



भारतीय सनदी लेखाकार संस्थान
(संसदीय अधिनियम द्वारा स्थापित)
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)

PR/G/139/2020-DD/133/2020/DC/1827/2023

[DISCIPLINARY COMMITTEE [BENCH-II (2025-2026)]
[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/139/2020-DD/133/2020/DC/1827/2023]

In the matter of:

Serious Fraud Investigation Office
Ministry of Corporate Affairs, Govt. of India
Through Shri M K Sahoo
Additional Director
2nd Floor, Pt. Deendayal Antyodaya Bhavan,
CGO Complex, Lodhi Road,
New Delhi – 110003.

.... Complainant

Versus

CA. Shahane Shekhar Vinayak (M. No. 042160)
Partner, M/s Shahane & Co.
Chartered Accountants

Professional Address:

Sucheta Plot No. 285,
Sector 27- A,
Pradhikaran Nigdi,
Pune – 411044

Residential Address:

10, Rahul Park Apts, 1st Floor,
Rambaug Colony, Behind Chaitanya,
Health Club, Paud Rd,
Pune – 411038

.... Respondent

Members Present (in Person):-

CA. Charanjot Singh Nanda, Presiding Officer
CA. Mahesh Shah, Government Nominee
CA. Pramod Jain, Member
CA. Ravi Kumar Patwa, Member

Date of Hearing : 9th July, 2025

Date of Order : 4th August 2025



भारतीय सनदी लेखाकार संस्थान

(संसदीय अधिनियम द्वारा स्थापित)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

PR/G/139/2020-DD/133/2020/DC/1827/2023

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 was, inter-alia, of the opinion that **CA. Shahane Shekhar Vinayak (M. No. 042160), Pune** (hereinafter referred to as the 'Respondent') is **GUILTY** of Professional and Other Misconduct falling within the meaning of Item (5), (6), (7) and (8) of Part I of the Second Schedule and Item (2) of Part IV of the First 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 a communication was addressed to him thereby granting opportunity of being heard in person / through video conferencing and to make representation before the Committee on 9th July, 2025.
3. The Committee noted that on the date of hearing held on 9th July, 2025, the Respondent was present through Video Conferencing before it and made his verbal representation on the Findings of the Disciplinary Committee, inter-alia, stating that the present complaint was not in respect of truth and fairness of financial statements but related to Related Party disclosures. The transactions with Mrs. Hemanti. D. Kulkarni, being in the ordinary course of business, were appropriately reflected in the accounts. He further added that the complaint relates to two private limited companies, with only two shareholders who are also the only directors, and no public fund is involved. The Respondent added that he conducted statutory audit of the Company upto F.Y. 2015-16 and M/s. D S Kulkarni Developers Limited was flourishing group at that time. He had no professional relationship with M/s. D S Kulkarni Developers Limited or access to internal affairs of M/s. D S Kulkarni Developers Limited. The Respondent also pleaded for lenient view stating that he had unblemished career of 37 years in the profession.
4. The Committee also noted that the Respondent in his written representation dated 30th June 2025 on the Findings of the Committee, inter-alia, stated as under:
 - a. With regard to basis for unmodified Opinion, he stated that all significant transactions were properly recorded in the books of account and presented in the financial statements in compliance with the applicable Accounting Standards.
 - b. With regard to Related Party Disclosure, the transaction with Mrs. Hemanti D. Kulkarni, being in the ordinary course of business, was appropriately reflected in the accounts. The management's decision not to disclose the same separately by way of Note did not, , indicate any intent to conceal material facts in his professional view. It was a consistent and considered position of the management, not an afterthought.



भारतीय सनदी लेखाकार संस्थान

(संसदीय अधिनियम द्वारा स्थापित)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

PR/G/139/2020-DD/133/2020/DC/1827/2023

misstatement in his audit report. The Respondent also failed to report the related party relationship as well as related party transactions entered into by Vastu Companies with Mrs. Hemanti D Kulkarni as per the requirements of AS 18.

6. Thus, keeping in view the facts and circumstances of the case, material on record including verbal and written representation of the Respondent on the Findings, the Committee noted that these transactions had material impact on the true and fair view of the financial statements. Being the statutory auditor of alleged companies, the Respondent, neither ensured that related party transactions are disclosed as per the requirements of AS 18 nor qualified his report despite being aware of Vastu Companies acting as a conduit for the transfer of funds from M/s. D S Kulkarni Developers Limited to Mrs. Hemanti D Kulkarni. This clearly indicates his being hand in gloves with the management of M/s. D S Kulkarni Developers Limited and Mrs. Hemanti D Kulkarni, which is unbecoming of a Chartered Accountant.
- 6.1 Hence, Professional and Other misconduct on the part of the Respondent is clearly established as spelt out in the Committee's Findings dated 23rd January 2025 which is to be read in consonance with the instant Order being passed in the case.
7. Accordingly, the Committee was of the view that ends of justice will be met if punishment is given to him in commensurate with his Professional and Other misconduct.
8. Thus, the Committee ordered that the name of CA. Shahane Shekhar Vinayak (M. No. 042160), Pune be removed from the Register of Members for a period of 2 (two) months and also a Fine of Rs. 50,000/- (Rupees Fifty Thousand only) be imposed upon him payable within a period of 60 days from the date of receipt of the Order.

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

Sd/-
(CA. MAHESH SHAH)
GOVERNMENT NOMINEE

Sd/-
(CA. PRAMOD JAIN)
MEMBER

Sd/-
(CA. RAVI KUMAR PATWA)
MEMBER

सत्यापित होने के लिए प्रमाणित / Certified to be True Copy

Pravara
अनुसंधान सचिव / Assistant Secretary
अनुशासनिक निदेशक / Disciplinary Directorate
भारतीय सनदी लेखाकार संस्थान
The Institute of Chartered Accountants of India
(M. No. 042160) विभाग-1, सेक्टर-1, नोएडा-201301 (उ.प्र.)
Gurgaon, C-1, Sector-1, Noida-201301 (U.P.)

CONFIDENTIAL

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

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

File No: PR/G/139/2020-DD/133/2020/DC/1827/2023

In the matter of:

Serious Fraud Investigation Office
Ministry of Corporate Affairs, Govt. of India
Through Shri M K Sahoo
Additional Director
2nd Floor, Pt. Deendayal Antyodaya Bhavan,
CGO Complex, Lodhi Road,
New Delhi – 110003.

....Complainant

Versus

CA. Shahane Shekhar Vinayak (M. No. 042160)
Partner, M/s Shahane & Co.
Chartered Accountants

Professional Address:

Sucheta Plot No. 285,
Sector 27- A,
Pradhikaran Nigdi,
Pune – 411044.

Residential Address:

10, Rahul Park Apts, 1st Floor,
Rambaug Colony, Behind Chaitanya,
Health Club, Paud Rd,
Pune – 411038.

....Respondent

Members Present:

Mrs. Rani S. Nair, IRS (Retd.), Presiding Officer and Government Nominee (Through VC)
Shri Arun Kumar, IAS (Retd.), Government Nominee (in person)
CA. Cotha S Srinivas, Member (in person)

DATE OF FINAL HEARING : 20th August, 2024

DATE OF DECISION TAKEN : 03rd January, 2025

Parties Present: -

Authorized representative of the Complainant Department: Ms. Akanksha Bhaduria, Sr. Asst. Director, SFIO (Through VC)

Counsel for the Complainant Department: Sh. Rajveer Pandey, Advocate, Additional Central Government Counsel (Through VC)

Respondent: CA. Shekhar Vinayak Shahane (M. No. 042160), (Through VC)

Counsel for the Respondent: CA. Sharad Vaze (Through VC)

1. BACKGROUND OF THE CASE:

- 1.1 The Complainant Department stated that investigation into the affairs of 'M/s D S Kulkarni Developers Limited' (hereinafter referred to as 'DSKDL') ,inter- alia, revealed that huge public deposits accepted by DSKDL as well as funds borrowed from the banks and financial institutions for various projects, were diverted to the personal bank accounts of ~~the family members of Mr. D S Kulkarni and Mrs. Hemanti Kulkarni who were Key~~ Managerial Personnel(KMPs) of DSKDL, for making investments in their individual names. The Complainant stated that investigation revealed that certain funds / amount had been transferred by DSKDL to two private limited companies namely **M/s Vastu Siddhi Promoters & Developers Pvt. Ltd.** (hereinafter referred to as 'VSPD') and **M/s Vastu Visharad Promoters & Developers Pvt. Ltd.** (hereinafter referred to as 'VVPD') (hereinafter jointly referred to as 'Vastu Companies') which were controlled by Mr. D S Kulkarni and his wife Mrs. Hemanti D Kulkarni, CFO of DSKDL, through the latter's sisters who were directors in the above said companies.
- 1.2 The Respondent was the Statutory Auditor of M/s Vastu Visharad Promoters & Developers Pvt. Ltd. (VVPD) and M/s Vastu Siddhi Promoters & Developers Pvt. Ltd. (VSPD) for FYs 2011-12 to 2015-16. The Complainant alleged that the Respondent connived with Mr. D S Kulkarni, Mrs. Hemanti D Kulkarni, and other family members in siphoning off the public funds collected by 'DSKDL' and conducted the audit of both subject companies without any independent verification and acted as per the instructions of Mrs. Hemanti D Kulkarni.
- 1.3 Further, from the statement on Oath of the Respondent given before the Complainant department, it was noted that the Respondent had audited the financial statements of 17 companies of DSK group including M/s Vastu Visharad Promoters & Developers Pvt. Ltd. (VVPD) and M/s Vastu Siddhi Promoters & Developers Pvt. Ltd. (VSPD).

