



**THE INSTITUTE OF  
COST ACCOUNTANTS OF INDIA**  
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)  
CMA BHAWAN  
12, SUDDER STREET, KOLKATA – 700 016.

Telephones : 2252-1031/1034/1035  
2252-1602/1492/1619  
2252-7143/7373/2204  
Mail id : discipline.director@icmai.in  
Website : www.icmai.in

**DISCIPLINARY DIRECTORATE**

**The Institute of Cost Accountants of India  
Disciplinary Committee u/s 21B of The Cost and Works Accountants  
Act 1959**

In the matter of:

**Complaint No. Com/21-CA(67)/2019 -**

**Shri Amarjeet Singh Chawla [Complainant]**

**Vs.**

**M/s Harendra Singh & Company (FRN-100738) [Respondent Firm]**

**QUORUM**

- |                                       |   |
|---------------------------------------|---|
| 1. CMA Ashwin G Dalwadi,              | - Presiding Officer (Joined through VC) |
| 2. CMA Manoj Kumar Anand              | - Member                                |
| 3. CMA TCA Srinivasa Prasad           | - Member                                |
| 4. Shri Saraswati Prasad, IAS (Retd.) | - Nominee of Central Government, Member |

**Facts**

1. The Disciplinary Directorate received a complaint dated 27<sup>th</sup> November 2018 from one Shri Amarjeet Singh Chawla (hereinafter referred to as the "complainant") against M/s Harendra Singh & Company (hereinafter referred to as the "respondent firm") bearing Firm Registration Number 100738 in Form I, along with the requisite fee as prescribed under Rule 4 of the Cost and Works Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of cases) Rules, 2007 read with Regulation 15B(1) of the Cost and Works Accountants Regulations, 1959.
2. On receipt of the instant complaint, the same was registered by the Disciplinary Directorate and proceeded with in the manner as prescribed in Chapter III of the Cost and Works Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007. A unique complaint number Com/21-CA(67)/2019 was allotted to the complaint.
3. The complaint was mainly made on two counts, as evident from Form I of the complainant:





**THE INSTITUTE OF  
COST ACCOUNTANTS OF INDIA**  
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)  
**CMA BHAWAN**  
12, SUDDER STREET, KOLKATA – 700 016.

Telephones : 2252-1031/1034/1035  
2252-1602/1492/1619  
2252-7143/7373/2204  
Mail id : discipline.director@icmai.in

**DISCIPLINARY DIRECTORATE**

Website : www.icmai.in

- i) Blackmailing the management of Mehar Steels Pvt. Ltd and Friends Auto (India) Ltd to conduct cost audit for the years 2016-17 and 2017-18.
- ii) Harassing the Directors as well as the staff of above mentioned companies by threatening as well as demanding huge sum by blackmailing.

Along with Form I, the complainant has enclosed an email dated 4<sup>th</sup> October 2018 addressed to the then President of the Institute with copies thereof marked to the then Secretary, MCA and other officials of MCA apart from a few members of the Council for the term 2015-19.

4. The complainant elaborates the following in his complaint:-

- A. That Shri Harendra Kumar Singh, Practicing Cost Auditor of the respondent firm, having Membership No. 27478 was appointed as the cost auditor on 1<sup>st</sup> March 2018 for Friends Auto (India) Ltd and Mehar Steels Pvt. Ltd for the Financial Years 2012-13, 2013-14, 2014-15, 2015-16, 2016-17 and 2017-18.
- B. That soon after conducting cost audit for Mehar Steels Pvt. Ltd for FY2012-13, 2013-14, 2014-15, 2015-16 and after preparing and submitting a satisfactory report to the Ministry of Corporate Affairs, Shri Harendra Singh started threatening the complainant and both the companies' management by conveying that he shall manipulate the companies' books of accounts and prepare bogus reports of the same.
- C. That Shri Harendra Kumar Singh started taking advantage illegally of his access to the sensitive documentation and the books of accounts of the companies.
- D. That Shri Harendra Kumar Singh, made outright demands of huge sum of money from the complainant and made several attempts to extort the same and on account of his manipulations, blackmailing, threats, extortion and "overall severe professional misconduct", the complainant chose to take a legal action against him and terminate his services.
- E. That as a counter blast to his termination from the assignment of cost audit in Friends Auto (India) Ltd and Mehar Steels Pvt. Ltd and his failed attempts to extort money beyond a certain point from the complainant, Shri Harendra Singh, in the garb of being a honest and diligent cost auditor in performing his duties, sent a 'misleading' email to Canara Bank (being the bankers of the complainant's companies) complaining fraud and siphoning of funds by the said companies.
- F. A FIR (NO. 590 PS MUJESAR, FARIDABAD) pursuant to Section 154 of the Cr. PC was registered against him on 14th September 2018 and he was arrested by police on 27th September 2018.







**THE INSTITUTE OF  
COST ACCOUNTANTS OF INDIA**  
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)  
CMA BHAWAN  
12, SUDDER STREET, KOLKATA – 700 016.

Telephones : 2252-1031/1034/1035  
2252-1602/1492/1619  
2252-7143/7373/2204  
Mail id : discipline.director@icmai.in

**DISCIPLINARY DIRECTORATE**

Website : www.icmai.in

5. Shri Harendra Singh, the Proprietor of the respondent firm, was intimated vide letter dated 20<sup>th</sup> February, 2019 to send response to the complaint through a written statement in his defence within 21 days from the date of service of the letter. The respondent, vide his letter dated 25<sup>th</sup> June 2019, denied the allegations made against him and *inter alia* stated as follows:

- (i) That the allegation is completely false, fabricated/concocted and was part of a bigger conspiracy and another malicious attempt [like they managed to lodge FIR & thereafter raid (search/seizure) got him arrested by Haryana Police] to obstruct/stop him in sending reports on fraud (e.g. Fraud to Siphoning off/Misappropriation of more than Rs.100 crores from working capital loans/other fund and overstating the value of Inventories, Bogus Corporate Guarantee & Others to mislead and deceive/defraud banker in availing, enhancing & availing working capital loans/cash credit facilities), u/s. section 143 (12) of the Companies Act, 2013.
- (ii) That he had conducted/completed audit for the F.Y. 2016-17 of both the companies, sent intimation u/s. 143(12) of the Companies Act, 2013 for the above mentioned offences of fraud to the Board/Audit committee of both the companies and submitted audit report in Form CRA-3 with qualification/observation on the matters of offences of fraud & other of both the companies. With the permission of the Hon'ble Court of Faridabad he had sent Reports on Fraud in Form ADT-4 to Central Government.
- (iii) The respondent cited a similar instance in the matter of Price Water House & Co. Chartered Accounts (PWC) and Reliance Capital Limited (published in Hindustan Times on 13<sup>th</sup> June 2019) wherein "*Reliance Capital Ltd. did not provide any substantive or satisfactory responses to the question raised by PWC. Accordingly, PWC sent a letter under the provisions of section 143(12) to the management and audit committee of the Reliance Capital Ltd. Reliance Capital Ltd. threatened to initiate legal action against PWC, impaired its ability to complete the audit in a fair manner and compelled them to withdraw from audit engagement and resigned.*"

However, in the case of the respondent, the company and company management could not succeed in their endeavours to stop him in sending Reports on Fraud.

- (iv) That the companies had not provided any data & records for the purpose of Cost Audit for the F.Y. 2017-18, till 26<sup>th</sup> September 2018.
- (v) Thereafter the raid (search/seizure) conducted by Haryana Police and his arrest on 27<sup>th</sup> September 2018 created an intimidation threat for him and prevented him from interacting with the company and call for data & records for the purpose of Cost Audit for the F.Y. 2017-18. The company & company Management also neither interacted





**DISCIPLINARY DIRECTORATE**

thereafter nor provided any data & record for the purpose of cost audit for the FY 2017-18.

