

CONFIDENTIAL

DISCIPLINARY COMMITTEE [BENCH – IV (2024-2025)]

[Constituted under Section 21B of the Chartered Accountants Act, 1949]

Findings under Rule 18(17) and Order under Rule 19(2) of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007.

File No.: - PR/G/78/22-DD/425/2022/DC/1797/2023

In the matter of:

**Registrar of Companies, NCT of Delhi & Haryana,
Ministry of Corporate Affairs,
Through Shri Mangal Ram Meena
Deputy Registrar of Companies,
NCT of Delhi & Haryana
4th Floor, IFCI Tower,
61, Nehru Place,
New Delhi-110019**

.....Complainant

Versus

**CA. Pallav Pradyumn Narang (M. No. 509729)
1101 KLJ Towers North,
Netaji Subhash Place Pitampura,
New Delhi-110034.**

.....Respondent

MEMBERS PRESENT:

**CA. Ranjeet Kumar Agarwal, Presiding Officer (in person)
Shri Jiwesh Nandan, IAS (Retd.), Government Nominee (in person)
Ms. Dakshita Das, IRAS (Retd.), Government Nominee (in person)
CA. Mangesh P Kinare, Member (through VC)**

DATE OF FINAL HEARING : 29th August, 2024

PARTIES PRESENT:

**AR of the Complainant department : Mr. Gaurav, Dy. ROC, Delhi (Through VC)
Respondent : CA. Pallav Pradyumn Narang (in person)
Counsels for the Respondent : Mr. Sachit Jolly & Mr. Aditya Rathore (in person)**

1. Background of the Case:

- 1.1. As per the Complainant Department, certain information had come to the knowledge of Central Government that Foreign Nationals/ individuals/ entities involved in the Companies

had engaged dummy persons as subscribers to MOA & Directors by furnishing forged documents with falsified addresses / signatures, Director Identification Number (DIN) to MCA.

- 1.2. It is stated that some companies/individuals/entities who were directly or indirectly connected with the Company were found to be engaged in illegal/ suspicious activities, money laundering, tax evasion and non-compliance of various provisions of laws.
- 1.3. The Complainant Department stated that certain professionals in connivance with such individuals/directors/subscriber to MOA have assisted in incorporation and running of these Companies for illegal/suspicious activities in violation of various laws by certifying e-forms/various reports etc. on MCA portal with false information concealing the real identities of such individuals.
- 1.4. It was further stated that professionals are duty bound to discharge their duties as per law and certify / verify documents / e-forms or give certificate / Report after due diligence so that compliance to the provisions of law shall be ensured. However, they had failed to discharge their duties and willfully connived with directors / company / shareholders / individuals in certifying e-forms knowingly with false information / documents / false declaration / omitting material facts or information.
- 1.5. In the extant matter, the Respondent has been the Statutory Auditor of M/s Tricontinental Research Services Private Limited (hereinafter referred to as "**Company**") for the financial year 2019-20 and he has also certified Form AOC-4 (Form for filing financial statement and other documents) of the Company for such financial year i.e., for F.Y 2019-20.

2. Charges in brief:-

- 2.1. Earning per share (hereinafter referred to as "**EPS**") is not shown at the face of Profit and Loss account of the Company for the financial year ended on 31.03.2020.
- 2.2. List of shareholders holding more than 5% shares not furnished in Schedule to Balance Sheet as on 31.03.2020.
- 2.3. Related Party transactions were not mentioned in the financial statements for the financial year 2019-20 which is violation of Section 129 of the Companies Act, 2013 read with AS-18.

