DEPOSITION OF WITNESS

(Chapter XXIII code of Criminal Procedure)

In the Court of XI Additional Special Judge for CBI Cases

(CBI Cases Relating to Banks and Financial Institutions)

Chennai - 600 001.

Calendar Case	: C.C. No. 9/2006
Deposition of witness for	: PW-18 (LW-6)
Name	: Thiru P.Subramaniam
Father's Name	: T.S.Piramanayagam
Address for Communication	: Flat No.E.1B Tranquil acres Phase-2 MMRD Road, Kovilambakkam, Chennai.117
Village	: Kovilambakkam Village
Taluk	: Tambaram Taluk
Calling	: General Manager, Corporate Office, HUDCO
Age	: 59 years

Solemnly affirmed in accordance with the provisions of Oaths Act, 1969 (Central Act 44 of 1969) on the 18th day of September 2024.

A1 and A11 Present. A3 company rep.by Jitendra Kumar Kothari. A4,A15 and A16 Charge abated. A14 died await for death certificate. A2,A3,A5,A6,A8 to A10, A12 and A13 are absent. Petition U/s.317 Cr.P.C. filed and allowed. LW6 is present who comes from New Delhi on summon. A7 is not present and his advocate also fails to make representation for him. (LW6 evidence has no bearing against A7. Advocates for All other accused are present and particularly learned Counsel for A1 and A2 against whom LW6's evidence has a bearing, is present. Considering the fact that LW6 comes from New Delhi at the

cost of state and that his evidence does not have any bearing on A7, this court permits learned Public Prosecutor to carry out chief examination of LW6 as PW18)

Chief Examination:-

I am presently working as General Manager (Projects) in Property Development and Services Wing, Corporate Office, New Delhi. I joined Hudco as Trainee Officer 30/10/1992 at the Corporate Office, New Delhi. During 2001-2002 I was working as Appraisal Officer Projects in Chennai Retail Finance Unit under HUDCO Regional Office, Chennai. Mr.Arulkumar was the Regional Chief. Mr.Muralidharan was the Branch Manager. In October 2001, I was transferred from Corporate Office to Chennai Corporate Office. But I was placed in Chennai Retail Finance Unit to look after the Technical appraisal of individual housing loan cases. I was directed by the Regional Chief Mr.Arulkumar (A1)to look after the Technical appraisal of individual housing loan applications of Chennai Retail Finance Unit. I was responsible for counselling of the applicants to verify their credit worthiness, technical appraisal of the applications carrying out site inspections to verify the progress of constructions and marketing of HUDCO NIWAS. On receipt of the applications, all the relevant documents pertaining to personal credentials and property related are required to be verified. Responsibility of Technical officer is to verify estimate for the constructions, plan approvals and also carry out the site inspections including pre and post inspection. The responsibility of the legal officer to scrutinize original land documents, parent documents,encumbrance certificate and carry out the execution of loan agreements. Once Credit appraisal report is prepared in detail, is put up before the Regional Chief for approval. Regional Chief has the authority to approve the loan or reject or seek additional clarification. Once loan sanction letter issued to the applicants, it has to be acknowledged by the applicant and the copy submitted to the HUDCO Office. Subsequently the loan agreement for the application is executed after obtaining legal clearance from

HUDCO Panel Lawyer. In case of construction loan, the loan amount is released in instalment after verification of the progress through site inspection. The Branch Manager is the incharge of Retail Finance for release of loan. In case land is not registered, one cheque is released in the name of the land owner and one cheque is released in the name of the applicant towards registration expenses and subsequently one cheque is released in the name of developer with the consent of the applicant. In case land is already registered, only one cheque is released in the name of developer. The Finance Officer is responsible for verifying the income of the applicant, loan eligibility, employment verification, confidential information from bankers and reference persons.

HUDCO extends loan assistance to individuals for purchase of plots which form part of approved layout developed by government agencies like housing board, cooperative society and reputed private developers to ensure that HUDCO loan is fully secured. HUDCO funds only up to 85% of the sale price including land and development which is reflected in the sale deed. The value of the land is calculated on the valuation given in the sale deed. In the case of plot loans funded by HUDCO for housing board and society layouts the sale deed is registered for full sale price and HUDCO extends loan upto 85% of the sale deed value nowhere in these cases the HUDCO loan exceeded the sale deed value.

During December 2001 Mr.Irvin Winvilla Developers approached the branch manager Muralidaran for arranging loans for the individuals who propose to purchase plots in the layout developed by his company. He told that the plots will be registered on the guide line rate where as the sale price will be much higher in the sale agreement. He requested HUDCO to extend loan assistance based on the sale price, indicated in the sale agreement. This was different from the procedure followed at our office in the earlier cases followed by HUDCO. We told Irvin (A2) that HUDCO can fund only upto 85% of the sale deed value. Irvin told that he wanted to meet the regional chief and discuss the matter. At that time A1 was on official tour to Australia we did not accept the proposal and A2 left the office. After A1's return from Australia on 24.12.2001 Irvin (A2) came to our office and discussed with A1. After the meeting regional chief called me and P.W1 and directed as to receive the applications of individual applicants brought by A2 and process them without delay on the basis of sale price indicated in the sale agreement.

