HIGH COURT FOR THE STATE OF TELANGANA AT HYDERABAD

THE HONOURABLE SRI JUSTICE J. SREENIVAS RAO

CRIMINAL PETITION Nos. 5805 and 6481 of 2026

DATE: 24.07.2026

Between :

SREI Equipment Finance Limited and four others

....Petitioners/accused Nos.1 to 5
in Crl.P.No.5805 of 2026

Mr Shamik Kumar Roy

....Petitioner/accused No.6 in
Crl.P.No.6481 of 2026

AND

The State of Telangana and another

....Respondents

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: COMMON ORDER :

Criminal Petition No.5805 of 2026 has been filed by the petitioners/accused Nos.1 to 5 and Criminal Petition No.6481 of 2026 has been filed by the petitioner/accused No.6 seeking to quash the proceedings in F.I.R. No.61 of 2026 of Central Crime Station, Hyderabad, for the offences punishable under Sections 318(4), 344, 316(2), 336(3), 338 and 340(2) read with 3(5) of the Bharatiya Nyaya Sanhita, 2023 (for short 'the BNS'). Hence, both the criminal petitions are being heard together and disposed of by this common order.

2. Brief facts of the case:

2.1. On 26.03.2026 at 1830 hours, Mr.K.Kranti Kiran Reddy, who is the Authorized Signatory of Janapriya Engineers Syndicate Private Limited (JESPL)/respondent No.2, lodged a complaint before the Deputy Commissioner of Police, Detective Department, Central Crime Station, Hyderabad City, stating that JESPL is a Company incorporated under the Companies Act, 1956, and availed multiple equipment loans from petitioner No.1-SREI Equipment Finance Limited since 2008. It is submitted that the parties entered into a One Time Settlement (OTS)-cum-Restructuring Agreement/ Settlement Agreement ("2015 Settlement") with effect from 01.10.2015, under which, a total settlement amount of Rs.13,50,00,000/- was agreed with interest at 13% per annum. Out of the said amount, an amount of Rs.8,00,00,000/- was already paid by the end of 2016, leaving a principal outstanding of Rs.5,50,00,000/- only.

2.2. It is stated that in or around mid-2017, petitioner No.1 induced respondent No.2, through deliberate misrepresentation, to execute a fresh Loan Agreement No. 136475 dated 01.07.2017 ("2017 Loan Agreement") for a notional amount of Rs.19,53,00,000/- It is submitted that petitioner No.1 categorically and falsely represented that 2017 Loan Agreement was merely for its internal accounting and regulatory compliance, and that the parties would continue to be governed solely by the 2015 Settlement, and that the notional amounts would be waived off for petitioner No.1's accounting convenience. It is submitted that respondent No.2 was made to sign the agreement by threatening criminal action via cheque bounce cases filed against it. Multiple cases were filed before the Metropolitan Magistrate Court, Calcutta, during 2016-2017, even after 2015 Settlement. The majority of those cases were subsequently withdrawn by petitioner No.1 under the Payment of Settlement Systems Act during 2017, which itself proves that 2017 Loan Agreement was the operative arrangement and corroborates the criminality of the petitioners.

2.3. The entries dated 01.07.2017 show a drawdown mentioned at Rs.24,41,25,000/- towards the full asset value and not the sanctioned amount of Rs.19,53,00,000/-. A margin money credit of Rs.4,88,25,000/- immediately followed by a margin money re-debit of Rs.4,88,25,000/- and four 'bank flow' entries on 05.07.2017, totaling Rs.4,88,25,000/- debited out through instrument numbers 21363266, 21363262, 21363260 and 21363258, which clearly show that the books and accounts are cooked and falsified by making a false document by petitioner Nos.1 and 2 with criminal intention and criminal inducement to deceive respondent No.2 and further, sanctioned loan of Rs.19,53,00,000/- cannot become Rs.24,41,00,000/- on the very first day.

2.4. It is further stated that 2017 Loan Agreement was closed on the very same day and all the transactions relying upon the said account deliberate criminal intention to defraud respondent No.2. No fresh money whatsoever was received by respondent No.2 and entire disbursement was an accounting fraud engineered with criminal intent. Additionally, the margin money manipulation of Rs.4,88,25,000/- inflated the principal amount on which interest and overdue charges were computed throughout the 62-month loan tenure at Hyderadad branch, thereby causing wrongful gain to petitioner No.1 and wrongful loss to respondent No.2. Reliance is placed on the bank statements, dated 05.07.2017, to contend that they corroborate the alleged criminality, fabrication of accounts, and closure of the loan account on the very same day.