2. CHARGES IN BRIEF:

- 2.1 The Respondent connived with the Key Managerial Personnel (KMPs) of DSKDL i.e., Mr. D S Kulkarni and Mrs. Hemanti D Kulkarni and helped in concealing the fact that VVPD and VSPD (Vastu Companies) were abused by KMPs of DSKDL in siphoning off the funds raised by way of deposits / borrowings so as to cause wrongful loss to DSKDL and its creditors.
- 2.2 Both Vastu Companies i.e., **M/s Vastu Siddhi Promoters & Developers Pvt. Ltd (VSPD)** and **M/s Vastu Visharad Promoters and Developers Pvt. Ltd. (VVPD)** were incorporated on 19.09.1996. The registered office address of these two companies was same as that of DSKDL's registered office. These companies did not have their own staff and even the accounts were maintained by the Accounts Department of DSKDL at its registered office address. Ms. Vijayanti J Mudgal and Ms. Anuradha R Purandare, who were the sisters of Mrs. Hemanti D Kulkarni, CFO of DSKDL, were directors in the above said companies and acted as per the instructions and directions of their sister. These

companies were not having any employee, business, and office etc. and were paper companies controlled by Mrs. Hemanti D Kulkarni.

- 2.3 The only entries in the financial statements of these companies pertain to advances received from DSKDL and Mrs. Hemanti D Kulkarni and advances given to Mrs. Hemanti D Kulkarni. Apart from these transactions in the Balance Sheet, there were no other transactions in the Profit and loss account of these companies in the last few years. These two companies were used by Mr. D S Kulkarni and Mrs. Hemanti D Kulkarni for diverting the public funds from DSKDL. The consortium funds amounting to Rs. 115.54 crores and Rs. 18.93 crores out of other loan funds raised by DSKDL were transferred to the personal account of Mrs. Hemanti D Kulkarni after layering through these two Vastu Companies.
- 2.4 The DSKDL extended these funds as advances to Vastu companies which further transferred these amounts to Mrs. Hemant D Kulkarni, who further utilized these funds for making investment in land, transferring funds to her family members for purchasing land in their individual name or for repaying capital withdrawn for her partnership firms. The advances were neither repaid nor was any work done/supplies made against these advances.
- 2.5 Further, out of NCD funds of Rs. 111.60 crores collected in the year 2014 by DSKDL, Rs. 55.05 Crore were diverted to M/s Vastu Siddhi Promoters & Developers Pvt. Ltd (VSPD) and M/s Vastu Visharad Promoters and Developers Pvt. Ltd. (VVPD) and from there, these funds were transferred to the bank account of Mrs. Hemanti D Kulkarni and Mr. Shirish D Kulkarni (son of Mrs. Hemanti D Kulkarni).
- 2.6 The Respondent as a Statutory Auditor connived with and was hand in glove with Mr. D S Kulkarni, Mrs. Hemanti D Kulkarni, and Mr. Shirish D Kulkarni to facilitate the fraud by the management / KMPs of the DSKDL in siphoning off the public funds. He knew that these Companies were having no staff or employee, were not doing any business activity, finances and accounts of these Companies were controlled by Mrs. Hemanti D Kulkarni and that these companies were being used as a conduit for transfer of funds from DSKDL to Mrs. Hemanti D Kulkarni. He also knew that huge amounts were received by these Companies from the DSKDL, and these were further transferred to the account of Mrs. Hemanti D Kulkarni. But still he failed to qualify the same in his audit reports in respect of these Companies. He carried out the audit of these companies without any independent verification and conducted audit as per the instructions of Mrs. Hemanti D Kulkarni. Thus, by not qualifying in the audit reports, he connived with Mr. D S Kulkarni, Mrs. Hemanti D Kulkarni & their family members in siphoning off the public funds. He, by giving wrong, false, and misleading statements in the financial statements knowing it to be false and having omitted to state the material facts knowing it to be material facts in order to hide true nature of the transactions, failed to perform his professional duties in an efficient and diligent manner.
- 2.7 The investigation into the affairs of the DSKDL, and both Vastu Companies established that Mr. D S Kulkarni, Mrs. Hemanti D Kulkarni, and Mr. Shirish D Kulkarni fraudulently siphoned off or diverted funds causing loss to DSKDL to the tune of Rs. 559.72 Crores (Rs. 300.62 Crores (siphoning) and Rs. 259.10 Crores (diversion)).

2.8 The Respondent who was the statutory auditor of these two companies, in his statement on Oath, during the course of investigation, deposed that he used to interact with Accounts Department of DSKDL and took instructions from Mrs. Hemanti D Kulkarni before finalizing the annual reports and financial results. The annual reports of these companies for the financial years from FY 2011-12 to 2015-16 audited by the Respondent revealed that no business activity had been carried out.

2.9 On scrutiny of the audit report filed before Registrar of Companies by the Respondent, and during investigation, it was observed that:

- a) The auditor could not furnish complete working papers.
- b) The auditor had not performed basic due diligence exercise.
- c) The auditor failed to establish simple test of checking the basic books & records that would detect that the financial statements were materially mis-leading.
- d) The auditor failed to point out the true nature of the material transactions.
- e) The auditor had also failed to follow generally accepted accounting principles, accounting standards and standard auditing practices / standards on auditing required to be followed by the professional under the law and under ethical code.

2.10 The above instances show that the Respondent was hand in glove with Mr. D S Kulkarni, Mrs. Hemanti D Kulkarni, and family in siphoning off huge public money for unlawful gain to themselves and causing loss to public large and thus punishable under section 447 of the Companies Act 2013. The auditor had participated in the criminal conspiracy, along with the persons in control of the affairs of the company in helping them to launder the public money invested in DSKDL. The Respondent deliberately closed his eyes to the acts of the management and failed to qualify the material statement, non-deposition of the true and fair view of the financial statements of both Companies which would have led to uncovering of the fraudulent activities perpetrated by the management of DSKDL.

3. THE RELEVANT ISSUES DISCUSSED IN THE PRIMA FACIE OPINION DATED 23rd AUGUST 2023 FORMULATED BY THE DIRECTOR (DISCIPLINE) IN THE MATTER IN BRIEF, ARE GIVEN BELOW: -

3.1 On perusal of various submissions and documents available on record, it is observed that certain funds were received by Vastu Companies from DSKDL which actually were collected by DSKDL from public and borrowed from banks and financial institutions. Thereafter, these funds were allegedly transferred to personal bank accounts of Mrs. Hemanti D Kulkarni who was the wife of Mr. D S Kulkarni, and also allegedly the KMPs of DSKDL. Thus, in such manner, the Vastu Companies acted as a layer between DSKDL and Mrs. Hemanti D Kulkarni whereby public funds were siphoned off by DSKDL by transferring the same to Mrs. Hemanti D Kulkarni after layering the transfer of funds through both Vastu Companies. In this regard, in its Investigation Report, the Complainant Department has given the detailed information regarding transfer of funds from DSKDL to Vastu Companies.



- 3.2 From the Balance Sheets and Statements of Profit & Loss for FYs 2012-13 to 2015-16 of M/s Vastu Visharad Promoters and Developers Pvt Ltd. (VVPD) which were audited by the Respondent, it was evident that M/s Vastu Visharad Promoters & Developers Private Limited (VVPD) had not done any business for FYs 2012-13 to 2015-16 as no revenue from operations was reported by the said Company for these years. It was also evident that the Company was continuously reporting losses in all these years. Further, on perusal of Note 4 – Other Current Liabilities, assuming that no repayments were made by VVPD to DSKDL, it was noted that the amount of Rs. 32.52 crores and Rs. 34.06 crores were received by VVPD from DSKDL during FY 2014-15 and 2015-16 respectively which were subsequently transferred to Mrs. Hemanti D. Kulkarni and was shown as 'Advance for Material Purchase' under 'Short Term Loans & Advances'.
- 3.3 Further, from the Balance Sheets and Statements of Profit & Loss for FYs 2012-13 to 2015-16 of M/s Vastu Siddhi Promoters & Developers Pvt Ltd. (VSPD) which were audited by the Respondent, it was evident that M/s Vastu Siddhi Promoters & Developers Private Limited (VVPD) had not done any business for FYs 2012-13 and from 2014-15 to 2015-16 as no revenue from operations was reported by the said Company for these years. It was also evident that the Company was continuously reporting losses in all these years. Further, on perusal of Note 5 – Other Current Liabilities, assuming that no repayments were made by VSPD to DSKDL, it was noted that the amount of Rs. 30.06 crores and Rs. 24.75 crores were received by VSPD from DSKDL as at 31.03.2015 and during 2015-16 respectively which was subsequently transferred to Mrs. Hemanti D Kulkarni and was shown as 'Advance for Material Purchase' under 'Short Term Loans & Advances'.
- 3.4 From the above provisions, it was evident that these Companies were not having any business activities and also were not having any employee as no expense in respect of salaries was coming in the Statement of Profit & Loss of both Vastu Companies for the relevant period for which their financial statements were audited by the Respondent. In this regard, the relevant extract of the Statement on Oath of Smt. Anuradha R Purandare, one of two Directors of both Vastu Companies, given by her before the Complainant Department is reproduced below:

"Q.24 Please give details of business activities carried out by Vastu Siddhi Promoters & Developers Pvt. Ltd., Vastu Visharad Promoters & Developers Pvt. Ltd.

Ans. These two companies were not doing any business activities.

Q.25 Please give details of the employees, staff etc. employed by the companies Vastu Siddhi Promoters & Developers Pvt. Ltd., Vastu Visharad Promoters & Developers Pvt. Ltd.

