



* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

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Judgment Reserved on: 04.12.2025

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+ **CHAT.A.REF 2/2018**

COUNCIL OF INSTITUTE OF CHARTERED ACCOUNTANTS

.....Petitioner

versus

SHRI KISHAN GUPTA AND ANR.

.....Respondents

Advocates who appeared in this case

For the Petitioner : Mr. Deepin Deepak Sahni, Advocate.

For the Respondents : Mr. Vijendra Singh Mahndiyam, CGSC for R2.

CORAM:

HON'BLE MR. JUSTICE V. KAMESWAR RAO

HON'BLE MR. JUSTICE VINOD KUMAR

JUDGMENT

V. KAMESWAR RAO, J.

1. This reference has been made by the Council of Institute of Chartered Accountants ("CICA") seeking orders under Section 21(5) of the Chartered Accountants Act, 1949 (pre-amended) ("Act") for removal of the name of respondent no. 1 namely Shri Kishan Gupta from the Register of Members for a period of one year.



2. The Chairman of the Securities and Exchange Board of India (“SEBI”) vide order dated 12.12.2002 passed directions against the respondent no. 1 under Section 11B of the Securities and Exchange Board of India Act, 1992 read with Regulation of the SEBI (Prohibition of Fraudulent & Unfair Trade Practices relating to Securities Market) Regulations, 1995. As per the petitioner, the allegations made by the SEBI against respondent no. 1 are broadly as under:-

- (a) The irregular allotment of 1,17,200 shares of Bharthari Financial Services Limited (“BFSL”) involving irregular subscription of 27,00,000 shares with an application money of Rs. 2.70 crores by way of stock invests issued by Sangli Bank, Karol Bagh, Delhi.
- (b) The irregular allotment of 57,600 shares of BFSL involving irregular subscription of 14,40,000 shares with an application money of Rs. 1.44 crores by way of stock invests issued by State Bank of India, Ashram Road, Ahemdabad.
- (c) The filing of incorrect information regarding encashment of stock invests.

3. The SEBI wrote a letter dated 10.06.1999 to the petitioner pointing out certain irregularities in the public issue of BFSL. The respondent no. 1 herein is a qualified Chartered Accountant and member of the Institute of Chartered Accountant of India (“ICAI”) and also the Chairman and whole-time Director of BFSL. The petitioner after perusing the letter as received from SEBI wherein irregularities in public issue of BFSL were pointed out, requested the respondent no. 1 to offer a clarification vide letters dated 02.02.2000 and 11.10.2000. However, no clarification received from the



respondent no. 1 and the petitioner was constrained to treat the letter from SEBI as “information” against the respondent no. 1 for “other misconduct” falling under Section 22 read with Section 21 of the Act.

4. Thereafter, the petitioner by way of an information letter dated 15.12.2005 reiterated the aforesaid position wherein the respondent no. 1 was charged for “other misconduct” falling under Section 22 read with Section 21 of the Act and directed the respondent no. 1 to submit his written statement in his defence as per Regulation 12(7) read with Regulation 13 of the Chartered Accountants Regulations, 1988 (“Regulations”). The petitioner after having considered the information letter dated 15.12.2005 noted that despite various reminders, respondent no. 1 did not submit his written reply and thus, non-submission of any clarification by the respondent no. 1 clearly demonstrates the admission of the charges. Thereafter, the petitioner in accordance with Regulation 12(11) of the Regulations passed a prima facie opinion that the respondent no. 1 was guilty of professional/other misconduct and further referred the case to the Disciplinary Committee constituted by the petitioner for an enquiry.

5. As per Mr. Deepin Deepak Sahni, learned counsel appearing on behalf of the petitioner, the respondent no. 1 along with his counsel was present before the Disciplinary Committee at the hearing held on 09.04.2013. The Disciplinary Committee after concluding the proceedings vide its report dated 10.02.2014 observed as under:-

- I. The respondent no. 1 had conspired with another Chartered Accountant by the name of Ashok Chawla in arranging the finances for the purpose of obtaining antedated stock-invests, which were issued at a higher amount for subscribing as a public



issue for BFSL after the closure of its issue and thus, facilitated irregular allotment to the detriment of the general investing public.

