

**CONFIDENTIAL**

**DISCIPLINARY COMMITTEE [BENCH – IV (2025-2026)]**

**[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/50/2018/DD/156/2018/DC/1850/2024]**

**In the matter of:**

**Ms. Usha Amin**

Designated Partner in Saha Asset Advisor &  
Investment Manager to Saha Fund Scheme I

On behalf of Saha Fund Scheme I, A scheme of Saha Trust  
No.346, 17th Cross  
Dollars Colony,  
Bangalore - 560 094, Karnataka

..... Complainant

**Versus**

**CA. Nitin Kumar Khandelwal (M. No. 099286)**

M/s Nitin Khandelwal & Associates

Chartered Accountants

6/226, 2nd Floor, Didar Commercial Complex

Old Industrial Area, Moti Nagar

New Delhi - 110 015

..... Respondent

**MEMBERS PRESENT:**

**CA. Prasanna Kumar D, Presiding Officer (In person)**

**Adv. Vijay Jhalani, Government Nominee (In person)**

**CA. Mangesh P Kinare, Member (In person)**

**CA. Satish Kumar Gupta, Member (In person)**

**DATE OF FINAL HEARING : 29<sup>th</sup> October 2025**

**PARTIES PRESENT:**

**Respondent: CA. Nitin Kumar Khandelwal (Through VC)**

**Q Counsel for Respondent: CA. C. V. Sajan (Through VC)**

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1. **Background of the Case:**

- 1.1. The Complainant was primarily engaged in the business of promoting entrepreneurship amongst women, inter-alia, by investing in Companies promoted by women and in women focussed products and services. The Complainant has invested in **M/s Kaaryah Lifestyle Solution Private Limited** (hereinafter referred to as the "Company"/ "KLSPL") starting from January 2016. The Respondent was a statutory auditor of the Company for the financial year 2015-16.

2. **Charges in brief:**

- 2.1. The Complainant had paid Rs.3,20,00,000/- (Investment Amount) to Company during FY 2015-16. However, the shares were not issued within the time frame of 60 (sixty) days as mandated under Section 42 of the Companies Act, 2013. The Investment Amount was recorded as loan in the financial statements of the Company for the F.Y. 2015-16. The notes to accounts explain the Investment Amount as received in lieu of subscription amount. Instead of recording it as a deposit, the same had been recorded as Loan. The same has been approved, signed, and filed by the Company and the Respondent as Statutory Auditors.
- 2.2. An amount of Rs. 2,79,00,000/- was transferred by the Company during FY 2015-16 to Natural Remedies Private Limited, an entity which is controlled by the Company's promoter's family members. During FY 2015-16, this was accounted for in the Annual Returns as short term loans and the notes to accounts provide the purpose for this loan as 'Business Purpose'. There was no legitimate trade or business purpose for which these amounts were to be transferred to Natural Remedies. This has been used systematically by the Promoters to route monies in and out of the Company for non-trade purposes for which the board minutes were not provided. The Respondent as Statutory Auditor for FY 2015-16 has not flagged these issues in his report.

**The relevant issues discussed in the Prima Facie Opinion dated 12<sup>th</sup> December 2023 formulated by the Director (Discipline) in the matter, in brief, are given below:**

- 3.1 The Complainant and the Company did not submit any documentary proof of payments made or received up to 31.03.2016. The Company's balance sheet only reflected ₹2

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crore as "advance" received from the Complainant Trust; therefore, it is assumed that only ₹2 crore was invested by that date. The two Term Sheets (dated 03.10.2015 and 30.12.2015) were each signed by only one party and therefore were not valid as reliable documents. Company records (PAS-3 filed with the ROC) indicate that shares were allotted to the Complainant Trust only in 2017. Since the amount was received towards intended share subscription, it should be treated as "share subscription money."

