREI and consequentially, as a corrective measure, the Respondent asked the SREI to create adequate provision as on 31st March, 2017 and accordingly, against the principal outstanding of Rs 238.95 crores as on 31st March, 2017, a provision of Rs 95.90 crores stood in the financials against a requirement of Rs. 91.25 crores as per the extant RBI prudential norms.

Considering the provisions as stipulated in Point 9(1) of RBI Notification Number DNBS. 193 DG(VL)-2007 dated February 22, 2007, the Committee viewed that the aforesaid norms mandates 100% provision for advances not covered by the realizable value of the security to which the SREI has a valid recourse. Further that the realizable value is to be estimated on a realistic basis, and an adequate provision was required to be made in the FY 2015-16 and in case of any departure from the said provisioning, the Respondent being an auditor of the SREI was required to report the same in his Audit Report. However, in the instant case, the Respondent failed to do so and accordingly the Committee held the Respondent Guilty on the allegation of short provisioning in respect of DCHL.

(ii)- In respect of three entities namely **Mahakaleshwar Tollways Pvt Ltd 'MTPL', Kurukshetra Expressway Pvt Ltd 'KEPL'** and **Solapur Tollways Pvt Ltd 'STPL',** the Complainant alleged that as on March 31, 2016, the Respondent retained the status of account as 'STANDARD' as per terms of loan agreement where it was stipulated that interest was to be serviced on availability of free cash flows and that if there were no sufficient cash flow available for meeting the interest obligation, the interest shall be payable at the time of prepayment / repayment as on March 31, 2016. The Complainant has referred to Master Directions on NBFC-ND SI dated September 01, 2016, that does not stipulate any such provision where interest payment can be designed on availability of free cash flows as it leads to uncertainty in interest payment. The inspection of 2015 conducted by the Complainant had already classified the account as NPA from March 31, 2015, as no interest was served within 180 days as per extant regulatory guidelines. Further, no Interest was serviced by the borrower from the date of disbursement till March 31, 2016. Hence, based on the Inspection made by the Complainant in 2016, it also retained the status of account as NPA as on March 2016. Further, it is alleged that the SREI had designed the loan agreement where no specific date was mentioned for servicing interest payment, but it was aligned with availability of cash flow so as to avoid the asset classification norms, since there would not be any date for calculating the overdue status of the loan account.

The Respondent in his defense submitted that it is management's prerogative as to how to do business and the auditor cannot step into the shoes of the Management and evaluate pure business /commercial decision like terms and conditions of a loan agreement. He further contended that Master Directions on NBFC-ND SI dated September 01, 2016, which RBI is quoting was not applicable as on 31st March 2016 on which date RBI Notification No. DNBS. 193 DG(VL)-2007 dated February 22, 2007 (as amended) was applicable, and the latter regulation did not mention anything about how frequently interest servicing should be done in respect of Project Term Loans in infrastructure sector.

The Committee observed that even though there may be no specific / explicit provision in the RBI Notification DNBS. 193 DG(VL)-2007 dated February 22, 2007 regarding the frequency of interest servicing on the term loans sanctioned to the borrowers, however it is viewed that no prudent investor can link interest servicing on the basis of availability of cash flows of the borrower entity and hence in the extant matter, it was viewed that such provision for the interest servicing on the term loan sanctioned to three entities was intentionally linked by the SREI to the availability of free cash flows with the borrower to defeat the very objective / provisions of law / RBI norms in respect of assets classification. In such cases, it is viewed that if the term loans would be extended by an NBFC based on such kind of provisions of interest servicing and linked to availability of free cash flows with the borrower, then there would never be any Non-Performing Asset in the books of such NBFC.

Accordingly the contention of the Respondent that as on March 31, 2016, the borrowers did not have available cash flows and hence no interest income could be termed as 'due' for payment as per the terms of the loan agreement and accordingly, that there was no 'overdues' necessitating classification as sub-standard as on March 31, 2016, is not tenable, as it is quite clear that the interest was not paid till March 31, 2016 and thus, the same should had been classified in the books of NBFC as NPA instead of 'Standard Assets' as at March 31, 2016 but it is evident that the SREI had never done the same to defeat the very purpose and intent of the law and the Respondent failed to report this fact in his Audit Report and accordingly the Respondent was held Guilty of professional misconduct on this count.

