

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.11/2006

Deposition of witness for : PW-28

Name of the witness : Mr. M.N.Rajan

Father's Name : Mr. M.K.Narayanan

Age : 74 years

Solemnly affirmed in accordance with the provisions of Oaths Act, 1969 (Central Act 44 of 1969) on the 8th day of January 2026.

(A1, A36, A39, A41, A46 are present. A3 company represented by A4. A6, A9, A13, A14, A18, A19, A21, A22, A26, A33, A35, A38, A44, A47 and A48 charge abated. A8, A11, A15, A16, A17, A20, A24 and A34 discharged. A29 and A43 split up in CC 08/2018. A23 died await death certificate. Other accused absent. Petition u/s 317 CRPC filed and allowed).

Cross Examination by A1 :

The Branch Manager allot duties to the Steno and other officials with the approval of Regional Chief. Such allotment was in oral. Branch Manager of Retail Finance Unit was Mr.Muralitharan. I was treated as hostile witness in CC 06/2000.

Question: In HUDCO do we have a hierarchy of office setup such as Corporate/Head office, Zonal Office, Regional Office, Development office and

HUDCO Niwas Office?

Answer: Yes.

Question: Does the “HUDCO NIWAS”, the Retail Finance unit of HUDCO was set up in March 1999, as an independent unit to exclusively deal with home loan portfolio of individuals?

Answer: Yes.

Question: Whether Niwas offices are headed by Branch Managers under whom there is team of technical Officers, Finance Officer, Law officer and other supporting staff?

Answer: Yes.

Question: Please refer to the joint note dated 27.04.2004 in **LD-71 of CC-11/2006** on duty allocation in HUDCO Niwas for Calendar year 2002 compiled by Approvers Muralidharan and Approver Subramanian. Whether there were **7 technical officers** including the Branch Manager Muralidharan, **one community Development Officer, one Finance Officer, one Law officer, one Assistant Administrative officer** and **9** (S.R. Uma, Vijayalakshmi, Lakshmi, Sampooram, Muruganantham, Nagaraj, Mahalashmi, Elangovan, & Perumal) **supporting staff** working in the Chennai Niwas Office?

Answer: Yes.

Question: Whether Chennai Niwas office during the operation of the plot loan was a full-fledged office?

Answer: Yes.

Question: Prior to joining as Branch Manager at the level of Senior Manager in Chennai Niwas Office on 23.05.2003, were you working as Branch Manager at the HUDCO Niwas Office at Cochin?

Answer: No

Question: When you were the Branch head of the Chennai Niwas office did you review and follow up the default of plot loans?

Answer: Yes.

Question: Please refer to **Additional Document No. VI of Crl MP-24/2010 in CC-6/2006. As per year 2010 status, out of 271** plot loans sanctioned by Chennai Niwas whether nearly **224 loans are foreclosed, 7 are regular in repayment** and the balance default status is only 40 loans?

Answer: I do not remember now. But most of them closed now.

Question: Are you aware that the overall default level in plot loan had now fallen to less than 10, mostly pertaining to loanees who are not traceable?

Answer: Most of them closed. But exact no. I do not know.

Question: Whether the property documents of plots of all these defaulters as well as accused were mortgaged to HUDCO and held towards security for the loan?

Answer: Yes.

Question: Are you aware that **out of total 55** plot loan borrowers included as accused in 4 charge sheets (CC-6/2006 Siddhi Developers – 2, 9/2006 Kothari

constructions – 9, CC-10/2006 Winvilla Promoters – 2 and Sindhu Developers – 42), **52 loans are foreclosed** and out of the **balance 3 loans/accused**, Charges are **abated for 2** accused in CC-10/2006 – Winvilla and charges **separated for 1** accused from CC-6/2006 – Siddhi as the accused is absconding?

Answer: Most of them closed. I do not know whether the person is absconding.

Question: Please refer for example to **item 9** of the credit appraisal cum sanction note for Moorthy in **page 10 of LD-22 (Ex.P-15) of CC-6/2006**. Whether this plot loan of **Rs1.13 lakhs** was sanctioned **@ 12.25%** rate of interest?

Answer: I do not remember.

Question: During the year 2002-2003 whether subsidized/low interest of **less than about 8%** was charged by HUDCO for loan sanctioned to Economically Weaker Section (EWS) families?

Answer: I do not remember.