- II. The respondent no. 1 being the Chairman and wholetime Director of BFSL was not only aware of the closure issue on 05.10.1995 yet accepted the said applications with antedated stock-invests issued on 23.11.1995.
- III. After the said applications were withdrawn vide letter dated 01.12.1995, the stock-invests were returned vide letter dated 14.12.1995. Even after that the respondent no. 1 did not stop the allotment of shares and issued the share certificates to the applicants, which is detrimental to the general investors.
- IV. The BFSL without receiving any amount released the share certificate and while being aware of this irregular allotment took no action.

6. Mr. Sahni stated that the respondent no. 1 submitted a written representation on 11.12.2017 and thereby denied all the allegations and charges leveled against him by the petitioner through the information letter dated 15.12.2005.

7. As per Mr. Sahni, the petitioner after having considered the report of the Disciplinary Committee dated 10.02.2014 and the written representation of the respondent no. 1 dated 11.12.2017 observed that the involvement of respondent no.1 with the Chartered Accountant Ashok Chawla in arranging finances for the purposes of obtaining ante-dated stock-invests, which were issued at a higher amount for subscription at the public issue of BFSL, which was after the closure of its issue has been clearly established.



8. The petitioner accepted the report of the Disciplinary Committee and it is the case of the petitioner that the respondent no. 1 had been found guilty of other misconduct under Section 22 read with Section 21 of the Act.

9. Mr. Sahni states that the aforementioned disciplinary case under Section 21(5) of the Act is now submitted before this Court for the necessary orders under Section 21(6) of the Act and prays that the name of the respondent no. 1 be removed from the Register of Members for a period of one year.

10. Having heard the learned counsel for the parties and perused the record, we note that pursuant to the reference made by the CICA, the notice was issued on this reference to the respondent no. 1 *vide* order dated 26.11.2018. Notice of respondent no.1 was received back unserved with the report that *“he left the premises long time ago”* as is clear from the order dated 01.02.2019. The order dated 11.07.2019 recorded that notice to respondent no.1 was duly served on 06.09.2019. In fact, this Court recorded that Mr. Shivam Malhotra and Ms. Sonika Rathore entered appearance. In any case, we find representation was made by Mr. Chanchal Gupta on 22.02.2024 for respondent no. 1. The respondent no.1 remained unrepresented thereafter. No response to the reference has been filed by the respondent no. 1 despite repeated opportunities. The allegations against the respondent no. 1 have been summarized in paragraph 2 above.

11. The Disciplinary Committee headed by three members vide its report dated 10.02.2014 had given the following findings:-

“8. On perusal of documents on record along with the submissions and documents submitted by the SEBI, the Committee gives its findings as under:-



8.1 The Committee noted that this is an "information" case. The SEBI alleged that the Respondent, Chairman of BFSL connived with CA. Ashok Chawla in arranging finance for purpose of obtaining ante dated stock invests which were used at higher amount for subscribing to the public Issue of BFSL after the close of Its Public issue and thus facilitated irregular allotments to the detriment of the general investing public. It was further alleged by the SEBI that the Respondent, being a person associated with the securities market, has not acted in the interest of the investors in the Securities market.

8.2 It was observed by the Committee that CA, Ashok Chawla had admitted that he was in association with the Respondent for arranging the finance. On perusal of SEBI directions u/s 11B of the SEBI Act in relation to CA. Ashok Chawla, the Committee observed that CA. Ashok Chawla was to receive consideration of 6% on the investment. Since, he did not receive the consideration, he got the applications withdrawn vide withdrawal notices dated 1st December, 1995 sent to BFSL. The BFSL vide letters dated 14th December, 1995 returned the original stock invests.

8.3 The Committee noted that the Respondent in his reply before SEBI had contended that he had not received the applications from CA. Ashok Chawla and further stated that withdrawal application were received too late, almost near finalization of public issue. The Committee noted from the orders of SEBI U/s 11B in relation to Respondent that, the withdrawal of applications was made on 1st December, 1995 which was much before the approval of basis of allotment on 8th December, 1995 and the date of listing on 14th December, 1995. Further, the applications were acknowledged by BFSL vide their letters dated 14th December, 1995 addressed to applicants returning the original stock invests to CA. Ashok Chawla. The returning of stock invests to CA



Ashok Chawla instead of the applicants clearly shows, the association of the Respondent with CA, Ashok Chawla and establishes his connivance with him. CA. Ashok Chawla also had only named the Respondent, when there were other directors in the Company. This also proves the association between CA. Ashok Chawla and the Respondent.

