



भारतीय सनदी लेखाकार संस्थान

(संसदीय अधिनियम द्वारा स्थापित)

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)

[DISCIPLINARY COMMITTEE BENCH-IV (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.

File No.: [PR/261/16-DD/290/2016/ DC/1570/2022]

In the matter of:

Shri Atul Batra,
House No. 860, Sector 21,
Gurgaon,
Haryana - 122016

.... Complainant

CA. Ravi Khanna (M.No.081011),
255 Kailas Hills,
New Delhi - 110065

....Respondent

MEMBERS PRESENT:

1. CA. Prasanna Kumar D, Presiding Officer (In person)
2. Ms. Dakshita Das IRAS (Retd.), Government Nominee (Through VC)
3. Adv Vijay Jhalani, Government Nominee (In person)
4. CA. Mangesh P. Kinare, Member (Through VC)
5. CA. Satish Kumar Gupta, Member (Through VC)

DATE OF HEARING: 05th February 2026

DATE OF ORDER: 11th February 2026

1. That vide Findings dated 30th January 2026 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. Ravi Khanna (M.No.081011)** (hereinafter referred to as the **Respondent**) is **GUILTY** of Professional Misconduct falling within the meaning of Clauses (6) and (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949.



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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 an opportunity of being heard in person/ through video conferencing and to make representation before the Committee on 05th February 2026.

3. The Committee noted that on the date of hearing on 05th February 2026, the Respondent was present through video conferencing. During the hearing, the Respondent made verbal submissions and also referred to the written representation dated 03rd February 2026 on the Findings of the Committee. The Committee noted the verbal and written representation of the Respondent dated 03rd February 2026 on the Findings of the Committee, which, inter alia, are as under: -

- There was no malafide intention or deliberate misconduct however, the issue arose due to an error of judgment which does not by itself amount to grave professional misconduct warranting severe punishment and can be treated as gross negligence.
- Neither financial loss was caused to any stakeholder, nor was any wrongful gain derived by the Respondent and there has been no prejudice against public interest either in this matter.
- The Respondent has assured that no such lapse/ oversight will recur in future including strengthening internal systems and procedures thereby demonstrating his commitment to professional discipline.
- Without prejudice, the lapses as recorded in findings were technical and procedural in nature and did not involve any intentional failure, moral turpitude, dishonesty, or deliberate violation of the provisions of the Chartered Accountants Act, 1949 and the Regulations.
- He requested to take a lenient view of his case.

4. The Committee considered the reasoning as contained in Findings holding the Respondent Guilty of Professional Misconduct vis-à-vis verbal and written representations of the



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Respondent. The Committee noted that the issues/submissions made by the Respondent as aforesaid have been dealt with by it at the time of hearing under Rule 18.

5. Thus, keeping in view the facts and circumstances of the case, material on record including verbal and written representations of the Respondent on the Findings, the Committee noted that Paragraph 7(b) of Annexure A to the Auditor's Report stated that there were "no disputed statutory dues." However, the financial statements signed by the same Respondent contained disclosures in the Notes to Accounts regarding disputed statutory demand and MSME award, namely a sales tax demand of Rs. 87.16 lakhs and an MSME arbitral award comprising principal of Rs. 8.46 lakhs and interest of Rs. 75.98 lakhs, which had been challenged before the Hon'ble High Court. Hence such reporting in the Auditor's Report was inconsistent with the disclosures made in the financial statements. Further, the Audit Report for the financial year 2015-16 was not in accordance with the requirements of CARO 2016, which was mandatorily applicable for the said FY 2015-16. The Respondent either omitted to comment or inadequately commented on several prescribed matters, including reporting on statutory dues and title deeds.

6. The Committee also noted that CARO mandates specific verification and reporting by the auditor in respect of title deeds of immovable properties, even in cases where no discrepancy is noticed. Non-reporting on such a matter, therefore, amounts to non-compliance with the prescribed reporting requirements. Further, the Respondent did not produce any audit documentation or working papers evidencing verification of deeds or the procedures performed in this regard. Hence, the Professional Misconduct on the part of the Respondent is clearly established as spelt out in the Committee's Findings dated 30th January 2026 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 the ends of justice would be met if punishment is given to him in commensurate with his Professional Misconduct.



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8. Thus, the Committee ordered that the Respondent i.e. CA. Ravi Khanna (M.No.081011), be REPRIMANDED under Section 21B(3)(a) of the Chartered Accountants Act, 1949.