Question: Whether the interest rate of 12.25% charged by HUDCO Niwas for the plot loan is at par with market lending rate and not as per subsidized rate of interest applicable to EWS?

Answer: I cannot comment on this.

Question: Please refer to **clause 2.7(b)** of the loan agreement (**Ex. P-17**) in page 4, of loan file Ex. P-45/**LD-22 of CC-6/2006** Does the HUDCO Niwas Charge huge **additional penal interest of 30%** for default over and above the normal approved interest rate of **12.25%**?

Answer: Panel charge received as per rules/guidelines.

Question: Whether the collection of such penal interest from defaulters over and above the principal amount and normal interest, results in additional income and profit to HUDCO?

Answer: Yes.

Question: Please refer to **Additional Document No. VII of Crl MP-24/2010 in CC-06/2006**. Did HUDCO Niwas made **hefty additional profit amounting to Rs. 2.12 (35.33%)** crores over and above normal operational profit out of the **sanction** of the plot loan (**totally amounting to Rs. 6 crores**) by way of collection of additional penal interest in respect of plot loan operation from **5 of the plot developers?**

Answer: Such charges are part of HUDCO income.

Question: Please refer to sanction procedure stipulated in **page 49**, under **clause 5.1** of the Niwas guidelines in **LD-2 (Ex. P-1) of CC-9/2006**. Does the Niwas loan is submitted for sanction to the sanctioning authority i.e., Regional Chiefs or Executive Directors or Director Finance, or CMD in the **4 page credit appraisal cum sanction note duly certified and recommended** by a team of technical officer, law officer, finance officer as well as the Branch head?

Answer: Yes.

Question: Having worked as Branch Manager, are you aware of the various

provisions in the detailed Niwas Guidelines?

Answer: Yes.

Question: Please refer to **page 9 clause 1.1.** of the HUDCO Niwas guidelines in **LD-2 (Ex. P-1) of CC-9/2006.** Is there an exclusive clause to define **“Eligibility for loan and how it is determined”**?

Answer: I don't know.

Question: Please refer to HUDCO Niwas guidelines **page 9 item 1** – “Eligibility for loan and how it is determined”, **in LD-2 (Ex. P-1) of CC-9/2006.** Does the guideline simply refer to **“cost”**? i.e. “the loan amount will not exceed **85% of the cost** of the unit including incidental costs like stamp duty and registration **etc.**”?

Answer: Yes.

Question: Please refer to LCR (Loan to Cost Ratio) stipulated under clause 2.7.3 in page 30 of the Guidelines in **LD-2 (Ex. P-1) of CC-9/2006.** Whether maximum loan is limited to 85% of the **total property cost**, which includes **purchase price**, stamp duty charges and registration expenditure, etc?

Answer: Yes.

Question: You have vast experience of over 35 years in HUDCO and worked in Head Office, Zonal Office, Regional Office, Niwas office and dealt with Project/Institutional funding at Regional Office level and Individual home loan funding at the Niwas office. Is it common in the real estate industry in TN that

registration of Sale Deed takes place mostly as per guideline value published by the Government?

Answer: No.

Question: Is it common in the real estate industry that there will be wide variation between the actual selling price/market value and the guideline value based on which the sale deed is registered?

Answer: Yes.

Question: During the relevant time in the year 2002, whether registration for sale of flats/apartments promoted by Builders in TN is only on the **cost of the un-divided share of land**?

Answer: Yes.

Question: Whether Chennai HUDCO Niwas had processed and sanctioned a number of individual housing loan **for purchase of flats/apartments from Builders/ Flat Promoters**, based on Purchase Price as in Sale Agreement and other supporting documents?

Answer: I do not remember.

Question: In respect of loan for construction of house on a plot, whether the registered Sale Deed is only for the plot and loan quantum is on cost of construction based on the estimate and other base documents of the property and financial ability of the applicant?

Answer: Registered sale deed is for cost of plot. Loan as per financial eligibility of the loanee.

Question: Now please go through the entire Niwas guideline in **LD-2 (Ex. P-1) of CC-9/2006**. Does the Guidelines anywhere stipulate that the loan should **not be more than 85% of the Sale Deed value**?

Answer: I don't know.

Question: Be it is an **estimate** prepared by an authorized Civil Engineer or **Sale Invoice** or **Agreement for Sale** or **Registered Sale Deed** or **Valuation Report** from Panel Valuer or **Allotment Letter**, whether all these base documents are to be critically evaluated and cross verified by the NIWAS appraising officer to arrive at the realistic cost for funding?