Ans. No employees or staff was working in the said companies as no business activities were carried out by these companies.

Q.27 Please state whether you have attended any board meeting of the companies Vastu Siddhi Promoters & Developers Pvt. Ltd., Vastu Visharad Promoters & Developers Pvt. Ltd., and VastuShilp Promoters & Developers Pvt Ltd.




Ans. There was no board meeting conducted by these companies as they were only paper companies controlled by my sister Mrs. Hemanti D Kulkarni." (emphasis added)

- 3.5 From the above Statement of Smt. Anuradha R Purandare, Director of both Vastu Companies, it was noted that both Vastu Companies were only paper companies and ~~were controlled by Mrs. Hemanti D Kulkarni. Further, from the financial statements of~~ Vastu Companies, it was noted that major funds were received by Vastu Companies from DSKDL during FYs 2014-15 and 2015-16 which were then transferred by them to Mrs. Hemanti D Kulkarni. However, the funds received by them from DSKDL was shown as 'Other Current Liability' and the funds transferred to Mrs. Hemanti D Kulkarni was shown as 'Short Term Loans & Advances' in the financial statements of both Vastu Companies as at 31.03.2015 and 31.03.2016. In this regard, in his Written Statement, the Respondent had stated that the Vastu Companies received advances from DSKDL for supply of building material for various projects but since the material requisition was not received, thus, the advance received from DSKDL was shown as 'Other Current Liabilities' with a description as 'Advances received against Materials'. The Respondent also stated that the Vastu Companies had to procure the material from Mrs. Hemanti D Kulkarni for which Vastu Companies paid advances to her against supply of materials. However, since no material requisition was received from DSKDL, thus, no Purchase Order was issued to Mrs. Hemanti D Kulkarni and the amount of advance given to her was disclosed under 'Short term loans & Advances'. However, no material requisition was issued by DSKDL for two consecutive financial years i.e., FYs 2014-15 and 2015-16 but despite this, the funds continued to be received by Vastu Companies from DSKDL in the garb of supply of material to DSKDL by Vastu Companies. These funds also continued to be transferred to Mrs. Hemanti D Kulkarni for FYs 2014-15 and 2015-16 in the name of purchase of materials from her despite that no Purchase Order has ever been made / issued for purchase of any material. Mrs. Hemanti D Kulkarni was the sister of both Directors of Vastu Companies i.e., Smt. Anuradha R Purandare and Smt. Vijayanti Mudgal and such relationship was covered under the provisions of AS-18 - Related Party Disclosures. However, despite this, no disclosure was given in the financial statements of Vastu Companies for the relevant period in respect of above transactions done by Vastu Companies with Mrs. Hemanti D Kulkarni.
- 3.6 The relevant extract of the Statement on Oath of Smt. Vijayanti Mudgal, one of two Directors of both Vastu Companies, given by her before the Complainant Department, is reproduced below:

"Que2. Please explain in detail your association with DS Kulkarni Developers Ltd.

Ans. Mrs. Hemanti Deepak Kulkarni is my younger sister and somewhere in the year 1989-90, she told me that she cannot go to the registration office for getting the flats, sold by the DS Kulkarni Developers Ltd. and other group companies, to get the sale deed of these flats registered, hence, she requested me to be authorized signatory for the same. Being elder sister, I accepted her request and she used to send me the conveyance to go the registrar office and drop me back at my home. I



have never worked in her company DS Kulkarni Developers Ltd. Sometimes, one of the employees of DS Kulkarni Developers Ltd used to come to my place for getting my signature on some papers.

Que8. Please give details of business activities of the Company Vastu Siddhi Promoters and Developers Pvt. Ltd. and Vastu Visharad Promoters and Developers Pvt. Ltd.

Ans. I have never heard about these Pvt. Ltd. companies. As explained earlier, my sister used to get my signature on blank papers and the same might have been used to show my association in these companies. I am not aware about the business activities of these companies.

Que11. Please state whether you have attended any board meeting of Vastu Siddhi Promoters & Developers Pvt. Ltd., VastuShilp Promoters & Developers Pvt. Ltd and Vastu Visharad Promoters & Developers Pvt. Ltd.

Ans. No, I have never attended any board meeting of Vastu Siddhi Promoters & Developers Pvt. Ltd. VastuShilp Promoters & Developers Pvt Ltd and Vastu Visharad Promoters & Developers Pvt Ltd or any other companies of DSK Group in which my sister might have made me a Director.

Q.2 Please state the type of material purchased by the companies Vastu Siddhi Promoters & Builders Pvt. Limited and Vastu Visharad Promoters & Builders Pvt. Limited for which advances were received by them from D S Kulkarni Developers Ltd (DSKDL).

Ans. I am associated in these companies as my sister Mrs. Hemanti D Kulkarni requested me to be a director in these companies. These companies are controlled by her and I am only a name sake director in these companies. As told by my sister Mrs. Hemanti D Kulkarni these companies have not purchased any material.

Q.3 Please explain in detail the utilization of amounts received by Vastu Siddhi Promoters & Builders Pvt. Limited and Vastu Visharad Promoters & Builders Pvt Limited from DS Kulkarni Developers Ltd

Ans. As explained above, my sister Mrs. Hemanti D Kulkarni was controlling these companies, and she was having full control over the amounts received by these companies from DSKDL She used to get my signature on blank cheques of these companies and amount received from DSKDL must have been used by her only." (emphasis added)

- 3.7 From the above Statement of Smt. Vaijayanti Mudgal who was Director of Vastu Companies beside being sister of Mrs. Hemanti D Kulkarni, it is evident that she was only a dummy director in the Vastu Companies and did not know anything about any business affair of the Companies. She has also accepted that her sister i.e., Mrs. Hemanti D Kulkarni had only made her the Director in certain Companies including both Vastu



Companies while also accepting that Mrs. Hemanti D Kulkarni was only person who was actually controlling the Vastu Companies.

- 3.8 The relevant extract of the Statement on Oath of Smt. Anuradha R Purandare, the other Directors of both Vastu Companies who was also the sister of Mrs. Hemanti D Kulkarni, given before the Complainant Department, is also reproduced below:

"Q.3 Please give details of firms and private limited companies where you were / are partner / director.

Ans. I am not a partner in any of the partnership firms established by my sister Mrs. Hemanti D Kulkarni or her family members. I have never been a director in DSKDL. I was made a director in some of the private limited companies by Mr. D S Kulkarni and Mrs. Hemanti D Kulkarni who is my sister. As far as I remember, I was made a director in Vastu Siddhi Promoters & Developers Pvt. Ltd., Vastu Vishrad Promoters & Developers Pvt. Ltd. and DSK Digital Technologies Pvt. Ltd. Now I have submitted my resignation from all the directorship of such companies due to my health and age and the same is pending for processing.

Q.23 Please state whether DSKDL had advanced funds to Vastu Siddhi Vishrad Promoters & Developers Pvt. Ltd. out of the loan / NCD funds.

Ans. Yes, DSKDL had advanced funds to Vastu Siddhi / Vishrad Promoters & Developers Pvt. Ltd. These companies were controlled by my sister Mrs. Hemanti D Kulkarni. I was just a signatory on the financial results of these companies. I used to sign wherever and whenever my sister Mrs. Hemanti D Kulkarni asked me to do as far as these two companies are concerned.

Q.61 Please give details of the board meeting attended by you of Vastu Siddhi Promoters & Developers Limited and Vastu Vishrad Promoters & Developers Limited. Also state who were the other attendees in such board meeting.

Ans. No, I have not attended any board meeting of these companies." (emphasis added)

- 3.9 From the above-mentioned statements of both Directors of Vastu Companies, it was noted that both Mrs. Vijayanti Mudgal and Mrs. Anuradha R Purandare were only dummy directors in Vastu Companies wherein Mrs. Hemanti D Kulkarni had made them the Directors in both Vastu Companies. It was also noted that both directors had also not attended any meeting of Vastu Companies while they had also accepted that Mrs. Hemanti D Kulkarni was controlling both Vastu Companies. Thus, while from financial statements of Vastu Companies, it was noted that funds transferred to Mrs. Hemanti D Kulkarni who was the sister of both Directors of Vastu Companies must have been shown as related party transactions in their financial statements, it was also noted from the above statements of the Directors that both Mrs. Vijayanti Mudgal and Mrs. Anuradha R Purandare were only dummy directors and actual control of the Company was in the hands of Mrs. Hemanti D Kulkarni herself which shows that only on the directions of Mrs.

Hemanti D Kulkarni, the funds received from DSKDL were transferred to her. In this regard, the relevant extract of the Statement on Oath of Respondent dated 05.12.2018 given before Complainant Department is reproduced below: -

"Q.2 Please state the type of material purchased by the companies VastuShilp Promoters & Builders Limited, Vastu Siddhi Promoters & Builders Limited and Vastu Visharad Promoters & Builders Limited for which advances were received by them from DSKDL.

Ans. These companies namely VastuShilp Promoters & Builders Limited, Vastu Siddhi Promoters & Builders limited and Vastu Visharad Promoters & Builders Limited were not into any type of trading business related to construction activities. These companies have never supplied any raw material like steel, cement etc. to DSKPL as these companies have not made any purchase or sale of any type of material in the past.

Q.3 Please explain in detail the utilization of amounts received by Vastu Shilp Promoters & Builders Limited, Vastu Siddhi Promoters & Builders Limited and Vastu Visharad Promoters & Builders Limited from DSKDL.