(CA. PRASANNA KUMAR D)
PRESIDING OFFICER

(MS DAKSHITA DAS IRAS (RETD.)
GOVERNMENT NOMINEE

(ADV VIJAY JHALANI)
GOVERNMENT NOMINEE

(CA. MANGESH P. KINARE)
MEMBER

(CA. SATISH KUMAR GUPTA)
MEMBER

CONFIDENTIAL

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

[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/261/16-DD/290/2016/ DC/1570/2022]

In the matter of:

**Shri Atul Batra,
House No. 860, Sector 21,
Gurgaon,
Haryana - 122016**

.... Complainant

Versus

**CA. Ravi Khanna (M.No.081011),
255 Kailas Hills,
New Delhi – 110065**

.... 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 : 03rd November 2025

PARTIES PRESENT:

**Complainant : Shri Atul Batra (Through VC)
Counsel for the Respondent : Adv. Bhaskar Bhardwaj (Through VC)
Respondent : CA. Ravi Khanna (Through VC)**

1. Background of the Case:

- 1.1 The Respondent was the statutory auditor of the M/s BHP Engineers Pvt. Ltd. (hereinafter referred to as the "Company"). for the F.Y. 2014-15 and 2015-16. The Complainant being shareholder of the Company seems to have issues with the management and according to him the Respondent as auditor also connived with the management.

2. Charges in brief:

The Complainant made following allegations against the Respondent in which he has been held Guilty at PFO level:

- 2.1 Providing of loan by the Company to a sick company M/s BHP Infrastructure Pvt. Ltd which is not in the interest of company or the members, whereas the Respondent in his audit report for F.Y. 2014-15 to 2015-16 had mentioned the same as "realisable".
- 2.2 Non- reporting of violation of Section 186 of the Companies Act, 2013.
- 2.3 Non- reporting of demand raised by Sales Tax Department of Rs. 87.16 Lakhs in Auditors' Report for F.Y. 2014-15 and 2015-16.
- 2.4 Paragraph 7(b) of the Auditors Report talks of no disputed dues. However, balance sheet Note 16.1 (b) says demand raised by sales tax department Rs. 87.16 Lakhs and balance sheet Note 16.1 (c) and 16.2 mentions award against the company under Section 22 of the MSMSE Act 2006 for a principal amount of Rs. 8,46,387.31 and interest Rs. 75,98,880 which has been challenged by the company in the Allahabad High Court. The Auditors acknowledge the disputed amount of over 1.6 crores in the balance sheet but do not mention it in the Auditors Report.
- 2.5 Auditors Report for 2015-16 not as per CARO 2016.
- 2.6 As per CARO 2016 Paragraph 1(c), Title deeds of the properties of the company have to be verified by the Auditors and reported to the members. The Auditor had not commented on this paragraph in his audit report for F.Y. 2015-16.
- 2.7 Violation of Section 186 of the Companies Act 2013 from 1.4.2014 till date. Further, attempt was made to cover up violation of Section 186 of the Companies Act, 2013 from 1.4.2014 by passing backdated special resolution in September 2016.

3. The relevant issues discussed in the Prima Facie Opinion dated 17th May 2019 formulated by the Director (Discipline) in the matter in brief, are given below:



- 3.1 In respect of **first charge** mentioned in para 2.1 above, the Respondent had submitted that idle funds of Rs. 4.00 crores of the Company were given to M/s BHP Infrastructure Pvt. Ltd. for a period of four years, i.e., from 01.04.2013 to 31.03.2017. It was seen from the audit reports of the Respondent for the F.Ys. 2014-15 and 2015-16, wherein he had mentioned that the loan given to M/s BHP Infrastructure Pvt. Ltd. was regular. It was also seen from the reply of the Respondent that the resolution in this regard had been passed on 31.03.2013. It was further noted that M/s BHP Infrastructure Pvt. Ltd. had approached BIFR on 31.03.2015. Hence, according to the Complainant, the reporting of the Respondent was not proper. It was clear that the auditor of M/s BHP Infrastructure Pvt. Ltd. was the Respondent. This fact was also not contradicted by the Respondent. It was noted that when the Respondent himself was the auditor of both the Companies, he must have been fully aware of the financial position of both the Companies.
- 3.2 When M/s BHP Infrastructure Pvt. Ltd. had approached BIFR on 31.03.2015, it meant that it was not able to pay its dues/creditors as on 31.03.2015. Further, from the audit report of M/s BHP Infrastructure Pvt. Ltd., it was clearly evident that it had defaulted in payment of dues to the Bank. In that scenario, the loan given by the Company to M/s BHP Infrastructure Pvt. Ltd. could not have been considered as good and regular as on 31.03.2015.
- 3.3 It appeared that the Respondent had failed to disclose the fact regarding M/s BHP Infrastructure Pvt. Ltd. approaching BIFR and had been negligent in his duties by merely relying on representations given by the management. Accordingly, he was held guilty of professional misconduct falling within the meaning of Clauses (6) and (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.
- 3.4 In respect of **second charge** mentioned in para 2.2 above, it was seen that the loan had been given to M/s BHP Infrastructure Pvt. Ltd. on 31.03.2013, whereas the provisions of the Companies Act, 2013 had become applicable w.e.f. 01.04.2014. It was seen that on the date of the loan, the provisions of Section 372A of the Companies Act, 1956 were applicable.



