

IN THE HIGH COURT FOR THE STATE OF TELANGANA AT HYDERABAD

WEDNESDAY, THE TWENTY FIFTH DAY OF MARCH
TWO THOUSAND AND TWENTY SIX

PRESENT

THE HONOURABLE SMT JUSTICE K. SUJANA

Criminal Petition No.4570 of 2025

Between:

1. J.Srinivas, S/o. Sri Rajesham, aged about 62 Yrs., Occ. Retired Employee (Indian Bank) R/o.B-105, Hallmark Silvanus, Road No.1, Alkapur, Manikonda, Hyderabad.
2. N.G.Sai Kumar Naidu, S/o. Late Narayana Rao Goli, aged 68 Yrs., Occ. Retired Employee (Indian Bank) R/o. Flat No.102, Block-A, May Flower Grande, Opp. Noma Function Hall, Mallapur, Hyderabad.

...Petitioners/ Accused Nos. 6 & 8.

AND

1. State of Telangana, Rep.by its Special Public Prosecutor, C.B.I., Hyderabad.
2. The Zonal Manager, Hyderabad Zone, Indian Bank, Vigilance Cell, 4th Floor, Liberty Plaza, Himayathnagar, Hyderabad - 500 029.

...Respondents.

Petition under Section 528 of BNSS praying that in the circumstances stated in the Memorandum of Grounds of Criminal Petition, the High Court may be pleased to quash C.C.No.16/2014 on the file of Principal Special Judge for CBI Cases, Hyderabad to the extent of the petitioners/accused Nos.6 and 8 herein.

I.A. NO: 2 OF 2025

Petition under Section 528 of BNSS praying that in the circumstances stated in the Memorandum of Grounds of Criminal Petition, the High Court may be pleased to grant interim stay of all further proceedings in C.C.No.16/2014 on the file of the Principal Special Judge for CBI Cases, Hyderabad including the appearance of the petitioners/accused Nos.6 and 8 herein, pending disposal of the above criminal petition.

This Petition coming on for hearing, upon perusing the Memorandum of Grounds of Criminal Petition and upon hearing the arguments of Sri Rajasripathi Rao, learned Senior Counsel appearing for Sri G. Aditya Goud, Advocate for the Petitioner Sri T.Srujan Kumar Reddy, Special Public Prosecutor appearing for the respondent No.1 and of the Respondent No.2 Not appearing in person or through their counsel.

The Court made the following: **ORDER**

IN THE HIGH COURT FOR THE STATE OF TELANGANA

AT HYDERABAD

THE HONOURABLE SMT. JUSTICE K. SUDANA

CRIMINAL PETITION No.4570 OF 2025

DATE : 25.03.2026

Between :

J.Srinivas & another

... Petitioners/A.6 & A.8

And

State of Telangana,
Rep., by its Special Public Prosecutor,
C.B.I., Hyderabad & another

... Respondent .

: O R D E R:

This petition is filed under Section 528 of Bharatiya Nagarik Suraksha Sanhita, 2023 praying this Court to quash the proceedings against the petitioners in C.C.No.15 of 2014 on the file of Principal Special Sessions Judge for CBI Cases, Hyderabad, wherein the alleged offences against the petitioners are under Sections 120-B r/w.420, 409, 467, 467 r/w.472, 468 r/w.471 of Indian Penal Code and under Section 13 (2) r/w.13 (1) (d) and substantive offences.