2.5. It is further stated that even after execution of 2017 Loan Agreement and payment and repayment of all amounts, petitioner Nos.1 and 2 continued to act consistently with 2015 Settlement while simultaneously maintaining parallel fabricated accounts under 2017 Loan Agreement, despite nothing being payable thereunder. The series of communications and statements of account were regularly furnished under 2015 Settlement and a separate statement of account was simultaneously maintained under the closed 2017 Loan Agreement. Petitioner No.2 regularly requested and sent statements referring to the "settlement account". *Vide* email dated

27.06.2021, petitioner No.1 provided a calculation sheet acknowledging the settlement amount of Rs.13,50,00,000/- and a balance of only Rs.40,07,289/- as on 31.07.2021, which clearly shows that 2015 settlement governed the relationship between the parties.

2.6. It is also stated that acting upon the assurances and inducements of petitioner Nos.1 and 2, respondent No.2 continued to make payments under 2015 Settlement in good faith and also offered to pay the balance amount of approximately Rs.40 lakhs, to which petitioner No.1 did not respond. It is further contended that the e-mails relating to 2015 Settlement continued till July 2021, whereas the Statement of Account pertaining to 2017 Loan Agreement was issued only till 2019, which according to respondent No.2 substantiates the allegation of fraudulent inducement and a pre-planned criminal design by the petitioners.

2.7. It is stated that having maintained the facade of 2015 Settlement for years, petitioner No.1 then dropped all pretence and began criminally claiming under the fabricated 2017 Loan Agreement: (a) Demand Notice dated 15.11.2021 under Section 13(2) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (hereinafter referred to as 'SARFAESI Act') claiming Rs.28,17,48,804/-; (b) Possession Notice dated 13.10.2023 under Section 13(4) of the SARFAESI Act; (c) Demand Letter for Rs.73,47,92,867/- dated 26.12.2024 (of which overdue charges of Rs.56,05,87,463/- are three times the alleged principal); (d) Letter to National Financial Reporting Authority (NFRA) and Statutory Auditors dated 02.01.2025 amounting to criminal intimidation; (e) Show-Cause Notice dated 09.12.2025 for Willful Defaulter proceedings; and (f) Company Petition under the Insolvency and Bankruptcy Code, 2016 (for short, 'IBC') before National Company Law Tribunal (NCLT) claiming Rs.76,79,81,227/- using fabricated accounts.

2.8. It is further stated that petitioner No.1 tampered with 2017 Loan Agreement, while filing the same before the NCLT, particularly with regard to the asset details, and that the document filed before the NCLT differs from the original Loan Agreement. According to respondent No.2, the alleged tampering demonstrates a fraudulent intention to extort money from the Company. Further, respondent No.2 is unaware of the Deeds of Personal Guarantee allegedly executed by K. Ravinder Reddy and K. Priyamvada Reddy and that no copy of the said Deeds of Personal Guarantee is available in its records and the signatures appearing on the Deeds of Personal Guarantee do not tally with the signatures on the Loan Agreement. It is further stated that the Deed of Hypothecation and the Deeds of Personal Guarantee allegedly executed by K. Ravinder Reddy and

K. Priyamvada Reddy are not available in the records of respondent No.2 and are denied. It is alleged that the said documents contain forged and superimposed signatures, thereby indicating fabrication and forgery.

2.9. It is stated that *vide* e-mail dated 02.09.2020, petitioner No.2 sent an Excel spreadsheet titled "SREI Payments Recon.xlsx" to respondent No.2's Chairman. This spreadsheet contains two simultaneous accounts: Sheet-1 being a "Settlement Account" with principal of Rs.13,50,00,000/- from October 2015 at 13% per annum, and Sheet-2 contains payment breakdowns. Cross-referencing this with petitioner No.1's internal Settlement of Account for Contract No.136475 and the Settlement of Account filed with the Company Petition reveal that beyond doubt the fraudulent simultaneous duel crediting of the same payments in two separate accounts, which clearly constitute fraudulent and falsification of accounts.