- 3.5 It was further observed that the provisions of Section 372A were not applicable to private companies. Hence, the provisions of Section 372A were not applicable to the Company in the instant case and accordingly, there was no requirement of reporting in F.Y. 2012-13.
- 3.6 As regards disclosure of the same in F.Y. 2014-15, it was seen that the Respondent had failed to disclose the same in his audit report. However, the Respondent, in para 4(b) of Annexure A of the audit report for F.Y. 2015-16, had mentioned that the Company had previously given a loan to which the provisions of Section 186 of the Companies Act, 2013 applied and that it was informed that the required special resolution was being put up at the ensuing AGM for approval of shareholders.
- 3.7 The provisions of Section 186 were applicable to the Company in F.Y. 2014-15 and the Respondent had made the disclosure only in F.Y. 2015-16, and there was a failure on his part to disclose the same in F.Y. 2014-15. Hence, he was held prima facie guilty of professional misconduct falling within the meaning of Clauses (5) and (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.
- 3.8 In respect of third charge mentioned in Para 2.3. above, it was seen that the Respondent had mentioned that, as informed by a senior advocate, the matter had been heard by the Hon'ble VAT Tribunal and a very positive view had emerged under which the sales of this nature were covered within Section 5(2) of the CST Act, 1956 and the tax liability would be Nil.
- 3.9 The Respondent also produced a copy of the Order of the Appellate Tribunal dated 12.09.2016. On perusal of the same, it was noted that the Appellate Tribunal had set aside the earlier orders and the Assessing Officer had been directed to reframe the assessment.
- 3.10 The audit report had been signed on 07.09.2016 and the Order had come on 12.09.2016. It was further observed that on the date of signing of the report, the Respondent had only the Advocate's opinion.

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3.11 Further, in Note 16.1 on Contingent Liabilities and Commitments, the Company had disclosed the demand raised by the Sales Tax Department amounting to Rs. 87.16 lakhs. The Respondent, however, had not bothered to make the same part of his Auditor's Report, as evident from para 7 of Annexure A, more so when the demand had been pending since F.Y. 1992-93.

3.12 Hence, the Respondent had failed to exercise due diligence in his duties by merely relying on representations given by the management. Accordingly, he was held guilty of professional misconduct falling within the meaning of Clauses (6) and (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

3.13 In respect of the next charge related to disputed dues of sales tax and the award against the Company under Section 22 of the MSMSE Act, 2006, it was mentioned that the charges had already been dealt with in paras 3.8 to 3.12 above. Hence, no separate findings were given.

3.14 In respect of the next charge relating to violation of CARO 2016 in the audit report for F.Y. 2015-16, it was mentioned that the violation under this paragraph had already been covered under paras 3.1 to 3.3 above, wherein the Respondent had been held guilty for not properly making disclosures in the audit report; therefore, no separate findings were given.

3.15 In respect of the next charge relating to non-checking of property deeds, it was seen that the Respondent had accepted his mistake of not checking the property deeds. Accordingly, he was negligent in conducting the duties cast upon him by CARO, 2013 and hence was held guilty of professional misconduct falling within the meaning of Clause (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949.

3.16 In respect of the next charge relating to violation of Section 186 of the Companies Act, 2013 for giving a loan to a related party and to cover up the violation of Section 186 by passing a backdated special resolution, it was mentioned that findings in this regard had already been given under paras 3.4 to 3.7 above and hence no separate findings were given.

3.17. Accordingly, the Director (Discipline) in his Prima Facie Opinion dated 17th May 2019 opined that the Respondent was prima facie Guilty of Professional Misconduct falling within the meaning of (5), (6) and (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949. The said Clause 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 (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 x

(6) fails to report a material misstatement known to him to appear in a financial statement with which he is concerned 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."