Ans. As explained by Mrs. Hemanti D Kulkarni, amounts received by VastuShilp Promoters & Builders Limited, Vastu Siddhi Promoters & Builders Limited and Vastu Visharad Promoters & Builders Limited from DSKDL were utilized towards advance given to Mrs. Hemanti D Kulkarni for material supply.

Q.4 Please state what type of material was to be supplied by Mrs. Hemanti D Kulkarni and for what purpose, this material was to be used by received by VastuShilp Promoters & Builders Limited, Vastu Siddhi Promoters & Builders Limited and Vastu Visharad Promoters & Builders Limited.

Ans. As explained by Mrs. Hemanti D Kulkarni that no material was to be supplied by her, but she said that material will be supplied by other sister concerns where she was a partner director. But no material whatsoever has been supplied by her or by any of the sister concerns in which she was a partner / director.

Q.5 Please explain in detail the utilization of amounts received by Mrs. Hemanti D Kulkarni from VastuShilp Promoters & Builders Limited, Vastu Siddhi Promoters & Builders Limited and Vastu Visharad Promoters & Builders Limited.

Ans. Mrs. Hemanti D Kulkarni when asked about the purpose of advance told that since she was controlling the entire finance of DSKPL as well as of other partnership Firms group companies of DSK Group, hence, she will decide as to how this fund is to be utilized.

Q.6 Please explain in detail what was the source of repayment of amount received by VastuShilp Promoters & Builders Limited, Vastu Siddhi



Promoters & Builders Limited and VastuVisharad Promoters & Builders Limited whenever any repayment has been made by these companies.

Ans. The repayment of amount received by VastuShilp Promoters & Builders Limited, Vastu Siddhi Promoters & Builders Limited and Vastu Visharad Promoters & Builders Limited was done through the amount received from Mrs. Hemanti D Kulkarni as there was no source of revenue generation by these companies and they were mere facilitator of transferring funds from DSKDL to Mrs. Hemanti D Kulkarni. In effect, these Vastu companies appear to be only shell company carrying out no business at all and transactions of fund transfer from DSKDL were controlled by Mrs. Hemanti D Kulkarni along with Mr. Amol Purandare. Further, in the hindsight, as per my assessment these transactions were not the genuine business transactions and are merely sham transactions aimed at indirect transfer of funds from DSKDL to Mrs. Hemanti D Kulkarni." (emphasis added)

- 3.10 From the above statement of the Respondent, it was noted that the Respondent had himself accepted before the Complainant Department that both Vastu Companies were only shell companies which were incorporated only for the indirect transfer of funds from DSKDL to Mrs. Hemanti D Kulkarni. The Respondent had also accepted that he was aware that no material was to be supplied by Mrs. Hemanti D Kulkarni. However, despite being aware of this, the Respondent, in connivance with the management of Vastu Companies and DSKDL, allowed to disclose the transfer of funds from Vastu Companies to Mrs. Hemanti D Kulkarni as 'advance for purchase of materials' under 'Short term loans & advances' and did not report such material misstatement in his audit report. In this regard, the relevant extract of the Statement on Oath of Mr. Amol Purandare, Company Secretary, dated 08.12.2018 given before Complainant Department is reproduced below:

"Q.14 Please state the nature and purpose of advances given by DSKDL to Vastu Siddhi Promoters & Developers Pvt Ltd., Vastu Visharad Promoters & Developers Pvt Ltd. Also give details of the business activities of these companies.

Ans. These were the companies controlled by Mrs. Hemanti D Kulkarni as her sister Mrs. Anuradha Purandare who was an employee of DSKDL, was the director in these companies. Further no business was carried out by these companies and no services / material was supplied by these companies to DSKD against the advances as these were only paper companies controlled by Mrs. Hemanti D Kulkarni." (emphasis added)

- 3.11 Thus, from the above statements on Oath including that of the Respondent, it was noted that both Vastu Companies were only paper / shell companies. Further, the purpose of huge transfer of funds which were received by Vastu Companies from DSKDL during FY 2014-15 and 2015-16 which was recorded and shown in the books of Vastu Companies as 'Other Current Liabilities' as an 'advance received for supply of material' was actually not related to supply of material but only for subsequent transfer of those funds to Mrs. Hemanti D Kulkarni as there was no intention of supplying any material by Mrs. Hemanti D Kulkarni to Vastu Companies and also by Vastu Companies to DSKDL. Further, Mrs.



Hemanti D Kulkarni was the only one who was controlling the Vastu Companies. The Respondent, despite being aware of the same, did not report the said misstatement in his audit report. The Respondent also failed to report the related party transactions entered into by Vastu Companies with Mrs. Hemanti D Kulkarni.

3.12 The Respondent had taken the defense that DSKDL and both Vastu Companies were not related parties as per AS-18. Thus, there was no default in disclosure of related party transactions between DSKDL and Vastu companies.

3.13 On perusal of audited financial statements of DSKDL for FYs 2014-15 and 2015-16, it was noted that both Mr. D S Kulkarni and Mrs. Hemanti D Kulkarni were shown as related parties of DSKDL being KMP and relative of KMP respectively. From the aforesaid observations and other documentary evidence(s) available on record, it was noted that Mrs. Hemanti D Kulkarni was controlling both Vastu Companies and was involved in / taking various financial / operating policy decisions of Vastu Companies. Even the Respondent in his Written Statement has stated that he used to consult / discuss with Mrs. Hemanti D Kulkarni for the purpose of audit of Vastu Companies. Thus, it was noted that both DSKDL and Vastu Companies were related parties in terms of provisions of Para 3(e) of AS-18 and thus, various transactions entered into by Vastu Companies with DSKDL were also required to be disclosed as related party transactions in the financial statements of Vastu Companies. However, the same was never done and the Respondent also did not report the same in his audit report.

3.14 It was also noted that the Complainant has alleged that during FYs 2014-15 and 2015-16, DSKDL had transferred funds to Vastu Companies out of funds collected by them from public or borrowed from banks / financial institutions. In this regard, the relevant extract of the Statement on Oath of Mrs. Hemanti D Kulkarni, dated 02.03.2019 given before Complainant Department, is reproduced below:

"Q.14 Please state who was responsible for maintenance of accounts of Vastu Siddhi Promoters & Developers Limited and Vastu Visharad Promoters & Developers Limited

Ans. I was responsible for maintenance of accounts of Vastu Siddhi Promoters & Developers Limited and Vastu Visharad Promoters & Developers Limited.

Q.15 Please state who was responsible for providing accounts data to the statutory auditor of Vastu Siddhi Promoters & Developer Limited and Vastu Visharad Promoters & Developers Limited

Ans. I was responsible for providing accounts data to the statutory auditor of Vastu Siddhi Promoters & Developers Limited and Vastu Visharad Promoters & Developers Limited.

Q.33 On 22.03.2016, DSKDL transferred Rs. 7.5 Crore of consortium funds to Vastu Siddhi Promoters & Developers Pvt. Ltd. These funds were transferred to the Bank of Maharashtra account of Mrs. Hemanti D Kulkarni on 23.03.2016. Out of these funds amount of Rs. 2.5 Crore. were



transferred to the Bank of Maharashtra account of Shirish D Kulkarni. Please explain, why the public funds of consortium were diverted to your account.

Ans. I was given this amount of Rs. 7.5 crore by Vastu Siddhi Promoters & Developers Pvt. Ltd. for purchasing of land.

~~Q.35 Please state whether DSKDL had advanced funds to Vastu Siddhi Visharad Promoters & Developers Pvt. Ltd. out of the loan/ NCD funds.~~

Ans. Yes, DSKDL had advanced funds to Vastu Siddhi / Visharad Promoters & Developers Pvt. Ltd. out of the loan / NCD funds.

Q.41 Please give the complete details as to when such payments were repaid by those companies to DSKDL

Ans. The payment was made by DSKDL to companies like Vastu Visharad / Siddhi Promoters & Dev. Pvt. Ltd. as advance and the same are yet to be repaid or material to be supplied to DSKDL.

Q.44 Please give details of payments made to firms/companies out of NCD funds by DSKDL.

Ans. The payments out of NCD funds were made by DSKDL to Vastu Visharad / Siddhi Promoters & Dev. Pvt. Ltd.

Q.47 Please give the complete details as to when such payments were repaid by those firms/companies to DSKDL.

Ans. No, these payments have not been repaid by Vastu Visharad / Siddhi Promoters & Dev. Pvt. Ltd.

Q.48 Please explain, what was the nature and ultimate use of such payments by those firms / companies.

Ans. These payments were invested for the time being by Vastu Visharad / Siddhi Promoters & Dev. Pvt. Ltd.

Q.51 Please explain in detail the utilization of amounts received by Mrs. Hemanti D Kulkarni from Vastu Siddhi Promoters & Developers Pvt. Limited and Vastu Visharad Promoters & Developers Pvt. Limited.

Ans. The consortium fund was given to Vastu Visharad Promoters & Dev. Pvt. Ltd. as advance for shuttering material and it gave to me for purchase of land." (emphasis added)

- 3.15 From the above statement of Mrs. Hemanti D Kulkarni, it was clear that the funds which have been collected by DSKDL from the public or borrowed from banks / financial institutions have been siphoned off by transferring them to Mrs. Hemanti D Kulkarni after creating layers through Vastu Companies. Further, such funds had never been repaid by Vastu Companies to DSKDL and even no material had ever supplied by them to DSKDL. Further, no material had also been supplied by Mrs. Hemanti D Kulkarni to Vastu Companies.



3.16 Further, the relevant extract of the Statement on Oath of the Respondent dated 09.07.2018 given before Complainant Department is reproduced below:

"Q.7 Please state whether any independent verification of the transactions was carried out by you while doing the audit work of Private Limited Companies of DSK Group as mentioned by you in your answer to Question No. 3.