- 3.2 Under Rule 2(c) of the Companies (Acceptance of Deposits) Rules, 2014, the Company was required either to allot shares within 60 days of receipt or to refund the amount within 15 days thereafter. In that case, ₹50 lakh received on 04.01.2016 should have resulted in share allotment or refund within the required timelines, which did not happen. The auditor (Respondent) should have reported this non-compliance under Section 73 of the Companies Act but he failed to do so. Even if the amount were considered a simple advance, it does not fall under any exclusion from the definition of "deposit," so it should still have been treated as a deposit and disclosed accordingly. The auditor again failed to report this. The amount was also material in relation to the Company's financial size. Therefore, the Respondent was held prima facie **Guilty** of Professional Misconduct under Clauses (5) & (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.
- 3.3 The Company gave loans totalling ₹279 lakhs to Natural Remedies Pvt. Ltd., and this was properly disclosed in Note 9 of the financial statements. The notes also stated that the loan was short-term, given from surplus funds, and was fully repaid with interest during the year. There was no evidence that Natural Remedies Pvt. Ltd. was a related party, and the management confirmed through a representation letter that the loan was for business purposes and that no balance was outstanding.
- 3.4 However, regarding the allegation that the loan was granted without proper approval, the auditor (Respondent) did not provide any Board minutes showing that the loan had been approved. Under Section 186 of the Companies Act, loans beyond certain financial thresholds require shareholder approval. Since the Company's capital and reserves were negative, any loan amount automatically exceeded both statutory limits, meaning shareholder approval was mandatory before granting it.

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- 3.5 A review of Form MGT-14 showed that shareholders approved loans up to ₹2 crore through a special resolution passed on 08.06.2015. However, the Company actually gave loan ₹2.79 crore, exceeding the approved limit, thereby violating Section 186(2) and Section 186(3) of the Companies Act, 2013. The auditor acknowledged that the loan was repaid with interest but failed to address the legal violation and did not report this non-compliance in the audit report. Therefore, the auditor failed to ensure that proper Board and shareholder approvals were obtained and was prima facie **Guilty** of Professional Misconduct under Clauses (7), (8), and (9) of Part I, Second Schedule of the Chartered Accountants Act, 1949.
- 3.6 Accordingly, the Director (Discipline) in his Prima Facie Opinion dated 12<sup>th</sup> December 2023 opined that the Respondent was held **GUILTY** of Professional Misconduct falling within the meaning of Clauses (5), (7), (8) and (9) of Part I of Second Schedule to the Chartered Accountants Act, 1949. The said Clauses of the Schedule to the Act, states as under:

**Clause (5) 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                      X

*(5) fails to disclose a material fact known to him which is not disclosed in a financial statement, but disclosure of which is necessary in making such financial statement where he is concerned with that financial statement in a professional capacity."*

**Clause (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                      X

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

**Clause (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                      X

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(8) fails to obtain sufficient information which is necessary for expression of an opinion or its exceptions are sufficiently material to negate the expression of an opinion.”

**Clause (9) 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 X

(9) fails to invite attention to any material departure from the generally accepted procedure of audit applicable to the circumstances.”

- 3.7 The Prima Facie Opinion formed by the Director (Discipline) was considered by the Disciplinary Committee in its meeting held on 28<sup>th</sup> March 2024. 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 Clause (5), (7), (8) and (9) of Part I of 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. Dates of Written Submissions/ Pleadings by the 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	25 <sup>th</sup> May 2018
2.	Date of Written Statement filed by the Respondent	01 <sup>st</sup> August 2018
3.	Date of Rejoinder filed by the Complainant	24 <sup>th</sup> September 2018
4.	Date of Prima Facie Opinion formed by Director (Discipline)	12 <sup>th</sup> December 2023
5.	Written Submissions filed by the Respondent after PFO	11 <sup>th</sup> July 2025

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

The Respondent, vide letter dated 11<sup>th</sup> July 2025, had inter alia, made the submissions which are given as under –

- (i) The first allegation is that the amount of Rs 2.00 crores received by the auditee company M/s Kaaryah Lifestyle Solution Private Limited from SAEIA Trust (a registered Alternative Investment Fund) during FY 2015-16 should have been treated as "deposits."
- (ii) Two term sheets on record, the first dated 31 Oct 2015 signed by the complainant (W13) and the second dated 30 Dec 2015 signed by the promoters (W23), proved a commonly agreed point that the ultimate purpose of the remittance of money by the Trust and its receipt by KLSPL was with an intention of subscribing to the share capital of the company and to receive proportionate ownership rights of KLSPL as shareholders.
- (iii) It is also clear from the records that the terms of investment such as type and terms of shares, number of shares, and issue price had not been finalized till the signing of the audit report due to non-execution of mutually agreed Share Subscription cum Shareholders Agreement (SSSH).
- (iv) The Director (Discipline) opined in para 12.2 that both term sheets were not reliable because of the absence of authentication by both parties. Notwithstanding this, it was not possible for the auditor to discard either document as unworthy audit evidence, when an amount of Rs 2.00 crores, resulting from transactions covered by those term sheets, was outstanding in the books of account as on 31 March 2016. It was prudent for the Respondent to acknowledge the commonly agreed intent expressed in both term sheets and use that information to validate the correctness of accounting and presentation treatment of the Rs 2.00 crores in the financial statement of KLSPL as at 31 March 2016.
- (v) The unambiguous intent expressed by both parties, as apparent from the term sheets, was that the amount was meant for investing in the share capital of the company. However, the Respondent faced a predicament in presenting it as share application pending allotment because the parties had not mutually agreed on the terms of issue nor had any SSSH, as required by the investor, been executed. Therefore, it was a well-

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considered professional judgment of the Respondent to consider it as "advance received towards proposed investment in share capital."