3.18. The Prima Facie Opinion Formed by the Director (Discipline) was considered by the Disciplinary Committee in its meeting held on 25th April 2022. 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 was **GUILTY** of Professional Misconduct falling within the meaning of Clause (5), (6) and Clause (7) of Part I of the Second Schedule to the Chartered Accountants Act, 1949 and accordingly, decided to proceed further under Chapter V

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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 '1' filed by the Complainant	21 st October 2016
2.	Date of Written Statement filed by the Respondent	26 th December 2016
3.	Date of Rejoinder filed by the Complainant	20 th January 2017
4.	Date of Prima Facie Opinion Formed by Director (Discipline)	17 th May 2019
5.	Written Submissions filed by the Respondent after PFO	30 th July 2022 28 th October 2025
6.	Written Submissions filed by the Complainant after PFO	24 th August 2022

5. Further Written submissions filed by the Respondent: -

5.1 The Respondent vide letter dated 30th July 2022, inter-alia, made the submissions which are given as under: -

- i. M/s BHP Infrastructure Pvt. Ltd. was not a "sick company" when the Board of Directors of the Company, in its meeting held on 31.03.2013, approved giving of loan to M/s BHP Infrastructure Pvt. Ltd. The loan is not bad in our opinion as the necessary confirmation from the borrower BHP Infrastructure Private Limited was on record and the Board of BHP Infrastructure has personally assured that the loan will be returned as and when it will fall due for repayment or demanded by the lender. They also assured that the company has sufficient assets to tide over any eventualities. The borrower is also regularly paying the lender due interest. Considering all the facts, in our opinion, the loan is not doubtful of recovery and therefore not required to be classified as doubtful in the Financial Statements,

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- ii. Further, in the resolution passed by the Company, the loan amount and interest thereupon was payable on demand. There was no evidence brought on record by the Complainant to show that there was a demand raised by the Company and M/s BHP Infrastructure has failed to honour the demand.
- iii. The Respondent when pointed out about pendency of Sales Tax demand and other liabilities there was no reason for him not to indicate the same in his report.
- iv. In the absence of suspicious circumstances, an auditor is completely justified in relying upon the representations made by the Company management. When it comes to fraud and error, he must exercise reasonable care only. As per SA 240, an auditor conducts a financial audit of an entity in order to obtain a reasonable assurance (and not absolute assurance) that its financials are free from any fraud/error and material misstatements.
- v. Section 186 of the Companies Act, 2013 does not mandate 'disclosure'; the loan was duly reflected in the balance sheet and there was no lapse by the Respondent.
- vi. The Director (Discipline) formed the prima facie opinion mechanically without applying mind to Section 186 requirements.
- vii. The Board had been approving corporate loans since 2006 to M/s BHP Infrastructure (P) Limited out of surplus funds due to inability to pursue the Dharamtar Shipyard Project, idle funds, and need to generate income to meet expenses and litigations.
- viii. The loan was reflected in annual accounts for several years and approved by shareholders, including the complainant.
- ix. On 31.03.2013, the Board unanimously approved a loan of Rs. 4,00,00,000/- for four years due to delays in the Shipyard Project and need for regular income.
- x. The loan was not fresh and was in accordance with Section 372A of the Companies Act, 1956; as a matter of good corporate governance, ratification through special resolution under Section 186 was recommended and noted in the Auditor's Report (2015-16).
- xi. The Special Resolution was passed with 86.74% votes in favour and opposed only by the complainant and his family; the complainant filed the complaint despite minority opposition.
- xii. As the loan was maturing on 31.03.2017, the Board recommended renewal/fresh investment approval through special resolution at the AGM on 30.09.2016.



- xiii. In view of the above, the allegation is liable to be dropped.
- xiv. The Respondent reiterated the submissions made by him in his written statement in respect of the said charge specifying Para 4 and Para 5.
- xv. He has never admitted that he has not checked the property deeds in term of CARO, 2013.
- xvi. It seems that the Director (Discipline) has failed completely to draw a difference between checking of property deeds and reporting thereof.
- xvii. The Respondent in his written statement has categorically stated that he has checked the property deeds during the course of conduct of his audit.