We expressed our apprehension to the Regional Chief A1 regarding giving loans based on sale price indicated in the sale agreement. A1 replied that similar to cases of purchase of flats where registration is done only for the undivided share but the loan is given on the basis of sale price shown in the sale agreement, Plots can be registered only for the land cost and for the purpose of financing sale price as per sale agreement may be taken as a basis. Regional chief was particular in tying up the business with the developers and directed as to process the application, on this line. As directed by the regional chief A1 we received and processed the application, based on the sale price indicated in the sale agreement. The sale agreement was accompanied by the invoice of the developer, indicating the price for the development works. We processed the cases obeying the directions of the regional chief A1 even though we were apprehensive that different procedure was followed in HUDCO. Loan sanctions were made by the regional chief A1 upto 85% of the sale price indicated in the sale agreement. We understood that Kothari Developers and JP Real Estates also approached the regional chief A1 with the similar proposal and the regional chief tied up the business with the developers also and assured them speeding sanction and release of loan based on sale agreement. The branch manager Muralidharan asked these developers including Winvilla real estates to furnish detailed estimate from registered civil engineer as per HUDCO norms. The promoters did not agree to this and they informed the matter to the regional chief A1. Regional chief A1 called for a meeting which was attended by me, Muralidharan, branch manager, Deputy manager Sivasankar finance, appraisal officer Sundararajan and Tmt. Vijayalakshmi, Steno. In the meeting regional chief A1 told that verification of detailed estimate is to be done only when HUDCO give project loan to agencies where the loan is given on the basis of project cost arrived from detailed estimates. He told that when an individual wants to purchased housing unit in a project developed by a developer and approaches HUDCO for loan assistance the loan should extended on the basis of sale agreement signed between the parties. He further told that cost is not a criteria for extending loan assistance to individual for purchase of properties. He also referred HUDCO Niwas pamphlets indicating documents to be collected from individuals for extending loan assistance for purchase of properties. Regional chief decided that instead of detailed estimate for development works, valuation report by HUDCO panel valuer to be obtained to ascertain the market value of the plots and also reasonablenesses of the sale agreement. After this meeting, there was sudden inflow of files including that of Winvilla Real Estates. The files were handed over to the Tmt. Vijayalakshmi by the agents of the developers. None of the officers including me has seen the applicants. When the agents turned with another bunch of applications myself and other officers objected and told that applications should be handed over only to the officers and also after counseling of the applicants by the officers. The promoters against complained to the regional chief A1 regarding our stand. Regional chief A1 called all the officers including me, Muralidharan and told that the business with the developers had been tied up by him with great difficulty. He has asked the developers to mobilize loanees for availing HUDCO loan assistance for purchase of plots in their layouts, he has assured them sanction and release of loan in 4 days time and so HUDCO Nivas loan applications to be given to the agents in bulk to expedite the process he told that the ensure proper coordination to expedite the process, he authorise

Vijayalakshmi to collect filled applications from the agents verify them and putup them to the officers for sanctioning process. As per the decision taken from regional chief A1 the applications collected and verified by Vijayalakshmi were processed for sanction upto the 85% of the sale price mentioned in the sale agreement.