Ans. No independent verification of the transactions was carried out by us while doing the audit work of Private Limited Companies of DSK group except DSK Motors Pvt Ltd, DSK Motowheels Pvt Ltd & DSK Studios Pvt Ltd.

Q.13 Please state whether related party transactions were disclosed in Vastu Siddhi Promoters & Developers Pvt Ltd, Vastu Visharad Promoters & Developers Pvt Ltd, Vastu Shilp Promoters & Developers Pvt Ltd and other private limited companies of DSK Group as mentioned by you in your answer to Question No. 3.

Ans. As explained earlier, Mrs. Hemanti Deepak Kulkarni in consultation with accounts and legal department of DS Kulkarni Developers Limited used to finalize financial transactions with all related parties. Subsequent to such transactions having been already entered into, we were called for Audit in the month of August of every year and were only provided with the tally data. In view of this, no verification of related party transactions entered into by all private limited companies of DSK Group except DSK Motors Pvt Ltd, and DSK Motowheels Pvt Ltd was possible. Hence the same were not reported in the audit report as no list of related parties was provided by Mrs. Hemanti Deepak Kulkarni & legal department." (emphasis added)

3.17 Thus, it is evident that the Respondent, who was the Statutory Auditor of Vastu Companies for the relevant period, despite being aware of Vastu Companies acting as a conduit for the transfer of funds from DSKDL to Mrs. Hemanti D Kulkarni chose to remain silent and did not report the same in his audit report. This clearly indicates his being hand in gloves with management of DSKDL and Mrs. Hemanti D Kulkarni which is unbecoming of a Chartered Accountant. The Respondent even failed to do any independent verification of the books of Vastu Companies. It was noted that the funds which were transferred by DSKDL to Vastu Companies and were shown as 'Other Current Liabilities' in the books of Vastu Companies as at 31.03.2015 and 31.03.2016 consists of approx. 100% of their total balance sheet size. But despite being aware of these related party transactions and also being aware that there was no intention of any supply of material by Vastu Companies to DSKDL and also by Mrs. Hemanti D Kulkarni to Vastu Companies, the Respondent failed to report the material misstatements appearing in the financial statements of Vastu Companies and issued the clean audit report for the relevant period making him *prima facie* GUILTY of Professional and 'Other' Misconduct falling within the meaning of Item (5), (6), (7) and (8) of Part-I of the Second Schedule and Item (2) of Part-IV of the First Schedule to the Chartered Accountants Act, 1949.

- 3 18 The Director (Discipline) in his Prima Facie Opinion dated 23rd August 2023 opined that the Respondent was Prima Facie **Guilty** of Professional Misconduct falling within the meaning of Item (5), (6), (7) and (8) of Part-I of the Second Schedule and Item (2) of Part-IV of the First Schedule to the Chartered Accountants Act, 1949. The said Item of the Schedule to the Act, states as under:

Item (6) 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
fails to disclose a material fact known to him which is not disclosed in a financial statement, but disclosure of which is necessary to make the financial statement not misleading;"

Item (6) 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
fails to report a material mis-statement known to him to appear in a financial statement with which he is concerned in a professional capacity;"

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

Item (8) 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
fails to obtain sufficient information to warrant the expression of an opinion or his exceptions are sufficiently material to negate the expression of an opinion;

Item (2) of Part IV of First Schedule to the Chartered Accountants Act, 1949.

"Other misconduct in relation to members of the Institute generally"

X X X X X 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."

- 3.19 The Prima Facie Opinion formed by the Director (Discipline) was considered by the Disciplinary Committee at its meeting held on 18th September 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 and Other Misconduct falling within the meaning of Item (5), (6), (7) and (8) of Part-I of the Second Schedule and Item (2) of Part-IV of First 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: -

- 4.1 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.	20.03.2020
2.	Date of Written Statement filed by the Respondent.	12.02.2021
3.	Date of Rejoinder filed by the Complainant.	17.05.2021
4.	Date of Prima facie Opinion formed by Director (Discipline).	23.08.2023
5.	Written Submissions filed by the Respondent after Prima Facie Opinion.	05.02.2024, 12.08.2024, 29.08.2024 and 08.10.2024
6.	Written Submissions filed by the Complainant after Prima Facie Opinion.	20.09.2024

5. SUBMISSION OF THE RESPONDENT ON PRIMA FACIE OPINION: -

- 5.1 The Committee noted that the Respondent in his submissions dated 5th February 2024, 12th August 2024, 29th August 2024 and 8th October 2024 in response to the Prima Facie Opinion, inter-alia, had stated as under: -

- Mrs. Hemanti D Kulkarni was never the shareholder of M/s Vastu Siddhi Promoters & Developers Pvt Ltd and M/s Vastu Visharad Promoters Pvt Ltd [hereinafter referred to as Vastu Companies].
- Ms. Vaijyanti J. Mudgal (VJM) and Ms. Anuradha R Purandare (ARP) are the only shareholders of Vastu Companies. Nowhere, the Report of the Complainant has stated that Mrs. Hemanti D Kulkarni had made her investment in Vastu Companies through her sisters – VJM and ARP. Thus, there is no indirect investment of Mrs. Hemanti D Kulkarni in Vastu Companies. As such, Clause (c) is inapplicable in the present case.
- Mrs. Hemanti D Kulkarni was made KMP by DSKDL on 04/02/2017. The accounting years under consideration are FY 14-15 and 15-16.

- 5.2 According to CS Report, Mrs. Hemanti D Kulkarni was not director of DSKDL during 2003-04 to 2015-16 as per the documents / information available on www.mca.gov.in. This Report conclusively proves that Mrs. Hemanti D Kulkarni was neither director nor KMP of DSKDL during 2003-04 to 2015-16. The Complaint pertains to accounting years F.Y. 2014-15 and 2015-16. Probably, the information / documents about directorship prior to 2003-04 are not available with the Registrar of Companies as the same was in physical form then
-
- 5.3 The Respondent were statutory auditors of 15 Private Limited Companies, two of them are Vastu Siddhi Promoters & Developers Ltd and Vastu Vishard Promoters & Developers Ltd. Out of 15 Pvt. Limited Companies- 2 Companies were automobile companies, 1 Company was engaged in making of software games and 12 Companies were small Companies out of which 1 was in Solar Project and 11 were Promoters and Developers.
- 5.4 These promoter & developer Companies were in the business of acquiring land and subsequently get the same developed. Most of these companies are in existence for last more than 20 years. There have been purchase of land, civil related material etc. and held as stock in trade till the sale of material or development of land. This kind of few transactions were taking place in these Companies. There were inter group company transactions and they got squared up in a year or two. Even the financial transactions with both the Parties i.e., with DSKDL and Mrs. H. D. Kulkarni had also taken place for several times in the past and they all got squared up. All these Companies were assessed to direct & indirect taxes and were regular in annual filing with ROC, Pune. There has not been any objection raised by the ROC, Pune, for any transaction as being fraudulent till FY 2015-16 nor by any other statutory authority. During FY 2014-15 & FY 2015-16, the DSKDL had launched mega project of Dream City on about 300 acres of Land. Besides, there were other 4-5 big projects were going on in full swing. The business atmosphere was looked very healthy. Till signing of last audit report on 2.9.2016, there have been no statutory default.
- 5.5 The prescribed Standards of Auditing were followed particularly while checking the significant transactions which had taken place in FY 2014-15 and FY 2015-16 in both these Companies. The audit program which was followed by the engagement partner every year has been provided. Having regard to the size of the Company, understanding about the entities and its internal control, the audit procedure was planned in conformity with the prescribed Standards of Auditing by the engagement partner. The Respondent had considered all the relevant auditing standards applicable to the present audit notably SA 240, SA 250, SA 315, SA 450, SA 500, SA 550, SA 560 and SA 570.
- 5.6 The transactions were executed in ordinary course of business and that too at an arm's length. Hence the Company did not make separate disclosure by way of "Notes to Accounts". Admittedly, the advances were substantial when compared with the total of the Balance Sheet. However, the requirement of "Key Audit Matter" was first introduced in the Audit Report FY 2018-19. Thus, even if the said transactions were accepted by 4th Proviso to sec 188(1), it would have got reported under "Key Audit Matter". The Purchase Order (PO) was not yet received by the Vastu Companies from DSKDL. The Vastu Companies could not raise PO on Mrs. Hemanti Kulkarni as this transaction was



dependent on the main transaction i.e. supply of material by Vastu Companies to DSKDL. Unless and until PO is received from DSKDL the terms of PO with Mrs. Hemanti Kulkarni cannot be ascertained regarding the material specifications, value of material and margin for each type of material etc.