(iii)- In respect allegation pertaining **Punj Lloyd Limited**, the Complainant has alleged that the borrower did not serve the interest and principal repayments towards the initial loan which was due for more than six quarters and further, the same was repaid by using the fresh disbursements of the same loan. Thus, in the Inspection, 2016 conducted by the Complainant, it had observed that the

drawdowns on March 31, 2015 in the second term loan were used by the borrower to repay the principal and interest instalments of first loan on the same day and again, drawdowns on June 29, 2015 in the second term loan were used to self-service the one principal instalment and six months' interest overdue in the first loan on the same day, otherwise the first term loan would have slipped into NPA as on March 31, 2015.

The Respondent in his defense submitted that the SREI had sanctioned the first loan of Rs. 12 crores in March 2014 and a second loan of Rs. 4.02 crores in March 2015 for execution of various infrastructure projects awarded to the borrower. Further, the second loan was a part of the total facility of Rs. 1500 crores sanctioned by a consortium of lenders to the borrower where such consortium was led by the State Bank of India and not by the SREI and the SREI's share was just 0.27% of the total facility sanctioned by the consortium. He further contended that cash is fungible and for any repayment made it is difficult for any auditor to verify whether the said loan was paid from internal accruals or from borrowing. The auditor has no right to go into the books of accounts of the borrower and this entire concept is emerging more out of hindsight and the Respondent has performed the regular audit for which the framework has been defined in SA-200, not something what is required to be done in investigation for a forensic exercise. The Respondent further stated that both loans were separate contracts and disbursed under separate loan documents for the purposes as stated in the respective documents and the second loan was disbursed in accordance with consortium stipulations independent of any linkages with the first loan. Moreover, given the fact that the project was having sanction of a consortium loan, the viability of the project was beyond any doubt. Hence, imputing ever-greening in such a case of consortium lending would be farfetched as the two facilities were separately / independently appraised and sanctioned and the borrower was free to decide as to how best to utilize the facilities for his optimum benefit, as per the terms of the sanction. As such, in the Respondent's view, the account status was correctly classified as 'standard asset' as on 31st March 2016

The Committee noted that the Respondent has accepted that two term loans were sanctioned to the borrower where the second term loan was a part of consortium, and the Respondent has mainly emphasized the consortium aspect of the second term loan. It is noted that the Respondent has himself mentioned that both term loans were sanctioned by NBFC for execution of various infrastructure projects awarded to the borrower **i.e. Punj Lloyd Limited.** Further, both term loans were sanctioned and provided for the common purpose i.e. *'for execution of various infrastructure projects awarded to the Borrower'* which is evident from the copy of documents provided by the Complainant which were collected by RBI during on-site inspection done by it.

Thus, it is evident that the second term loan was also given for the same purpose for which the first term loan was sanctioned to the borrower. Further, the Respondent has not given / provided the details of repayment schedule or mentioned anything in which the borrower repaid the amount of principal and interest amounts of both term loans against the allegation that the principal and interest repayments towards the first term loan was made out of the proceeds of second term loan. The Respondent did not submit anything that the borrower did not serve the interest and principle repayments towards the first loan which was due for more than six months and in such case, where the interest and principle repayments were due for more than six months and were not repaid, the borrower account could not be classified as 'Standard Asset' and had to be shown as 'Non-Performing Assets' and accordingly to be reported by the Respondent in his audit report pertaining to the period of FY 2015-16 which he failed to do so. Thus, in the absence of any specific evidence on record/ complete details of the repayment of first loan by the borrower to the SREI, the benefit of doubt cannot be extended to the Respondent and the Committee hold the Respondent **Guilty** of Professional Misconduct on this count.