Answer: Appraisal team has to do this.

Question: Please refer to some of the provisions in the guidelines in **LD-2 (Ex. P-1) of CC-9/2006** relating to obtaining valuation or engaging valuer. Whether “Market valuation of the property” is prescribed in **page 38** under item **IV.3** for Flat purchase from individuals?

Answer: I don't know.

Question: In **page 47** Chapter **4.1, clause 4** in second para for ready built house suggests “Market rate of a similar property in close proximity”?

Answer: Yes.

Question: In **page 48** the guideline suggests to considering appointing a valuer to carryout technical inspection and submit the report?

Answer: Yes.

Question: Please refer to Niwas Guideline stipulation under **item IV/page-38/ LD-2 (Ex. P-1) of CC-9/2006** and **IV/page-50/ LD-3 (Ex. P-2) of CC-9/2006**. For sanction of individual loan for purchase of **ready built** houses or **old houses** or **old flats/apartments** whether the Niwas Office routinely get a valuation report as per stipulation in the guideline in support of the cost for funding?

Answer: It is a routine procedure.

Question: In light of the above please clarify whether there are provisions in the operative Niwas Guideline in **LD-2 (Ex. P-1) of CC-9/2006** and the updated guideline in **LD-3 (Ex. P-2) of CC-9/2006** to engage valuer and get Valuation Report **for different purposes**?

Answer: It may be there.

Question: Whether a valuation report of the plots under purchase from any developer would protect the interest of HUDCO for ensuring adequate security and required mortgage cover for the loan sanctioned by HUDCO Niwas?

Answer: Yes. In addition, personal guarantee is also taken.

Question: Whether a **proper valuation report** and a **thorough processing and analysis** of the valuation report would expose/yield to the **realistic market price** of the plot/property under valuation?

Answer: Yes.

Question: As recorded in the 2nd para in first page of the joint note of 5.03.2002 submitted by Approvers Muralidharan SM and Subramanian SM(S) in **Ex. P-3/LD-11** of CC-06/2006, whether the decision to assess the cost through valuation was taken to make sure that HUDCO Niwas do not over finance the individual?

Answer: Yes.

Question: Whether Individual housing finance is a competitive business and HUDCO Niwas has to compete with all the commercial Banks and several other Financial Institutions offering loan at attractive terms?

Answer: Yes.

Question: As per Niwas Guidelines whether **sale agreement** is one of the relevant documents to be submitted by the applicant in support of the sale/purchase price-for all category of Niwas loan for purchase of property (ready bult house old/new, flat, plot etc.,)?

Answer: Yes.

Question: Whether a proper evaluation of the **Agreement of sale** and verification of upfront investment of the margin money stated in the Sale agreement would establish the **genuineness** of the Sale Agreement, Sale price and the transaction between the buyer/loanee and seller?

Answer: Yes.

Question: Whether cost is the one and only criteria to be considered for sanctioning

the loan or deciding the loan quantum?

Answer: No.

Question: Please refer to HUDCO Niwas guidelines **page 9 item 1.1.(c)**, in **LD-2 (Ex. P-1) of CC-9/2006**. Whether the actual loan amount is to be determined based on **repayment capacity** taking into account factors such as income, age, qualification, number of dependents, spouse's income, assets, stability and continuity of occupation and savings history?

Answer: Yes.

Question: Whether a proper evaluation of the **ability of the customer** for making repayment taking into account factors such as employment, income, age, qualification, number of dependants, spouse's income, assets, stability and continuity of occupation and savings history, would **stand-alone** ensure that loan is repaid on time regularly?

Answer: Yes.

Question: Whether the hand written direction of Arulkumar on the joint note of 5.03.2002 submitted by Approver Muralidharan, SM and Approver Subramanian, SM(S) in **Ex. P-3/LD-11 of CC-6/2006** had all the **3 above ingredients** i.e., "**Sale Agreement**", "**valuation report**", "**ability assessment through credit appraisal**", which are all as per the stipulations in the Niwas Guidelines?

Answer: Yes.

Question: Whether the Salary certificate and Employment certificate available in

the loan file are **critical base documents** to be cross verified with the employer to establish its **genuineness**?

Answer: I do not know.