8.4 The Committee noted that the applicants vide letters dated 1st December, 1995 withdrew the applications. The BFSL also returned the stock invests vide letters dated 14th December, 1995, however, on the other hand also allotted the shares. These shares were returned by the applicants, vide their letters dated 28th December, 1995. On perusal of letters of withdrawal dated 1st December, 1995 and subsequently returning of shares vide letter dated 28th December, 1995 issued by the applicants to BFSL, the Committee noted that in all these letters to BFSL, attention was invited of the Respondent. This clearly proves that the Respondent was very much aware of all the developments and was entrusted with the task relating to stock invests issued the Sangli Branch. Further the letter dated 14th December, 1995 was signed by the Respondent in his capacity as the director of BFSL. The Committee noted that the Respondent even after receipt of letters dated 1st December, 1995 relating to withdrawal of applications had not taken any corrective action and BFSL on the contrary, had allotted and dispatched shares to the applicants. Further, the Respondent was the Director of the Company and hence onus was on him to ensure the rightful allotment of shares and share certificates, thereafter.

8.5 SEBI in its report had submitted that all the stock invests had been issued to CA, Ashok Chawla on 23rd November, 1995 against the security of his fixed deposits, whereas the issue of BFSL was closed on 5th October, 1995.



8.6 It is also observed that the Respondent was also associated with CA. Ashok Chawla in altering of stock-invests and backdating of applications resulting in irregular allotments in case of M/s. Manu Finlease Ltd. (MFL).

8.7 On perusal of SEBI investigation report, the Committee noted that in case of MFL, the State Bank of India, Ashram Road, Ahmedabad admitted that stock invests had been issued ante-dated. The stock invests used in the public issue of BFSL bore serial number after 361258 whereas, investigations in MFL showed that stock invests bearing sl. No. 361258 were issued on 30.11.1995. Therefore, this prima-facie proves that stock invests used in subscribing to the shares of BFSL were subsequent to 30.11.1995, but it is also clear that the public issue was closed on 05.10.1995. This fact clearly shows that the concept of antedating appeared in the BFSL. Further, it is noted that stocks invests by CA. Ashok Chawla bore the date of 23.11.1995.

8.8 It was also noted by the Committee that SEBI had permanently debarred the Respondent from associating with the capital market related activities. The Hon'ble Securities Appellate Tribunal (SAT), Mumbai vide order dated June 2, 2006 (in appeal No. 51 of 2003) while affirming the findings recorded by SEBI against the company and its Chairman cum Whole Time Director i.e the Respondent, modified the period of prohibition to 7 years. In the said order, Hon'ble SAT inter alia observed,

“The Board referred to two of its earlier orders, debarring Shri S.K. Gupta from accessing the capital market for a period of 5 years each. In one of those cases, Shri S.K. Gupta was found to have indulged in identical manipulative activities where the public issue had been oversubscribed in connivance with the aforesaid Ashok Chawla. The modus operandi was also the same and stock invests had been obtained from Sangli Bank, Karol Bagh Branch, New Delhi. There



appears to be a link between S.K. Gupta, Ashok Chawla and the said Bank.”

8.9 The Committee noted that the SAT in its order had referred the Respondent as Chairman and whole time director. The Whole time director means a director who is in employment and who devotes his whole time and attention in the carrying of affairs of the Company. It was further noticed by the Committee that the Respondent was also signatory to bank accounts of the Company and hence was in executive capacity.