(iv)- As regards allegation pertaining to **Environ Energy Corporation India Pvt. Ltd. (EECIPL)**, the Complainant has alleged that as on March 31, 2016, the Respondent had retained the account status as Standard Asset based on the record of recovery. However, in its inspection of 2015 & 2016, it had classified the account as NPA since March 31, 2015, because of ever greening. As alleged, it was observed that the SREI had financed Confident Solar Power limited (CSPL) to repay the debt obligations of EECIPL to SREI. It is further alleged that; the borrower used the 2nd loan amount proceedings to serve the quarterly interest and instalment of the first loan on the same day which was clear case of diversion of funds and ever-greening in nature. The Respondent in his written statement has stated that the audit procedures which are performed by the auditor are based on risk assessment carried out during assessing the internal financial control framework of any company and merely stating that auditor was required to be more cautious and adopt extra audit procedure is a vague statement. The Committee noted that regarding allegation of diversion of funds between EECIPL and CSPL, the Complainant has not submitted any evidence / documents on record to prove that such transactions between two entities actually occurred and the same were required to be audited / viewed by the Respondent or ought to have in the knowledge of the Respondent when he was merely a Statutory Auditor of the SREI only. Though the Complainant stated that some transactions related to transfer of funds between Environ Energy Corporation India Pvt Ltd (EECIPL) and Confident Solar Pvt Ltd (CSPL) was observed during its inspection with an objective to repay instalments due to SREI which tantamount to ever-greening where both such entities were the borrowers of the SREI, it is viewed that since the

Respondent was the Statutory Auditor of the SREI during the alleged period i.e. FY 2015-16, the Respondent could not be expected to review such transactions which were alleged to have occurred between two different borrowers of NBFC.

It is further noted that the Respondent in his defense submitted that the NBFC had sanctioned a term loan of Rs. 300 crores in March 2011 to EECIPL for a tenor of 36 months from the date of last disbursement. Out of this total amount, Rs. 299.96 crores were disbursed in various tranches during March 2011 to March 2013. The Respondent further mentioned that the SREI sanctioned another Term Loan of Rs 100 crores in March 2013 for execution of solar power project, for a tenure of 5 years from the date of first disbursement. Further, Rs. 96.98 crores were disbursed in various tranches during March 2013 to July 2015 against the sanctioned amount of Rs. 100 crores. However, in the extant matter, it is noted that though the Respondent has submitted the Utilization Certificate dated 08th August 2015 in respect of second term loan of Rs. 96.98 crores disbursed to EECIPL, but he has not submitted anything regarding the repayment schedule of principal and interest amount of first term loan sanctioned and disbursed to EECIPL by the NBFC. Though the Complainant mentioned that EECIPL used the proceedings of second term loan to serve the interest and instalment of the first term loan on the very same day, it is noted that the Respondent failed to submit anything in his defense on this aspect. The Committee further observed that the Respondent has simply mentioned that being the Statutory Auditor, he was not expected to review the sources of repayment by the Borrower and entire matter has been initiated on the hindsight and this matter has been proceeded disregarding the differentiation between audit and investigation/forensic exercise. The Committee observed that however the Respondent was required to perform additional audit procedures to collect the appropriate audit evidence to rule out any such possibility especially when the date of disbursement of second loan and date of repayment of first loan was same as being alleged but the Respondent has failed to submit any documents / evidence to substantiate that he had done the required due diligence in the matter. Accordingly, the Committee held the Respondent **Guilty** of Professional Misconduct in this regard.

(v)- In respect to allegation pertaining to entity namely **Resurgent Infratel Pvt. Ltd. 'RIPL'**, the Complainant has alleged that fresh disbursements were used to repay the existing dues of the first loan. The Respondent in his defense submitted that the NBFC had sanctioned three term loans to the borrower where first term loan of Rs. 175 crores were sanctioned vide letter dated 27th March 2012, second term loan of Rs. 70 crores were sanctioned vide letter dated 10th March 2014 and third term loan of Rs. 170 crores were sanctioned vide letter dated 15th December 2015. The Committee noted that the

Respondent has not submitted anything specific about the repayment schedule of first term loan sanctioned to RIPL by the SREI. He submitted that the total amount came down materially during the period 2015-16 and thereafter summary shows that the loan outstanding of 488.27 crore as on 31.03.2015 had reduced to 404.11 crores as on 31.03.2016 and 261.91 crores and 126.37 crore in 31.03.2017 and 31.03.2018 respectively. Though the Complainant mentioned that RIPL used the proceedings of fresh loans to repay the existing dues of first term loan, but the Respondent in his defense made mere averments that the matters like source of repayment and the reasons for diversion of funds were not something which a Statutory Auditor was expected or required to unearth since he did not act in the capacity of an investigator or a forensic auditor. The Committee viewed that such plea of the Respondent is not tenable, and the Respondent was required to bring on record any concrete evidence in his support, and in absence of the same, benefit of doubt cannot be extended to him, and accordingly the Committee held the Respondent **Guilty** of Professional Misconduct on this count.