3. The relevant issues discussed in the Prima Facie Opinion dated 20th January 2023 formulated by the Director (Discipline) in the matter in brief, are given below:
- 3.1. As regards the **first charge**, it was observed that a Company is required to disclose both basic and diluted EPS on the face of statement of Profit and Loss to comply with the requirement of paragraph 8 of AS-20 as well as Section 129 of Companies Act, 2013. However, on perusing the Statement of Profit and Loss for the financial year ended 31st March 2020, it was noted that Company has not disclosed 'EPS' over it.
- 3.2. The Respondent claimed that EPS was adequately disclosed in Note 19 of Notes to Accounts to the Financials disclosing 'EPS' which was missed to upload while uploading the financials of the Company on MCA portal and further stated that he had duly mentioned the detail of EPS in the Form AOC-4 for the F.Y. 2019-20 certified by him. However, such defence of the Respondent cannot be accepted as it was apparent that the Respondent has been negligent while auditing the financials of the Company and failed to report the non-compliance of above mentioned provisions of AS-20 as well as Section 129 of Companies Act, 2013 in his audit report. Accordingly, the Respondent is held prima facie **GUILTY** for the instant charge for the failure to draw attention to this deviation in his Audit Report for professional misconduct falling within the meaning of Item (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949
- 3.3. As regards the **second charge**, it was observed that Section 129 read with Schedule – III Part – I require Company to disclose in its 'Notes to Accounts' the details of 'shares in the company held by each shareholder holding more than 5 per cent shares' which in the extant case was not submitted in Notes to the Financials for the year ended on 31-03-2020. In this regard, the Respondent submitted that shareholders holding more than 5% was mentioned in Note 20 of Notes to Accounts which however, (Note 17 to Note 23) was inadvertently missed to attach with AOC-4 on MCA portal.
- 3.4. It was further noted that the Note No. which is mentioned against the 'Share Capital' on the face of the Balance Sheet is '1' while the Note No. of the relevant Note put forth by the Respondent in his defence in Written Statement mentioning the detail of shareholders holding more than 5% share is noted to be '20'. It was viewed that normally all the details relating to 'Share Capital' of the Company are mentioned in single Note whose number is mentioned on the face of the Balance Sheet. Further, if it is assumed that separate notes were prepared by the management even then the Note no. '20' as put forth by the Respondent is nowhere mentioned on the face of Balance Sheet for the year ended 31-03-2020 rather it is noted that even no Note Nos. 17 to 23 as claimed by the Respondent

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missed to attach with the financials are found to be mentioned in the Balance Sheet and Statement of Profit and Loss. Hence, these documents as being brought on record by the Respondent in his defence appeared to be an afterthought and created one to find escape from the charges of the Complainant.

- 3.5. Accordingly, the defence adopted by the Respondent cannot be accepted and he is prima facie held **GUILTY** of Professional Misconduct falling within the meaning of Item (7) of Part I and Item (3) of Part II of Second Schedule to the Chartered Accountants Act, 1949.
- 3.6. As regards the **third charge**, it was observed that no disclosure in any Note to accounts with regard to related party is noted to have been made in the Financials of the Company for the year ended 31-03-2020. In response to the same, the Respondent stated that there were no related party transactions during the year 2019-20. It was viewed that the Respondent has been negligent while issuing his audit report on the financials of the Company for the financial year 2019-20 as he failed to report in his Audit Report the violation of AS-18 by the Company. Further, in order to give the defence to this Directorate in the matter, the Respondent has put forth the documents which appear to be afterthought and created afterwards. Accordingly, the Respondent was prima facie held **GUILTY** of Professional Misconduct falling within the meaning of Item (7) of Part I and Item (3) of Part II of Second Schedule to the Chartered Accountants Act, 1949.
- 3.7. Accordingly, the Director (Discipline) in his Prima Facie Opinion dated 20th January, 2023 opined that the Respondent was *Prima Facie Guilty* of Professional Misconduct falling within the meaning of Item (7) of Part I and Item (3) of Part II of Second Schedule to the Chartered Accountants Act, 1949. The said items of the Schedule to the Act, states as under:

Item (7) of Part I of the Second Schedule:

"A Chartered Accountant in practice shall be deemed to be guilty of professional misconduct if he:

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

Item (3) of Part II of the Second Schedule

"A member of the Institute, whether in practice or not, shall be deemed to be guilty of professional misconduct, if he

X X X X X
(3) includes in any information, statement, return or form to be submitted to the Institute, Council or any of its Committees, Director (Discipline), Board of Discipline,

Disciplinary Committee, Quality Review Board or the Appellate Authority any particulars knowing them to be false."

3.8. The Prima Facie Opinion formed by the Director (Discipline) was considered by the Disciplinary Committee in its meeting held on 11th July 2023. The Committee on consideration of the same, concurred with the reasons given against the charges and thus, agreed with the Prima Facie Opinion of the Director (Discipline) that the Respondent is GUILTY of Professional Misconduct falling within the meaning of item (7) of Part - I and Item (3) of Part-II of the Second Schedule to the Chartered Accountants Act, 1949 and accordingly, decided to proceed further under Chapter V of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007.