2.10. It is further stated that the e-mail attachments reveal that the same payments were adjusted in two separate accounts by using the same instrument numbers, one pertaining to 2015 Settlement and the other to the alleged loan account, thereby indicating fabrication of accounts. Although the loan account stood closed on the very same day, petitioner No.1 subsequently relied upon the said account in the IBC proceedings, while simultaneously adjusting the same payments towards 2015 Settlement, which evidences dual-accounting and fabrication of accounts. While petitioner No.1 stated in the IBC proceedings and its letter dated 28.12.2021 that the payments made during 2018 and 2019 were adjusted towards old balances, the very same payments were also reflected as collections in the Statement of Account pertaining to Loan Account No.136475. According to respondent No.2, this demonstrates misrepresentation and an attempt to unlawfully recover further amounts.

2.11. The Statement of Account reflects a disbursement under Contract No.136475, dated 01.07.2017, and monthly installment dues from January, 2018 to August, 2022. According to respondent No.2, the alleged disbursement was merely a paper transaction, the account having been closed on the very same day, and the subsequent entries constitute fabricated and falsified accounts. The "Installment Collection Amounts" reflected in the Statement of Account are the very same payments made under 2015 Settlement and that the overdue and penal charges were computed on installments which were never due.

2.12. It is further stated that from 30.06.2024 onwards, the Statement of Account reflects no further collections while the overdue charges increased substantially. According to respondent

No.2, the absence of further collections coupled with the escalation of overdue charges demonstrates fabrication of accounts and an intention to cause wrongful loss to respondent No.2. Despite respondent No.2 having paid approximately Rs.19.92 Crores under 2015 Settlement and offering to pay the balance of about Rs.40 lakhs, petitioner No.1 initiated proceedings under the SARFAESI Act on the basis of the 2017 Loan Agreement and the alleged fabricated Statements of Account, which evidences a pre-planned fraudulent scheme.

2.13. All payments were made by respondent No.2 pursuant to 2015 Settlement, but were subsequently credited towards 2017 Loan Agreement. It is also alleged that the margin money of Rs.4,88,25,000/- was unlawfully treated as part of the loan liability through fabricated accounting entries.

2.14. On the aforesaid allegations, respondent No.2 sought registration of an F.I.R. against the petitioners and initiation of appropriate criminal proceedings in accordance with law. Based upon the said complaint, F.I.R.No.61 of 2026 was registered against the petitioners for the offences under Sections 318(4), 344, 316(2), 336(3), 338 and 340(2) read with 3(5) of the BNS.

3. Heard Sri N.Venkataraman, learned Additional Solicitor General of India, and Sri B.Narasimha Sharma, learned Additional

Solicitor General of India, representing Sri N.Naveen Kumar, learned counsel for the petitioners, Sri D.Prakash Reddy, learned Senior Counsel representing Sri T.P.S. Harsha, learned counsel for respondent No.2, and Sri Jithender Rao Veeramalla, learned Additional Public Prosecutor for respondent No.1-State.

4. Submissions of Sri N.Venkataraman, learned Additional Solicitor General of India, on behalf of the petitioners:

4.1. Learned Additional Solicitor General of India submitted that the petitioners have not committed the alleged offences and have been falsely implicated in the present crime. The petitioners have not created or fabricated any document, as alleged by respondent No.2 in the complaint. Initially, the crime was registered for the offences under Sections 318(4) and 344 r/w 3(5) of the BNS. On 15.04.2026, petitioner No.2 was arrested and the learned Magistrate remanded him to judicial custody. Pursuant to the arrest of petitioner No.2, the offences under Sections 316(2), 336(3), 338 and 340(2) of the BNS were added based on the alleged confessional statement and the Forensic Science Laboratory report obtained outside the scope of the investigation. Even according to the allegations taken at face value, the ingredients of Sections 318(4), 344, 316(2), 336(3), 338 and 340(2) of the BNS are not attracted against the petitioners.

4.2. He further submitted that petitioner No.1 is a Non-banking Financial Institution within the meaning of the Companies Act, 2013. Respondent No.2 is engaged in the business of asset finance and has been in the said industry over 41 years and is conducting the business with strict adherence to the regulations of the Reserve Bank of India (RBI). Respondent No.2 obtained financial assistance from petitioner No.1 since 2008 and has availed financial loans on several accounts over the period, namely; Contract No.13174 for an amount of Rs.1,23,19,238/- on 15.12.2011, Contract No.8440 for an amount of Rs.20,77,65,698/- on 15.12.2011, Contract No.56574 for an amount of Rs.15,51,29,916/- on 08.02.2014 and Contract No.104654 for an amount of Rs.3,91,00,000/- on 28.03.2016 and the said accounts running into non-performing assets. For closure of the above said accounts, respondent No.2 availed financial assistance for Rs.19,53,00,000/- with interest @ 17.75% per annum through Loan Agreement No.136475, dated 01.07.2017. The said Loan Agreement was duly executed by respondent No.2. Pursuant to the said agreement, financial facility was sanctioned and extended to respondent No.2 and the amount was disbursed as per Loan Agreement and the same was remitted by respondent No.2 and it was adjusted towards the outstanding dues aggregating to approximately Rs.19 Crores standing in the name of respondent No.2's Group Companies across four separate loan accounts.