(vi)- In respect of next allegation pertaining to entity namely **EMTA Coal Ltd** (EMTA), the Complainant has alleged that as on March 31, 2016, the Auditor had retained the account status as 'Standard Asset' based on the record of recovery. However, the Complainant in its inspection of 2015 & 2016 has classified the account as NPA since March 31, 2014, because of non-receipt of payments in time and ever greening. The Complainant further alleged that the debt (interest & principal) obligations of old loan accounts had been served with the fresh loan proceeds with the considerable delay of payment. The Committee noted that against the allegation of serving of debt (interest & principal) obligations of old loan accounts with the fresh loan proceeds with the considerable delay of payment, the Respondent has failed to submit the repayment schedule of all four term loans individually which were sanctioned to EMTA and also failed to submit the due dates / period when the interest and principal amount was required to be repaid by the borrower company in respect of all four term loans. In the absence of same the status of principal and interest payments towards the individual loans as on 31st March 2016 is not clear / unascertainable to know whether dues were paid in timely manner by EMTA or not to the Company / NBFC and thus, whether the reporting of account of EMTA by the SREI in its financial statements as on 31.03.2016 as Standard Asset was correct or not. The Committee also noted that since the Respondent has failed to submit any corroborative evidence, he was required to bring on record in his support, the benefit of doubt cannot be extended to him, accordingly the Committee held the Respondent **Guilty** of Professional Misconduct on this count.

(vii)- In respect of next allegation pertaining to entity **Transtel Infrastructure Limited 'TIL'**, the Complainant has alleged that as on March 31, 2016, the Respondent had retained the account status as 'Standard Asset' based on the record of recovery and based on inspection in 2015 & 2016, the Complainant had classified the account as NPA since March 31, 2014, because of non-receipts of payments in time and ever greening. The Complainant further alleged that the debt (interest & principal) obligations of old loan accounts had been served with the fresh loan proceeds with the delay of payment. Further, the loan account was restructured in January 2013 with the DCCO as of March 2013 and later it was extended to January 2015 and thereafter to January 2017 and still the commencement of project was not achieved as on March 31, 2017. The Complainant also stated that in terms of instruction contained in para 3.3 of Annexure IV of Master Directions, DCCO had to be achieved within four years of the original schedule for retaining the standard categorization. It was further stated that based on inspection made in 2017, the Complainant has treated it as failed restructuring as per regulatory norms and the status of account had been classified as Doubtful II category as on March 31, 2017, as per asset classification norms.

The Respondent in his defense submitted that the SREI had sanctioned term loan of Rs. 58 crores to TIL in August 2011 and during September 2011, the sanctioned amount was increased to Rs 60 crores which was disbursed in October 2011. The project was under construction and the estimated Date of Commercial Operation ('DCCO') was January 2013. Accordingly, a moratorium period of 18 months was provided, and the repayment of principal was to commence from April 2013. However, there was delay in completion of the project and DCCO was extended from January 2013 to March 2014 and SREI sanctioned a new loan of Rs. 21.77 crores in October 2013 as additional finance towards time overrun of the project. The project got delayed again and DCCO was extended from March 2014 to January 2016. Accordingly, SREI sanctioned a new loan of Rs. 14.50 crores in January 2015 as additional finance towards time and cost overrun of the project. The Respondent further stated that the NBFC restructured the account in July 2015 as per the extant RBI guidelines and the DCCO was further extended from January 2016 to January 2017. Accordingly, TIL's account came under 'restructured' category and the requisite provision of 5% was made as per the extant RBI guidelines. The Respondent further submitted that the Respondent had classified the account as NPA since 31st March 2014 on the assumption of ever-greening. In this regard, it was explained to him by the SREI that the project got delayed and the SREI had to sanction new loans by way of additional finance for meeting the business needs of the borrower as the project's viability stood established by it.

The Respondent also submitted the copy of **Management Representation Letter dated 7th October 2015** wherein the third and fourth paragraphs of the said letter read as under:

'As the project got repeatedly delayed due to various reasons including litigation, account was restructured in July 2015 and the original DCCO of January 2013 (which stood extended to January 2016 as on the date of restructuring) was ultimately extended to January 2017, i.e. upto 4 years as per the extant RBI guidelines and the applicable provision of 5% for restructured assets was created.