5.2 Further, The Respondent vide email dated 28th October 2025, inter-alia, made the submissions which are given as under: -

- i. As far as the first charge mentioned above, it is submitted that M/s M/s BHP Engineers Pvt. Ltd has granted a loan of Rs. 4,00,00,000.00 to M/s BHP Infrastructure Pvt. Ltd on 31.03.2013. The sole contention of the Complainant to allege that BHP Infrastructure Pvt. Ltd. was a sick company is due to some proceedings filed before BIFR in the year 2015. It is relevant to note that later on the said proceedings before BIFR was finally closed. Therefore, at the time of grant of loan in FY 2012-13 such proceedings does not exist before BIFR and therefore there was no reason for the complainant to allege it was a sick company.
- ii. Even otherwise the proceedings before BIFR were never disclosed by Company and/ or by the complainant who was the shareholder.
- iii. The Company has extended the loan to BHP Infrastructure Private Limited since the year 2006 which was duly served/ repaid during the currency and tenure of such loans therefore, there was no reason for the Respondent to raise a red flag to such loan.
- iv. The company has given a MRL to the Respondent stating;
"loan and advances of Rs. 4,22,17,439 which includes an amount of Rs. 3,85,07,135 to BHP Infrastructure Private Limited, are considered as good and fully recoverable. The company is in possession of the confirmation letter from BHP Infrastructure Private Limited".
- v. In view of the above, there is no evidence of record to show that BHP Infrastructure Private Limited was a sick company and/or Respondent has failed in his duties in any case. It is well settled law that an auditor is a watch dog and not a bloodhound who can raise doubts on transactions without any basis.

- vi. Further, the complainant who was the shareholder, would have brought to notice of Auditor which has not been done and instead of showing his bona fides making the auditor a scapegoat.
- vii. As far as second charge of violation section 186 is concerned, it is submitted that the said section was notified i.e. 01.04.2014 and admittedly the loan was disbursed during the earlier FY therefore, the question of non-reporting under section 186 does not arise.
- viii. Further, there is no requirement under Section 186 of the Companies Act which cast duty upon the Auditor to report the ongoing loans shall also be required to be reported in the subsequent years in compliance of section 186.
- ix. Further, w.r.t charge of non-reporting of violation of demand raised by Sales Tax Department of Rs. 87.16 lacs in Auditors Report are concerned, it is submitted that the Company has given MRL stating that in any case as per terms and conditions of the contract between the Company and third party, the demand if any, is required to be borne by the third party.
- x. Even otherwise the said demand was duly shown under the head of contingent liability in the financial statement since receipt of notice by the Sale Tax Department.
- xi. Even otherwise the said demand was set aside by the competent authority vide order dated 12.09.2016. Therefore, the charge does not sustain.
- xii. As far as not offering comments by the Respondent on this para in his audit report for FY 2015-16, CARO 2016 para 1(c) about title deeds of the properties of the companies is concerned, it is submitted that the Respondent has inspected all the title deeds and has not found anything on variance and therefore the question of non-reporting of variance does not arise.
- xiii. Even otherwise the complainant has failed to indicate as to which was the property which was not in the name of company which has allegedly been failure of the part of respondent to be reported. In view of the foregoing, there is no merit in the charges and therefore the complaint is liable to be dismissed.

Written Submissions filed by the Complainant:

5.3 The Complainant vide email dated 24th August 2022, inter-alia, made the submissions which are given as under: -

- i. The Respondent has been the auditor for both the companies BHP Engineers Pvt. Ltd. and BHP Infrastructure Pvt. Ltd. for a very long period starting from 2004 or so. He cannot claim to not know the detailed financials and state of affairs of either company or the details of what has transpired from before 2014.
- ii. The respondent mentions that "the Board of BHP Infrastructure has personally assured that the loan will be returned as and when it falls due for repayment or demanded by the lender." However, he has not submitted any supporting document for this assurance.
- iii. Both the companies BHP Engineers Pvt. Ltd. and BHP Infrastructure Pvt. Ltd. have stopped filing their annual reports with the ROC for the last five years or so. BHP Engineers Pvt. Ltd. has not sent their financials and annual reports to the shareholders since 2016-17. BHP Infrastructure Pvt. Ltd. defaulted on its bank loans and has disposed of its factory land, building and machinery in 2018-19.
- iv. Both the companies BHP Engineers Pvt. Ltd. and BHP Infrastructure Pvt. Ltd. are not doing any significant business and are practically defunct. Status of both the companies BHP Engineers Pvt. Ltd. and BHP Infrastructure Pvt. Ltd. as seen on MCA website as regards filing etc. is enclosed.