- (vi) That the FIR, raid (search/seizure) and his arrest by the police and thereafter the judicial custody do not mean that he is guilty and serving jail term as a punishment.
- (vii) That his bail application was submitted in the Hon'ble Court of Shri Rajesh Malhotra, Ld. Addl. Session Judge, Faridabad and he was "enlarged on bail".
- (viii) That the police & the complainant who deployed all their resources to raid (search/seizure) and arrest him and take him to police custody to recover, destroy/delete data and records of the companies, which were in his possession could not/did not even submit charge sheet (challan) on the matter, even after 8 months..
- (ix) That without trial in the court and judgement thereon and/or without proper investigation/enquiry on the Reports on Fraud by MCA through SFIO, it cannot be decided that he is guilty of any professional and other misconduct.
- (x) That it is very easy/convenient for the companies (which are generally very mighty & influential) to implicate a auditor in false charges (*such as signed blank papers & cheques were given to auditor on the pretext of auditing and/or auditor is manipulating the company data to extort money*) as is done in his case, if the conduct of the auditor does not appease the company/company management and get conducted raid (search/seizure) and/or arrest to:
- Obstruct/stop in the performance of auditor's statutory duties.
  - Settle the scores (i.e. to get favourable report, to take revenge, etc.),
  - Takeaway and/or destroy/delete data and records of the company, which are in auditor's records, meant to preserve as Audit Evidence/Document.
  - Obstruct/stop auditor in sending Report on Fraud to Central Government.
  - Obstruct/stop auditor in sending Report on Fraud to Banker (if it pertain to siphoning of fund from bank loans, being Public Money and Public Interest at large involved),
  - Malign/damage reputation, destroy business and spoil professional career of auditor.
- (xi) That the FIR and thereafter the raid (search/seizure) and his arrest by Haryana Police is the counter blast against his prior complaint moved against the company/company management and employees of Mehar Steels Pvt. Ltd. for giving threat & pressurizing



*AgL*





**DISCIPLINARY DIRECTORATE**

him for favourable report and obstruct/stop him in the performance of his statutory duty as auditor,

- (xii) It was also the part of a bigger conspiracy to obstruct/stop him in sending Reports on Fraud (e.g. Fraud of Siphoning off/Misappropriation of more than Rs. 100 Crores from working capital loans/other fund and overstating the value of Inventories, Bogus

Corporate Guarantee & Others to mislead and deceive/defraud banker in availing, enhancing & availing working capital loans/cash credit facilities) as per the provisions of section 143(12) of the Companies Act, 2013.

- (xiii) That the intentions/motives of the complainant behind the FIR and his arrest can be very well visualized from the observations of the Hon'ble Court of Faridabad. The Hon'ble Court has mentioned in their Orders in the matter of FIR and his arrest, on the following two occasions:

- i. By Ms. Sakshi Saini, Ld. Duty/Judicial Magistrate First Class, Faridabad Court, on 28<sup>th</sup> September 2018, when police produced him before her and sought his police remand to recover cheque, blank signed paper and company data. The observations of the Ld. Duty/Judicial Magistrate First Class, Faridabad Court are as follows:
  - a) The accused has moved a prior complaint on 01/09/2018 against the sister company (Mehtar Steels Pvt. Ltd.) of the complainant alleging contravention of section 148 of the Companies Act, 2013. Thereafter, on 14<sup>th</sup> September 2018 the present FIR was lodged against the accused.
  - b) Prima facie, the accused has been trying to help the learned court of Tis Hazari by bringing into its knowledge the siphoning of funds by the complainant company.
  - c) It appears that the conduct of the accused did not appease the complaint and the present FIR has been lodge to settle the scores.
  - d) On 19/09/2018 the conviction order against the complaint company was passed. Today the accused has been arrested and his police custody is being sought.
  - e) The facts of the case are peculiar in nature. The accused is a cost auditor with no criminal back ground.



ALL



**DISCIPLINARY DIRECTORATE**

- f) In the present case investigating agency is seeking recovery of cheques, blank signed paper and company data. However, they have failed to satisfy the court as to how the aforesaid documents were used to extort or cheat the complainant.
- g) Moreover, the serial numbers of the cheques ought to be recovered are not mentioned by the Investigating Agency. It is nowhere the claim of the prosecution that these cheques were ever misused by the accused. It is solely on the apprehension of 'mis-usage' of these cheques that police remand is being sought. It at all there is apprehension of 'mis-usage' the complainant has an option of getting the same blocked through his concerned bank.
- h) The arguments made by the counsel qua planting the recovery of aforesaid documents of accused holds merit as no serial number of cheques or description of the company data ought to be recovered is specified.
- i) Granting of police remand in the facts of the present case shall tantamount to violating the liberty of the accused. No plausible ground police remand is made out. Application for police remand stands dismissed.

(The respondent had enclosed a copy of the judgement/order)

- ii. By Shri Rajesh Malhotra, Ld. Addl. Session Judge, Faridabad on 6<sup>th</sup> October 2018, when the Haryana police filed criminal revision against the order of Ms. Sakshi Saini, Ld. Duty/Judicial Magistrate, Faridabad:
- a) Perusal of police remand application shows that the Investigation officer (IO) sought remand from the Court to recover two blank signed cheques and blank signed papers and data of the company in possession of accused.
- b) As far as two blank signed cheques are concerned, serial number of the cheques is not mentioned. Even otherwise, complainant can apply to the bank for stopping the payment with respect to said two blank signed cheques after verifying his record.
- c) It cannot be presumed that a person running a business will tender blank signed papers to the other person in good faith.



*ASZ*





**DISCIPLINARY DIRECTORATE**

- d) Moreover, planting of the blank papers after taking police remand of the accused is not ruled out.
- e) Further, the copies of the documents pertaining to account books and statements, which were handed over by the complainant for the purpose of cost accountancy, is himself given by the complainant. Thus, this particular data/statements does not amount to stealing of data of the complainant's company.
- f) There is nothing on record to show the payment of Rs. 2,00,000/- in cash, as part payment of extortion amount, except the bare statement of the complainant.
- g) The alleged extortion letter stated to be sent by accused does not bear his signatures, being a typed letter and at this stage, it cannot be said that the said letter was sent by the accused.
- h) Moreover, police has wide powers to conduct the search of the office of accused for affecting the recovery of blank signed cheques, blank signed papers, copies of data, the original copy of alleged extortion letter etc. but no steps were taken by the police in this regard.
- i) In view of my observations made in the preceding para, coupled with the objections raised by learned counsel for the respondent-accused, present criminal revision is hereby dismissed, being devoid of any merit.

(The respondent had enclosed a copy of the judgement/order)

The respondent had also mentioned about the following relevant facts in his written statement:

- (xiv) That Friends Auto (India) Ltd. is the parent company and Mehar Steels Pvt. Ltd is its associate company. The respondent who is the Managing Director of Friends Auto India Ltd is also the Authorised Signatory/Person for all the company matters/affairs of Mehar Steels Pvt. Ltd.
- (xv) That Mr. Saurabh Bansal, Assistant Director, Cost Audit Branch of the Ministry of Corporate Affairs issued a notice on 4<sup>th</sup> May 2016 to Mehar Steels Pvt. Ltd. directing to explain the reason for non appointment of cost auditor, but no reply was made by the company. Mr. Saurabh Bansal further issued a Show Cause notice on 5<sup>th</sup> December 2016 to Mehar Steels Pvt. Ltd. intimating that if no reply is received or cause shown within 20 days from the date of issue of





**THE INSTITUTE OF  
COST ACCOUNTANTS OF INDIA**  
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)  
CMA BHAWAN  
12, SUDDER STREET, KOLKATA – 700 016.

Telephones : 2252-1031/1034/1035  
2252-1602/1492/1619  
2252-7143/7373/2204  
Mail id : discipline.director@icmai.in

**DISCIPLINARY DIRECTORATE**

Website: : www.icmai.in

this notice, necessary prosecution against the company and all the officers of the company who are in default shall be launched by the Government.

(xvi) That since no reply or unsatisfactory reply was received from Mehar Steels Pvt. Ltd., Ms. Manmohan Kaur, Director, Cost Audit Branch of the Ministry of Corporate Affairs with the approval/permission of Secretary, Ministry of Corporate Affairs referred the case on 22<sup>nd</sup> August 2017 to The Registrar of Companies, Delhi & Haryana for filing prosecutions against the company and its officers in default and also requested to furnish the action taken report to this office in due course.