In this regard, we confirm that the aforesaid restructuring in July 2015 was done in accordance with the applicable RBI prudential norms at the time of restructuring, including para 4.1.4 of RBI Notification No. DNBS (PD). No.272/CGM(NSV)-2014 dated 23rd January 2014. In terms of said para 4.1.4, at the time of the restructuring in July 2015 the financial viability was established and there was a reasonable certainty of repayment from the borrower as per the terms of the restructuring package.'

The Committee perused **Para 3.3 of the Annexure – IV of RBI Notification DNBS(PD). No.272 / CGM(NSV)-2014 dated January 23, 2014, reads as under:**

3.3. Project Loans for Infrastructure Sector
(i) ***A loan for an infrastructure project will be classified as NPA*** *during any time before commencement of commercial operations as per record of recovery,* ***unless it is restructured and becomes eligible for classification as 'standard asset' in terms of paras (iii) to (v) below.***
(ii) ***A loan for an infrastructure project will be classified as NPA if it fails to commence commercial operations within two years from the original DCCO****, even if it is regular as per record of recovery,* ***unless it is restructured and becomes eligible for classification as 'standard asset' in terms of paras (iii) to (v) below.***
(iii) ***If a project loan classified as 'standard asset' is restructured any time during the period up to two years from the original DCCO, it can be retained as a standard asset if the fresh DCCO is fixed within the following limits, and further provided the account continues to be serviced as per the restructured terms.***
***(a) Infrastructure Projects involving court cases* (emphasis added)**
Up to another 2 years (beyond the existing extended period of 2 years, as prescribed in para3.3 (ii), i.e. total extension of 4 years), in case the reason for extension of date of commencement of production is arbitration proceedings or a court case.

***(b) Infrastructure Projects delayed for other reasons beyond the control of promoters.* (emphasis added)**

Up to another 1 year (beyond the existing extended period of 2 years, as prescribed in para 3.3(ii), i.e. total extension of 3 years), in other than court cases.

(iv) It is re-iterated that the dispensation in para 3.3 (iii) is subject to adherence to the provisions regarding restructuring of accounts which would inter alia require that the application for restructuring should be received before the expiry of period of two years from the original DCCO and when the account is still standard as per record of recovery. The other conditions applicable would be:

(a) In cases where there is moratorium for payment of interest, NBFCs should not book income on accrual basis beyond two years from the original DCCO, considering the high risk involved in such restructured accounts.

(b) NBFCs should maintain following provisions on such accounts as long as these are classified as standard assets in addition to provision for diminution in fair value:

(v) For the purpose of these Directions, mere extension of DCCO would not be considered as restructuring, if the revised DCCO falls within the period of two years from the original DCCO. In such cases the consequential shift in repayment period by equal or shorter duration (including the start date and end date of revised repayment schedule) than the extension of DCCO would also not be considered as restructuring provided all other terms and conditions of the loan remain unchanged. As such project loans will be treated as standard assets in all respects, they will attract standard asset provision of 0.25 per cent.

The Committee on combined perusal of Management Representation Letter and the above said provisions of RBI notification, observed that though the Respondent has only provided the month of actual DCCO and extended DCCO i.e. January 2013 & January 2017 but has not provided the exact dates and the above MRL mentions that the project got repeatedly delayed due to various reasons including litigations but in the absence of exact date of extended DCCO provided by the Respondent on record, it is not clear that how the account was classified as 'Standard Assets' when the DCCO was extended from January 2013 to January 2017 and specially when the Complainant has also mentioned that the commencement of project was not achieved even as on 31st March 2017 which makes it evident that the DCCO was extended for more than 4 years. It is further noted that the Respondent has also failed to submit the repayment schedule of the loan. The Committee noted that since the Respondent has failed to submit any corroborative evidence which he was required to bring on record in his support, the benefit of doubt cannot be extended to him, accordingly the Committee held the Respondent **Guilty** of Professional Misconduct on this count.