4.3. He also submitted that as per the terms and conditions of the 2017 Loan Agreement, respondent No.2 was obligated to repay the debt in monthly installments @ Rs.51,88,250/-, commencing from 15.01.2018. In support of the said Loan Agreement, Deeds of Personal Guarantee, dated 01.07.2017, was executed by K. Ravinder Reddy, who is the Director of respondent No.2, and K. Priyamvada Reddy, guaranteeing the repayment of financial assistance availed loan *vide* agreement No.136475.

4.4. However, respondent No.2 has defaulted in paying monthly installments pursuant to 2017 Loan Agreement. Accordingly, the Loan Account of respondent No.2 was classified as non-performing assets (NPA) on 15.01.2020 and consequently, on 15.11.2021, petitioner No.1 issued demand notice under Section 13(2) of the SARFAESI Act calling upon respondent No.2 to pay a sum of Rs.28,17,48,804/- along with further interest from 13.11.2021. Pursuant to the said notice, respondent No.2 issued reply on 02.12.2021 denying the allegations made in the said notice stating that respondent No.2 had entered into a OTS in the year 2015 for an amount of Rs.13,50,00,000/-, wherein Rs.8,00,00,000/- was paid in 2016 and alleging that the account thereafter was restructured leading to the subject loan of Rs.19,53,00,000/-, which is devoid of any merit and contrary to the terms of 2017 Loan Agreement.

4.5. He further submitted that petitioner No.1 issued letter, dated 28.12.2021, denying the contentions raised by respondent No.2 in their reply letter, dated 02.12.2021, stating that the outstanding due as on June 2020 is only Rs.5.50 Crores. In spite of reminders, respondent No.2 has not taken steps to clear the outstanding debt in terms of 2017 Loan Agreement.

4.6. On 13.10.2023, petitioner No.1 issued a Possession Notice under Rule 8(1) of the Security Interest (Enforcement) Rules, 2002, in respect of the properties of respondent No.2. Subsequently, petitioner No.1 came to know that respondent No.2 alienated the said properties to third party, despite the subsisting of mortgage in favour of petitioner No.1. Therefore, Corporate Insolvency Resolution Process (CIRP) has been initiated against petitioner No.1 *vide* order, dated 08.10.2021. After approval of the resolution plan, Implementation and Monitoring Committee has been formed and subsequently in terms of the Approved Resolution Plan New Board of petitioner No.1 (SREI Equipment Finance Limited) and SIFL (Steel and Industrial Forgings Limited) is duly reconstituted on 26.02.2024, who took over the operations and management of the Company, consequent to which, the Implementation and Monitoring Committee stood dissolved. Accordingly, petitioner No.1 is under the management of the National Asset Reconstruction Company Limited (NARCL).

4.7. He further submitted that petitioner No.1 once again issued a demand notice dated 26.12.2024 to respondent No.2 calling upon them to repay a sum of Rs.73,47,92,867/- and also issued an intimation letter dated 02.01.2025 to the National Financial Reporting Authority (NFRA) and other statutory authorities in respect of the willful default committed by respondent No.2 and the guarantors. Petitioner No.1 issued a show-cause notice on 09.12.2025 to respondent No.2 to declare it as a willful defaulter as per RBI guidelines. On 30.12.2025, respondent No.2 had issued reply.

4.8. He further submitted that due to continued default and persistent negligence on the part of respondent No.2 and the guarantors, petitioner No.1 has availed its remedies under law by approaching the NCLT and initiated the CIRP against respondent No.2 under the provisions of the IBC and filed C.P.(I.B.)/31/HYD/2026, dated 18.02.2026, and the same is pending for adjudication.