- (vi) According to Explanation (a) to Exception (vii) to Rule 2(c) of Companies (Acceptance of Deposits) Rules 2014, "application money or advance for allotment of securities" that are not older than sixty days from the date of receipt are out of the scope of "deposits" defined in Section 73 of the Companies Act, 2013.
- (vii) According to the amendment to the Companies (Acceptance of Deposits) Rules 2014 vide GSR No 639 dated 29 June 2016, Rule (2)(c)(xviii) was added as a new exemption by which any amounts received from Alternate Investment Funds registered with SEBI also became out of the definition of "deposits." The Respondent signed the audit report on 5 September 2016. The intent of the new exemption from the definition of "deposits" was to facilitate businesses with regulated investments, and in the judgment of the Respondent, the exemption was available for all such investments whether already received or future ones.
- (viii) In the case of KLSPL, Rs 50 lakhs received from the Trust on 4 January 2016 was duly refunded and was not outstanding as on 31 March 2016. The amount of Rs 2.00 crores outstanding on 31 March 2016 consisted of four different receipts of Rs 50 lakhs, Rs 15 lakhs, Rs 100 lakhs, and Rs 35 lakhs dated 8 Feb 2016, 9 March 2016, 22 March 2016, and 30 March 2016, respectively. The age of all receipts was less than 60 days, the earliest being 52 days. The amount of Rs 2.00 crores outstanding in the financial statements fell within the scope of exemption from "deposit" according to Explanation (a) to Rule 2(vii) of Companies (Acceptance of Deposits) Rules 2014. Ledger account and bank statements are attached to prove these facts (Pages 2-7).
- (ix) The observations of the Director (Discipline) on page 27 of the PFO, stating that the amount of advance "does not appear to be part of the exclusion given under definition of deposits" and that the "company should have treated the amounts received from the Trust as deposits," are erroneous. DD erred in interpreting relevant legal provisions and on facts, wrongly assuming the age of the advance as above sixty days. Consequently, the conclusion that the Respondent was required to report a violation of Section 73 was misconceived.
- (x) The Director Discipline clarified that the charge is only with respect to the alleged violation of Section 73, and that the EAC opinion relied on by the Respondent had no

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relevance as it pertained to accounting treatment of such advances. No adverse view was held on accounting the advance as other current liability (Note No. 5, Page W40 of PFO), so no further response is warranted on this point.

- (xi) There was no case of non-disclosure of any material information in KLSPL financial statements known to the Respondent. PFO has not substantiated the reason for invoking Clause (5) on this allegation. Note 19(4) of financial statements (W55 of PFO) proves that all relevant facts were disclosed, so the DD erred in invoking charges under Clause (5).
- (xii) The facts and explanations show there was no delinquency by the Respondent in obtaining information, applying mind to facts and law, ensuring completeness and truthfulness in financial statements, or compliance with law. The financial statements did not contain misleading information or anything contrary to law. No case of lack of due diligence was made out; DD erred in invoking Clause (7).
- (xiii) Second allegation relates to loans given by KLSPL to Natural Remedies Pvt Ltd (NRPL). Director Discipline acknowledged that loanees were not related parties, loans attracted 13.95% interest at arm's length, business purpose was compliant with Section 186(4), and loans were repaid with interest before the balance sheet date. No further response is warranted.
- (xiv) Director Discipline erroneously observed violation of Sections 186(2) and (3) for loans to NRPL in Para 14.1 and 14.1.1, referencing Note 19(9) which disclosed loans and advances to body corporate in compliance with Section 186 (W56 of PFO) showing loans at Rs 279 lakhs against the Rs 2.00 crore limit fixed in the EGM resolution dated 8 June 2015 (E14 of PFO). DD misunderstood the facts leading to wrong conclusion.
- (xv) EGM resolution limit of Rs 2.00 crores "not to exceed together with all interest" applies to total exposure. Any loan within overall limit at any point of time is compliant with resolution and Section 186(3).
- (xvi) KLSPL granted loans to NRPL in instalments during FY 2015-16; peak outstanding at any time was Rs 1.09 crores, within Rs 2.00 crore limit. Financial statements show no outstanding loans as on 31 March 2016.
- (xvii) Loans were released in instalments, collected back promptly with 13.95% interest. Total loans never exceeded Rs 2.00 crores at any time, despite cumulative Rs 279 lakhs for the year. Ledger accounts and bank statements attached (Pages 8-33).