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

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

S. No.	Date of meeting(s)	Status
1.	22 nd May 2023	Part heard and adjourned
2.	15 th July 2024	Part heard and adjourned
3.	16 th October 2025	Part heard and adjourned
4.	3 rd November 2025	Hearing Concluded and Decision Taken

- 6.1. On the day of first hearing on 22nd May 2023, the Committee noted that the Complainant was present physically and appeared before it. The Counsels for the Respondent was present through Video Conferencing Mode for the hearing. Being first hearing of the case, the Complainant was put on oath. Thereafter, the Committee noted that the Respondent was not present and in the absence of the Respondent, the Committee adjourned the captioned matter to a later date. With this, the case was part heard and adjourned.
- 6.2. On the day of hearing on 15th July 2024, the Committee noted that the Complainant in person and Respondent through VC were present and appeared before it. Further, the Committee noted that the Complainant was already put on Oath on 22.05.2023. Hence, the Respondent was put on Oath. Thereafter, the Committee enquired from the Respondent as to whether he was aware of the charges against him and then the charges as contained in prima facie opinion were read out. On the same, the Respondent replied that he was aware of the charges and pleaded 'Not Guilty' to the charges levelled against him. 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 a future date. With this, the case was part heard and adjourned.
- 6.3. On the day of hearing on 16th October 2025, the Committee noted that Respondent along with counsel was present through VC and the Complainant was present in person and appeared before it.

As regards the first allegation related to a loan granted to a sick company, the counsel for Respondent stated that the company was financially sound at the time of disbursement in 2013, and the company had a history of repaying loans since 2006. The Complainant countered that the loan was not realizable and the company was defunct since 2016, with no AGMs or filings in recent years. The second allegation involved non-reporting of a violation of Section 186 of the Companies Act, 2013, which the Respondent argued was not applicable at the time of the loan disbursement in 2013, as the Section came into effect on 1st April 2014. The Complainant contended that the company violated Section 186 by passing a backdated special resolution in 2016 to approve the loan given in 2013.

The third allegation concerned non-reporting of a sales tax demand of Rs. 87.16 lakhs in the auditor's report. The counsel for Respondent argued that the demand was disclosed as a contingent liability in the financial statements and was set aside by the Sales Tax Department before the audit report was signed. The Complainant countered that the demand was not mentioned in the auditor's report, which was issued before the order setting aside the demand. The fourth allegation involved non-reporting of title deed verification in the auditor's report, which the Respondent admitted but justified by stating that no discrepancies were found during the inspection. The Complainant argued that the Respondent, being the auditor for both companies for over 10 years, should have been aware of the financial issues of the borrowing company, including its defunct status and ongoing litigations. The Committee noted the submissions of the parties. With this, the case was part heard and adjourned.

- 6.4. On the day of hearing on 03rd November 2025, the Committee noted that Complainant and Respondent along with Counsel were present through VC and appeared before it.

Further the Committee asked Complainant/Respondent to make submissions. The Respondent counsel submitted that the Complainant has produced no evidence to show that the borrower was a "sick company" on 31 March 2018. Section 186 is inapplicable since the loan was granted prior to its effective date. The Sales Tax demand was a third-party matter, properly disclosed as a contingent liability, and has since been set aside. No title deeds exist that were not in the company's name, and thus no reporting lapse can be attributed to him. He accordingly requested the Committee to hold that no professional misconduct is made out.

- 6.5. Based on the documents/material and information available on record and the oral and written submissions made by the parties, and on consideration of the facts of the case, the Committee concluded the hearing in subject case and decided on the conduct of the Respondent.

7. **Findings of the Committee: -**

- 7.1. The Committee noted that there are Seven allegations against the Respondent in which he has been held Prima Facie Guilty and same has been explained in para 2.1 to 2.7 above.
- 7.2 As regard **charge as mentioned in Para 2.1** above against the Respondent is that he improperly reported the loan amounting to Rs 4.00 Crores advanced by the Company to M/s BHP Infrastructure Pvt. Ltd. as "realisable/regular", despite the said borrower allegedly being a "sick company", and that such reporting was not in the interest of the Company or its members.
- 7.3 It is noted that the alleged loan of Rs.4.00 crores was sanctioned by the Board of Directors of the Company in its meeting dated 31.03.2013, for a period of four years commencing from 01.04.2013 to 31.03.2017.
- 7.4 It is noted that at the time of sanction of the loan, M/s BHP Infrastructure Pvt. Ltd. was not a "sick company". No documentary or contemporaneous evidence has been brought on record by the Complainant to establish that the borrower was classified as sick, insolvent, or financially non-viable as on the date of approval of the loan. In the absence of such evidence, the allegation that the loan was granted to a sick company remains unsubstantiated.
- 7.5 The audit reports for F.Y. 2014–15 and F.Y. 2015–16 disclose the existence of the loan and classify the same as regular. The Respondent during the course of proceedings has demonstrated that:
- Necessary balance confirmations from the borrower were available on record.
 - The Board of Directors of M/s BHP Infrastructure Pvt. Ltd. had given assurances regarding repayment of the loan as and when demanded or when due.
 - The borrower was regularly servicing the interest on the loan.
 - The borrower had represented that it possessed sufficient assets to meet its liabilities.