2. The prosecution case is that the 2nd respondent lodged a complaint, based on which the CBI, Economic Offences Wing, registered FIR No.14(E)/2012 alleging that A.1 to A.8 entered into a criminal conspiracy to defraud Indian Bank, Osmangunj Branch, Hyderabad. A.1, K. Suresh Kumar, initially availed an Open Cash Credit (OCC) limit of Rs.15 lakh in September 2001 in the name of M/s. Sirish Traders, which was later renamed as M/s. PDM Industries. The OCC limits were periodically enhanced, and ultimately, on 06.02.2009, the limit was increased to Rs.450 lakh. It is further alleged that the Bank sanctioned multiple loans, including two term loans totaling Rs.2.25 crore to M/s. P.S. Educational Society, a mortgage/term loan of Rs.50 lakh to M/s. Sri Sakthi Constructions and M/s. Suryodaya Constructions, and a housing loan of Rs.40 lakh to K. Suresh Kumar and K. Rajendra Kumar. These loans were secured by mortgaging properties belonging to K. Rajendra Kumar, Smt. K. Bharathi Devi, K. Suresh Kumar, and Smt. K. Pallavi, along with personal guarantees from K. Madhu, Smt. K. Sarita Rani, and J. Krishna. As the borrowers failed to repay the dues, the accounts were classified as Non-Performing Assets (NPA) on 31.03.2010, with an outstanding amount of Rs.7.18 crore as on 04.09.2010.

3. The prosecution further alleges that certain bank officials, namely A.6 to A.8, who were working as Branch Manager/Chief Manager, Senior Manager, and Assistant Manager at the relevant time, conspired with A.1 to A.5. It is alleged that the borrowers submitted forged title deeds as genuine and despite knowing the same, A.6 and A.7 recommended the loan proposals and failed to comply with sanction conditions before disbursement, thereby acting with criminal intent. It is further alleged that in August 2002, A.1 applied for enhancement of the OCC limit from Rs.15 lakh to Rs.50 lakh under Trade Finance "Trade Well". Along with the application, financial statements, asset and liability statements, a legal opinion, and a valuation report were submitted. However, the application was processed without independently obtaining legal opinion from the panel advocate and without verifying the genuineness of the title deeds. Based on the recommendation of A.7 and the Credit Department's note, the Circle Office sanctioned an enhanced limit of Rs.40 lakh on 22.08.2002. On the basis of the complaint and subsequent investigation, it is alleged that A.1 to A.8, in furtherance of their conspiracy, committed offences of cheating, forgery, use of forged documents, criminal breach of trust, and criminal misconduct, thereby causing wrongful loss

of Rs.7,17,96,555/- to the Bank. Accordingly, the case was registered against all the accused for the said offences.

4. Heard Sri Rajasripathi Rao, learned Senior counsel appearing for Sri G.Aditya Goud, learned counsel for the petitioners, Sri T.Srujan Kumar Reddy, learned Special Public Prosecutor appearing for respondent No.1 and Sri Hemanth Kumar Vemuri, learned counsel appearing for respondent No.2.

5. The learned Senior counsel for the petitioners contended that the charges framed by the trial Court do not contain any specific allegations against A.6 and A.8. Charge No.1 pertains only to the loan availed by A.1 to A.5, and the allegations are confined to them. The only vague allegation against A.6 to A.8 is that they allegedly joined A.1 to A.4 in committing misconduct. However, the trial has already commenced, and none of the prosecution witnesses have implicated the petitioners in the alleged transaction.

6. It is further submitted that Pw.1 (complainant) did not attribute any role to the petitioners and, in cross-examination, admitted that there were no lapses on the part of the Branch Manager in assessing or processing the loan. Pw.2, a panel advocate, also did not make any allegations against the

petitioners and admitted lack of recollection regarding verification of documents. Pw.3, a retired AGM, only stated that A.6 and A.7 were Branch Managers during the relevant period and identified A.1 and A.2 as the key persons. He further admitted that prior to sanction, the loan proposals were verified and approved by the legal department and higher authorities. Pw.4 confirmed that loan proposals were forwarded to higher authorities without alteration, and Pw.5 stated that loans exceeding Rs.1 crore were monitored by the Circle Office, thereby indicating that the petitioners had no role in sanctioning the loans.