Question: Whether such verification of base documents is carried out routinely for all individual loans as part of credit appraisal by the Niwas credit appraisal team?

Answer: Yes.

Question: Whether such verification based on appraisal is confirmed, duly signed and certified by the Niwas Technical, Finance and Law officers as well as the Branch manager under item 13 of the “Credit Appraisal cum Sanction Note for RC” and recommended for sanction to the sanctioning authority RC (or ED/DF/CMD)?

Answer: Yes.

Question: Did Arulkumar, RC while according approval in black and white on the joint note of 5.03.2002 submitted by Approvers Muralidharan SM and Subramanian SM(S) in **Ex. P-3/LD-11 of CC-6/2006**, directed to consider the **least of the market price as per valuation** and sale price as per sale agreement?

Answer: Yes.

Question: Is there any direction of Arulkumar, RC in **Ex. P-3/LD-11 of CC-6/2006** to add future development works or other miscellaneous expenses to arrive at the Market Price?

Answer: No.

Question: Although you had not processed all of the papers, have you reviewed each

of the files and given details on each of the loan files during your statement before the CBI as well as in the deposition before this court in Chief Examination?

Answer: Yes.

Question: While the clear-cut direction of Arulkumar on the joint note of 5.03.2002 submitted by Approvers Muralidharan SM and Subramanian SM(S) in **Ex. P-3/LD-11 of CC-6/2006** is to consider only value, have you come across any Contrary direction of Arulkumar to consider the future development works or brokerage or registration or survey or layout plan charges or other miscellaneous expenses for arriving at the value of the plot?

Answer: No.

Question: Please refer to the joint note dated 27.04.2004 in **LD-71 of CC-11/2006** on **duty allocation in HUDCO Niwas for Calendar year 2002** compiled by Approvers Muralidharan and Subramanian for passing on to the CBI. In respect of plot loans, whether the fact of Approvers Muralidharan and Subramanian performing the duty of Receipt of application, issue of Sanction letter, Tripartite Agreement signing, Loan Agreement Signing, **authorization of loan disbursement** and signing of cheques are listed in the joint note compiled by these two approvers?

Answer: I do not remember.

Question: Whether the fact that Approver Muralidharan was in charge of the

Chennai Niwas Office and he was functioning as Branch Manager at the level of Senior Manager is listed against the duty of Approver Muralidharan in the joint note?

Answer: Yes.

Question: Whether all pre-sanction evaluation of the loan and all post-sanction activities such as issue of Sanction letter, documentation, physical monitoring, disbursement of loan etc., are entirely dealt at Niwas office level?

Answer: Yes.

Question: Please refer to **item 5.2.3 in page 65** and 2nd para in page 25 of Guidelines in **LD-3 (Ex. P-2) of CC-9/2006)**. Whether the Guidelines stipulate that no disbursement should be made without ensuring compliance to sanction conditions?

Answer: Disbursement should be made only after compliance of conditions.

Question: Now, please refer for example to Legal-Technical Appraisal Sheet in **Loan file in of Baker Ali in LD-17 (Ex. P-109)**, G. Seetharaman in **LD-18 (Ex. P-110)** and Elumalai in **LD-19 (Ex.P-101)**. Are there pending compliances such as references from the (1) referee and (2) bank as listed in the legal-Tech appraisal sheet?

Answer: I do not remember

Question: Whether disbursement have been recommended and also authorized by approver Muralidharan or Approver Subramanian without ensuring compliances even though the outstanding issues were listed in the Legal Appraisal Check list?

Answer: Yes.

Question: Who in the Niwas office is to ensure such compliance which is a micro level activity?

Answer: Branch Manager.

Question: Any reference of RC is recorded in any of the files?

Answer: No

Question: Please refer to the 43 loan files in the charge sheet i.e., loan files in **LD-15 to LD-57 (Ex. P-101, P-103, Ex. P-107 to 146, & Ex. P-148)**. Other than one signature (for sanction) on the 4 page “credit appraisal cum sanction note for RC” submitted to him with certification of compliances and recommendation for sanction by the team of technical, finance, law officers and also the Senior/Branch Manager, have you come across any reference of Arulkumar, RC recorded anywhere in the loan files?

Answer: Yes.

Taken down before me in the open court read over to the witness and acknowledged by him/her to be correct.

08.01.2026 XI Additional Special
Judge for CBI Cases.