7.6 Further, the resolution governing the loan stipulated that both principal and interest were payable on demand. No material has been produced by the Complainant to show that any demand for repayment was raised by the Company and that such demand was dishonoured by the borrower. In the absence of default or demonstrated impairment, there was no objective basis for the Respondent to classify the loan as doubtful or irrecoverable.

7.7 It is viewed that, in the normal course of audit, an auditor is entitled to rely on management representations, confirmations, and other audit evidence, unless there exist circumstances giving rise to suspicion or indications of material misstatement.

In the present case, no suspicious circumstances, defaults, or adverse events were shown to exist during the relevant financial years which would have necessitated a different classification of the loan. The mere existence of certain statutory liabilities or demands against the borrower, without evidence of non-recovery or default, does not automatically render a loan doubtful. The material on record does not establish that the Respondent ignored any red flags or failed to exercise reasonable professional skepticism.

7.8 In view of the above, the Respondent is held **Not Guilty** of Professional Misconduct falling within the meaning of Clause (6) and (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

7.9 As regards **charge as mentioned in Para 2.2** above the non-reporting of violation of Section 186 of the Companies Act, 2013, the Committee noted that the loan to M/s BHP Infrastructure Pvt. Ltd. was granted on 31.03.2013. On the said date, the provisions of the Companies Act, 1956 were in force and the Companies Act, 2013 had not yet come into operation. Consequently, Section 372A of the Companies Act, 1956 was the applicable provision governing loans and investments at the time of grant of the loan.

7.10 The Committee further notes that Section 372A of the Companies Act, 1956 was not applicable to private companies. The Company in the instant case being a private limited company, the statutory restrictions and reporting requirements under Section 372A were not attracted. Accordingly, there was no statutory requirement for



reporting or qualification in respect of the said loan in the audit report for F.Y. 2012--13.

7.11 It is also noted that the provisions of the Companies Act, 2013, including Section 186, became applicable with effect from 01.04.2014, i.e., from F.Y. 2014-15 onwards.

7.12 In the present case, it is viewed that the loan was duly reflected in the balance sheet, and there is no allegation or evidence that the loan was concealed or misstated in the financial statements.

7.13 Moreover, an explicit reference to Section 186 was made by the Respondent in Annexure A of the audit report for F.Y. 2015-16, wherein it was stated that the loan was covered under Section 186 and that a special resolution was proposed to be placed before the shareholders at the ensuing AGM.

7.14 Based on the above, the Respondent is held **Not Guilty** of Professional Misconduct falling within the meaning of clause (5) and (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

7.15 As regards **charge as mentioned in Para 2.3** above the Non-reporting of Sales Tax Demand of Rs. 87.16 lakhs in the Audit Report, the Committee observed that, the contingent liability of Rs. 87.16 lakhs had existed since FY 1992-93 and was disclosed in the notes to accounts.

7.16 The Committee noted that it is not in dispute that a demand of Rs.87.16 lakhs was raised by the Sales Tax Department and that the matter was under litigation. It is also a matter of record that, as on the date of signing of the audit report, i.e. 07.09.2016, the Respondent was in possession of a legal opinion from a senior advocate, opining that the transactions in question were covered under Section 5(2) of the CST Act, 1956, and that the resultant tax liability would be Nil.

7.17 Further, the order of the Appellate Tribunal dated 12.09.2016, whereby the earlier assessment orders were set aside, and the Assessing Officer was directed to reframe the assessment, came after the date of signing of the audit report. Consequently, the Respondent could not have considered or reported an order which was not in existence at the time of issuance of the audit report.

7.18 The Committee further viewed that in the present case, the contingent liability was duly disclosed by the management. Merely because the demand was old or pending for a long period does not, by itself, mandate a separate adverse comment in the auditor's report, particularly when the matter was sub-judice, a competent legal opinion indicated a favourable outcome, and the liability was not crystallised.

