Calendar Case : C.C. No.11/06

Deposition of witness for : PW31

Name : Thiru P.Subramanian

Solemnly affirmed in accordance with the provisions of Act X of 1873 on this the 17th day of March, 2021.

Chief Examination Continuation.

In this case the individual loan application brought by M/s.Sindhu Developers Pvt.Ltd., represented by V.Bhaherathi (A4) and Venkatesh(A5). 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 of 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 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 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,Siddhi Developers, Sindhu Developers 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 Sindhu Developers to furnish detailed estimate from registered civil engineers 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 purchase housing unit in a project developed by a developer and approaches HUDCO for loan assistance the loan should be 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 M/s.Sindhu Developers Pvt.Ltd., 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 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.

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 we 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 stated 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 peace 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 were 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 reiterated 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 and Sundarrajan, Deputy Manager Project 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 valuer to inspect the layout of all the developers including Sindhu 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 and 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 Sindhu developers along with Vijayalakshmi (Steno) complained to A1 about our stand. A1 called me along with Muralidaran

(BM), Sivasankaram (Dept. Manager Finance), Rajendran (System Administrative Officer) to his chamber and scolded us for with holding balance releases in the loans 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 had 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 are . 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. 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 plots 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 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 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. After few days valuation report for layouts developed by Kothari 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 flats 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. As directed by A1 sanction and releases were made based on valuation report. However A1 was avoiding to sign 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 to take 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 flats 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 flat 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 delay 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 against persons who are responsible for with holding releases 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 in sanctioning and release of loan to the individuals for the purchase of flats from private developers was completely different from the procedure followed by HUDCO in the flat 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 came 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 . The audit team objected the procedure followed by Chennai retail finance unit in sanctioning loans to the individuals for purchase of plots 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 on cost basis.

In the individual loan application file pertains to this case is already marked as Ex.P107 series to Ex.P146 series contains credit appraisal cum sanction note in 4 sheets and the same has been signed by either myself or Mr.Muralidharan as technical member of HUDCO, Chennai, Law officer of the sanctioning committee, Finance member of the sanctioning committee and all sanctioned by A1 . The loan pertains to Ex.P107 to Ex.P146 series were sanctioned by HUDCO, Chennai based on the sale agreement price and valuation report given by the panel valuer Mr.Sankaran. The registered sale value has not been taken into consideration by us.

The Central Bureau of Investigation have registered case against the housing loans sanctioned by HUDCO, Chennai which were processed by either myself or by S.Muralidharan and sanctioned by A1 Arunkumar for extending loan to the individuals who purchased plots said to be developed by, Siddhi Developers, Winvilla Developers, Sindhu Developers, J.P.Real Estate and M/s.Kothari Constructions. On 5/7/2005 I appeared before the XX Metropolitan Magistrate Court, Chennai on receipt of summons and I gave voluntary confession statement . The statement given by me on 5/7/2005 and 6/7/2005 before the XX Metropolitan Magistrate Court, Chennai is now marked as Ex.P150 (17 sheets). On 9/9/2005 under Ex.P79 I gave a statement before the XI Metropolitan Magistrate Court, Chennai seeking Tender of pardon and on the same day I have been granted Tender of pardon as per Ex.P80. I have been examined by CBI in this regard.

A1 filed u/s.242 Cr.P.C for defer and dismissed . No cross.

Other accused. No cross.

Cross examination by A37 and A46 Counsel.

It is correct to say that Gnanaoli(A46) loan amount Rs.2,46,000/-. It is within the procedure followed in the Plot loan case based on valuation report. It is the procedure approved by the Regional Chief for sanction of loan for purchase of plot in the private developer lay out. According to me, it is a deviation from the procedure followed in HUDCO in the cases of plot loan of Govt.Agencies. The earlier procedure is sanction of loan up to 85 percentage of the registered sale deed value of the plot. I have scrutinized the files of the loanees before sanction. Deviation already approved by the Regional Chief . I have not mentioned any notes regarding the deviations. There was an audit by HUDCO, South Zone Team which objected to this procedure adopted for sanction of loans, purchase of plot in the private developer lay out. I am not aware the audit report finds place in the charge sheet. I am not aware whether the audit report available before this court. In Ex.P143 is not having any audit report. Now I am in service. I got promotion. When it is alleged excess loan amount released and when it is not paid, it is loss to HUDCO. Now I am shown a letter that it is a HUDCO letter, it is stated that demand notice to the Accused A46 Gnanaoli. I cannot say about the genuineness of the document Demand Notice dt.26/9/2006 since I was not in the office. Now I am in Bangalore HUDCO office. presently who incharge of the Retail Finance Unit of Chennai can be called for the verification of the above demand notice.I am in the HUDCO at Bangalore. Whether it is Calcutta, Bangalore, Chennai there is one HUDCO. I have come here to speak about these accused only.

Question. what are you?

Answer. I am serving as a Joint General Manager.

Question. In 2006 what are your position?