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- (xviii) Evidence confirms no violation of Rs 2.00 crore limit under Section 186; Board recommended loan as per Section 186(5) via resolution dated 10 May 2015. No reporting obligation arose.
- (xix) Dispute between Trust and KLSPL subsequently resolved; promoters bought back KLSPL shares from Trust via Share Purchase Agreement dated 7 Sep 2023.

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

6.1 Details of the hearing(s) fixed and held/ adjourned in the said matter are given as under—

S. No.	Date of Meeting(s)	Status
1.	16 <sup>th</sup> July 2025	Part heard and adjourned.
2.	29 <sup>th</sup> October 2025	Hearing Concluded & Decision taken

6.2 On the day of first hearing held on 16<sup>th</sup> July 2025, the Committee noted that the Respondent was present through VC and appeared before it. The Committee noted that the Complainant was not present despite the fact that notice of hearing duly served upon her.

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 charges against the Respondent were read out. On the same the Respondent replied in the affirmative and pleaded Not Guilty to the charges levelled against him. 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 final day of hearing held on 29<sup>th</sup> October 2025, the Committee noted that the Respondent along with Counsel was present through Video conferencing mode and therefore appeared before it. The Complainant alleged that Rs. 2 crores received by M/s Kaaryah Lifestyle Solution Private Limited (KLSPL) from Saha Fund Scheme I in 2015-16 should have been classified as deposits since the company neither allotted shares nor refunded the money within 60 days. The Respondent argued that the amounts received were advances towards investment, as per the Memorandum of Understanding, and did not qualify as deposits under Rule 2(c)(7) of the Companies Acceptance of Deposit Rules. The Respondent emphasized that the company refunded amounts exceeding 60 days and ensured compliance with the exemption clause. The

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Respondent submitted supporting evidence, including ledgers and bank statements, to substantiate that the outstanding Rs. 2 crores fell within the exemption period. The Respondent also clarified that the delay in refunding Rs. 50 lakhs received on 4th January 2016 was immaterial, as the consequence under law was limited to interest liability, not material misstatement.

- 6.5 As regards the second allegation, the Complainant stated that loans amounting to Rs. 2.79 crores given by KLSPL violated Section 186(3) of the Companies Act, as the EGM resolution capped loans at Rs. 2 crores, the Respondent countered that the cumulative total of Rs. 2.79 crores represented multiple transactions, none of which exceeded the Rs. 2 crore limit at any point in time. He presented ledger accounts and bank statements to demonstrate compliance with the resolution and Section 186. The Respondent further clarified that the loans were for business purposes and not to related parties.
- 6.6 Based on the documents/material and information available on record and the oral and written submissions made by the Respondent, and on consideration of the facts of the case, the Committee concluded the hearing in subject matter and took the decision on the conduct of the Respondent.

## 7. Findings of the Committee:

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

- 7.1 The Committee noted that there are two allegations against the Respondent in which he has been held Prima Facie Guilty and the same has been explained in para 2.1 and 2.2 above.
- 7.2 In respect of **first allegation**, the Committee observed the allegation that the undisputed position in the financial statements is that Rs. 2,00,00,000/- remained outstanding from the Complainant as on 31.03.2016. The books and Notes to Accounts clearly identify the sum as "advance received towards proposed investment in share capital." Although the term sheets produced were signed individually and not mutually, both documents consistently record the common intent of the parties, that the monies were remitted to subscribe to the share capital of the Company. In the absence of a concluded Share

Subscription & Shareholders' Agreement, the Respondent, as auditor, was required to exercise professional judgment to determine the correct presentation.

7.3 The Committee noted that despite allegations of Rs. 3.20 crore, the audited Balance Sheet reflects only Rs. 2.00 crore outstanding. No documentary evidence has been brought by the Complainant to show any larger sum received as of the balance sheet date.