(xvii) That on 6<sup>th</sup> November 2017, Dr. Afsar Ali, Assistant Registrar of Companies filed a criminal complaint in the Tis Hazari Court, New Delhi against the company/company management, u/s. 148(8)(a) read with Section 147(1) of the Companies Act, 2013 for contravention of section 148(2) and 148(3) of the Companies Act, for non appointment of cost auditor and non filing of cost audit report for the F.Y. 2015-16 of Mehar Steels Pvt. Ltd.

(The respondent has enclosed a copy of the complaint of the Asst. ROC)

(xviii) That the company management/officials approached the respondent firm during the month of February 2018 for cost audit of both the companies. The consent was given and the entire formalities of the respondent firm's appointment as Cost Auditor of both the companies from the F.Y. 2012-13 to F.Y. 2017-18 were completed by the Board of Directors of the companies in the first week of March 2018.

(xix) That the respondent firm conducted and submitted their report of Mehar Streets Pvt. Ltd for the F.Y. 2012-13 to F.Y. 2015-16 with comments and suggestions on the matters for which no records/working were provided and/or for with no satisfactory answer were provided by the company/company management. These reports were approved by the Board of Directors of the company and all these were filed to the Central Government, by the company.

(xx) That while reviewing the audited Balance Sheet, Profit & Loss Accounts, Inventories Value, Related Party Transactions significant variation in Key figures were observed, for the purpose of cost audit report of Mehar Steels Pvt. Ltd. for the F.Y. 2016-17 and of Friends Auto (India) Ltd. from the F.Y. 2012-13 to F.Y. 2016-17. Shri Harendra Singh noted certain observations and transactions which were indicative of serious operational inefficiencies/grave mismanagement, misleading business practices and the value of inventories



*ASR*





**DISCIPLINARY DIRECTORATE**

was excessively overvalued in case of Mehar Steels Pvt. Ltd and Friends Auto (India) Ltd. These observations were reported to the Board of Directors/Members of Audit Committee of both the companies vide separate letters dated 23<sup>rd</sup> August 2018 seeking their clarifications in the matter.

- (xxi) That the companies did not provide any response to the clarifications sought by Shri Harendra Singh vide letters dated 23<sup>rd</sup> August 2018. Rather the employees of the companies misbehaved and tried to create pressure upon him and threatened to prepare favourable report. This matter was intimated to the Secretary and all other concerned officials of the Ministry of Corporate Affairs (MCA) vide email dated 25<sup>th</sup> August 2019.
- (xxii) That Shri Singh also gave a written application to the SHO, Badarpur, New Delhi on 1<sup>st</sup> September 2019 to register FIR and brought the incident to the notice of the Hon'ble Court of Tis Hazari, on 4<sup>th</sup> September 2019 through his counsel in the presence of Ms. Lata Prajapati (Company Prosecutor, Registrar of Companies) and Shri Brij Lal Belwal (MTS, Registrar of Companies).
- (xxiii) That Shri Singh, vide letters dated 6<sup>th</sup> September & 7<sup>th</sup> September 2018 also intimated to the Board of Directors/Audit Committee of both the companies as per the provisions of section 143 (12) of the Companies Act, 2013 read with rule 13(1) of the Companies (Audit and Auditors) Amendment Rules, 2015 for fraud reporting, and requested them to reply stating that he has reasons to believe that the following offences of fraud have been committed against the company, by the directors and employees of the companies:
- Siphoning off/Misappropriation of more than Rs. 100 crores from Working Capital Loans and Other Funds by:
    - Rotating Funds through bogus loans and advances, investment in the related party/group companies.
    - Repayment of long-term unsecured loans/other loans (which were taken from related party/group companies),
    - Related party transaction of sales/purchases, and
    - Forged documents of expenses/forging the balance sheet.
  - Misleading/defrauding the banker in availing/enhancing and renewing working capital loans and adopting tactics to cover the fraud of fund siphoning off/misappropriation, by :
    - Overstating the value of inventories (stocks)
    - Falsely (artificially) creating/increasing the outstanding balance of Trade Receivables (Book Debts/Sundry Debtors),



ASA



**DISCIPLINARY DIRECTORATE**

- Falsely (artificially) creating/increasing the turnover, and
- Giving bogus Corporate Guarantee.

(xxiv) That on 27<sup>th</sup> September 2018, Faridabad Police (with a team of around 30 people, along with the staff of Mehar Steels Pvt. Ltd/Friends Auto (India) Ltd including SHO & IO of Thana- Mujesar, Faridabad), raided Shri Singh's house, gave him a hand written notice and arrested him and also seized the records/documents of the companies, available on his table/rack at home.

(xxv) That on 28<sup>th</sup> September 2018, Faridabad Police produced Shri Singh before the Ld. Duty/Judicial Magistrate- M/s. Sakshi Saini, Faridabad Court and sought 7 days police custody to recover all data/documents and blanks signed cheques & papers from him. However, police demand was dismissed by the Hon'ble Court with the remarks/observations as stated in Para 5 (xiii)(i) above.

(xxvi) That on 1<sup>st</sup> October 2018, Faridabad Police filed criminal revision before the Addl. Session Judge, Faridabad against the order of Ld. Duty/Judicial Magistrate, Ms. Sakshi Saini. But criminal revision was also dismissed, being devoid of any merit by the Ld. Addl. Session Judge, Shri Rajesh Malhotra by passing well reasoned and speaking order. The observations of the Hon'ble Court have been stated in Para 5 (xiii) (ii) above.

(xxvii) The respondent obtained bail on 17<sup>th</sup> October 2018 and presently is on bail. The bail is subject to the condition that Shri Singh shall not misuse the data/documents in his possession. However, as a measure of abundant caution, Shri Singh preferred application to seek permission and clarification from the Hon'ble Court to send the report and accordingly filed an application on 23<sup>rd</sup> April 2019 before the Hon'ble Court of Ms. Himani Gill, Ld. JMIC, Faridabad and it was allowed on 3<sup>rd</sup> May 2019.

(The respondent had enclosed a copy of his application and order of the court)

(xxviii) That with the permission/knowledge of the Hon'ble Court of Ms. Himani Gill, Ld. JMIC, Faridabad and after due consultation/ discussion with his counsel, Shri Singh forwarded his report of fraud in Form ADT- 4 to:

1. The Secretary, Ministry of Corporate Affairs  
(As per section 143(12) of the Companies Act, 2013)
2. The Chairman, Canara Bank
3. The MD & CEO, Canara Bank
4. The Branch Manager (NIT, Faridabad), Canara Bank







**DISCIPLINARY DIRECTORATE**

This report on fraud in Form ADT-4 was forwarded on 4<sup>th</sup> May 2019 in case of Mehar Steels Pvt. Ltd), and on 18<sup>th</sup> May 2019 in case of Friends Auto (India) Ltd.

(xxix) That Trial on the case against the FIR has not started, for awaiting challan (charge sheet). It is pending before the Hon'ble Court of Ms. Himani Gill, Ld. JMIC, Faridabad. The Police have not filed challan (charge sheet) in the matter so far.

Shri Harendra Singh finally concludes by stating that he is not guilty of any professional and other misconduct. He has merely discharged his statutory duty u/s. 143 & 148 of the Companies Act, 2013, in accordance with the Companies (cost records and audit) Rules 2014, the Companies (Audit and Auditors) Amendment Rules 2015 and the Cost Accounting Standards and Standards on Cost Auditing and other Guidelines issued by The Institute of Cost Accountants of India. It is the complainant i.e., company Management/ complainant and company employees who have done serious offences e.g. threatening the auditor, pressurizing the auditor for favourable report and also attempting through FIR, raid, arrest and complaint before the Disciplinary Directorate to obstruct/stop Shri Singh in sending the report on fraud as per the provisions of section 143(12) of the Companies Act, 2013 read with the rule 13(1) of the companies (Audit and Auditors) amendment rules 2015 and to takeaway and/or to destroy/delete data & records of the companies which are in his possession as auditor and to defame him, his family, destroy his business and spoil his professional career.