4. **Date(s) of Written submissions/Pleadings by parties:**

The relevant details of the filing of documents in the instant case by the parties are given below:

S.No.	Particulars	Dated
1.	Date of Complaint in Form 'I' filed by the Complainant	11 th August, 2022
2.	Date of Written Statement filed by the Respondent	01 st October 2022
3.	Date of Rejoinder filed by the Complainant	Not filed
4.	Date of Prima facie Opinion formed by Director (Discipline)	20 th January 2023
5.	Written Submissions filed by the Respondent after PFO	16 th February, 2024
6.	Written Submissions filed by the Complainant after PFO	Not filed

5. **Written submissions filed by the Respondent:**

The Respondent vide letter dated 16th February 2024, inter-alia, made the submissions which are given as under:-

- (i) That the Company was incorporated with Mr. Vikas Rawal and Mr. Sudhavana Deshpande as shareholder and both the shareholders hold 50% shares each in the Company and they are also the directors of the Company.
- (ii) The subject Company is closely held and has no public interest or Borrowings.
- (iii) That while uploading the financials statements of the Company for the financial year 2019-20, 'Note no from 17 to 23', was inadvertently missed while scanning and uploading the PDF attachment to the Form AOC-4 on account of clerical error.

- (iv) EPS has been adequately disclosed both in the form AOC-4 and in Note 19.
- (v) Two directors cum shareholders in the Company each own 50% of the issued shares in the Company and the said fact is mentioned clearly in the Directors Report as well as Form AOC-4 and in Note 20 of Notes to Accounts.
- (vi) There were no related party transactions during the year 2019-20.
- (vii) The details regarding the related party transactions are sufficiently defined under Note 18.
- (viii) That the Directors' Report incorrectly mentions related party transactions of Rs. 60,000 for the year, however, the same is incorrect.
- (ix) The mere inadvertent human error cannot be regarded to be professional misconduct

6. **Brief facts of the Proceedings:**

- 6.1. The details of the hearing(s)/ meeting(s) fixed and held/adjourned in said matter is given as under:

Particulars	Date of meeting(s)	Status
1 st hearing	05 th September, 2023	Part heard and adjourned.
2 nd hearing	28 th May, 2024	Adjourned at the request of the Respondent.
3 rd hearing	03 rd June, 2024	Adjourned at the request of the Respondent.
4 th hearing	20 th June, 2024	Adjourned at the request of the Respondent.
5 th hearing	29 th July, 2024	Adjourned at the request of the Respondent.
6 th hearing	29 th August, 2024	Hearing Concluded and decision taken

- 6.2. On the day of first hearing on 05th September, 2023, the Committee noted that the Respondent was present through Video conferencing mode. Thereafter, he gave a declaration that there was nobody present except him from where he was appearing and that he would neither record nor store the proceedings of the Committee in any form. The Committee noted that the Complainant was not present and notice of listing of the case has been served upon him.
- 6.3. Being first hearing of the case, the Respondent was put on oath. Thereafter, the Committee enquired from the Respondent as to whether he was aware of the charges, and then charges against the Respondent were read out. On the same the Respondent replied that he was aware of the charges and pleaded Not Guilty to the charges levelled against him. Thereafter, in the absence of the Complainant and in view of Rule 18(9) of the Chartered Accountants (Procedure of Investigation of Professional and Other Misconduct and Conduct of Cases) Rules, 2007, the Committee adjourned the case to later date.