(viii)- As regards to next allegation in respect to entity namely **Abhijeet Roads Ltd 'ARL'**, the Complainant has alleged about use of proceeds of fresh loan for use of repayment of old loans and delay in payment, the Committee noted that the Respondent in his defense submitted that the SREI had sanctioned term loan of Rs. 155 crores to ARL in September 2013 and also sanctioned a term loan of Rs. 37 crores to its Group Company i.e. APL in August 2014. The Respondent further submitted that both the aforesaid loans were separate contracts and disbursed under separate loan documents. He further referred to the notification of RBI dated 1st September 2016 to mention that a specific percentage of owned funds might be sanctioned as term loan to a group company. The Respondent also submitted that the non-maintenance of the repayment schedule can't constitute the gross negligence against him, and utilization certificate has already been submitted by him and he is being auditor of the Company has verified that the Company has its internal control mechanism and regular review has been carried out by the management. The Committee noted that that the Respondent has not only failed to submit the repayment schedule of the term loan sanctioned to ARL but also failed to submit the dates / period when the interest and principal amount was required to be repaid to the SREI by the borrower company in respect of his term loan. The Committee was not convinced with the mere averments of the Respondent and noted that since the Respondent has failed to submit any corroborative evidence, he was required to bring on record in his support, the benefit of doubt cannot be extended to him, accordingly the Committee held the Respondent **Guilty** of Professional Misconduct on this count.

(ix)- As regards next allegation in respect to entity namely **Essar Steel India Ltd 'ESIL'**, the Complainant has alleged that as on March 31, 2016, the Respondent had retained the account status as 'Standard Asset' based on the record of recovery. However, the Complainant in its inspection of 2015 & 2016 has classified the account as NPA since March 31, 2014, because of non-receipt of payments in time and ever greening. The Complainant has also submitted the copy of 'SREI Project Finance' report in respect of proposed term loans facility of Rs. 200 crores and Rs. 175 crores to 'ESIL' as the documents collected during on-site inspection done by the RBI. The Complainant further submitted that the repayment of debt obligation (Interest & Principal) of the old loan accounts had been served with the fresh loan accounts proceeds and based on its Inspection in 2016 further observed from the statement of accounts of 'Essar Bulk Terminal Paradip Ltd.' (EBTPL), a group company that the disbursement to EBTPL on March 29, 2014 was partly used to service interest over dues, processing fees and overdue charges in two accounts of ESIL, 'Essar Oilfield Services India Ltd.' (EOSIL) and the first loan account of 'Essar Shipping Ltd.' (ESL) on March 29 and 31, 2014. Similarly, the

disbursement in the second loan account to ESL on May 10, 2014, was used to service interest overdue and processing fees in first loan account of ESL and Essar Oilfield Services India Ltd. on May 10 and 12, 2014. Again, the disbursement on December 31, 2014, was used to service interest overdue and principal repayment of four group companies on the same day (Rs. 28.09 crore to EOSIL, Rs. 26.88 crore to ESIL, Rs. 36.98 crore to first loan of ESL, Rs. 0.50 crore to second loan of ESL. Thus, it was ascertained from above that the SREI used ever greening and hence both the previous inspections 2015 & 2016 conducted by the Complainant had classified the account as NPA from March 31, 2015.

The Complainant further stated that inspection of 2017 it had further observed that SREI had acquired the shares of Essar Power from Essar Steel and showed the loan amount in its book as Share acquired - Essar Steel and did not classify the account as NPA. Though SREI did not receive any money, they treated the loan as closed in their book on basis of shares acquired of Essar Power.

The Respondent in his defense submitted that the SREI had sanctioned two term loans to ESIL where first loan was sanctioned for Rs. 200 crores and second term loan were sanctioned for Rs. 175 crores and these loans were fully disbursed by 31st March 2013. Since the overdue period was 152 days as on 31 March 2015 and 92 days as on 31 March 2016 which were within NPA classification norms of RBI, the account was correctly classified as "Standard Asset" as on 31 March 2015 and 31st March 2016. The Respondent gave the details of term loans sanctioned to ESL, EBTPL and EOSIL. The Respondent further stated that such lending to Group companies was well within the legal and statutory parameters provided by RBI. He further submitted that there were collateral assets, and the valuation of that collateral security has also been reconfirmed to report of another external valuer and that is known to the complainant and once the loan is not shown and that is not in the nature of loan anymore, the issue of NPA does not arise. He also contended that the appropriate audit procedures have been performed.