- 5.7 DSKDL was a public limited company carrying on the business of builder & developers. It was a listed company. ~~Shri DS Kulkarni and his son Mr. Shirish Kulkarni were the~~ directors of the company. Mother of Shirish Kulkarni Mrs. Hemanti Kulkarni was neither Director nor Key Management Person (KMP) of DSKDL as she was not employee.
- 5.8 Whether the companies have independent employees of their own or otherwise, it's the prerogative of that company and the Respondent had no role to play. Vastu Companies were merely one of the suppliers of DSKDL. It was explained by the management about the progress of the work going on at various sites of DSKDL. It was further explained that as soon as the PO would be raised by the DSKDL, the back to back PO would be raised on Mrs. H.D. Kulkarni on normal commercial terms. So, unless and until material requisition is received from DSKDL, the supply of material cannot take place. Also, the advances were duly settled in earlier years. There had been regular transactions between DSKDL and Vastu Companies in the past years also. They were all settled in a year or two.
- 5.9 As regards finalization of accounts, there are audit queries and issues which are involved in any audit conducted by the audit. These queries and issues are discussed with the management along with accounts, secretarial and legal staff of the Company to arrive at the final audit opinion. This practice is commonly followed by the auditors of any Company. It is also a common practice for any auditor to visit at client's workplace to do vouching, checking and get audit all available audit evidence. But the above facts were misrepresented to allege falsely that the audit was not conducted independently.
- 5.10 The role of the Respondent was limited to audit only. The professional fees for the audit were just Rs. 5,000/-. As such the auditor is to visit Vastu Companies only after the end of the financial year for the purpose of audit. The role of statutory auditor in siphoning of funds is the height of imagination. This being a criminal allegation, it must be proved beyond any doubt.
- 5.11 Smt. Hemanti Kulkarni was neither a director nor Manager of DSKDL. Smt. Hemanti Kulkarni was also not a director or even a shareholder of any of the Vastu Companies. Hence, the transactions between DSKDL and Vastu Companies are not related party transactions. However, the directors of Vastu Companies are sisters of Smt. Hemanti Kulkarni, the transactions between Smt. Hemanti Kulkarni and Vastu Companies are related parties. The transaction between Vastu Companies and Smt. Hemanti Kulkarni squarely falls under Section 188 (1) of the Companies Act 2013. The Company was firm about this stand even in respect of the transactions which took place between them in earlier years. As such, this is not an afterthought at all. This was the practice consistently followed for many years by Vastu Companies for its transactions with Mrs. H.D. Kulkarni. As there was no intention to hide any fact as transaction was explicitly disclosed in the Financial Statements, the respondent did not qualify the report.



- 5.12 The role of statutory auditor was limited to audit of accounts after the end of the year as the size of both Vastu Companies is very small. No interim audit was necessary. In fact, it's a post-mortem of accounts after the end of financial year. The Complainant is presuming as if the Respondent is taking part in business dealings between various companies with DSKDL on day-to-day basis, ignoring all together the role as a statutory auditor.

6. SUBMISSION OF THE COMPLAINANT DEPARTMENT ON PRIMA FACIE OPINION:

- 6.1 The Committee noted that the Complainant Department in its submissions dated 20th September 2024 in response to the Prima Facie Opinion, inter-alia, had stated as under:
- a) It was admitted by the Respondent that the two Vastu companies were set up in the name of the sisters of Smt. Hemanti D. Kulkarni, whereas the investigation had further revealed that the two companies did not have any independent setup of operations, their respective registered offices were the same as that of M/s D.S. Kulkarni Developers Limited (DSKDL), and the fact that these two Vastu companies had no separate employee base.
 - b) It was against the said contract that these two Vastu companies received hundreds of crores from DSKDL, demarcated as Advance for supply of material. However, it is an admitted fact that no material was supplied by the Vastu companies against such advance sum received, nor was it returned.
 - c) The Respondent had himself stated in his Statement recorded on Oath u/s 217 (4) of the Companies Act, 2013, that it was at the office of DSKDL, where he would sit with the Accounts team of the former to finalize the audit of the two Vastu companies under the supervision/directions of Smt. Hemanti D. Kulkarni.
 - d) As per the investigation, DSKDL was controlled by the three main accused, including Smt. Hemanti D. Kulkarni (wife of the Managing Director and mother of the Director). In fact, she was the final beneficiary of the funds paid by DSKDL in the guise of Advance against supply of material, routed through the two Vastu companies, wherein her own sisters were appointed as the Directors and Shareholders in a setup created to legitimize the siphoning of funds so designed by Smt. Hemanti Kulkarni, in connivance with the Respondent, who had acted under her directions and guidance despite holding the coveted position of the Statutory Auditor for the two Vastu companies used as a conduct to siphon off the funds.
 - e) The contention of the Respondent that transaction between M/s D.S. Kulkarni Developers Ltd. and Vastu companies does not qualify as a related party transactions falls flat on its face in view of the fact that the two Vastu companies were effectively controlled by Smt. Hemanti D. Kulkarni and her family itself. Further, with regard to the other contention of the Respondent pertaining to the transactions between the Vastu companies and Smt. Hemanti D. Kulkarni, it is firmly submitted that during the course of the final hearing, the Respondent duly admitted that the same qualifies as a Related Party transaction and the attempt to cite the exception of the said transactions being a transaction in the ordinary course of business is merely an after-thought.

- f) The grounds offered by the Respondent for non-applicability of relevant clauses of AS-18, being clauses 3(c), (d) and (e), are also not relevant in view of the fact that he ignores the term "relative" featuring within these clauses, and the examination of the intrinsic relationship amongst the parties involved in these financial transactions, clearly reveals how the entire set of fraudulent transactions has been curated to project two independent set of transactions, however, on lifting of the veil, the true picture stands clearly revealed as a singular transaction from M/s D.S. Kulkarni Developers Ltd to Smt. Hemanti D. Kulkarni routed through the two Vastu companies.

- 6.2 Accordingly, it stands sufficiently established that the Respondent was quite intrinsically involved in the fraud committed by the main accused and acted in connivance with them by not rendering his professional duties as per the mandate laid down by the ICAI.

7. BRIEF FACTS OF THE PROCEEDINGS: -

- 7.1 The Committee noted that instant case was fixed for hearing on following dates: -

S. No.	Particulars	Date	Status of hearing
1.	1 st Hearing	13.12.2023	Part heard and Adjourned.
2.	2 nd Hearing	25.07.2024	Part heard and Adjourned at the request of the Complainant Department.
3.	3 rd Hearing	20.08.2024	Hearing concluded. Decision on the conduct of the Respondent was reserved.
4.	----	18.09.2024	The Committee advised to provide further time to the Complainant Department to provide their submissions
5.	----	03.01.2025	Decision taken on conduct of Respondent

- 7.2 On the day of the hearing held on 13th December 2023, the Committee noted that the Respondent along with his Counsel was present through Video Conferencing. Ms. Sumaiya Bansal, Senior Prosecutor from the Complainant Department was present through Video Conferencing. The Respondent was administered on Oath. Thereafter, the Committee enquired from the Respondent as to whether he was aware of the charges. On the same, the Respondent replied in the affirmative and pleaded Not Guilty to the charges levelled against him. The Respondent's Counsel also submitted that in the rejoinder of the Complainant, given at PFO stage, a reference of Ms. Hemanti as director of the Company since year 1993 was coming. He submitted that this fact is not fully correct, and he needs time to collect evidence for his submissions in this regard. The Committee on perusal of his request granted 15 days' time to file his written submissions in this regard. Thereafter, looking into the fact that this was the first hearing, the Committee decided to adjourn the hearing to a future date.

With this, the hearing in the matter was part heard and adjourned.

- 7.3 On the day of the hearing held on 25th July 2024, the Committee noted that the authorized representative of the Complainant Department and the Respondent along with their respective Counsel was present before it through video conferencing. The Committee further noted that subsequent to the last hearing held in the case on 13th December 2023, there had been a change in the composition of the Committee. The Committee enquired from the Respondent as to whether he wishes to opt for de-novo hearing in the case to which the Respondent replied in the negative and wished to continue with the hearing in the case. On being asked by the Committee to substantiate their case, the authorized representative of the Complainant Department sought some time as the Departmental Counsel had been recently engaged in the instant matter. Looking into the grounds on which adjournment was sought by the Complainant Department and the fact that the request for adjournment had been made for the first time, the Committee acceded to the request of the Complainant Department for adjournment. The Committee also advised the Respondent that if he wishes to file any further written submissions in the case, he may do so within next 15 days with a copy to Complainant Department to provide their comments thereon, if any.

With the above, the hearing in the case was part heard and adjourned.

- 7.4 On the day of the hearing held on 20th August 2024, the Committee noted that the authorized representative of the Complainant Department along with the Counsel and the Respondent along with his Counsel was present before it through video conferencing. Thereafter on being asked by the Committee to substantiate their case, the Counsel for the Complainant Department referred to the contents of the Complaint made in Form 'I' against the Respondent. Subsequently, the Counsel for the Respondent presented the Respondent's line of defence. The Committee posed certain questions to the Counsel/authorized representative of the Complainant Department and the Counsel for the Respondent/Respondent which were replied to by them. Thus, on consideration of the submissions and documents on records, the Committee directed the authorized representative of the Complainant Department to provide the following within next 10 days with a copy to the Respondent to provide his comments thereon, if any: -

1. Written submissions on the Prima Facie Opinion to substantiate the charges alleged against the Respondent (along with the relevant documentary evidence) highlighting the points of the oral submission/arguments made by them before the Committee.
2. Details of action taken against the alleged Companies and its Directors along with its current status.
3. Any other submissions to substantiate their case.

The Committee also directed the Respondent to provide the following within next 10 days with a copy to the Complainant Department to provide their comments thereon, if any: -

1. Written submissions on the Prima Facie Opinion to defend the charges alleged against him (along with the relevant documentary evidence) highlighting the points of the oral submission/arguments made by him before the Committee.
2. Copy of Agreement between the alleged Companies and Mrs. Hemanti D. Kulkarni on the basis of which transactions have taken place between them and the copy of

Sales Tax/ VAT registration of the entities owned/operated by Mrs. Hemanti D. Kulkarni with which transactions had been carried out by the alleged Companies.

3. Any other submissions to substantiate their Case.

With the above, the hearing in the case was concluded. However, the decision on the conduct of the Respondent was kept reserved by the Committee.