- 6.4. On the day of the hearing on 28th May 2024, 03rd June 2024, and 20th June 2024, the Committee noted that the Respondent, vide e-mails dated 28.05.2024, 31.05.2024, and 11.06.2024, respectively, had sought adjournment on medical grounds. Acceding to the above requests of the Respondent, the Committee adjourned the case to a future date.
- 6.5. On the day of the hearing on 29th July, 2024, the Committee noted that the authorized representative of the Complainant and Respondent along with Counsel were present and appeared before it. The Counsel for the Respondent requested for an adjournment in the matter. Acceding to the above request of Counsel for the Respondent, the Committee adjourned the case to a future date.
- 6.6. On the day of the hearing on 29th August 2024, the Committee noted that the authorized representative of the Complainant was present through VC and the Respondent along with Counsel was present in person and appeared before it. Thereafter, the Committee asked the Counsel for the Respondent to make submissions. The Committee noted the submissions of the Counsel for the Respondent which, inter alia, are given as under:-
- a. EPS was adequately disclosed in Note 19 of Notes to Accounts to the Financial Statements, which was missed to be uploaded along with the financials of the Company on MCA portal.
 - b. Details of EPS was duly mentioned in Form AOC-4 for the F.Y. 2019-20 certified by him. The subject Companies have no foreign connection and there was no foreign Directors in these Companies.
 - c. Each of the two Directors cum shareholders in the Company own 50% of the issued shares and the said fact is mentioned in the Director's Report as well as in Form AOC-4 and also in Note 20 of Notes to Accounts.
 - d. There were no related party transactions during the year 2019-20.
 - e. The Note on related party transactions was inadvertently omitted in the attachments, however, full and proper disclosure has been made in Form AOC-4.
- 6.7. The Committee asked the authorised representative of the Complainant to make submissions. The authorized representative of the Complainant Department submitted that Department had received reference from Ministry of Home Affairs, (MHA) and after conducting Investigation in this matter, report was submitted to Ministry and no response

thereon has been received. He further submitted that he has no further submissions to make and that the matter be decided on merits of the case.

6.8. The Committee based on the facts, documents, and information on record and after considering oral and written submissions made by the Respondent at the time of hearing, took decision on the conduct of the Respondent.

7. Findings of the Committee:-

7.1. The Committee noted that the charges against the Respondent were related to non-disclosure of (i) Earning per share (EPS) at the face of Profit and Loss account for Financial Year 2019-2020; (ii) List of Shareholders holding more than 5% shares in Schedule to Balance Sheet as on 31.03.2020; and (iii) Related Party transactions in Financial Statements for the F.Y. 2019-20. The details of charges are given in para 2.1 to 2.3 above. The Committee noted that three charges relate to non-disclosure of certain items in the financial statements of the Company for the financial year 2019-20 and thus, has examined these charges collectively.

The Committee noted the background of the case as well as oral and written submissions made by the Complainant and the Respondent, documents/material on record and gives its findings as under:-

7.2 As regards the non-disclosure of earning per share on the face of Profit and Loss account of the company for FY 2019-20, the Committee noted the submission of the Counsel for Respondent that the details of EPS were duly mentioned in Form AOC-4 for financial year 2019-20 which was certified by him. According to the Respondent, while uploading the financials for FY 2019-20, 'Notes 17 to 23' pertaining to the details under discussion were inadvertently missed while scanning and uploading the PDF attachments to Form AOC-4 on account of clerical oversight. Further, EPS was disclosed in Note 19 of Notes to Accounts to the Financials disclosing 'EPS' which was missed to upload while uploading the financials of the company on MCA portal; and that the details of EPS had been duly mentioned in Form AOC-4 for FY 2019-20 certified by him.

7.3. As regards non-disclosure of list of Shareholders holding more than 5% shares in Schedule to Balance Sheet as on 31.03.2020, the Committee noted the submissions of the Counsel for Respondent that two shareholders each own 50% of the issued shares in the company; and the same fact was mentioned in Form INC-32. The Counsel for the Respondent further submitted that the company was incorporated in the year 2018, and the names of Directors of the company and the details of their shareholding were filed along with incorporation

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documents. He added that there was no change in the shares held by shareholders during the FY 2019-20; and these details were made part of Notes to Accounts which inadvertently could not be uploaded on MCA portal. The Counsel for Respondent submitted that there were no related party transactions during the year 2019-20; and that the details regarding the related party transactions were sufficiently disclosed under Note 18. The Committee perused and took on record the details of disclosures made by the Respondent on above matters while filing regulatory Forms with the Registrar of Companies. The Committee noted that Note Nos. 17 to 23 of Notes to Accounts to financial statements produced by the Respondent were treated as after-thought at the stage of prima facie opinion. However, on perusal of these documents, the Committee observed that these documents carry the signatures of Directors of the company who also happen to be signatories to financials of the company for FY 2019-20 which is undisputed. Thus, in view of the same and in the absence of any concrete evidence, the Committee was inclined to give benefit of doubt to the Respondent. The Committee at the same time was also of the view that the Respondent is required to be more careful while filing Regulatory forms in future