The Committee observed that some transactions related to transfer of funds between Group Companies were observed by the Complainant during its inspection with an objective to repay instalments due to SREI which tantamount to ever-greening, The Committee noted that the Respondent, in his submissions has mainly emphasized on the lending of term loans to Group Companies according to the provisions and within the legal and statutory parameters prescribed by the Complainant but has failed to submit his comments/statement against the allegation that the proceeds of fresh loans were used to repay the debt obligations of old term loan sanctioned to ESIL.

Accordingly, the Committee noted that since the Respondent has failed to submit documentary evidence against the allegations alleged by the Complainant in respect of ESIL that he was required to bring on record in his support, the benefit of doubt cannot be extended to him, accordingly the Committee held the Respondent **Guilty** of Professional Misconduct on this count.

(x)- As regards the next allegation in respect to entity namely **Sahaj e-Village Limited (Sahaj)** the Complainant has alleged that as on March 31, 2016, the Respondent had retained the account status as 'Standard Asset' based on the record of recovery. However, the Complainant in its inspection of 2015 & 2016 has classified the account as NPA since March 31, 2014, because of non-receipt of payments in time and ever greening. The Complainant further alleged that the movements of funds among the loan accounts of the same borrower was observed and further one loan proceeds was used to repay another loan. The Complainant in its inspection of 2016 had observed from the bank account statements that drawdown of the first term loan on September 27, 2014, was used to service the installment of Rs. 12 crores on September 30, 2014, of the second term loan and installment of Rs. 8.77 crore on September 27, 2014, of the third term loan. Thus, it was concluded that this amounted to ever greening and hence, the account was classified as NPA as on March 31, 2015. The Complainant further alleged that the current Inspection of 2017 had observed that an amount of Rs. 14.75 crore was disbursed from Term loan-4 on March 02, 2017. The amount was used to repay (fully closed) account no 323 (Rs. 12.65 crore). Further, it was perused from its balance sheet that the borrower had a negative net worth with accumulated loss of Rs. 188.84 crores as on March 31, 2017, and had incurred a loss of Rs. 33.19 crores during 2016-17. It was an associated company of the SREI, and 100% of its share was owned by SREI group companies and the beneficial owner of the company was SREI group and inspection of 2017 agreed with the previous Inspection of 2016, and it concluded that the above tantamounted to ever greening. Accordingly, the current Inspection had classified the account as Doubtful as on March 31, 2017, as per asset classification norm and recommended applicable accelerated provisioning of 40% (Rs. 14.19 crore) for ever greening.

In this regard, the Respondent in his defense submitted that 'Sahaj' was an associate company of the SREI, and the loans advanced by it to 'Sahaj' constituted material related party transactions under revised Clause 49 of the Listing Agreement with the Stock Exchanges, which became effective from 1st October 2014. Accordingly, loans advanced by the SREI to 'Sahaj' / to be advanced in future, not exceeding Rs 500 crores during a year, were approved by the shareholders (other than Related Parties as per Clause 49) of SREI in its AGM on 1st August 2015 by a special resolution. Hence, being the sponsor of

'Sahaj' and having a long-term strategy, the SREI continued to support 'Sahaj' in terms of finance to cover up for the delay in receiving government support and also for funding the expansion plan of 'Sahaj' to increase its rural reach. The Respondent further submitted that there were other financial institutions like IL&FS Financial Services Ltd, National Skill Development Corporation (NSDC), ICICI Bank, AXIS Bank and others also who had advanced loans to 'Sahaj'. The Respondent has also submitted the copy of Request for Proposal (RFP) under National E-Governance Plan (NEGP) issued by State Designated Agency for Bihar, copy of Master Service Agreement dated 6th September 2007 executed for State Designated Agency for Bihar and copy of Valuation Report of Sahaj dated 15th October 2015. He further submitted that the Govt. Of India has formulated a national e-governance plan and RFP proposals were invited. This plan has been rolled out in 3 states through a master service agreement and The SREI has responded to this RFP and when such arrangements are entered into, and it is common that for that purpose new SPVs are created.