- 7.5 Thereafter, the Committee at its meeting held on 18th September, 2024 noted that , the Complainant Department vide email dated 17th September 2024 sought 02 days' additional time for submitting their final Post hearing submissions due to some technical and logistical hindrances in obtaining the current status of the proceedings ongoing before the Ld. Special Court, Pune in the Special Case No. 56 of 2020, titled "Serious Fraud Investigation Office versus D.S. Kulkarni Developers Limited". On consideration of the same, the Committee advised the office to send a communication to the Complainant Department to provide their response within 07days.

With this, the decision on the conduct of Respondent was deferred by the Committee.

- 7.6 Thereafter, the Committee at its meeting held on 3rd January 2025, noted that in compliance of the directions given at the time of conclusion of the hearing on 20th August 2024, the Complainant Department vide email dated 20th September, 2024 submitted their written response which was duly countered by the Respondent vide his written submissions made vide email dated 8th October 2024.

Thus, on the consideration of the documents and submissions on record, the Committee decided on the conduct of the Respondent.

8. FINDINGS OF THE COMMITTEE: -

- 8.1 At the outset, the Committee noted that the Complainant Department alleged that certain funds were received by Vastu Companies from DSKDL which actually have been collected by DSKDL from public and borrowed from banks and financial institutions. Thereafter, these funds were allegedly transferred to personal bank accounts of Mrs. Hemanti D Kulkarni who was the wife of Mr. D S Kulkarni, and also allegedly the KMPs of DSKDL. Thus, in such manner, the Vastu Companies acted as a layer between DSKDL and Mrs. Hemanti D Kulkarni whereby public funds were siphoned off by DSKDL by transferring the same to Mrs. Hemanti D Kulkarni after layering the transfer of funds through both Vastu Companies. Thus, the Respondent, who was the Statutory Auditor of Vastu Companies for the FY 2012-2013 to 2015-2016, despite being aware of Vastu Companies acting as a conduit for the transfer of funds from DSKDL to Mrs. Hemanti D Kulkarni chose to remain silent and did not report the same in his audit report. This clearly indicates his being hand in gloves with management of DSKDL and Mrs. Hemanti D Kulkarni which is unbecoming of a Chartered Accountant.

- 8.2 The Committee noted that the primary defence of the Respondent in respect of the charge alleged is as under:



- a) none of the directors of DSKDL was the director of Vastu Companies.
- b) Mrs. Hemanti D. Kulkarni was not a director of DSKDL. She was also not KMP of DSKDL till F.Y.2015-16. She was the sister of the directors of Vastu Companies but did not hold even a single share of Vastu Companies.
- c) Further, none of the relatives of the directors of DSKDL was a director of Vastu Companies.
- ~~d) In view of above, DSKDL and VVPD & VSPD were not related parties as per AS-18.~~
Therefore, there was no default in disclosure of related party transactions between DSKDL and Vastu Companies.
- e) Further, no deposits or money in any form whatsoever was collected from the public by Vastu Companies.
- f) The directors of Vastu Companies are sisters of Smt. Hemanti Kulkarni, the transactions between Smt. Hemanti Kulkarni and Vastu Companies are related parties. The transaction between Vastu Companies and Smt. Hemanti Kulkarni squarely falls under exception provided in 4th proviso to Section 188 (1) of the Companies Act 2013.

8.3 The Committee noted that the entire case against the Respondent is based on the following 2 sets of transactions:

- a) funds received by Vastu Companies from DSKDL which had been shown as Other Current Liability in the financial statement of Vastu Companies
- b) funds transferred by Vastu Companies to Mrs. Hemanti D. Kulkarni for supply of material which had been reflected as Short-Term Loans and Advances in the financial statement of Vastu Companies

8.4 The Committee noted the following balances appearing in the Balance Sheet of the alleged Companies from the Financial Year 2011-12 to 2015-16 in respect of the said transactions: -

S. No.	Name of the Company	Balance Sheet	2011-12	2012-13	2013-14	2014-15	2015-16
1.	VVPD	Other Current liabilities	8,82,58,781	63,39,949	56,25,567	33,09,50,661	67,15,84,275
2.	VVPD	Short Term Loans and Advances-Advance for Material	8,20,00,829	—	—	32,52,37,809	66,57,77,809
3.	VVPD	Inventory	56,07,028	56,07,028	56,58,978	56,58,978	57,13,978
4.	VSPD	Other Current liabilities		4,83,46,821	4,90,96,900	30,06,41,499 (Advance received against Material)	54,81,64,499 (Advance received against material)

5.	VSPD	Short Term Loans and Advances- Advance for Material	11,25,89,711 (to related parties)	—	—	27,09,28,100	51,80,21,100
6.	VSPD	Inventory		4,51,23,312	2,74,02,873	2,74,02,873	2,74,02,873

From the above, it is noted that in case of VVPD, amount of inventory from FY 2011-12 till 2015-16 has increased insignificantly which indicates that the advance received for material as shown under "Short Term Loans and Advances" has not been converted into inventory which has also been admitted by the Respondent. Further, while reviewing the Balance Sheet of VSPD for FY 2014-15 and 2015-16, 90% of amount of "Advance received against Material as shown under "Short Term Loans and Advances" is still outstanding as shown under the head of 'Other Current Liabilities'.

- 8.5 With respect to transactions specified at para 8.3(a) above, the Committee noted that it is the case of the Respondent that DSKDL and VVPD & VSPD were not related parties as per AS-18. Therefore, there was no default in disclosure of related party transactions between DSKDL and Vastu Companies.
- 8.6 However, the Committee on perusal of audited financial statements of DSKDL for FYs 2014-15 and 2015-16 noted that both Mr. D S Kulkarni and Mrs. Hemanti D Kulkarni were shown as related parties of DSKDL being KMP and relative of KMP respectively. Further, from the Statement on Oath of the Directors of Vastu companies i.e. Mrs. Vijayanti Mudgal and Mrs. Anuradha R Purandare recorded before the Complainant Department in respect of which there was no claim of retraction of the said Statements during the course of proceedings in the instant case, it is evident that they were only dummy directors and actual control of the Company was in the hands of Mrs. Hemanti D Kulkarni herself and on her directions only, the funds received from DSKDL were transferred to her. Both directors had also not attended any meeting of Vastu Companies. Thus, in effect Mrs. Hemanti D Kulkarni was controlling both Vastu Companies and was involved in / taking various financial / operating policy decisions of Vastu Companies. Even the Respondent in his Written Statement stated that he used to consult / discuss with Mrs. Hemanti D Kulkarni for the purpose of audit of Vastu Companies. Thus, it is noted that both DSKDL and Vastu Companies were related parties in terms of following provisions of Para 3(e) of AS-18 – Related Party Disclosures as Mrs. Hemanti D Kulkarni had significant influence over the Vastu Companies through her sisters:

"3. This Standard deals only with **related party relationships** described in (a) to (e) below:

(a)...

(b)...

(c) **individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual.**

(d) **key management personnel and relatives of such personnel; and**

(e) enterprises over which any person described in (c) or (d) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise." (emphasis added)

Further, Paragraph 10.1, 10.2 and 10.4 of AS-18 defines the terms 'Related Parties', 'Related Party Transactions' and 'Significant Influence' as under:

"10.1 Related party - parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

10.2 Related party transaction - a transfer of resources or obligations between related parties, regardless of whether or not a price is charged.

10.4 Significant influence - participation in the financial and/or operating policy decisions of an enterprise, but not control of those policies."

- 8.7 Thus, various transactions entered into by Vastu Companies with DSKDL were required to be disclosed as related party transactions in the financial statements of Vastu Companies. However, the same was never done and the Respondent also did not report the same in his audit report.
- 8.8 It is also noted that the Complainant has alleged that during FYs 2014-15 and 2015-16, DSKDL had transferred funds to Vastu Companies out of funds collected by them from public or borrowed from banks / financial institutions.
- 8.9 The Committee also noted that as per the Investigation report of the Complainant Department, Mrs. Hemanti D. Kulkarni was Director in DSKDL in the year 1993 and as on 04.02.2017, was also the Chief Financial Officer as well as President of DSKDL. Further, her husband Mr. D.S. Kulkarni and son, Mr. Shirish Deepak Kulkarni were Directors of DSKDL as on 31.03.2016. Further, it was also noted that the Directors of Vastu Siddhi Promoters & Developers Pvt. Ltd and Vastu Visharad Promoters & Developers Pvt. Ltd. were Ms. Anuradha R Purandare and Ms. Vijayanti Mudgal, sisters of Mrs. Hemanti Kulkarni, therefore all were relatives and the Directors. Further, the investigation also established that both Vastu Companies were under the control of the Management of DSKDL, and these were related parties within the purview of AS 18.
- 8.10 With respect to transactions specified at para 8.3(b) above, the Committee noted that the Respondent, both, in his submissions dated 12th February, 2021 as well as, at the time of hearing held on 20th August, 2024 admitted that the transactions between Mrs. Hemanti D. Kulkarni and Vastu Companies were related parties as per AS 18 as Mrs. Hemanti D. Kulkarni was sister of directors of Vastu Companies and related party disclosures were

not made in the financial statements as per the requirements of AS 18 in view of the provisions of Section 188 (1) of the Companies Act 2013.