- 7.4. The Committee observed that Earning Per Share has not been mentioned on the face of the profit and loss account of the Company. The Committee further observed that in Form AOC-4 uploaded on the website of Registrar of Companies, the information regarding EPS has been disclosed under the particulars 'Statement of Profit and Loss'. In view of this, the Committee was of the view that though information related to EPS has been omitted in Profit and Loss account of the Company, but same has been shared in AOC-4, which is available in public domain. In view of the same, the Committee viewed that there was no malafide motive on the part of the Respondent.
- 7.5. The Committee further observed that there was no change in the shareholding of the Directors holding more than 5% shares during financial year 2019-20 and same was inadvertently not uploaded with Form AOC - 4. The Committee, on perusal of the Spice Form i.e incorporation documents of the Company which was filed on 13.03.2018, observed that the particulars of two subscribers (namely, Mr. Vikas Rawal and Ms. Sudhanva Deshpande) holding 5000 shares each amounting to Rs. 1,00,000/- in total are given in the said incorporation Form. The Committee viewed that the said omission on the part of Respondent is a technical lapse. Thereafter, the Committee noted that there is no evidence/information regarding related party transactions during the financial year 2019-20. However, the Committee observed that the Respondent could have mentioned in his Audit Report that there is no related party transaction during the year. The Committee viewed that non-disclosure of related party transactions has no impact on financial affairs of the

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Company and there being no evidence of any related party transaction during the year. Further, the Committee was of the view that since there are only two shareholders (holding 50% shares each) who were also directors of the Company; the above non disclosures would not lead to any kind of adverse impact on investors or other stakeholders and so there can be no malafide motive attached to the above non disclosures.

- 7.6. While arriving at its Findings, the Committee also observed that in the background of the instant case the Complainant Department informed that the Company was registered with ROC, Mumbai by engaging dummy persons as subscribers to MOA & Directors by furnishing forged documents with falsified addresses / signatures, Director Identification Number (DIN) to MCA. Further, certain professionals in connivance with such individuals/directors/subscriber to MOA assisted in incorporation and running of these Companies for illegal/suspicious activities in violation of various laws by certifying e-forms/various reports etc. on MCA portal with false information concealing the real identities of such individuals. However, no evidence of the involvement of the Respondent to that effect had been brought on record by the Complainant Department in the instant case. As such, the role of the Respondent was limited to audit of the financial statements of the Company for the financial year 2019-20 which has been examined by the Committee.
- 7.7. On overall consideration, the Committee viewed that there was no malafide motive on the part of the Respondent and the non-disclosures are mere technical errors not harming anyone as such. Therefore, the Committee absolved the Respondent of these charges. Accordingly, the Committee held the Respondent **NOT GUILTY** of Professional Misconduct falling within the item (7) of Part - I and Item (3) of Part-II of the Second Schedule to the Chartered Accountants Act, 1949

8. **Conclusion:**

In view of the findings stated in above paras, vis-à-vis material on record, the Committee gives its charge wise findings as under:

Charges (as per PFO)	Findings	Decision of the Committee
Para 2.1 to 2.3. as above	Para 7.1 to Para 7.7. as above	NOT GUILTY as per Item (7) of Part - I and Item (3) of Part-II of the Second Schedule

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9. In view of the above observations, considering the oral and written submissions of the Respondent and material on record, the Committee held the Respondent **NOT GUILTY** of Professional Misconduct falling within the meaning of item (7) of Part - I and Item (3) of Part-II of the Second Schedule to the Chartered Accountants Act, 1949

Order

10. Accordingly, in terms of Rule 19(2) of the Chartered Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007, the Committee passes an Order for closure of this case against the Respondent.

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Sd/-
(CA. RANJEET KUMAR AGARWAL)
PRESIDING OFFICER

Sd/-
(SHRI JIWESH NANDAN, I.A.S. (RETD.))
GOVERNMENT NOMINEE

Sd/-
(MS. DAKSHITA DAS, I.R.A.S.(RETD.))
GOVERNMENT NOMINEE

Sd/-
(CA. MANGESH P KINARE)
MEMBER

DATE: 28/11/2024

PLACE: New Delhi

सही प्रतिलिपि होने के लिए प्रमाणित
Certified to be true copy

मीनू गुप्ता / Meenu Gupta
वरिष्ठ कार्यकारी अधिकारी / Sr. Executive Officer
अनुशासनशास्त्रक निदेशालय / Disciplinary Directorate
इंस्टीट्यूट ऑफ चार्टर्ड एकाउंटेंट्स ऑफ इंडिया
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