4.9. After receiving the notice in the said case, respondent No.2 filed the present complaint by making omnibus allegations alleging that petitioner No.1 filed Company Petition under IBC before NCLT claiming Rs.76,79,81,227/- by using fabricated accounts, though respondent No.2 is liable to pay the balance amount of

Rs.40,07,289/- as on 31.07.2021 and the Deeds of Personal Guarantee, dated 01.07.2017, allegedly executed by K. Ravinder Reddy and K.Priyamvada Reddy, and Deed of Hypothecation allegedly executed by K. Ravinder Reddy, are not genuine one and they are fabricated documents. Respondent No.2 filed the complaint with a malafide intention.

4.10. He further submitted that the transaction between petitioner No.1 and respondent No.2 are purely banking transaction, which is duly governed by the loan agreements and the terms contained therein. Even the allegations if taken at face value do not disclose *mens rea* or culpability on the part of petitioner No.1 or its employees. Respondent No.2 filed the complaint with a dishonest intention to evade lawful liability and to defeat the legitimate recovery proceedings initiated by petitioner No.1 by giving a criminal colour.

4.11. He further submitted that 2017 Loan Agreement and Deeds of Personal Guarantee dated 01.07.2017 were executed by respondent No.2 and that a Deed of Hypothecation was also executed to secure the above said Loan Agreement. After filing Company Petition under IBC before NCLT, respondent No.2 filed the present complaint after lapse of more than six years. At no point of time, respondent No.2 raised any allegation that the Deeds of Personal Guarantee and the

Deed of Hypothecation are created and forged with a dishonest intention and filed the present complaint seeking to settle the legal proceedings pending before the NCLT. Even when petitioner No.1 issued demand notice dated 15.11.2021 under SARFAESI Act, respondent No.2 did not raise any objection.

4.12. He further submitted that the allegations levelled in the complaint that as per the OTS entered in the year 2015 between the parties, loan amount was settled for Rs.13.50 Crores and respondent No.2 paid installments as per OTS and they are due only an amount of Rs.41.87 lakhs as on 02.12.2021, is absolutely not true and correct, especially there is no such scheme and respondent No.2 has not placed any copy of the settlement/agreement, on the other hand relied solely on the e-mail dated 27.06.2021 sent by one of the employees. In the absence of any agreement under the OTS, the matter does not fall within the scope of OTS.

4.13. He further submitted that respondent No.2 filed the present complaint, after initiation of the IBC proceedings before the NCLT, by making omnibus allegations of forgery and fabrication of the Deeds of Personal Guarantee and Deed of Hypothecation, though the said documents were executed along with 2017 Loan Agreement on 01.07.2017 only. The transactions between the parties are purely commercial arising out of 2017 Loan Agreement and respondent

No.2 filed the complaint only with an intention to obstruct the proceedings before the NCLT as a counter blast by giving it a criminal colour and the same is a clear abuse of the process of law. Hence, the F.I.R. is liable to be quashed.

5. Submissions of Sri B.Narasimha Sharma, learned Additional Solicitor General of India, appearing on behalf of the petitioner:

5.1. In addition to the submissions made by Mr. N. Venkataraman, learned Additional Solicitor General of India, Mr. B. Narasimha Sharma, learned Additional Solicitor General of India, submitted that the allegations levelled in the complaint do not attract the ingredients of Sections 318(4), 344, 316(2), 336(3), 338 and 340(2) of the BNS. Petitioner No.1 filed the IBC proceedings before the NCLT on 18.02.2026. Respondent No.2 filed the present complaint on 26.03.2026 after the lapse of nine years from the date of execution of Loan Agreement pertaining to the allegations of the year 2017, alleging that respondent No.2 has not executed the Deeds of Personal Guarantee and Deed of Hypothecation pursuant to the 2017 Loan Agreement and the said complaint is liable to be quashed on the ground of delay in lodging the complaint. Respondent No.2 filed the present complaint as a counter blast to the proceedings pending before the NCLT. Respondent No.2 did not raise any objection from 2017 till 2026. Respondent No.2 executed 2017 Loan

Agreement on 01.07.2017 and K. Ravinder Reddy and K.Priyamvada Reddy have executed the Deeds of Personal Guarantee and Deed of Hypothecation. The transaction between the petitioners and respondent No.2 is a banking transaction. If any dispute arises out of 2017 Loan Agreement, dated 01.07.2017, respondent No.2 ought to have approached the competent Court, on the other hand, filed the present complaint by giving it a criminal colour, only with an intention to evade the liability.