The Committee observed that the date mentioned on the Stock invests were 5th October, 1995. However, from the SEBI investigation report of BFSI, the Committee noted that the detail of discrepancies in Stock invests issued by the Sangli Bank Ltd., Karol Bagh, New Delhi are as under:

		AS PER STOCK INVEST ISSUE REGISTER OF BANK		AS PER SHARE APPLICATION FORM	
Sl. No.	Stock Invest No.	Date of Stock Invests	Amount of Stock Invests (Rs./ LACS)	Date of Stock Invests	Amount of Stock Invests (Rs./ LACS)
1.	322671	23.11.1995	1.00	05.10.1995	10.00
2.	322672	23.11.1995	1.00	05.10.1995	10.00
3.	322673	23.11.1995	1.10	05.10.1995	11.00
4.	322674	23.11.1995	1.10	05.10.1995	11.00
5.	322675	25.11.1995	1.00	05.10.1995	10.00
6.	322676	25.11.1995	1.00	05.10.1995	10.00
7.	322677	25.11.1995	1.00	05.10.1995	10.00
8.	322678	25.11.1995	1.00	05.10.1995	10.00
9.	322679	25.11.1995	1.00	05.10.1995	10.00
10.	322680	25.11.1995	1.10	05.10.1995	11.00
11.	322681	25.11.1995	1.10	05.10.1995	11.00
12.	322682	25.11.1995	1.10	05.10.1995	11.00
13.	322683	25.11.1995	1.10	05.10.1995	11.00



14.	322684	25.11.1995	1.10	05.10.1995	11.00
15.	322685	25.11.1995	1.10	05.10.1995	11.00
16.	322686	25.11.1995	1.20	05.10.1995	12.00
17.	322687	25.11.1995	1.20	05.10.1995	12.00
18.	322688	25.11.1995	1.20	05.10.1995	12.00
19.	322689	25.11.1995	1.20	05.10.1995	12.00
20.	322690	25.11.1995	1.20	05.10.1995	12.00
21.	322691	25.11.1995	1.20	05.10.1995	12.00
22.	322692	25.11.1995	1.10	05.10.1995	11.00
23.	322693	25.11.1995	1.10	05.10.1995	11.00
24.	322694	25.11.1995	1.10	05.10.1995	11.00
25.	322695	25.11.1995	1.00	05.10.1995	10.00
26.	322696	25.11.1995	1.00	05.10.1995	10.00
27.	322697	25.11.1995	1.00	05.10.1995	10.00
TOTAL			29.30		293.00

The details of share applied and shares allotted above stock invests are as under:

Sl. No.	Stock Invest No.	Shares applied	Shares Allotted but surrendered
1.	322671	10000	4000
2.	322672	10000	4000
3.	322673	11000	4400
4.	322674	11000	4400
5.	322675	10000	4000
6.	322676	10000	4000
7.	322677	10000	4000



8.	322678	10000	4000
9.	322679	10000	4000
10.	322680	11000	4400
11.	322681	11000	4400
12.	322682	11000	4400
13.	322683	11000	4400
14.	322684	11000	4400
15.	322685	11000	4400
16.	322686	12000	4800
17.	322687	12000	4800
18.	322688	12000	4800
19.	322689	12000	4800
20.	322690	12000	4800
21.	322691	12000	4800
22.	322692	11000	4400
23.	322693	11000	4400
24.	322694	11000	4400
25.	322695	10000	4000
26.	322696	10000	4000
27.	322697	10000	4000
TOTAL		293000	117200

Hence, there was irregular subscription to the public issue of the BFSL by way of stock invests for 29.3 lacs shares involving an application money Rs. 29.3 lacs resulting in a irregular allotment of 1,17,200 shares. The Respondent as whole time director failed to justify his duties levied by the Companies Act in this regard.

8.10 it was also observed by the SAT that "It is obvious that Ashok Chawla and S.K. Gupta had both connived with each other to artificially oversubscribe the issue so that value of the scrip of the company increases in the market. S.K. Gupta is admittedly the promoter of the company and is holding



substantial shares therein. When a public issue of any company gets oversubscribed it is the promoters of that company who are the beneficiaries because they are the ones who hold the shares in substantial number but when this is manipulated it obviously affects the innocent investor in the market who tends to purchase the same and pays more than the worth of the share."

As per the prospectus of the Company, the Respondent was one of the promoters and hence was beneficiary in case of over subscription of shares.