7. Learned Counsel further submitted that Pws.6 to 12, including senior and zonal officers, did not make any allegations against the petitioners. Their evidence shows that the borrower had financial strength, the loan process complied with bank guidelines, and the staff accountability report recorded "Nil" against the concerned transactions. Pws.13 to 15 spoke only about subsequent renewals and did not implicate the petitioners. Pw.27's evidence also indicates that the loan amount was properly utilized for the intended purpose, as infrastructure and equipment were indeed available. It is therefore contended that the entire evidence of Pws.1 to 15 and

other material witnesses does not disclose any role or involvement of the petitioners in the alleged conspiracy, and there is no incriminating material against them. Reliance is also placed on the order of the Hon'ble Supreme Court in SLP (Crl.) No.4113 of 2024 dated 03.10.2024, whereby proceedings against A.3 and A.4 were quashed, and the same reasoning is applicable to the present petitioners. It is further submitted that an earlier quash petition was disposed of due to non-representation of the petitioners' counsel, and liberty was granted to file a fresh petition. In view of the said liberty, the present petition is filed, and therefore, the learned counsel prayed for quashing of proceedings against the petitioners.

8. On the other hand, the learned Standing Counsel appearing for Indian Bank contended that the CBI investigation revealed that A.6 to A.8, being bank officials, had conspired with the other accused to cheat the Bank. It is submitted that A.6, in furtherance of the conspiracy, forwarded proposals for enhancement of credit limits to the Circle Office without properly verifying the viability of the loan, sales turnover, or end use of earlier funds. Based on such recommendations, the Circle Office enhanced the OCC limits from Rs.150 lakh to

Rs.300 lakh and subsequently to Rs.450 lakh. It is alleged that A.6 failed to verify the genuineness of financial statements, asset and liability details, stock statements, and net worth certificates, and did not ensure compliance with sanction conditions before release of the limits. It is further contended that A.6 and A.7 showed undue favour to the borrowers by not rectifying discrepancies and by forwarding proposals without due diligence. It is further submitted that A.6 and A.8 submitted a false visit report dated 07.06.2007, stating that the school building had 82 rooms with full infrastructure and facilities, including air conditioners, laboratories, library, computers, swimming pool, and other amenities whereas in reality the building had only 38 rooms and lacked such facilities. This, according to the Bank, clearly establishes that the petitioners submitted false reports, showed undue favour to the borrowers, and thereby cheated the Bank.

9. The learned Standing Counsel further contended that the Hon'ble Supreme Court quashed proceedings only against A.3 and A.4, without expressing any opinion on the case against the present petitioners. It is also pointed out that the quash petition filed by A.1 and A.2 was earlier dismissed, and that settlement of dues under OTS, issuance of No Due Certificate or closure of

DRT proceedings have no bearing on the criminal liability of the petitioners. It is submitted that the Bank suffered a substantial loss even under OTS, and that the petitioners, by abusing their official position, facilitated pecuniary advantage to the borrowers. After examining their role, sanction was accorded for prosecution by the competent authority. Hence, dismissal of the petition is sought.

10. The learned Standing Counsel for CBI also opposed the petition, contending that there are specific and clear allegations against the petitioners. It is submitted that the enhancement of loans was based on reports submitted by the petitioners, which contained fabricated facts regarding the infrastructure and capacity of the building, including non-existent facilities such as a swimming pool. It is further contended that, contrary to standard banking procedure, the borrowers directly obtained legal opinion and, based on such opinion, the petitioners forwarded proposals for sanction and enhancement of loans, thereby indicating their involvement in the conspiracy. It is also submitted that an earlier quash petition filed by the petitioners was dismissed after trial had progressed, and that departmental enquiry findings also held the petitioners at fault. It is argued that mere settlement of dues is not a ground to quash criminal

proceedings where allegations of conspiracy and misconduct exist. In support of his contentions, reliance is placed on **Parbatbhai Aahir alias Parbatbhai Bhimsinhbhai Karmur and Others V State of Gujarat and Another¹, Ishoo Narang and Others V State of Telangana and another², Central Bureau of Investigation V Hari Singh Ranka and Others³** and prayed to dismiss this petition.