7.4 As regards the Age of Receipts, the Respondent produced Ledger extracts and Bank statements to establish the following dates and amounts:

Date of Receipt	Amount (Rs.)	Age as on 31.03.2016
08.02.2016	50,00,000/-	52 days
09.03.2016	15,00,000/-	23 days
22.03.2016	1,00,00,000/-	10 days
30.03.2016	35,00,000/-	1 day

Additionally, Rs. 50,00,000 received on 04.01.2016 was fully refunded before 31.03.2016 and did not appear in outstanding balances.

7.5 Further, Rule 2(c)(vii) of Companies (Acceptance of Deposits) Rules, 2014 exempts:

*"Any amount received as application money or advance for allotment of securities and such securities are allotted within sixty days of receipt of the application money or advance, or such money is refunded within fifteen days from closure of the sixty days."*

Furthermore, Explanation (a) clarifies:

*"The period of sixty days shall be calculated for each amount separately."*

Applying the rule, it is noted in the given case that no amount exceeded 60 days, and Refunds and outstanding amounts satisfy statutory timeline. Therefore, the outstanding Rs. 2.00 crore did not qualify as "deposit". Moreover, by Notification GSR 639(E) dated 29.06.2016, Rule 2(c)(xviii) added a new explicit exemption.

7.6 It is noted that the Complainant is a registered Alternative Investment Fund. The audit report was signed 05.09.2016. Where a beneficial exemption is in force on the date of audit report, an auditor cannot be faulted for relying on it. The exemption is unconditional

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and does not specify a prospective limitation. Thus, as on date of audit report, all amounts from the Trust stood statutorily excluded from "deposits".

- 7.7 As regards the Treatment as "Advance Towards Share Capital", the Respondent faced a practical legal difficulty in Terms of issue and valuation were not finalized, No Share Subscription and Shareholders' Agreement was signed, yet both parties clearly intended share subscription (as acknowledged in both term sheets). In such circumstances, classification as "advance received towards proposed investment in share capital" seemed a rational professional judgment.
- 7.8 Also, no misrepresentation nor concealment can be alleged because the Notes to Accounts explicitly disclosed the nature and purpose, and no entry was hidden, suppressed, or misclassified to mislead stakeholders.
- 7.9 The Committee considered the submissions of the Respondent, including the ledger and bank statements and observed that the outstanding Rs. 2 crore was indeed within the 60-day exemption period, as per Rule 2(c)(xvii). While the delay in refunding Rs. 50 lakhs exceeded the 60-day limit, the Committee, agreeing with the Respondent's submissions, viewed that the legal consequence was limited to interest liability on the company's part and did not amount to a material misstatement by the auditor. The Committee also observed that the intent of the law was to exempt advances towards investment from being classified as deposits, even if they did not meet the criteria for share application money due to unresolved terms.
- 7.10 In view of the age of all receipts being less than 60 days; the specific exemption under Rule 2(c)(vii) and subsequently inserted exemption for AIFs; full disclosure in financial statements; and absence of any statutory violation established on record, there was no requirement for the Respondent to qualify the audit report or report non-compliance of Section 73. The Respondent exercised professional judgment supported by law and facts. In view of the above, the Committee concluded that there is no evidence to establish any misconduct or wrongdoing on the part of the Respondent. Accordingly, the Committee held the Respondent **NOT GUILTY** of Professional Misconduct falling within the meaning of Clause (5) & (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

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7.11 In respect of **second allegation** the Committee noted the allegation that Company advanced Rs. 2.79 crores to Natural Remedies Pvt. Ltd. without proper approval, violating Section 186(2) and (3) of the Companies Act, 2013, and the Respondent failed to report this.

7.12 Further, Loans were given at arm's length with 13.95% interest. Full recovery of principal and interest was made within FY 2015-16 and there was no outstanding loan balance existed as on 31.03.2016. The financial statements disclosed these loans in Note 19(9).