6. The written statement of the respondent was sent to the complainant vide letter dated on 10<sup>th</sup> July 2019 for sending rejoinder on the same. In his rejoinder dated 7<sup>th</sup> August 2019, the complainant had submitted para-wise reply on the written statement of the respondent. The complainant *inter alia* stated that:

- i) That Shri Harendra Singh was appointed as the Cost Auditor on 01.03.2018 for Friends Auto (India) Ltd. and Mehar Steels Pvt. Ltd. for the Financial Years 2012 – 2013, 2013 – 2014, 2014 – 2015, 2015 – 2016, 2016 – 2017 and 2017 – 2018.
- ii) That soon after conducting cost audit for Mehar Steels Pvt. Ltd. for the Financial Years 2012 – 2013, 2013 – 2014, 2014 – 2015 and 2015 – 2016 and thereby preparing and submitting a satisfactory report to the Ministry of Corporate Affairs, Shri Harendra Singh started threatening the complainant and both his companies' managements by conveying that he shall manipulate the companies' books of accounts and prepare bogus reports of the same.
- iii) That Shri Harendra Singh started taking illegal advantage of his access to the sensitive documentation and books of accounts of the companies. He made outright demands of huge sums of money from the complainant and made several attempts to extort the same. That on account of Shri Singh's manipulations, blackmailing, threats, extortion and overall severe professional misconduct, the complainant chose to take a legal action against Shri Harendra Singh and terminate his services.





**THE INSTITUTE OF  
COST ACCOUNTANTS OF INDIA**  
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)  
**CMA BHAWAN**  
12, SUDDER STREET, KOLKATA – 700 016.

Telephones : 2252-1031/1034/1035  
2252-1602/1492/1619  
2252-7143/7373/2204  
Mail id : discipline.director@icmai.in

**DISCIPLINARY DIRECTORATE**

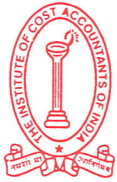
Website: : www.icmai.in

- iv) That on 28<sup>th</sup> September 2018, the complainant filed a complaint against Shri Harendra Singh with the S.H.O., P.S. Mujeser, Faridabad thereby elaborating upon Shri Singh's professional misconduct and his acts of extortion and blackmail. That on finding the said complaint substantial and making out serious offences against Shri Harendra Singh, the police pursued a detailed enquiry.
- v) That on 10<sup>th</sup> September 2018, Board Meeting of Friends Auto (India) Ltd was held wherein the resolution to remove the respondent firm was passed. That on the same day, Board Meeting of Mehar Steels Pvt. Ltd was held wherein the resolution to remove the respondent firm was also passed.
- vi) That on 25<sup>th</sup> September 2018, Board Meeting of Friends Auto (India) Ltd was held wherein the resolution to appoint M/s Vandana Bansal & Associates as the company's cost auditor was passed to fill the casual vacancy caused by the removal of the respondent firm.
- vii) That the complainant and the management of both the companies followed the due procedure in removing the respondent firm as cost auditors of the companies by giving him an opportunity of being heard. That further, in compliance with the due process, both the companies conducted Board Meetings and passed their respective resolutions thereby removing the respondent firm.
- viii) That this removal of the respondent firm resulting in creation of a vacancy and further appointment of M/s Vandana Bansal & Associates was done in absolute accordance with the law in this regard. [The complainant has annexed a copy of the receipts issued by the Ministry of Corporate Affairs in favour of both the companies inclusive of the CRA-2 Certificate with the Board Resolution of Friends Auto (India) Pvt. Ltd. dated 10.09.2018 and 25.09.2018 and Board Resolution of Mehar Steels Pvt. Ltd. dated 10.09.2018]
- ix) That on 26<sup>th</sup> September 2018, the respondent firm was ultimately removed as cost auditor. That as a counter blast to his removal and his failed attempts to extort money beyond a certain point from the complainant, Shri Harendra Singh, in the garb of being honest and diligent auditors performing his duty sent a misleading email on 27<sup>th</sup> September 2018 to the Canara Bank (being the concerned bank for the complainant's companies) thereby implying fraud and siphoning of funds by the said companies.
- x) That on receipt of the aforesaid e-mail, Canara Bank approached the complainant with regard to their queries pertaining to the same. That after getting clarifications to that query, the said bank never came back with any further queries and did not take any action with regard to the 'bogus report' filed by Shri Harendra Singh.
- xi) That as a counter blast to his removal as cost auditor of the complainant's companies, his failure to further extort money from the complainant and an FIR being lodged against him, Shri Singh filed an application seeking permission to file the 'bogus reports' prepared by him before the Ministry of Corporate Affairs.
- xii) That at the outset, simply by perusing through the facts and circumstances surrounding the present case and the turn of events that took place, it is quite apparent at the face of record that Shri Singh's claims and allegations against the complainant's companies are frivolous.



*Agg*





**THE INSTITUTE OF  
COST ACCOUNTANTS OF INDIA**  
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)  
**CMA BHAWAN**  
12, SUDDER STREET, KOLKATA – 700 016.

Telephones : 2252-1031/1034/1035  
2252-1602/1492/1619  
2252-7143/7373/2204  
Mail id : discipline.director@icmai.in  
Website: : www.icmai.in

**DISCIPLINARY DIRECTORATE**

- xiii) That the contents of para 1 of the Written Statement are wrong and denied. It is submitted that there is no conspiracy or malicious attempt to obstruct the respondent firm. Rather after receiving numerous written as well telephonic threats to blackmail the management of the complainant's company, the complainant decided to file an FIR against Shri Harendra Singh to safeguard his company's interests from the said blackmail.
- xiv) That further, it is hereby submitted that the complainant lodged his FIR against Shri Harendra Singh on 14<sup>th</sup> September 2018 and Shri Harendra Singh sent his bogus report on the alleged fraud of siphoning off/misappropriation of funds to Canara Bank, Faridabad Branch qua an email dated 27<sup>th</sup> September 2018, which is just a few days after an FIR being lodged against him. That from such circumstances and chronology of events, it is quite apparent that the said bogus report sent by Shri Harendra Singh is a counter blast to the FIR lodged against him.
- xv) That it is submitted that Shri Harendra Singh was appointed by the complainant's companies to conduct cost audit for both the said companies for the Financial Years 2012-2013, 2013-2014, 2014-2015, 2015-2016, 2016-2017 and 2017-2018. That out of both the complainant's companies namely, Friends Auto (India) Pvt. Ltd. and Mehar Steels Pvt. Ltd., Shri Singh conducted the cost audit of latter company only. That accordingly, an audit report for the Financial Years 2012-13, 2013-14, 2014-15 and 2015-16 for Mehar Steels Pvt. Ltd. was filed with the Ministry of Corporate Affairs. That since Shri Singh started blackmailing and threatening the officials of the companies, the complainant exercised diligence and chose not to provide Shri Singh with the books of accounts of Friends Auto (India) Pvt. Ltd. and accordingly initiated the process of his removal from the position of Cost Auditor for both the companies on account of his serious professional misconduct. That further, the so called reports on fraud were tools used by Shri Singh to blackmail the management of the complainant's companies to extort money. When the management did not concede to the frivolous demands he started threatening to malign the image of the company.
- xvi) It is submitted that FIR has been lodged on the basis of credible evidences of extortion of money. An audio conversation along with numerous threatening letters is in the custody of police. That the said matter is *sub judice* in the Hon'ble Court.
- xvii) That it is submitted that it is very easy and convenient for a corrupt auditor to intentionally misinterpret, manipulate the information provided by the organisations/companies and indulge in illegal activities of blackmailing and extorting money, as is done in the present case by Shri Singh. That his illegal conduct of blackmailing was not acceptable to the organisation and thus an FIR was lodged, which clearly portrays professional misconduct on the part of Shri Singh.
- xviii) That it is submitted that the FIR lodged was subsequent to the misconduct on Shri Harendra Singh's part and was by no stretch of imagination a "counter blast". That Shri Singh has taken undue and illegal advantage of his position in the present case and the FIR lodged is a direct outcome of the harassment and blackmail done by him.
- xix) That it is hereby stated that the complainant/ complainant's company has never received any intimation/letter that was sent u/s 143(12), Companies Act, 2013. That in



*ASL*



**THE INSTITUTE OF  
COST ACCOUNTANTS OF INDIA**  
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)  
CMA BHAWAN  
12, SUDDER STREET, KOLKATA – 700 016.