7.19 Based on the above reasonings, the Respondent is held **Not Guilty** of Professional Misconduct falling within the meaning of Clause (6) and (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

7.20 As regards **charge mentioned in Para 2.4 above** that there were reported "no disputed dues" despite explicit disclosure of disputed statutory demands and MSME award in the notes to accounts, it is noted that the audit report in paragraph 7 (b) of Annexure A to the Auditor's Report stated that there were "no disputed statutory dues", while the financial statements signed by the same Respondent contained: A sales tax demand of Rs. 87.16 lakhs; An MSME arbitral award of principal Rs. 8.46 lakhs and interest Rs. 75.98 lakhs challenged before the High Court.

7.21 It is viewed that the failure to reflect these disputes in the audit report is inconsistent with the financial statements themselves, demonstrating internal contradiction attributable to lack of due diligence.

7.22 The Respondent's explanation that the matter was already discussed under other charges does not neutralize the fact that the CARO reporting was affirmatively incorrect.

7.23 Accordingly, the Respondent is held **Guilty** of Professional Misconduct falling within the meaning of Clause (6) and (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

7.24 As regard **charge as mentioned in Para 2.5** above that Audit Report for 2015-16 not in accordance with CARO 2016, the Committee viewed that CARO 2016 was mandatorily applicable for FY 2015-16. The Respondent either omitted or inadequately commented on several matters, including statutory dues and title deeds.

7.25 His omissions in CARO 2016 overlap with the deficiencies already observed under earlier charges, confirming non-compliance with statutory reporting duties.

7.26 Since the Respondent failed to report material misstatements, and did not exercise due diligence, Respondent is held **Guilty** of Professional Misconduct falling within the meaning of Clause (6) and (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

7.27 As regard **charge as mentioned in Para 2.6** above for failure to verify and report upon title deeds of immovable properties as required under CARO, the Committee noted that the Respondent initially admitted not checking the property deeds; later he attempted to retract the admission, creating inconsistency in his own defence.

7.28 It is further noted that CARO requires explicit verification and reporting, even if no discrepancies are found. Silence is itself non-compliance.

7.29 It is viewed that the Respondent produced no audit documentation evidencing verification of deeds, nor any record of procedures performed. Auditors are required to maintain working papers demonstrating compliance and the absence of such documentation is attributed against the Respondent.

7.30 Since the Respondent failed to report material misstatements, and did not exercise due diligence, Respondent is held **Guilty** of Professional Misconduct falling within the

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meaning of Clause (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

7.31 As regards charge as mentioned in Para 2.7 above regarding Violation of Section 186 of the Companies Act 2013 from 1.4.2014 till date. Further, attempt was made to cover up violation of Section 186 of the Companies Act, 2013 from 1.4.2014 by passing backdated special resolution in September 2016. Findings in this regard are already given in para 7.9 to 7.14 as above and hence no separate findings are given.

7.32 In view of the above, the Committee held the Respondent **NOT GUILTY** of Professional Misconduct" falling within the meaning of Clause (5) and (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

9. Conclusion:

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

Charges (as per PFO)	Findings	Decision of the Committee
Para 2.1	Para 7.2 to 7.8 as above	Not Guilty- Clause (6) and (7) of Part I of Second Schedule
Para 2.2	Para 7.9 to 7.14 as above	Not Guilty- Clause (5) and (7) of Part I of Second Schedule
Para 2.3	Para 7.15 to 7.19 as above	Not Guilty- Clause (6) and (7) of Part I of Second Schedule
Para 2.4	Para 7.20 to 7.23 as above	Guilty- Clause (6) and (7) of Part I of Second Schedule
Para 2.5	Para 7.24 to 7.26 as above	Guilty- Clause (6) and (7) of Part I of Second Schedule
Para 2.6	Para 7.27 to 7.30 as above	Guilty- Clause (7) of Part I of Second Schedule
Para 2.7	Para 7.31 to 7.32 as above	Not Guilty- Clause (5) and (7) of Part I of Second 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 Misconduct falling within the meaning of Clauses (6) and (7) of Part I of Second Schedule to the Chartered Accountants Act, 1949.

②

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

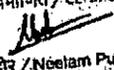
Sd/-
(ADV. VIJAY JHALANI)
GOVERNMENT NOMINEE

Sd/-
(CA. MANGESH P KINARE)
MEMBER

Sd/-
(CA. SATISH KUMAR GUPTA)
MEMBER

DATE: 30th January 2026

PLACE: New Delhi

सत्यापित होने के लिए प्रमाणित / Certified to be True Copy

नीलम पुंडीर / Neelam Pundir
वरिष्ठ कार्यकारी अधिकारी / Sr. Executive Officer
अनुशासनोत्पन्न विभाग / Disciplinary Directorate
भारतीय सार्वजनिक लेखाकार संस्थान
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