7.13 As per section 186(3) of Companies Act 2013 it is stated that: -

*(1) Without prejudice to the provisions contained in this Act, a company shall unless otherwise prescribed, make investment through not more than two layers of investment companies:*

*Provided that the provisions of this sub-section shall not affect,—*

*(i) a company from acquiring any other company incorporated in a country outside India if such other company has investment subsidiaries beyond two layers as per the laws of such country;*

*(ii) a subsidiary company from having any investment subsidiary for the purposes of meeting the requirements under any law or under any rule or regulation framed under any law for the time being in force.*

*(2) No company shall directly or indirectly —*

*(a) give any loan to any person or other body corporate;*

*(b) give any guarantee or provide security in connection with a loan to any other body corporate or person; and*

*(c) acquire by way of subscription, purchase or otherwise, the securities of any other body corporate,*

*exceeding sixty per cent. of its paid-up share capital , free reserves and securities premium account or one hundred per cent. of its free reserves and securities premium account, whichever is more.*

*Explanation.— For the purposes of this sub-section, the word "person" does not include any individual who is in the employment of the company.*

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*(3) Where the aggregate of the loans and investment so far made, the amount for which guarantee or security so far provided to or in all other bodies corporate along with the investment, loan, guarantee or security proposed to be made or given by the Board, exceed the limits specified under sub-section (2), no investment or loan shall be made or guarantee shall be given or security shall be provided unless previously authorised by a special resolution passed in a general meeting:*

*Provided that where a loan or guarantee is given or where a security has been provided by a company to its wholly owned subsidiary company or a joint venture company, or acquisition is made by a holding company, by way of subscription, purchase or otherwise of, the securities of its wholly owned subsidiary company, the requirement of this sub-section shall not apply:*

*Provided further that the company shall disclose the details of such loans or guarantee or security or acquisition in the financial statement as provided under sub-section (4).*

7.14 The Respondent provided ledger and bank evidence showing; Loans were disbursed in parts; as soon as amounts were received back, fresh loans were given; Peak exposure never exceeded Rs. 1.09 crores, well within approved limit. Treating multiple independent disbursements as cumulative - is legally incorrect because Section 186 limits apply to money outstanding, not total transactions over a year. Since outstanding exposure never breached the limit, and loans were repaid with interest during same year; there was no violation of Section 186(2) or 186(3). Accordingly, there was no obligation for the auditor to report a non-existent breach.

7.15 Also, Auditor produced evidence of a Board resolution dated 16.05.2015 recommending the loans. Furthermore, all transactions were disclosed in financial statements, Management Representation confirmed them.

7.16 The Committee examined the ledger accounts and bank statements provided by the Respondent and found that the outstanding loan amounts never exceeded the Rs. 2 crore limit at any given point in time. It agreed with the Respondent's explanation that the cumulative total of Rs. 2.79 crores represented multiple transactions and did not constitute a violation of Section 186(3).

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7.17 Upon thorough evaluation of evidence, statutory provisions, and submissions, the Committee viewed that the amounts received from the AIF complainant were exempt under Rule 2(c)(vii) and subsequently Rule 2(c)(xviii), and no amount outstanding exceeded 60 days. Notes to Accounts carried a disclosure. Loans to Natural Remedies Pvt. Ltd. were repaid within the year and peak exposure never breached limits. No provision of Section 73 or Section 186 was violated. The Respondent adopted a reasonable and legally supported professional judgment. The Committee also noted that the loans were for business purposes. The Committee concluded that the Respondent exercised due diligence in ensuring compliance with the resolution and legal provisions. Thus, the Committee opined that, based on the submissions and evidence on record, the allegations against the Respondent are unsubstantiated. Accordingly, the Committee held the Respondent **NOT GUILTY** of Professional Misconduct falling within the meaning of Clauses (7), (8) & (9) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

#### 8. Conclusion:

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 as above.	Para 7.2 to 7.10 as Above	<b>NOT GUILTY</b> Clauses (5) & (7) of Part I of the Second Schedule.
Para 2.2 as above	Para 7.11 to 7.17 as above	<b>NOT GUILTY</b> Clauses (7), (8) & (9) of Part I of the Second Schedule

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 Clauses (5), (7), (8), and (9) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

10. Order

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.

Sd/-  
(CA. PRASANNA KUMAR D)  
PRESIDING OFFICER


Sd/-  
(ADV. VIJAY JHALANI)  
GOVERNMENT NOMINEE

Sd/-  
(CA. MANGESH P KINARE)  
MEMBER

Sd/-  
(CA. SATISH KUMAR GUPTA)  
MEMBER

DATE: 05<sup>th</sup> January 2026 सत्यापित होने के लिए प्रमाणित / Certified to be True Copy

PLACE: Noida

  
अरुण कुमार / Arun Kumar  
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अनुशासनात्मक निदेशालय / Disciplinary Directorate  
भारतीय सनदी लेखाकार संस्थान  
The Institute of Chartered Accountants of India  
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ICAI Bhawan, C-1, Sector-1, Noida-201301 (U.P.)