8.11 The Committee noted that the Respondent had not filed any appeal against the SAT order.

8.12 In view of the facts and evidences it is clear that the Respondent was associated with CA. Ashok Chawla and was involved in arranging finance for purpose of obtaining ante-dated stock-invests which were issued at higher amount for subscribing to the public issue of BFSL after the close of its issue and thus facilitated irregular allotments to the detriment of general investing public. Further, the Respondent as Chairman and Whole Time Director of the Company was aware that the issue was closed on 5th October, 1995, yet, accepted the applications with ante-dated stock invests issued on 23rd November, 1995. The applicants withdrew the applications vide withdrawal notice dated 1st December, 1995 marking the attention of the Respondent. The Committee further noted that the Respondent in spite of aware of the withdrawal of the applications vide letter dated 1st December, 1995, returned the stock invests vide letter dated 14th December, 1995 subsequently, however, did not stop the allotment of shares and issued the share certificates to these applicants to the detriment of the general investors. The allotment is done by the Board and not by the intermediary of the SEBI. The Committee noted that the Company without receiving any amount released the share certificates and being aware of the same that there was irregular allotment, no internal



action was taken. This shows that it was done at the Respondent's behest. The aforesaid act of the Respondent is unbecoming of a Chartered Accountant and thus, the Respondent is guilty of "Other Misconduct" under Section 22 read with Section 21 of the Chartered Accountants Act, 1949.

CONCLUSION :

9. In conclusion, in the considered opinion of the Committee, the Respondent is Guilty of "Other Misconduct" under Section 22 read with Section -21 of the Chartered Accountants Act, 1949. “

12. The above reproduced findings conclusively prove that the respondent no. 1 is guilty of “other misconduct” under Section 22 read with Section 21 of the Act. The said provision read as under:-

“21. Disciplinary Directorate.—(1) The Council shall, by notification, establish a Disciplinary Directorate headed by an officer of the Institute designated as Director (Discipline) and such other employees for making investigations in respect of any information or complaint received by it.

(2) On receipt of any information or complaint along with the prescribed fee, the Director (Discipline) shall arrive at a prima facie opinion on the occurrence of the alleged misconduct.

(3) Where the Director (Discipline) is of the opinion that a member is guilty of any professional or other misconduct mentioned in the First Schedule, he shall place the matter before the Board of Discipline and where the Director (Discipline) is of the opinion that a member is guilty of any professional or other misconduct mentioned in the Second Schedule or in both the Schedules, he shall place the matter before the Disciplinary Committee.

(4) In order to make investigations under the provisions of this Act, the Disciplinary Directorate shall follow such procedure as may be specified.



(5) Where a complainant withdraws the complaint, the Director (Discipline) shall place such withdrawal before the Board of Discipline or, as the case may be, the Disciplinary Committee, and the said Board or Committee may, if it is of the view that the circumstances so warrant, permit the withdrawal at any stage.

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22. Professional or other misconduct defined.—For the purposes of this Act, the expression “professional or other misconduct” shall be deemed to include any act or omission provided in any of the Schedules, but nothing in this section shall be construed to limit or abridge in any way the power conferred or duty cast on the Director (Discipline) under sub-section (1) of section 21 to inquire into the conduct of any member of the Institute under any other circumstances.”

13. Pursuant thereto, even a representation was called for from the respondent no. 1 and the respondent no. 1 has given his representation vide letter dated 11.12.2017 wherein he has stated as under:-

“With reference to the aforementioned subject I have to submit as under:

1. That I qualified as Chartered Accountant and enrolled as a member of the Institute of Chartered Accountants of India (hereinafter referred to as "The ICAI") and obtained Certificate of Practice on 25th February, 1985. Presently I am practicing under the name of M/s S.K.Sethi & Associates, Chartered Accountants (FRN 008808N). I became fellow member of the ICAI on 25th February, 1990.

2. That during my career of more than 32 years, this is the first time any allegation of professional misconduct is made against me. There is no past record of any misconduct or any allegation.