Telephones : 2252-1031/1034/1035  
2252-1602/1492/1619  
2252-7143/7373/2204  
Mail id : discipline.director@icmai.in  
Website : www.icmai.in

### DISCIPLINARY DIRECTORATE

absence of any such intimation/letters, the question of the complainant responding to the said intimations/letters does not arise.

- xx) That a meeting indeed took place between Shri Harendra Singh and the COO and Chartered Accountant of complainant's companies in the office of Shri Singh. That Shri Harendra Singh in the said meeting, threatened the said officials of dire consequences if they did not succumb to the illegal demands posed by Shri Singh.

Finally the complainant prayed that on the forgoing submissions and in the facts and circumstances of this case, this statutory Body shall most graciously be pleased to take an uncompromising stand against Shri Singh and cancel his practicing license on account of his professional misconduct along with such other orders or directions that this authority deems fit.

#### 7. Investigation by the Directorate

As part of the investigation that the Director (Discipline) is empowered to do under Section 21 of the CWA Act, 1959 a letter No. G/DD/(Gen-1)/Com-CA(67)/4/02/2022 dated 22<sup>nd</sup> February 2022 was sent to the complainant requesting him to enlighten this Directorate with the following information within a period of one week from the date of service of the letter:

- Whether or not Shri Harendra Singh, the respondent is still in police custody pursuant to the FIR lodged by you with P.S. Mujesar, Faridabad, Haryana.
- Whether or not Shri Harendra Singh was remanded to judicial custody.
- Whether the complainant has filed a similar complaint on the identical subject matter with Faridabad District Court and the present status thereof.
- The present status of the criminal complaint filed by the complainant with P.S. Mujesar, Faridabad, Haryana
- Certified copies of Letter of engagement issued to M/s Harendra & Company for undertaking cost audit for the years 2012-13 to 2016-17.
- To provide cogent evidence about your allegations leveled against Shri Harendra Singh of blackmailing and sending "threatening communications to the directors".

Since, no reply was forthcoming from the complainant another letter No. G/DD/(Gen-1)/Com-CA(67)/5/06/2022 dated 10<sup>th</sup> June 2022 was sent to the complainant enclosing therewith the letter No. G/DD/(Gen-1)/Com-CA(67)/4/02/2022 dated 22<sup>nd</sup> February 2022 requesting him to provide the aforesaid information within a week. No reply, however, has been received from the complainant.

8. Similarly, a letter No. G/DD/Com-CA(67)/(FRN-100738)/2/02/2022 dated 24<sup>th</sup> February 2022 was sent to Shri Harendra Singh requesting him to furnish the following information within a period of one week from the date of service of the letter:







**THE INSTITUTE OF  
COST ACCOUNTANTS OF INDIA**  
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)  
CMA BHAWAN  
12, SUDDER STREET, KOLKATA – 700 016.

Telephones : 2252-1031/1034/1035  
2252-1602/1492/1619  
2252-7143/7373/2204  
Mail id : [discipline.director@icmai.in](mailto:discipline.director@icmai.in)  
Website : [www.icmai.in](http://www.icmai.in)

### DISCIPLINARY DIRECTORATE

- i. Whether or not he was still in police custody pursuant to the FIR lodged by the complainant against him with P.S. Mujesar, Faridabad, Haryana.
- ii. Whether or not he was remanded to judicial custody.
- iii. Why there has been a police complaint against him?
- iv. The present status of the criminal complaint filed against you with P.S. Mujesar, Faridabad, Haryana.
- v. Certified copies of Letter of engagement issued to M/s Harendra & Company for undertaking cost audit for the years 2012-13 to 2016-17.

The letter remained undelivered stating "insufficient address". An email dated 22<sup>nd</sup> February 2022 was sent to the Membership Department seeking his email id. The Membership Department vide their email dated 23<sup>rd</sup> February 2022 provided the email id of the respondent as [harendra@ham.net.in](mailto:harendra@ham.net.in). Based on the information provided by the Membership Department, an email dated 11<sup>th</sup> March 2022 was sent to the respondent. This mail too was undelivered. Subsequently, an email dated 10<sup>th</sup> June 2022 was sent to an email id [harendrasingh1976@rediffmail.com](mailto:harendrasingh1976@rediffmail.com) believed to be of the respondent seeking information on the above matters. The mail had been delivered but the information sought for was never received from Shri Singh.

9. In the meantime, a letter dated 22<sup>nd</sup> February 2022 was sent to the SHO, Mujesar Police Station, Main Mujesar Rd, Sector 24, Faridabad, Haryana seeking information as to the following:

- i. Has there been any FIR (No. 590) lodged by one Shri Amarjeet Singh Chawla, of Friends (Auto) India Ltd/Meher Streets (P) Ltd. against Shri Harendar Singh, a member of this Institute with the Police Station?
- ii. If so, was Shri Harendra Singh at any time in police custody?
- iii. If Shri Harendra Singh was at any time in police custody, please provide details thereof.
- iv. To also provide the current status of the criminal complaint filed by Shri Amarjeet Singh Chawla against Shri Harendar Singh?
- v. Is there any cognizable offence committed by Shri Harendra Singh?
- vi. If so, to provide details thereof.

Since, no reply was forthcoming from the Police station, another letter No. G/DD/(SHO-PS)/Com-CA(67)/2/06/2022 dated 13<sup>th</sup> June 2022 was sent to the SHO seeking information as to the above. This letter was delivered but no reply has been received till date.



*ASR*



**DISCIPLINARY DIRECTORATE**

10. On perusal of the complaint of the complainant, the written statement of the respondent and the rejoinder of the complainant as well as the FIR filed u/s 154 of the Cr. PC and registered on 14<sup>th</sup> September 2018 at 20.53.08 hrs by Mujesar P.S., Dt. Faridabad, Haryana the Disciplinary Directorate was of the view that:
- (i) There was a prima facie case against the respondent of criminal nature including extortion. However, whether the extortion amount has been paid in case, (as has been alleged by the complainant) is not proved
  - (ii) He had taken blank paper and cheques from the companies viz Mehar Steels (P) Ltd and Friends Auto India Ltd which has been disclosed in the FIR.
  - (iii) This was definitely with an oblique motive.
  - (iv) The Mujesar P.S. had charged the respondent with Sections 384, 406, 408, 420 and 120B of the Indian Penal Code 1860.
  - (v) The last three lines of Annexure 'A5' of the rejoinder dated 7<sup>th</sup> August 2019 of the complainant is very relevant as the very language ".....to settle with us at the earliest.....We warn you; too much of smartness could be disastrous....."
11. The prima facie opinion was formed against Shri Harendra Sigh and the same was placed before the Committee in terms of Rule 9(2)(a)(ii) of the Rules at the 63<sup>rd</sup> meeting of the Disciplinary Committee held on 22<sup>nd</sup> June 2022, but the same was not agreed to by the Committee. The Committee members advised Director (Discipline) to further investigate the matter and to find out whether the respondent had intimated the details of fraud by Mehar Steels (P) Ltd and Friends Auto India Ltd to the Central Government in terms of Section 143(12) of the Companies Act, 2013.
12. In accordance with such directives of the Committee, an email Ref. No.: G/DD/Com-CA(67)/(M-27478)/4/07/2022 dated 29<sup>th</sup> July 2022 was sent to the respondent which is reproduced below:

"Dear Sir,

This is in reference to a complaint dated 27<sup>th</sup> November 2018 filed in Form I by Shri Amarjeet Singh Chawla against your firm Harendra Singh & Company (Firm Registration No. 100738) which had been registered by the Disciplinary Directorate vide Complaint No.Com/21-CA(67)/2018.

In this connection, please refer to our email dated 18<sup>th</sup> July 2022 sent at or about 11.46 A.M. followed by a hard copy of letter Ref. No. G/DD/Com-CA(67)/(M-27478)/3/07/2022 on the same date seeking certain information from you having a bearing on the instant complaint. We regret to state that the hard copy of the letter has remained undelivered to your address with the remarks "unclaimed".