11. Considering the submissions made by the learned counsel on either side and upon perusal of the material available on record, the primary contention of the petitioners is that sanction of the loan was made by the Circle Office, and the Zonal Office had no authority to sanction such a huge amount. Therefore, according to them, they are not concerned with the sanction of the loan. It is also contended that the recommendation for the loan was made by A.7 and that the petitioners were not connected with forwarding or recommending the proposal to the Circle Office. Another contention is that A.2 and A.3, who are guarantors to the loan, have already obtained an order from the Hon'ble Supreme Court quashing the proceedings against them, and the same benefit should enure to the petitioners. It is

¹ AIR 2017 Supreme Court 4843

² 2021 (4) ALD 496 (TS)

³ (2019) 16 Supreme Court Cases 687

further contended that the Bank has accepted the dues under the OTS scheme and withdrawn the proceedings before the DRT, and therefore, continuation of the criminal proceedings amounts to abuse of process of law. Lastly, it is contended that none of the material witnesses, particularly the bank officials, have spoken against the petitioners, and the allegation that a false report was submitted by them is incorrect. It is also contended that once a "No Due Certificate" is issued and full satisfaction is recorded before the DRT, nothing survives in the criminal case.

12. Upon consideration of the above contentions, it is an admitted fact that the loan was sanctioned by the Circle Office and that the Zonal Office had no authority to sanction such a large amount. However, the specific allegation against the petitioners is that they recommended the proposal and, based on such recommendation, the Circle Office sanctioned the OCC limit of Rs.450 lakhs in favour of A.1 and A.2. The core issue relates to the genuineness of the documents submitted for availing the loan. In this context, it is not in dispute that the Bank had a panel of advocates to render legal opinions regarding the documents. In the present case, the material on record indicates that the borrowers approached the legal

department and obtained legal opinion regarding the documents, which were opined to be genuine. The petitioners, relying upon such legal opinion, recommended the loan proposal. The contention of the learned Standing Counsel for CBI that the opinion ought to have been routed through the Bank is met with the submission of the petitioners that, at the relevant point of time, there was no such mandatory procedure and it was a prevailing practice for borrowers to approach the legal department directly. Therefore, at this stage it cannot be conclusively held that the petitioners conspired with A.1 and A.2 solely on that basis.

13. Further, the evidence of Pw.5, who was the Credit Officer, discloses that the credit proposals were prepared by him without any misrepresentation or suppression of facts and, after verification of the documents, the same were forwarded to the Branch Manager and thereafter to the Circle Office without any alteration or addition. This indicates that the petitioners did not interfere with or modify the proposals or legal opinion. Therefore, it cannot prima facie be said that the petitioners facilitated the borrowers in availing the loan on the basis of fabricated documents. It is also pertinent to note that certain properties were proceeded against under the SARFAESI Act and

amounts were recovered. Subsequently, under the OTS scheme, the remaining dues were settled and the documents were returned to the borrowers. With regard to the alleged false visit report, the material on record shows that in the earlier visit report dated 10.03.2007 it was noted that the school required additional rooms for expansion, and this aspect appears to have been taken into consideration in the subsequent report dated 09.06.2007. Moreover, the pre-release audit report dated 18.05.2007, prepared by a Chartered Accountant nominated by the Circle Office, also reflects that a pre-sanction visit was conducted and the report was forwarded as per sanction conditions. This indicates that the sanction of the loan was not solely based on the visit report submitted by the petitioners.

14. In view of the above, the contention that the visit report alone formed the basis for sanction and that the petitioners conspired with the other accused does not prima facie appear to be substantiated. It is also brought on record that disciplinary proceedings were initiated against the petitioners for certain omissions, which were subsequently closed. Further, the Hon'ble Supreme Court has quashed the proceedings against A.2 and A.3, who were guarantors to the loan.

15. In **K.Bharthi Devi and another V State of Telangana and another**⁴ in 29.7 of para 40, it was held as follows :

....