5.2. The allegations levelled in the complaint that the signatures of K. Ravinder Reddy and K. Priyamvada Reddy in Deeds of Personal Guarantee and signatures of K. Ravinder Reddy in Deed of Hypothecation were forged. However, the said persons have not lodged any complaint. The present complainant is lodged by authorized person of respondent No.2 and the same is not maintainable under law. Petitioner No.1 has issued notices under Sections 13(2), 13(3), 13(4) of the SARFAESI Act and Possession Notice and respondent No.2 has neither questioned the said proceedings nor disputed the documents as mentioned in the complaint, on the other hand, filed the present complaint on 26.03.2026 only after filing of C.P. (I.B.)/31/HYD/2026, dated 18.02.2026, before the NCLT as a counter blast and respondent No.2 is entitled to raise all the allegations before the NCLT.

5.3. He further submitted that there are no specific allegations against petitioner No.1 and other petitioners in the complaint to attract the ingredients of the offences under Sections 318(4), 344, 316(2), 336(3), 338 and 340(2) of the BNS. Hence, continuation of the proceedings is a clear abuse of the process of law, especially in view of the statutory protection given under Section 32-A of the IBC and also the Doctrine of Indoor Management is applicable to the present case.

5.4. He further submitted that continuation of the proceedings against petitioner No.1 is also contrary to the orders passed by the NCLT, Kolkata Bench, dated 11.08.2023, in CP (IB) No.295/KB/2021, wherein it is categorically observed that the reliefs sought for all inquiries, litigations, investigations and proceedings shall be granted strictly as per the Section 32A of the IBC. The transactions were pertaining to 2017, whereas petitioner Nos.2 to 4 have joined in 2021, and respondent No.2 implicated them as accused with malafide intention. Hence, continuation of the proceedings against the petitioner Nos.2 to 4 is a clear abuse of the process of law.

5.5. In support of his contentions, learned counsel for the petitioners relied upon the following judgments;

i) **Priyanka Srivastava and another vs. State of Uttar Pradesh and others[1];**

ii) **K.Virupaksha and another vs. State of Karnataka and another[2];**

iii) **Deepak Upadhyaya and others vs. State rep. by The Inspector of Police, District Crime Branch and another[3];**

iv) **ICICI Bank Limited and others vs. State of Maharashtra and others[4];**

v) **Mala Choudhary and another vs. State of Telangana and another[5];**

6. Submissions of Sri D. Prakash Reddy, learned Senior Counsel appearing on behalf of respondent No.2:

6.1. Learned Senior Counsel submitted that respondent No.2 availed multiple equipment finance facilities from petitioner No.1 from the year 2008. On 01.10.2015, petitioner No.1 and respondent No.2 entered into an OTS, under which, the liability was settled at Rs.13.50 Crores with interest @ 13% per annum to be paid around five years. As per the OTS, an amount of Rs.8 Crores was already paid by the end of 2016, leaving principal outstanding amount of Rs.5.50 Crores.

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[1] (2015) 6 SCC 287
[2] (2020) 4 SCC 440
[3] 2023 SCC OnLine Mad 2567
[4] 2022 SCC OnLine Bom 12095
[5] 2025 SCC OnLine SC 1474

6.2. He further submitted that petitioner No.1 and respondent No.2 executed 2017 Loan Agreement on 01.07.2017 for a notional amount of Rs.19.53 Crores. Petitioner No.2 sent an excel spread sheet titled "SREI Payments Recon.xlsx" to respondent No.2's Chairman. Even after execution of 2017 Loan Agreement dated 01.07.2017, 2015 Settlement subsisted and respondent No.2 has regularly requested for the settlement of accounts. *Vide* e-mail dated 27.06.2021, petitioner No.1 provided a calculation sheet acknowledging the settlement amount of Rs.13.50 Crores and the balance is only Rs.40,07,289/- as on 31.07.2021, which clearly shows that 2015 Settlement governed the relationship between the parties.

6.3. He also submitted that petitioner No.1 filed Company Petition under IBC proceedings before the NCLT claiming a huge amount of Rs.76,79,81,227/- by using fabricated accounts and fabricated documents. Respondent No.2 came to know about the said fabricated documents, namely Deeds of Personal Guarantee executed by K. Ravinder Reddy and K. Priyamvada Reddy, and Deed of Hypothecation executed by K. Ravinder Reddy, after receiving the notice from the NCLT in IBC proceedings and after verification of the above said documents filed by petitioner No.1, respondent No.2 lodged the present complaint. There are specific allegations levelled against the petitioners that they have filed an application before the NCLT, claiming huge amounts based upon the forged and fabricated documents. Even according to the settlement and proceedings, dated 01.07.2017, respondent No.2 is due only Rs.41.87 lakhs. The allegations levelled in the complaint attract the ingredients of the offences under Sections 318(4), 344, 316(2), 336(3), 338 and 340(2) of the BNS, which *prima facie* disclose cognizable offences and the petitioners are not entitled to seek quashing of the proceedings at the threshold.