Sindhu Developers and Siddhi Developers also approached the A1 with similar concept and tied up the business for sanction and release of loan to individuals who purchase plots in their layouts on the basis of sale price mentioned in the sale agreement. A1 directed us to receive and process applications brought by all these promoters without any delay. In the last week of February 2002 P.Sundararajan, Appraisal Officer inspected the layouts of the private developers. I also accompanied him during the visit to the layouts developed by the Siddhi Developers. After the inspections myself and Mr. Sundararajan were not convinced with the sale price indicated in the sale agreement. We discussed the issue with the branch manager Muralidharan P.W2 and we all went to A1 and told him that we were doubtful about the sale price mentioned in the sale agreement. We felt that the actual sale price will be less than the sale price mentioned in the sale agreement. A1 told when the buyer is convinced with the value of the plot, willing to purchase for a price and approach for HUDCO for loan assistance HUDCO must be interested in ascertaining the income and loan eligibility of the applicant. We informed him that some of the development works are yet to be taken by the developers. A1 replied that promoters started the development works and it can be completed by the developers at one go after the individuals avail loan assistance from HUDCO and pass it on to developers. He told that development works of a layout cannot be taken it piece meal. He further told that as per the procedure followed in HUDCO Nivas the loan installments are always released in advance to enable completion of works. We are not convinced with the reply given by A1 and expressed our apprehension once again regarding the extending loan assistance based on sale price mentioned in the sale agreement where as sale deed will be registered for a lower amount. A1 reintrated his earlier decision to obtain valuation report from HUDCO panel valuer and sanction loan based on market value indicated by the valuer. A1 told that he would issue and office order in this regard. He directed that inspecting officers P.Sundarrajan not to indicate his independent opinion about the value of the plots in the inspection reports. He told him to write only the words “valuation to be obtained from the valuers” as per the directions of A1 the inspecting officer P.Sundarrajan did not make any observation about the plot in his report. This decision of A1 made inspections irrelevant. After few days A1 called me Branch Manager Muralidharan P.W2 and Sundarrajan to his chamber in our presence he talked to one Sankaran. We understood that Mr. Sankaran his a panel valuer of HUDCO. He has done many valuations for the project loans funded by HUDCO.A1 told A3 to inspect the layout of all the developers including Winvilla developers and give his independent assessment about the market value of the plots with all the development works. In the loans already sanctioned by A1 based on sale agreement price. The first installment loan to the extent of land cost were released when the promoters and the applicant requested for release of the balance loan amount. We told them that the balance loan amount will be released only after receipt of valuation reports. We also told them loan amount already sanctioned based on sale agreement price will also be revised on the basis valuation report. Sanction of new loans release of balance amount in already sanctioned cases were kept pending. The promoters including Winvilla developers along with Vijayalakshmi (Steno) complained to A1 about our stand. A1 called me along with Muralidaran (BM), Sivasankaram (Dept. Manager Finance), Rajendran (Asst Administrative Officer) to his chamber and scolded us for with holding balance releases in the loan files already sanctioned by him based on sale agreement price. He told that valuation reports will be applicable only for future cases. He shouted at us saying that the regional chief is the deciding authority and he given an commitment to the customers and promoters in sanctioning the loan which was dishonored by all the officers including me. He told that business with the promoters had been tied up by him with great difficulty and through our irresponsible and insensible action his efforts were spoiled. He directed us to release the balance loan amount in all the loans sanctioned by him already based on sale agreement price without linking valuation reports. He threatened us saying that all his directions were given in the interest of developing the business for the office and if we did not follow his instructions and work accordingly in developing the business we did not deserve a place in the office in he would find some other place for us. As per the directive of A1 the balance loan amount for all the loan files sanctioned by A1 already based on sale agreement price were released. After few days valuation report for layouts developed by Gothari developers was received. A1 called me along with Muralidaran (BM), Sundararajan (Appraisal Officer) to his chamber to discuss. On going through the valuation report we found that the valuer has given market value of the plots after completion all development works and also indicated the extent of loan to be given by financial institution. A1 immediately called the valuer and questioned him for indicating the extent of loan to be financed since as the Regional Chief he was the authority to decide the extent of loan. He also told the valuer to furnish the valuation report for the layout of other private developers also during the discussion with A1 we told him that the valuer had indicated the market value of the flats after completion of all the development works and so we had to release the loan in instalments after verifying the progress of the development works. A1 rejected our suggestion and told that development works of the layout cannot be taken in piecemeal and the developer can complete the works at one go after the individuals availed loan assistance at HUDCO and pass it on to the developers.

He told that HUDCO Nivas do not reimburse after completion of works and loan instalments are always released in advance to enable completion of works. He directed us sanction loans taking final market value of the flats indicated in the valuation report as the cost of the flats and release the loan instalments at one go to enable the developers to take up the development works. However A1 did not issue any written order in this regard. Then we repeatedly insisted for written order. A1 called the Steno Vijayalakshmi and dictated a note as if the note was initiated by myself, Muralidaran and Sundararajan in that note A1 gave justification for sanction for release of loan for individuals for purchase of flats for developers. The note in the draft form was shown to us and we were asked to process the files based on the valuation report and we were told that note being finalised by A1.