29.7. While deciding whether to exercise its power under Section 482 of the Code or not, timings of settlement play a crucial role. Those cases where the settlement is arrived at immediately after the alleged commission of offence and the matter is still under investigation, the High Court may be liberal in accepting the settlement to quash the criminal proceedings/investigation. It is because of the reason that at this stage the investigation is still on and even the charge-sheet has not been filed. Likewise, those cases where the charge is framed but the evidence is yet to start or the evidence is still at infancy stage, the High Court can show benevolence in exercising its powers favourably, but after prima facie assessment of the circumstances material mentioned above. On the other hand, where the prosecution evidence is almost complete or after the conclusion of the evidence the matter is at the stage of argument, normally the High Court should refrain from exercising its power under Section 482 of the Code, as in such cases the trial court would be in a position to decide the case finally on merits and to come to a conclusion as to whether the offence under Section 307IPC is committed or not. Similarly, in those cases where the conviction is already recorded by the trial court and the matter is at the appellate stage before the High Court, mere compromise between the parties would not be a ground to accept the same resulting in acquittal of the offender who has already been convicted by the trial court. Here charge is proved under Section 307IPC and conviction is already

⁴ (2024) 10 Supreme Court Cases 384

recorded of a heinous crime and, therefore, there is no question of sparing a convict found guilty of such a crime."

44. The facts in the present case are similar to the facts in *Sadhu Ram Singla* [CBI v. *Sadhu Ram Singla*, (2017) 5 SCC 350 : (2017) 2 SCC (Cri) 535] wherein a dispute between the borrower and the Bank was settled. In the present case also, undisputedly, the FIR and the charge-sheet are pertaining to the dispute concerning the loan transaction availed by the accused persons on one hand and the Bank on the other hand. Admittedly, the Bank and the accused persons have settled the matter. Apart from the earlier payment received by the Bank either through equated monthly instalments (EMIs) or sale of the mortgaged properties, the borrowers have paid an amount of Rs 3,80,00,000 under OTS. After receipt of the amount under OTS, the Bank had also decided to close the loan account. The dispute involved predominantly had overtures of a civil dispute.

45. Apart from that, it is further to be noted that in view of the settlement between the parties in the proceedings before DRT, the possibility of conviction is remote and bleak. In our view, continuation of the criminal proceedings would put the accused to great oppression and prejudice.

16. In the above judgment it was observed that already A.1 and Bank have settled the matter and main accusations are against A.1 and quashed the proceedings against A.2 and A.3. In the present case also petitioners are arrayed as A.6 and A.8 and the only allegation against these petitioners is that they have not verified the documents filed by the borrower and the

visit report submitted by petitioners is false whereas, the documents are verified by the legal department and basing on their opinion petitioners have sent proposal to the Circle office and the visit report is also verified by Pw.5 and C.A. and loan was sanctioned by Circle Office. Considering all these aspects, this Court is of the opinion that continuation of proceedings against the petitioners is unwarranted. Hence, the proceedings against the petitioners in C.C.No.16 of 2014 on the file of Principal Special Sessions Judge for CBI Cases, Hyderabad is liable to be quashed.

17. Accordingly, the Criminal Petition is allowed and the proceedings initiated against the petitioners/A.6 and A.8 in C.C.No.16 of 2014 on the file of Principal Special Sessions Judge for CBI Cases, Hyderabad, is hereby quashed.

Miscellaneous petitions, if any, pending shall stand closed.

SD/- N.SRIHARI
DEPUTY REGISTRAR

//TRUE COPY//

SECTION OFFICER

To,

1. The Principal Special Judge for CBI Cases, Nampally Hyderabad.
2. The Station House Officer, CBI, Economic Offences Wing, Chennai.
3. One CC to Sri G.Aditya Goud, Advocate [OPUC]
4. One CC to Sri T.Srujan Kumar Reddy (SPL PP FOR CH I) [OPUC]
5. Two CD Copies.

JCK/PSL

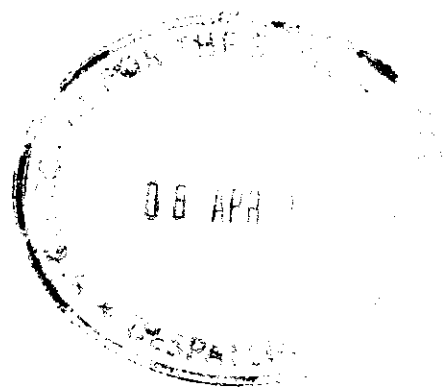


HIGH COURT

DATED:25/03/2026

ORDER

CRLP.No.4570 of 2025



Allowing the Criminal Petition.

⑦
08/04/26
V.K.S