**THE INSTITUTE OF  
COST ACCOUNTANTS OF INDIA**  
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)  
CMA BHAWAN  
12, SUDDER STREET, KOLKATA – 700 016.

Telephones : 2252-1031/1034/1035  
2252-1602/1492/1619  
2252-7143/7373/2204  
Mail id : discipline.director@icmai.in  
Website: : www.icmai.in

### DISCIPLINARY DIRECTORATE

It is also regrettable that you have remained silent on the clarifications sought from you on several matters vide our above referred email which has been received at your end. Please appreciate that in the interest of natural justice, it is imperative that responses to the following queries are received from you.

You are therefore, called upon to please provide clarifications to the following queries at the earliest:

- (i) Whether or not you are still in police custody pursuant to the FIR lodged by Shri Amarjeet Singh Chawla, complainant against you with P.S. Mujesar, Faridabad, Haryana.
- (ii) Whether or not you were remanded to judicial custody.
- (iii) Why has there been a police complaint against you?
- (iv) The present status of the criminal complaint filed against you with P.S. Mujesar, Faridabad, Haryana.
- (v) Certified copies of Letter of engagement issued to M/s Harender & Company for undertaking cost audit for the years 2012-13 to 2016-17.

You are also requested to apprise this Directorate if:-

a) Action, if any, taken has been by the Central Government on the report submitted by you to the Central Government in Form ADT-4 pursuant to sub-section

(12) of Section 143 of the Companies Act, 2013 regarding the fraud alleged by you in respect of Friends Auto (India) Ltd / Mehar Steels (P) Ltd.

b) Details of action, if any, taken by the Central Government together with documentary evidence

While on the subject, it is requested to please provide your latest residential and professional address to this Directorate to enable us communicate with you through post.

Yours faithfully,

Sd/-"

13. In the 64<sup>th</sup> meeting of the Disciplinary Committee held on 4<sup>th</sup> August 2022, the learned members noted that the respondent is not cooperating with the Disciplinary Directorate and advised Director (Discipline) to communicate with the respondent one final time. Since all physical copies of letters sent to the respondent were being returned undelivered, an email bearing number G/DD/Com-CA(67)/(M-27478)/6/08/2022 dated 26<sup>th</sup> August 2022 was sent to the respondent at or about 2.55 PM called upon him one last time to please provide clarifications to the above mentioned queries of the Disciplinary Directorate at the earliest.





**DISCIPLINARY DIRECTORATE**

14. In the 65<sup>th</sup> meeting of the Disciplinary Committee, held on 2<sup>nd</sup> September 2022, the Director (Discipline) informed the learned members of the Committee that in accordance with the aforesaid directives of the Committee, two emails dated 18<sup>th</sup> July 2022 and 26<sup>th</sup> August 2022 were sent to the respondent seeking the following details from him:
- Action, if any, taken has been by the Central Government on the report submitted by him to the Central Government in Form ADT-4 pursuant to sub-section (12) of Section 143 of the Companies Act, 2013 regarding the fraud alleged by you in respect of Friends Auto (India) Ltd / Mehar Steels (P) Ltd.
  - Details of action, if any, taken by the Central Government together with documentary evidence
15. However, no reply has been received from the respondent. The Committee noted that the respondent is not cooperating with the Disciplinary Directorate and advised Director (Discipline) to communicate with the respondent one final time stating that in the absence of any response from him, the matter will be decided on the basis of documents / records available with the Directorate without making any reference to him. Accordingly an email dated 15<sup>th</sup> September 2022 was sent to the respondent at or about 5.46 PM communicating clearly the decision of the Disciplinary Committee. No reply has been received from the respondent.
16. In the 66<sup>th</sup> meeting of the Disciplinary committee held on 27<sup>th</sup> September 2022 the prima facie opinion formed by Director (Discipline) against the respondent in terms of Rule 9(2)(a)(ii) was agreed to by the Committee in terms of Rule 9(2)(b) of the Rules holding the respondent guilty of contravening the following provisions of the Cost and Works Accountants Act:
- Clause (2) of Part IV of the First Schedule to the CWA Act, 1959 – Bringing disrepute to the profession.
  - Clause (1) of Part II of the Second Schedule to the CWA Act, 1959 – Contravenes any of the provisions of the Act / Regulations / Guidelines of the Council.
- Director (Discipline) was directed to ensure compliance of Rules 18(2)/18(3) of the Cost and Works Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007. In accordance with such directives of the Committee, the prima facie opinion together with the documents relied upon has been emailed to the respondent on 12<sup>th</sup> October 2022 at or about 11.28 A.M.
17. In the 68<sup>th</sup> meeting of the Committee held on 16<sup>th</sup> November 2022, the Director (Discipline) apprised the learned members of the Committee that the prima facie opinion formed against the respondent together with the documents relied upon have been emailed to the respondent on 12<sup>th</sup> October 2022 at or about 11.28 A.M. requesting the respondent to submit his written statement in his defence within 21 days thereof. The Director (Discipline) further informed the learned members of the Committee that Shri Harendra Singh is not cooperating with the Disciplinary Directorate and is even reluctant to







### DISCIPLINARY DIRECTORATE

provide his residential and professional address as all emails sent to him have been ignored by him. The Committee noted with concern the attitude of Shri Singh and advised Director (Discipline) to continue with the disciplinary proceedings. The Committee directed Director (Discipline) to issue notices both to the complainant and Shri Singh calling upon them to be present at the next hearing of the Committee to make oral submissions, if any, under Rule 18(6) of the Rules. In accordance with the aforesaid directives, notice bearing nos G/DD/(Gen-1)/Com-CA(67)/PFO/7/11/2022 and G/DD/Com-CA(67)/(M-27478)/8/11/2022 both dated 18<sup>th</sup> November were sent to the parties calling upon them to appear before the Disciplinary Committee u/r 18(6) of the Rules on 25<sup>th</sup> November 2022 at 3.30 PM and 3.45 PM respectively.

18. In the 69<sup>th</sup> meeting of the Committee held on 25<sup>th</sup> November 2022, the complainant himself did not appear but a counsel appeared virtually on his behalf. However, the said counsel did not have any 'Vakalatnama' or any authority to appear on behalf of the complainant. Since the counsel for the complainant did not have a 'Vakalatnama' he was precluded from making oral submissions under Rule 18(6) of the Rules. The Committee directed him to file a 'Vakalatnama' on behalf of the complainant before he could appear.

Shri Harendra Singh, however, by an email dated 25<sup>th</sup> November 2022 sent to the Disciplinary Directorate at or about 11.02 A.M. made written submissions in his defence denying all allegation and insinuations made in the said complaint. He stated in his mail that being the CFO of a well reputed company, having huge responsibility and due to preoccupation and paucity of time, he is unable to appear before the Committee. A copy of the said email was placed on the table and the content thereof was read aloud by Director (Discipline) to the learned members. As none of the parties could appear before the Disciplinary Committee for making oral submissions, Director (Discipline) was directed to give another opportunity to both the parties at the next meeting of the Committee to enable them to make oral submissions in terms of Rule 18(6) of the Rules.

19. In accordance with such directives of the Committee, notice bearing nos G/DD/(Gen-1)/Com-CA(67)/PFO/8/02/2023 and G/DD/Com-CA(67)/(M-27478)/PFO/9/02/2023 both dated 3<sup>rd</sup> February 2023 was sent to the parties calling upon them to appear before the Disciplinary Committee u/r 18(6) of the Rules on 11<sup>th</sup> February 2023 at 12.55 PM and 1.15 PM respectively. Both the parties were given an option to appear through the virtual mode. However, on the appointed date and time i.e, on 11<sup>th</sup> February 2023, neither the complainant nor any of the advocates whose names were mentioned in the said Vakalatnama appeared on behalf of the complainant. Although, Shri Harendra Singh had logged in into the system on 11<sup>th</sup> February 2023 at or about 12.55 P.M. but he was not available at 1.15 P.M. – the time fixed for his oral submissions. Efforts to contact Shri Singh also proved to be futile as he did not share his contact number with the Disciplinary Directorate for reasons not on record. The Committee directed Director (Discipline) to afford one final opportunity to Shri Singh to appear before the Disciplinary Committee for making oral submissions under Rule 18(6) of the Rules.
20. In the adjourned meeting of the Disciplinary Committee held on 26<sup>th</sup> February 2023, Director (Discipline) informed the learned members of the Committee that in accordance with such directives of the Committee, notices dated 17<sup>th</sup> February 2023 were sent to both the parties requiring their presence in person before the Committee for making oral submissions under Rule







**THE INSTITUTE OF  
COST ACCOUNTANTS OF INDIA**  
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)  
CMA BHAWAN  
12, SUDDER STREET, KOLKATA – 700 016.