8.11 In this regard, the Committee took into view the following provisions of Section 188 (1) of the Companies Act 2013:

"Except with the consent of the Board of Directors given by a resolution at a meeting of the Board and subject to such conditions as may be prescribed, no company shall enter into any contract or arrangement with a related party with respect to—

... sale, purchase or supply of any goods or materials;

... selling or otherwise disposing of, or buying, property of any kind;

... leasing of property of any kind;

... availing or rendering of any services;

... appointment of any agent for purchase or sale of goods, materials, services or property;

... such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and

... underwriting the subscription of any securities or derivatives thereof, of the company;

Provided that no contract or arrangement, in the case of a company having a paid-up share capital of not less than such amount, or transactions exceeding such sums, as may be prescribed, shall be entered into except with the prior approval of the company by a resolution:

Provided further that no member of the company shall vote on such resolution, to approve any contract or arrangement which may be entered into by the company, if such member is a related party:

Provided also that nothing in this sub-section shall apply to any transactions entered into by the company in its ordinary course of business other than transactions which are not on an arm's length basis:

Provided also that the requirement of passing the resolution under first proviso shall not be applicable for transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval."

In this regard, the Committee noted that as per Accounting Standard -18 "Related Party Disclosures" following persons are regarded as related parties for which relevant disclosures are required to be made: -

Para 3. This Standard deals only with related party relationships described in (a) to (e) below:

(a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries);

(b) associates and joint ventures of the reporting enterprise and the investing party or venturer in respect of which the reporting enterprise is an associate or a joint venture; Related Party Disclosures 273

(c) individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;
 (d) key management personnel and relatives of such personnel; and
 (e) enterprises over which any person described in (c) or (d) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

Further, as per Para 4 of Accounting Standard 18, the following are deemed not to be related parties:

(a) two companies simply because they have a director in common, notwithstanding para 3(d) or (e) above (unless the director is able to affect the policies of both companies in their mutual dealings);
 (b) a single customer, supplier, franchiser, distributor, or general agent with whom an enterprise transacts a significant volume of business merely by virtue of the resulting economic dependence; and
 (c) the parties listed below, in the course of their normal dealings with an enterprise by virtue only of those dealings (although they may circumscribe the freedom of action of the enterprise or participate in its decision-making process): (i) providers of finance;

(ii) trade unions;

(iii) public utilities;

(iv) government departments and government agencies including government sponsored bodies.

8.12 The Committee was of the view that once the related party relationship is established in view of the provisions of para 3 of the Accounting Standard -18, the reporting enterprise has to follow the following disclosure requirement of Accounting Standard -18:

"21. Name of a related party and nature of a related party relationship where control exists should be disclosed irrespective of whether or not they have been transactions between the related parties."

"23. If there have been transactions between related parties during the existence of a related party relationship, the reporting enterprise should disclose the following: -

- i.name of the transacting related party,
- ii.description of the relationship between the parties,
- iii.description of the nature of the transactions,
- iv.Volume of the transactions, either as an amount or as an appropriate proportion;
- v.any other elements of the related party transactions necessary for an understanding of the financial statements;



2

- vi. the amounts or appropriate proportions of outstanding items pertaining to related parties at the balance sheet date and provisions for doubtful debts due from such parties at that date; and
vii. amounts written off or written back in the period in respect of debts due from or to related parties."

8.13 The Committee was of the view that Section 188(1) of the Companies Act 2013 does not estop the Company from ensuring the compliance of the disclosure requirements of AS 18.

8.14 Accordingly, the Committee was of the view that transactions between Mrs. Hemanti D. Kulkarni and Vastu Companies ought to have been disclosed as per the disclosure requirements of AS 18 and non-compliance of the same ought to have been reported by the Respondent in the capacity of the Statutory Auditor of the Company.

8.15 The Committee also took into view the following extract of the Statement on Oath of Respondent dated 05th December 2018 before Complainant Department:

"Q.2 Please state the type of material purchased by the companies VastuShilp Promoters & Builders Limited, Vastu Siddhi Promoters & Builders Limited and Vastu Visharad Promoters & Builders Limited for which advances were received by them from DSKDL.

Ans. These companies namely VastuShilp Promoters & Builders Limited, Vastu Siddhi Promoters & Builders limited and Vastu Visharad Promoters & Builders Limited were not into any type of trading business related to construction activities. These companies have never supplied any raw material like steel, cement etc. to DSKPL as these companies have not made any purchase or sale of any type of material in the past.

Q.4 Please state what type of material was to be supplied by Mrs. Hemanti D Kulkarni and for what purpose, this material was to be used by received by VastuShilp Promoters & Builders Limited, Vastu Siddhi Promoters & Builders Limited and Vastu Visharad Promoters & Builders Limited.

Ans. As explained by Mrs. Hemanti D Kulkarni that no material was to be supplied by her, but she said that material will be supplied by other sister concerns where she was a partner director. But no material whatsoever has been supplied by her or by any of the sister concerns in which she was a partner / director.

Q.5 Please explain in detail the utilization of amounts received by Mrs. Hemanti D Kulkarni from VastuShilp Promoters & Builders Limited, Vastu Siddhi Promoters & Builders Limited and Vastu Visharad Promoters & Builders Limited.

Ans. Mrs. Hemanti D Kulkarni when asked about the purpose of advance told that since she was controlling the entire finance of



DSKPL as well as of other partnership Firms group companies of DSK Group, hence, she will decide as to how this fund is to be utilized.

Q.6 Please explain in detail what was the source of repayment of amount received by Vastu Shilp Promoters & Builders Limited, Vastu Siddhi Promoters & Builders Limited and Vastu Visharad Promoters & Builders Limited whenever any repayment has been made by these companies.

Ans. The repayment of amount received by Vastu Shilp Promoters & Builders Limited, Vastu Siddhi Promoters & Builders Limited and Vastu Visharad Promoters & Builders Limited was done through the amount received from Mrs. Hemanti D Kulkarni as there was no source of revenue generation by these companies and they were mere facilitator of transferring funds from DSKDL to Mrs. Hemanti D Kulkarni. In effect, these Vastu companies appear to be only shell company carrying out no business at all and transactions of fund transfer from DSKDL were controlled by Mrs. Hemanti D Kulkarni along with Mr. Amol Purandare. Further, in the hindsight, as per my assessment these transactions were not the genuine business transactions and are merely sham transactions aimed at indirect transfer of funds from DSKDL to Mrs. Hemanti D Kulkarni." (emphasis added)

- 8.16 The Committee also noted that no claim of retraction of the said Statement has been made by the Respondent during the course of the proceedings in the instant case. Thus, from the above statement of the Respondent, the Committee noted that the Respondent has himself accepted before the Complainant Department that both Vastu Companies were only shell companies which were incorporated only for the indirect transfer of funds from DSKDL to Mrs. Hemanti D Kulkarni. The Respondent has also accepted that he was aware that no material was to be supplied by Mrs. Hemanti D Kulkarni. However, despite being aware of this, the Respondent, in connivance with the management of Vastu Companies and DSKDL, allowed to disclose the transfer of funds from Vastu Companies to Mrs. Hemanti D Kulkarni as 'advance for purchase of materials' under 'Short term loans & advances' and did not report such material misstatement in his audit report.
- 8.17 The Committee held that being the statutory auditor of alleged companies, the Respondent, neither ensured that related party transactions are disclosed as per the requirements of AS 18 nor qualified his report despite being aware of Vastu Companies acting as a conduit for the transfer of funds from DSKDL to Mrs. Hemanti D Kulkarni. This clearly indicates his being hand in gloves with management of DSKDL and Mrs. Hemanti D Kulkarni, which is unbecoming of a Chartered Accountant. But despite being aware of these related party transactions and also being aware that there was no intention of any supply of material by Vastu Companies to DSKDL and also by Mrs. Hemanti D Kulkarni to Vastu Companies, the Respondent failed to examine the intrinsic relationship amongst the parties involved in these financial transactions and did not report the material misstatements appearing in the financial statements of Vastu Companies in his audit report for the relevant period making him **GUILTY** of Professional and 'Other' Misconduct falling within the meaning of Item (5), (6), (7) and (8) of Part-I of the Second Schedule and Item (2) of Part-IV of First Schedule to the Chartered Accountants Act, 1949.



8.18 In view of the above, the Committee held the Respondent **GUILTY** of Professional and Other Misconduct falling within the meaning of Item (5), (6), (7) and (8) of Part-I of Second Schedule and Item (2) of Part-IV of First Schedule to the Chartered Accountants Act, 1949.

9. CONCLUSION

9.1 In view of the Findings stated in the 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 2.10 as given above.	Paras 8.1 to 8.18 as given above.	GUILTY - Item (5), (6), (7) and (8) of Part-I of the Second Schedule and Item (2) of Part-IV of First Schedule.

10. In view of the above observations, considering the oral and written submissions of the parties and material on record, the Committee held the Respondent **GUILTY** of Professional and Other Misconduct falling within the meaning of Item (5), (6), (7) and (8) of Part-I of Second Schedule and Item (2) of Part-IV of First Schedule to the Chartered Accountants Act, 1949.

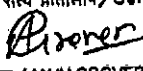
Sd/-
(MRS. RANI S. NAIR, I.R.S. RETD.)
PRESIDING OFFICER AND GOVERNMENT NOMINEE

Sd/-
(MR. ARUN KUMAR, I.A.S., RETD.)
GOVERNMENT NOMINEE

Sd/-
(CA. COTHA S SRINIVAS)
MEMBER

DATE: 23rd January, 2025
PLACE: NEW DELHI

प्रमाणित सत्य प्रतिलिपि / Certified True Copy


अंजू ग़ोवर / ANJU GROVER
सहायक सचिव / Assistant Secretary
अनुशासनात्मक निदेशालय / Disciplinary Directorate
भारतीय सचिवी सेवाकार संस्थान
The Institute of Chartered Accountants of India
आइसीआईएन नगर, विमान मार्ग, शाहपुर, दिल्ली-110022
ICAI Bldg. 5th Floor, Vasant Nagar, Sec. 11, New Delhi-110022