6.4. He further submitted that the petitioners in the memorandum of grounds of criminal petition stated that respondent No.2 had entered into four contracts and availed financial loan on several accounts specifically referring to Contract No.13174 for an amount of Rs.1,23,19,238/- on 15.12.2011, Contract No.8440 for an amount of Rs.20,77,65,698/- on 15.12.2011, Contract No.56574 for an amount of Rs.15,51,29,916/- on 08.02.2014 and contract No.104654 for an amount of Rs.3,91,00,000/- on 28.03.2016 and for closure of the said four contracts, respondent No.2 had entered into 2017 Loan Agreement on 01.07.2017. Whereas, in the additional grounds filed on 20.04.2026, the petitioners have completely changed and took inconsistent pleadings and abandoned their original pleading stating that petitioner No.1 and respondent No.2 had entered into five entirely different contracts.

6.5. He further submitted that the petitioners in the main memorandum of grounds mentioned that contract No.13174 (Rs.1,23,19,238/-), contract No.8440 (Rs.20,77,65,698/-), whereas, in the additional grounds, the petitioners have not mentioned the above said contracts. The petitioners have mentioned in additional grounds about new Contract No.54095 for Rs.4,15,00,000/-, Contract No.94562 for Rs.5,00,00,000/- and Contract No.122845 for Rs.4,00,00,000/-. However, the above said contracts were not mentioned in the main memorandum of grounds. The petitioners only retained the Contract No.56574 for Rs.15,51,29,916/- and Contract No.104654 for Rs.3,91,00,000/- in additional grounds. The petitioners have not given any explanation for substitution of the contracts underlying 2017 Loan Agreement and they have been replaced with entirely new contracts, which were not mentioned in the original memorandum of grounds.

6.6. He further submitted that respondent No.2 availed multiple equipment loans from petitioner No.1 from 2008 and the parties have entered into OTS-cum-Restructuring Agreement/Settlement Agreement with effect from 01.10.2015, under which a total settlement amount of Rs.13,50,00,000/- was agreed with interest at 13% per annum. Out of the said amount, respondent No.2 has already paid Rs.8,00,00,000/- by end of 2016, leaving principal outstanding only Rs.5,50,00,000/-.

6.7. He further submitted that on 02.12.2021, respondent No.2 has given reply to the notice, dated 15.11.2021, wherein it is stated that as on date, respondent No.2 has paid an amount of Rs.17.83 Crores including interest for the delayed period and only an amount of Rs.41.87 lakhs is due, and requested petitioner No.1 to rectify their records and confirm the balance amount to be paid as per the OTS. He further submitted that on 27.06.2021, petitioner No.2 sent an e-mail providing a calculation sheet, which reflected that the settlement amount payable to respondent No.2 was Rs.13.50 Crores and balance only Rs.40,07,289/- as on 31.07.2021.

6.8. He further submitted that petitioner No.1 filed IBC proceedings before the NCLT claiming a huge amount of Rs.76,79,81,227/- basing on the fabricated documents, namely, Deeds of Personal Guarantee and Deed of Hypothecation, and forged the signatures of K. Ravinder Reddy and K. Priyamvada Reddy on the Deeds of Personal Guarantee and the signature of K.Ravinder Reddy on the Deed of Hypothecation, dated 01.07.2017 and also there was an alteration in the annexure in respect of equipments.

6.9. The signatures on Deeds of Personal Guarantee and Deed of Hypothecation do not tally with the signatures on 2017 Loan

Agreement and the signature of K. Ravinder Reddy appears to be superimposed on the Deed of Hypothecation, with smudging visible, where signatures have been placed. The admitted signatures of K. Ravinder Reddy and K. Prayamvada Reddy were already sent to the handwriting expert and the real truth will come out during the course of investigation.

6.10. He further submitted that mere pendency of the IBC proceedings before the NCLT, the petitioners are not entitled to seek quashing of the proceedings, especially there are specific allegations levelled in the complaint that the petitioners have forged the signatures of K. Ravinder Reddy and K. Priyamvada Reddy and fabricated the alleged documents.