Telephones : 2252-1031/1034/1035  
2252-1602/1492/1619  
2252-7143/7373/2204  
Mail id : discipline.director@icmai.in

### DISCIPLINARY DIRECTORATE

Website: : www.icmai.in

18(6) of the Rules. On the date of the meeting, i.e., on 26<sup>th</sup> February 2023, none of the parties appeared for making oral submissions. The Director (Discipline) placed on table an email dated 23<sup>rd</sup> February 2023 received at or about 5.27 PM from Shri Harendra Singh wherein, his brief submissions *inter alia* were as follows:

- i. He had already sent written statements / responses together with its annexure, comments, remarks, information and other communications and supporting documents / evidences, information and requests, in the matter, through Speed Post tracking number EU983616251IN dated 25/06/2019 which was delivered to the Institute on 28/06/2019 and through several emails dated 25/06/2019 at or about 3:51:22, email dated 25/11/2022 at or about 11:34:37, email dated 10/02/2023 at or around 16:24:57, email dated 11/02/2023 at or around 00:02:12 and email dated 20/02/2023 at or around 07:24:49.
- ii. He is once again respectfully submitting herewith his written statement / reply/request dated 23-02-2023, in the matter.
- iii. He has got nothing left for making oral submission.
- iv. Further, the malafide intentions / motives of the complainant behind the whole episode have been brought out through his written statements / replies/responses together with its annexure, comments, remarks, and other communications.
- v. The prima facie opinion formed against the respondent firm of being guilty of professional and other misconduct was merely on the basis a mere complaint filed in Form I by the complainant without following the due process/ procedure of law and also without reading, reviewing and understanding and /or completely ignoring or denying his written statements / replies/ responses which have been shared with the Disciplinary Directorate through speed post and emails.
- vi. The website of the Institute under "Information under sec.35 of CWA Act,1959" has displayed/published his name / information u/s 35 of CWA Act, 1959 in terms of Notification or Circular No. 12/23/2010-PI (Government of India, Ministry of Corporate Affairs) dated 13<sup>th</sup> December, 2010.
- vii. The said complaint be dismissed, being devoid of any merits and immediately remove his name / information which is displayed in compliance with the Notification/ Circular No. 12/23/2010-PI (Government of India, Ministry of Corporate Affairs) dated 13<sup>th</sup> December,2010 and/ or u/s 35 of CWA Act, 1959.
- viii. Pass any other order in his favour in the interest of justice and the profession.

In the concluding paragraph, Shri Harendra Singh has requested the Institute to recommend and ensure through proper representations before the Secretary, MCA / RD-North and / or SFIO to investigate into the matters of offences of frauds reported by the respondent firm to bring the truth before the Hon'ble Courts and the public at large and to punish the complainant, who according to the respondent, happens to be the culprit/ offender.

21. In the 71<sup>st</sup> meeting of the Committee held on 18<sup>th</sup> April 2023, the Committee observed that the complainant was afforded two opportunities once on 11<sup>th</sup> February 2023 and again on 26<sup>th</sup> February 2023 to make oral submissions under Rule 18(6) of the Cost and Works Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007. However,







**THE INSTITUTE OF  
COST ACCOUNTANTS OF INDIA**  
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)  
CMA BHAWAN  
12, SUDDER STREET, KOLKATA – 700 016.

Telephones : 2252-1031/1034/1035  
2252-1602/1492/1619  
2252-7143/7373/2204  
Mail id : discipline.director@icmai.in  
Website : www.icmai.in

## DISCIPLINARY DIRECTORATE

neither the complainant himself nor any of the advocates whose names were mentioned in the Vakalatnama that was furnished by the complainant, appeared on his behalf to make oral submissions. The Committee directed Director (Discipline) to afford one final opportunity to the complainant to make oral submissions under Rule 18(6) of the Rules in the next meeting of the Committee. In accordance with such directives, email dated 1<sup>st</sup> May 2023 was sent to the complainant to afford him one final opportunity to appear before the Disciplinary Committee in person on 6<sup>th</sup> May 2023 at the Delhi office of the Institute for making oral submissions, if any, under Rule 18(6) of the Rules.

22. Adv. Rahul Ahuja, the Advocate on record as per the Vakalatnama submitted by the complainant to the Disciplinary Directorate, appeared on behalf of the complainant and reiterated in brief, the allegations levelled by the complainant against Shri Harendra Singh. The Committee members asked Adv. Ahuja about the present status of Mehar Steels Pvt. Ltd and Friends Auto India Ltd and whether these companies were active. Adv. Ahuja checked their status from the MCA portal in the presence of the learned members of the Committee and replied that these companies are active as on date. However, he could not state if these companies were filing Audit Reports, Annual Reports and other statutory reports with the MCA /ROC regularly. The Committee advised the learned Adv appearing on behalf of the complainant to submit cost audit reports, the financial audit reports, the Annual Reports and all other statutory reports in respect of Friends Auto (India) Ltd. and Mehar Steels Pvt. Ltd. for the FY 2017-18, 2018-19, 2019-20, 2020-21 & 2021-22 to the Disciplinary Directorate immediately. However, those documents were never submitted by the complainant till date.
23. In the said 71<sup>st</sup> meeting of the Committee held on 18<sup>th</sup> April 2023, Director (Discipline) drew the kind attention of the learned members of the Committee to the email dated 20<sup>th</sup> February 2023 received by the Disciplinary Directorate at or about 7.24 AM where the respondent in his concluding paragraph had stated the following which is reproduced in verbatim:

"Rest, I will see you in the Court involving the public at large and the entire members and the Regulators, Law Enforcement Agencies, thorough filing Public Litigation, Defamation Claim, Criminal Case and/or Civil Suit, citing any or all such reasons well pointed out herein above, if you do not immediately reverse your decision/ opinion, i.e., reverse the prima facie opinion you formed against me and also remove my name/ information you have displayed/ published under sec. 35 of CWA Act, 1959 / Notification or Circular No. 12/23/2010-PI (Government of India, Ministry of Corporate Affairs) dated 13th December 2010". Director (Discipline) further added that Shri Harendra Singh is in the habit of sending emails with tinge of threat and intimidation and his various other emails sent to the Disciplinary Directorate also point out to this. The Committee members viewed this action of Shri Singh very seriously and advised Director (Discipline) to seek an explanation from him stating that the language used by him is derogatory and is unbecoming of a member of this august institute. In accordance with such directions of the Committee, an email dated 1<sup>st</sup> May 2023 was sent to Shri Singh at or about 1.57 PM seeking an explanation from him within 72 hours of receipt of the mail, about the language used by him which is derogatory and is unbecoming of a member of this august institute. The physical copies of the letters, however, could







**THE INSTITUTE OF  
COST ACCOUNTANTS OF INDIA**  
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)  
CMA BHAWAN  
12, SUDDER STREET, KOLKATA – 700 016.

Telephones : 2252-1031/1034/1035  
2252-1602/1492/1619  
2252-7143/7373/2204  
Mail id : discipline.director@icmai.in  
Website: : www.icmai.in

### DISCIPLINARY DIRECTORATE

not be sent to Shri Singht as he had not disclosed his residential and professional address to the Disciplinary Directorate despite several requests for reasons not on record.