3. *All the information received against me is-baseless, without any legs and nullity which can be more specifically clear by following submissions:*

a. *I was never the Managing Director of the alleged company M/s Bharthari Financial Services Ltd. and a director simplicitor and was only Chairman of the company which is a non-executive designation.*

b. *It is pertinent to mention here that after the opening of any public issue all the onus/control lies with the intermediaries to the issue. In my case the State Bank of Travancore (A Nationalised Public Sector Bank) & Hindustan Financial Management Services Ltd. were the SEBI registered Merchant Bankers, Sungrow Datasoft Pvt. Ltd. was the SEBI registered Registrar to the Issue, PeeAar Leasing Pvt. Ltd. was SEBI registered Advisor to the Issue and State Bank of Travancore, Corporation Bank & Punjab National Bank were Bankers to the issue.*

c. *in addition to above the SEBI representative was present at the time of allotment of shares against the public issue and allotment has been done under his supervision and authentication.*

d. *It is also pertinent to mention here that SEBI has put life time ban on me from trading in the capital market based on their information/biased investigation, by not putting any onus on their own representative under whose supervision/authentication the whole allotment process was carried out. On the contrary Securities Appellate Tribunal (SAT) has set aside the life time ban and restricted the same to period already elapsed till the date of their order.*

Our records pertaining to all these proceedings were destroyed by white ants, in our record room and I am trying to retrieve all the relevant documents/information/orders etc. from the concerned



authorities and seek some time to file the same for a judicious view of the disciplinary directorate or the ICAI may suo-moto call for all the relevant documents/information/orders etc. from the concerned authorities to decide the case judiciously. From the mere perusal of these relevant documents/information/orders etc. it will be clear that all the information is wrong and has no legs to substantiate in any court of law.

If the ICAI wishes not to grant any adjournment to place these documents on record than the authorized representative CA Sanjay Singhal will appear on the date, time and venue as stipulated.

I, S.K.Gupta, the respondent do hereby declare that what is stated above is true to the best of my information and belief.”

14. The representation of the respondent was placed before the CICA, which in its meeting held on 19.12.2017 has come to a conclusion to accept the report of the Disciplinary Committee and accordingly held the respondent no. 1 guilty of the misconduct under Section 22 read with Section 21 of the Act and to recommend to this Court order of removal of name of the respondent no.1 from the Register of Members for a period of one year. It is pursuant thereto that the present reference has been made. In the absence of any reply filed by the respondent no. 1, the reference has gone uncontested by the respondent no.1.

15. It may be stated here that similar allegations were made against another Chartered Accountant namely A. K. Chawla of A. K. Chawla and Associates and a similar recommendation was made in the case of A. K. Chawla i.e. for removal of his name for a period of one year. The reference has been answered by a Coordinate Bench of this Court in ***Council of the***



Institute of Chartered Accountant Of India v. Ashok Kumar & Anr., 2017:DHC:7218-DB wherein the Court while relying on the judgment of the Supreme Court in the case of council of the *Institute of Chartered Accountants & Anr. v. B. Mukherjea, AIR 1958 SC 72*, had accepted the reference in exercise of its powers under Section 21(6) of the Act as existed at the relevant time to direct that the respondent therein shall be suspended from the membership of ICAI for a period of one year. He was restrained from rendering any service as a Chartered Accountant as recognized under the Act.

16. Thus, it is clear that the respondent no. 1 was found guilty of the allegations made against him, which we have reproduced in paragraph 4 of this order.

17. If that be so, the Disciplinary Committee recommendation having been agreed to by the Council it is clear the the respondent no. 1 is found guilty after following due process.

18. The above findings clearly reveals that the respondent no. 1 had conspired with A. K. Chawla in arranging finances for the purposes of obtaining ante-dated stock-invests, which were issued at a higher amount. The respondent no. 1 being the Chairman and Whole Time Director of BFSL was aware of the closure issue on 05.10.1995 yet he had accepted the said applications with antedated stock-invests issued on 23.11.1995. The involvement of respondent no. 1 with A. K. Chawla has been noted in detail by the Co-ordinate Bench of this Court in the judgment in the case of *Ashok Kumar (supra)*, the relevant paragraphs of which read as under:-

“24. The respondent’s submission that he was not involved in the tampering of the stock invest on the ground that he had



handed over the blank forms to Sh. S.K. Gupta and his staff members, should be disbelieved in light of the evidence and material. Even if one were to believe that the applications and stock invests were tampered with by Sh. S.K. Gupta, there is no reason whatsoever as to why the respondent, a CA by profession, ought to have handed over applications and blank monetary instruments to anyone, so as to enable such a person to not only tamper with the date, but also the number of shares and the amount of share application money. The finding of SEBI is that the respondent connived with Sh. S.K. Gupta. Even the DC of the ICAI categorically records that the respondent had connived with Sh. S.K. Gupta, which finding reads as under:

“8.3 The Committee had perused the documents on record, the written submissions filed by the Respondent and also heard the Respondent and his Counsel in person. It was observed by the Committee that the Respondent had admitted that he was in association with Mr. S.K. Gupta for arranging the finance. It was observed by the Committee that the Respondent was to receive consideration of 6% on the investment. Since, the Respondent did not receive the consideration, he got the applications withdrawn vide withdrawal notices dated 01.12.1995 sent to BFSL. The BFSL vide letters dated 14.12.1995 returned the original stock invests. The Respondent also admitted that these stock invests were returned to him. However, the letters of BFSL show that the stock invests were addressed to the applicants. The returning of stock invests to the Respondent instead of the applicants clearly shows, the association of the Respondent with Mr. S.K. Gupta and establishes his connivance with him.”

25. The DC further notes that when the letter of withdrawal was sent to the company, the stock invests were actually returned to him instead of the investors and this is a clear evidence of connivance between the respondent with Sh. S.K. Gupta by using the names of the applicants.

26. The most glaring fact that completely belies the case of the respondent is that the fixed deposits which were given as



security for issuance of the stock invests belonged to the respondent. This is clear from both SEBI's investigation as also the statement recorded by the DC of the ICAI. The respondent admitted that the fixed deposits that were given as security for the issuance of stock invests. Thus there can be no doubt that the respondent was guilty of the misconduct and has failed in his professional duty of maintaining a distance between him and the promoter. His conduct leading upto the irregular allotment of shares is blameworthy and at fault. The conduct clearly constitutes 'misconduct'.

Issue No.2: Allotment of 7,000 shares against applications accompanied by ante-dated stock invests issued by Sangli Bank.

27. On this issue there was a clear finding of SEBI that 80-90 stock invests of Rs.10,000/- each were issued to Mr. Ashok Chawla by Sangli Bank, Karol Bagh after the closing of public issue by BFSL. The respondent had also admitted before SEBI that 7000 shares allotted against these applicants were sold through Mr. Gautam Rohatagi, member of Delhi Stock Exchange. The respondent, in his statement recorded on 5th September, 1997 before SEBI, had admitted that he had obtained ante-dated stock invests. Through these irregular investments he earned profit of Rs.40,000/-by conniving with Mr. S. K. Gupta and indulging in ante-dating. He also deprived the general investing public from investing in BFSL. The findings of SEBI are not challenged by the respondent.

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31. This Court would like to observe that CAs ought to maintain the highest level of ethics and integrity, not only in the interest of their clients but also to ensure that probity and sanctity are not compromised in any manner as CAs are not merely professionals engaged by their clients, but are protectors and guardians of financial markets on which a nation depends. In the present case, after the report of the DC, the respondent made a representation to the ICAI Council to the following effect:

“In view of the above it is submitted that the order of the DC suffers from serious errors on facts and consequently on



judgment. The only role that I played in BFSL public issue was a finance facilitator and it cannot be treated as an act of misconduct, because it was just for my survival. Kindly absolve me from all charges and oblige.”

This clearly proves that the respondent was well aware of the misconduct in which he had indulged and was praying for sympathy from the ICAI Council.”

19. There cannot be any doubt that it is expected from Chartered Accountants that they shall ensure that highest standards of integrity and ethics are maintained, not only for their clients but as custodians of the financial markets for the benefit of the general public.

20. The reference is accordingly accepted. In exercise of powers under Section 21(6) of the Act, it is directed that the respondent no. 1 shall be suspended from the membership of the ICAI for a period of one year. During this period, the respondent no. 1 is restrained from rendering any services as a Chartered Accountant as recognised by the Section 21(5) of the Chartered Accountants Act, 1949.

21. Before parting with this reference, we deem it appropriate to direct respondent no.1 to pay costs of Rs.10,000/- to the petitioner within four weeks.

V. KAMESWAR RAO, J

VINOD KUMAR, J

DECEMBER 23, 2025

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