Answer. In 2006 I was a Senior Manager.
Question. How long you served in HUDCO, Chennai?
Answer. Till 2005 I was in HUDCO Retail Finance Unit, then I was transferred to Consultancy Department and then transferred to Projects Department . I was in Chennai upto April 2017 then I was transferred to Bangalore as Senior Manager. I got promotion as Joint General Manager in 2019.
Question. Are you arrested?
Answer. I have arrested and released in this case. I dont remember when I was arrested and when I was released.
Question. Why you have arrested?
Answer. The procedure followed in the private developer plot loan cases was a deviation from the procedure followed by HUDCO in the plot loan sanctions of Govt.Agencies . This procedure was decided by the Regional Chief I obeyed the direction of the Regional Chief and processed the applications . Hence I was made an accused and arrested.
Question. When you come to this Court to speak about this case which is granting of Excess loan and causing loss to HUDCO when you refused to answer about the documents connecting the HUDCO and accused you are not acting in interest of your department HUDCO and assisting this Hon'ble Court in arriving at a just decision and torturing the accused.
Answer. I deny. Witness adds I can talk about the documents known to me during my period of service Chennai Retail Finance Unit.
Question. I put it to you, you refused to speak about the document that was in existence during your period in Chennai.
Answer. HUDCO has different functional units and responsibilities of the officers working in different department are unique. I was transferred Retail Finance Unit in 2006 hence I cannot talk about the documents which are not

relevant to my period of service.

Question. Did you scrutinized the loan application A37 Lalitha and A46 Gnanaoli.

Answer. Yes.

Question. But you refused to speak about the demand from our office to A37 and A46 and there you are unfit to continue in your service and getting salary from the public etc.?

Answer. I cannot speak about the document which I am not aware.

Question. Who is the competent to speak about the demand notice A37 and A46 and about the further acts namely payment as well as discharge?

Answer. The Branch Manager of Chennai Retail Finance Unit is the competent person.

Question. What is meant by Authorised Signatory?

Answer. The Retail Finance Unit has every function somebody authorised to perform the duties. The concerned person is the authorised signatory.The Branch Manager of Chennai Retail Finance Unit is the authorising overall. He is called as Authorised Signatory.

Question. In 2007 what are you in Chennai HUDCO?

Answer. I was the Senior Manager.

I have not issued discharge letter to A46 Gnanaoli in 2007. In my memory, one Mr.M.N.Rajan is the authorised signatory of this letter.

I am able to see in Ex.P135series at page -2 Credit appraisal cum sanction note for RC " As per the valuation report rate per sq.ft is Rs.60.42 " ?

Question I put it to you according to the above there is no excess amount ?

Answer. Value of the sale deed and loan amount is compared the loan amount is excess. Note only refers to the value indicated by the valuer but the sale deed was registered much lower value . Hence there is an excess amount.

Question. How much excess amount sanctioned?

Answer. I have to see the sale deed value then only I can comment.

Question . I put it to you without verifying any document you are answering according to your whims and fancies that the amount will be excess?

Answer. I deny. The entire process of sanction of loan to individuals for the purchase of plot in private developers layout is based on the procedure approved by the Regional Chief whereby the Sale deed of the plots have registered at lower value to comparison to the market value . So all the plot loan cases value of loan amount sanctioned is based on the sale agreement, price which is much more than the sale deed value. Hence in all these cases there is excess amount loan sanctioned.

I dont remember who made the endorsement in Ex.P135series Credit appraisal cum sanction note for RC.

Question. Is there any committee or an individual to clear the loan application?

Answer. The committee consists of Technical, Finance and legal processed the application and signed in the sanction note which is approved by the Regional Chief. All Technical, Finance, and legal are employee of the HUDCO.

Question. Are they accused in this case?

Answer. I dont know.

Question. Were you there in the committee?

Answer. There are various committee. I have to see the appraisal report whether I have signed it or not.

Question. How many Committee?

Answer. There is only one committee. The members may be different.

Question. Are you play any role in the committee?

Answer. I functioned as Technical member.I am not the member of Ex.P135 Credit appraisal cum sanction note for RC. In Ex.P143 series committee consists 3 members including me, I am the technical member.

Question. Howmany instalments in the loan ?

Answer. As per the records, 120 months (i.e) 10 years.

Question. I put it to you when you have collected your dues and much more than the loan amount given even before the closure of the installment period, you have caused mentally, physically and financially loss to the A46 and A37. What do you say?

Answer. I am not aware of the repayment.

Question. If there has been repayment, what are I put it to you is good?

Answer. If the loan has been repaid as per the schedule there is no negative impact for HUDCO as well as the applicant.

Question. When the amount was released?

Answer. In 26th July 2002.

Question. As per your rule, the period of repayment comes to an end by 2012. Do you agree?

Answer. yes

Question When you collect the amount in 2006 itself will not be a heavy burden and loss to the loanees?

Answer. The Hudco while sanctioning the loan expected the applicant to repay the principal amount and interest as per the schedule given to them which is over a period of 10 years. If the applicant had followed the schedule there is no negative impact for Hudco as well as the applicant. In this case the mode of payment as per the schedule has to be seen for making any other comment.

Question. The year 2006 comes under 2012 or after that?

Answer. The year 2006 comes under 2012.

Question I put it to you by taking the oath that I will speak the truth, the whole truth and nothing but truth, you are speaking only falsehood that will neither help your department nor by this Hon'ble Court but by the accused.

Answer. I deny.

Re-examination. Nil