My self and branch manager Muralidharan went to A1 and stated that the decision to extend loan assistance based on valuation report had been taken by A1 and so it would be appropriate if A1 issue an office order regarding the procedure to be followed. But A1 refused saying that suggestive note had to come from processing officers and as the regional chief he would take a decision on the suggestions and give approval. Then we stated that a note suggesting a new procedure need to be sent to the head quarters for approval. But A1 decided that as the regional chief, he was competent to take decision on procedural matters in business interest. The note in the final form dated 5.3.2002 was given to us for signing on that day. Myself and Muralidharan signed the note and other person Sundarajan refused to sign the note saying that he was Junior Officer to suggest a new procedure for sanction. On that day A1 was on official tour to head quarters the note signed by us was kept in his chambers. After returning from the tour A1 called Sundararajan and scolded for his negative approach and for disobeying the senior officer and threatened him to take action against him. As directed by A1 sanction and releases were made based on valuation report. However A1 was avoiding to signed the note lying in his table. Then we stopped processing cases based on valuation report. As hundreds of files kept pending leading to pressure from developers A1 in the 3rd week March 2002 called the Steno and asked her totake a fresh printout of the notes leaving the name of Sundararajan. Myself and Muralidharan signed the note with the date 5.3.2002 as we have already signed the note on that day. A1 also signed the note approving the procedure on the same day. After that sanction and releases were made based on the valuation report for all the layouts of private developers A1 decided the extent of loan after going through the valuation report given by Shankaran. A1 directed us to sanction loan based on the final market value of the plots after completion of all development works and directed us to release the loans fully to enable the developers to complete the development works. Even though we were aware some of the development works are yet to be taken up we have to obey the directions of the regional chief. After some time defaults started occurring in the private developer loan cases. Then we stopped sanction and release of the plot loans. Then the promoters complained to A1 and A1 called meeting of all the officers along with the promoters he directed the officers not to deny loans to new customers for the default committed by some of the customers. He also termed the private developers as 4 pillars of Chennai retail finance business. After that again sanction and releases were continued based on valuation report. Then default started occurring more frequently. We stopped release of installments in already sanctioned cases. Then A1 called Sivasankar Deputy Manager Finance Mr Ganesh, Senior Finance Officer Mr Muralidharan and myself and threatened that action will be taken on persons who are responsible for with holding releases in the loans already sanctioned by the Regional Chief. Accordingly in all the sanctioned cases 100% loan were disbursed at one go even though we were aware that procedure followed insanctioning and release of loan to the individuals for the purchase of plots from private developers was completely different from the procedure followed by HUDCO in the plot loans of Housing Board & Societies. We only acted as per the directions of the Regional Chief who was the controlling authority of the Regional Office. In August 2002 Sough Zone Audit team comprising of Mr.A.B.Doss executive Director South, K.R.Sridharan Deputy Chief Law, Mr Nageshwara Rao Deputy Chief Projects and Smt. Rekha Sarathi Deputy Chief Finance and conducted audit of the loan files. After completion of the audit the rapup meeting was held between the audit team and Chennai retail finance unit to discuss the observation of the audit file. The audit team objected the procedure followed by Chennai retail finance unit in sanctioning loans to the individuals for purchase of flats based on valuation report and questioned the reputation of developers the regional chief.

A1 defended the procedure followed in the Chennai Retail Finance Unit in extending loans to the individual purchase of plots from private developers. After some deliberations A1 accepted that the procedure followed is a learning experience and corrective action will be taken. In September 2002 A1 issued a office order indicating revised norms for extending loans to individuals for purchase of plots from private developers. In that order, he mentioned that the plot should be in a reasonable distance from city limits and cost should be verified from advertisements and brochures. After the Zonal Audit is conducted A1 finally agreed to stop processing of loans to individuals for purchase of plots from private developers based on the valuation reports. In the case of Sevvapet layout of Kothari Developers sanctions were made based on the valuation report during April to June 2002. But release could not be done in these cases since the legal clearance from the Panal Advocate was pending. The legal clearance was received in the 1st week of July 2002 then the Promoters approached A1 for release of loan in this cases based on the valuation report. A1 directed us to release the loan based on the valuation report since loan sanction in this case has already been accorded by him based on the valuation report. We informed A1 that the Zonal Audit Team has already made observations regarding the procedure and A1 has already assured that the corrective action would be taken. Finally, A1 agreed to stop loan based on the valuation report. In these cases, the loan amount was curtailed taking registered value of the plots as cost basis.

The CBI registered cases for the loans processed by me for extension of loan to the individual for purchase of plots in the layouts developed by Siddhi Developers, Win Villa Constructions, Sindhu Developers, J.P.Real Estate, Kothari Constructions. On 05.07.2005, I appeared before Xxth Metropolitan Magistrate on receipt of summons and I gave my confession statement voluntarily. Subsequently, on 09.0.2005 I appeared before XI Metropolitan Magistrate and I was given tender of pardon.

On 05.07.2005 I appeared before XXth Metropolitan Magistrate and I gave my willingness to confession statement that was recorded. On the next day I was directed to appear before the XXth Metropolitan Magistrate. I appeared before the XXth Metropolitan Magistrate on that day and gave my confession statement. The confession statement was read over to me and I have signed in my statement. The signatures found in the certified xerox copy of 164 statement is my signature. 164 CRPC Statement dated 5/7/2005 is marked as **Ex.P71 (9 sheets).**

(At the request of the learned Public Prosecutor, for Chief Continuation reposted to 18/10/2024).