The Committee in the extant matter, observed that the Respondent, has failed to counter any comments against the allegation that the movement of funds was observed among the loan accounts of 'Sahaj' and also one loan proceeds was used to repay another loan on various occasions. The Respondent has also failed to submit the repayment schedule of the term loan sanctioned to Sahaj and failed to submit the dates / period when the interest and principal amount was required to be repaid to the NBFC or actually paid by the borrower i.e. 'Sahaj' to NBFC in respect of its term loan. The Committee observed that in case an entity is financed by any other large financial institutions then it does not mean that the loan advanced to such entity by the NBFC will become auto correct and thus, the Respondent cannot escape from his professional duties by submitting such statements. Accordingly, the Committee noted that the Respondent has failed to submit documentary evidence against the allegations alleged by the Complainant in respect of Sahaj that he was required to bring on record in his support, the benefit of doubt cannot be extended to him, accordingly the Committee held the Respondent **Guilty** of Professional Misconduct on this count.

4.2 As regards Second allegation, the Complainant alleged that divergences were observed in valuation of Non-Current Investments in the books of NBFC as on March 31, 2016. The Complainant mentioned that the investments in unquoted shares of subsidiaries and associates were valued at carrying cost in the books of NBFC where the accumulated losses of the subsidiaries had eroded their net worth completely as on March 31, 2016. Thus, the valuation of investment was not done as per the provisions of Accounting Standard-13 and the RBI suggested provisions for diminution (other than temporary) in the value of investments.

The Committee noted that the Respondent, in this regard, submitted that since the reference of extant allegation was not specifically mentioned against Serial No. 5 in Form-I, thus the same has not been replied to by the Respondent.

The Committee viewed that that **Para 17 to 19 of Accounting Standard 13 – Accounting for Investments** read as under:

*17. **Long-term investments are usually carried at cost. However, when there is a decline, other than temporary, in the value of a long-term investment, the carrying amount is reduced to recognize the decline**. Indicators of the value of an investment are obtained by reference to its market value, the investee's assets and results and the expected cash flows from the investment. The type and extent of the investor's stake in the investee are also taken into account. Restrictions on distributions by the investee or on disposal by the investor may affect the value attributed to the investment. **(emphasis added)***

18. Long-term investments are usually of individual importance to the investing enterprise. The carrying amount of long-term investments is therefore determined on an individual investment basis.

*19. **Where there is a decline, other than temporary, in the carrying amounts of long-term investments, the resultant reduction in the carrying amount is charged to the profit and loss statement**. The reduction in the carrying amount is reversed when there is a rise in the value of the investment, or if the reasons for the reduction no longer exist. **(emphasis added)***

The Committee also viewed the response of the Respondent vide his letter dated 17th November 2017 wherein he replied to the Complainant's letter dated 25th October 2017. He mentioned that since the decline in the value of investments in respect of alleged 7 entities was only temporary, thus these seven entities continued to be carried at their book value / cost price in compliance with requirements of AS-13 as on 31st March 2016. The Committee further noted that the Respondent has not submitted any documents / evidence on record which may prove that the decline in the value of investments in respect of alleged 7 entities was only temporary and not permanent. The Committee also noted that since the Respondent has failed to submit documentary evidence against the allegations made by the Complainant which he was required to bring on record in his support, the benefit of doubt cannot be extended to him, accordingly the Committee held the Respondent **Guilty** of Professional Misconduct on this count.

5- Conclusion:

In view of above noted facts and discussion, in the considered opinion of the Committee, the Respondent is **GUILTY** of Professional Misconduct falling within the meaning of Item (5) and (7) of Part-I of Second Schedule to the Chartered Accountants Act, 1949.

Sd/-
(CA. Aniket Sunil Talati)
PRESIDING OFFICER

Sd/-
(Shri Prabhash Shankar, I.R.S. (retd.))
GOVERNMENT NOMINEE

Sd/-
CA (Dr). Rajkumar Satyanarayan Adukia
MEMBER

Sd/-
(CA. Gyan Chandra Misra)
MEMBER

DATE: 11.02.2024
PLACE: NEW DELHI

सही प्रतिलिपि होने के लिए प्रमाणित/
Certified to be true copy

निधि शर्मा/Nidhi Sharma
वरिष्ठ कार्यकारी अधिकारी/Sr. Executive Officer
अनुशासनात्मक निदेशालय/Disciplinary Directorate
इंस्टीट्यूट ऑफ चार्टर्ड एकाउंटेंट्स ऑफ इंडिया
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