24. In the 73<sup>rd</sup> meeting of the Committee held on 29<sup>th</sup> May 2023, Director (Discipline) placed on table an email dated 17<sup>th</sup> May 2023 received from Shri Harendra Singhnt at or about 2.35 PM containing what he calls "Notice" to the Director (Discipline) and the learned members of the Disciplinary Directorate. The said notice was perused by the learned members of the Committee. It is, however, not understood how and in what capacity can Shri Singh serve notice to the Director (Discipline) and members of the Hon'ble Disciplinary Committee which is a quasi judicial body having powers of a Civil Court under the Code of Procedure 1908. **The Committee took a very serious view of such an action which is 'ultra vires' and commented that such an action of the respondent itself calls for disciplinary action against the respondent for having committed an act which is unbecoming of a member of this august institute.**

In the 74<sup>th</sup> meeting of the Disciplinary Committee held on 10<sup>th</sup> June 2023, this matter was discussed at length and the Committee took a serious view of such an action which was 'ultra vires' and advised Director (Discipline) to refer the matter with a copy of the 'so called' notice to the Secretary to initiate legal proceedings against Shri Harendra Singh for threatening Director (Discipline) and the members of the Disciplinary Committee by using language that was most offensive and odious which should not have been used for members of a quasi judicial body.

### Findings

25. The instant complaint which was made on two counts i.e., blackmailing the management of Mehar Steels Pvt. Ltd and Friends Auto India Ltd and harassing the Directors as well as the staff of above mentioned companies by threatening as well as demanding huge sum by blackmailing, The short matter that arises for determination in this case is whether Shri Harendra Singh who was the cost auditor of the respondent firm M/s Harendra Singh & Company for Mehar Steels Pvt. Ltd and Friends Auto (India) Ltd for the Financial years 2012-13, 2013-14, 2014-15, 2015-16, 2016-17 and 2017-18. Is really guilty of 'blackmailing' and 'harassment' of the complainant's companies of which he was the cost auditor. In the 78<sup>th</sup> meeting of the Committee held on 28<sup>th</sup> November 2023, the Committee gave a thoughtful consideration of the allegations levelled by the complainant dated 27<sup>th</sup> November 2018, the written statement dated 25<sup>th</sup> June 2019 as well as the judicial pronouncements of Faridabad Courts and the facts and circumstances of the case, the Committee observes that:

- (i) The instant disciplinary complaint has been filed by the complainant only after Shri Harendra Singh, during the course of performance of his duties as the cost auditor of the complainant's companies' namely Mehar Steels Pvt Ltd and Friends Auto (India) Ltd, noted certain observations and transactions which were indicative of serious operational inefficiencies/grave mismanagement, misleading business practices and the value of inventories was excessively overvalued in case of Mehar Steels Pvt. Ltd and Friends Auto India Ltd which observations were reported to the Board of







**DISCIPLINARY DIRECTORATE**

- Directors/Members of Audit Committee of both the companies vide separate letters dated 23<sup>rd</sup> August 2018 seeking their clarifications in the matter.
- (ii) Shri Singh, on not receiving any clarifications from the management of Mehar Steels Pvt Ltd and Friends Auto (India) Ltd, reported this matter to the Secretary and all other concerned officials of the Ministry of Corporate Affairs (MCA) vide email dated 25<sup>th</sup> August 2019. Thus the filing of the disciplinary complaint before the Disciplinary Directorate took place only when Shri Harendra Singh in course of performance of his duties as a cost auditor noticed serious mismanagement in the running of these companies by the complainant and his family members and employees including misappropriation and diversion of funds. This is evident from the documents on record.
- (iii) The order dated 28<sup>th</sup> September 2018 of Ms. Sakshi Saini, Ld. Duty/Judicial Magistrate, Faridabad Court is relevant to the instant case as when Haryana police produced Shri Singh before her and sought his police remand to recover cheque, blank signed paper and company data, etc, the learned Judge remarked that in the present case investigating agency is seeking recovery of cheque blank signed paper and company data. However, they have failed to satisfy the court as to how the aforesaid documents were used to extort or cheat the complainant. The same Court also remarked that "Prime facie, the accused has been trying to help the learned court of Tis Hazari by bringing into his knowledge the siphoning off funds by the complainant company.
- (iv) This Court also remarked that "Granting of police remand in the facts of the present case shall tantamount to violating the liberty of the accused. *No plausible ground police remand is made out. Application for police remand stands dismissed*".
- (v) It is a fact that the complainant lodged a FIR against Shri Harendra Singh on 14<sup>th</sup> September 2018 at the Mujesar Police Station, Main Mujesar Rd, Sector 24, Faridabad, Haryana u/s 154 of the Cr. PC alleging that Shri Singh demanded Rs 5 crores as extortion money so that wrongful loss is not caused to the complainant and his properties and company. It has also been alleged that a part of the extortion money amounting to Rs 2,00,000/- was paid in cash to Shri Singh but there is nothing on records to substantiate the fact.
- (vi) This is evident from the order dated 6<sup>th</sup> October 2018 of Shri Rajesh Malhotra Ld. Addl. Sessions Judge, Faridabad Court where it has been stated that "there is nothing on record to show the payment of Rs 2,00,000/- in cash as part payment of the extortion amount except the bare statement of the complainant".
- (vii) In regard to threats and intimidation, the order dated 6<sup>th</sup> October 2018 of Shri Rajesh Malhotra Ld. Addl. Sessions Judge, Faridabad Court remarked that "the alleged extortion letter stated to be sent by respondent/accused does not bear his signature, being a typed letter, and at this stage it cannot be said that the said letter was sent by the accused".
- (viii) On suspecting fraud and mismanagement it was the obligation of Shri Harendra Singh to report to the Central Government in terms of Section 143(12) of the Companies Act, 2013 which obligation, he duly discharged by forwarding his report of fraud in Form ADT- 4 to the Ministry of Corporate Affairs on 4<sup>th</sup> May 2019 in case of Mehar Steels Pvt.



*As*



**THE INSTITUTE OF  
COST ACCOUNTANTS OF INDIA**  
(STATUTORY BODY UNDER AN ACT OF PARLIAMENT)  
CMA BHAWAN  
12, SUDDER STREET, KOLKATA – 700 016.

Telephones : 2252-1031/1034/1035  
2252-1602/1492/1619  
2252-7143/7373/2204  
Mail id : discipline.director@icmai.in  
Website : www.icmai.in

## DISCIPLINARY DIRECTORATE

Ltd and on 18<sup>th</sup> May 2019 in case of Friends Auto (India) Ltd. As a measure of abundant caution, Shri Singh sought an approval of the Hon'ble Court of Ms. Himani Gill, Ld. JMIC, Faridabad and the Court vide its order dated 3<sup>rd</sup> May 2019 stated that the *"Accused is at liberty to furnish the report as per rules."*

- (ix) The complainant is also not responding to letters sent by the Disciplinary Directorate and failed to submit the required documents as called by the Disciplinary Committee at its meeting held on 6<sup>th</sup> May 2023.

### Order

26. The instant complaint clearly appears to be a ploy by the complainant to settle scores as the conduct of Shri Singh did not appease the complainant especially when the latter had noted certain observations and transactions which were indicative of serious operational inefficiencies/grave mismanagement, misleading business practices in course of performance of his duties as a cost auditor.
27. The complainant has not been able to prove any of his allegations of blackmailing and harassment which he has made in his disciplinary complaint.
28. Thus, the complaint has no legs to stand on and the Committee unanimously is of the view that the proceedings against the respondent firm should be dropped and the matter is hereby closed in accordance with Rule 9(2)c) of the Cost and Works Accountants (Procedure of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007.
29. The Committee, at the same time is of the view that the tone and the tenor of the language used by Shri Harendra Singh in the emails of 20<sup>th</sup> February 2023 and 17<sup>th</sup> May 2023 addressed to Director (Discipline) and the members of the Disciplinary Committee was not in good taste, being most offensive and odious which should not have been used for any respectable authority, far less to speak about the members of a quasi judicial body. The Committee is of the view that the matter may be treated separately and placed before the Council of the Institute for its information and consideration.
30. The matter accordingly, stands disposed of.

December 20, 2023

*(SARASWATI PRASAD)*  
*TCHP*  
*(TCA Srinivasa Prasad)*

*Ashwin G Dalwadi*  
CMA Ashwin G Dalwadi

**PRESIDING OFFICER**



*Sanjay Kumar*