6.11. The complaint filed by respondent No.2 is very much maintainable under law and Section 32(A) of the IBC is not applicable. He further submitted that there are specific allegations levelled in the complaint that the petitioners in furtherance of a criminal conspiracy and dishonest intention from the inception have forged the signatures of K. Ravinder Reddy and K. Priyamvada Reddy in the Deed of Hypothecation and Deeds of Personal Guarantee, as if they executed the said documents in favour of petitioner No.1. Based on the said fabricated documents, petitioner

No.1 filed IBC proceedings before NCLT and claiming a huge amount of Rs.76,79,81,227/-. Hence, the allegations levelled in the complaint attract the ingredients of the offences under Sections 318(4), 344 316(2), 336(3), 338 and 340(2) read with 3(5) of the BNS.

6.12. He further submitted that the petitioners have filed the Xerox copy of the Deed of Hypothecation dated 01.07.2017 and colour Xerox copy of the very same document along with additional material memo dated 24.04.2026 and there is a vast variation in the two documents. In the Xerox copy of the Deed of Hypothecation, the name of the company mentioned as Janapriya Engineering Syndicate Pvt. Ltd. and in the tabular form, the name of equipment was mentioned as 'various assets as per list attached'. Whereas, in the colour Xerox, the party name was mentioned as Jayapriya Engineering Syndicate Ltd., and in the tabular form, the name of equipment was mentioned as '4 Nos. various assets + 26 Nos. various assets'. Hence, the investigation is very much required to ascertain the truth or otherwise and the petitioners are not entitled to seek quashing of the proceedings at threshold.

6.13. He also submitted that the judgments relied upon by the learned counsel for the petitioners are not applicable to the facts and circumstances of the case on the ground that in the said judgments, the parties have not disputed the documents filed by each other.

Whereas, in the case on hand, respondent No.2 specifically made allegations against the petitioners that petitioner No.1 filed application before NCLT basing upon the fabricated and forged documents, namely the Deeds of Hypothecation and Personal Guarantee, and the signatures in the said documents are not belonging to K. Ravinder Reddy and K. Priyamvada Reddy.

6.14. In support of his contention, the learned Senior Counsel he relied upon the following judgments:

1. **Sharla Bazliel v. Baldev Thakur and others[6];**
2. **Neeharika Infrastructure Private Limited v. State of Maharashtra and others[7];**
3. **State of Haryana and others v. Bhajan Lal and others[8];**
4. **State v. M. Maridoss and another[9];**
5. **Rocky v. State of Telangana and another[10]**
6. **A. R. Antulay v. Ramdas Sriniwas Nayak and another[11];**
7. **Vasanthi v. Umesh G.D.[12]; and**
8. **Manish Kumar v. Union of India and another[13]**

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[6] 2026 SCC OnLine SC 396
[7] (2021) 19 SCC 401
[8] 1992 Supp (1) SCC 335
[9] (2023) 4 SCC 338
[10] 2025 SCC OnLine SC 2713
[11] (1984) 2 SCC 500
[12] 2024 SCC OnLine Kar 15256
[13] (2021) 5 SCC 1

7. Submissions of Sri Jithender Rao Veeramalla, learned Additional Public Prosecutor :

7.1. Learned Additional Public Prosecutor submitted that there are specific allegations levelled against the petitioners in the complaint that petitioner No.1 filed application before the NCLT basing upon the forged and fabricated documents, namely Deeds of Personal Guarantee and Deed of Hypothecation. The allegations, such as, criminal breach of trust, cheating, forgery of signature on valuable security documents for loan disbursement, forged documents using as genuine, falsification of accounts and criminal conspiracy, *prima facie* disclose commission of cognizable offences. Therefore, the same cannot be quashed at the threshold, especially the investigation is under progress.

7.2. He further submitted that the petitioners intentionally manipulated the financial records of respondents, forged the signatures of K. Ravinder Reddy and K. Priyamvada Reddy on the Deeds of Personal Guarantee and Deed of Hypothecation, and by using the same, they have filed an application before the NCLT.

7.3. In support of his contention, he relied upon the order of the Hon'ble Supreme Court in **Vinod Kumar Pandey and another v. Seesh Ram Sain and others**[14], wherein the Hon'ble Supreme Court held that whenever information placed before the authorities

[14] 2025 SCC OnLine SC 1951

discloses the commission of a *prima facie* cognizable offence, registration of an FIR is mandatory, and the veracity or otherwise of the allegations is a matter for investigation, not a ground to refuse registration. The Court further emphasized that preliminary objections or parallel proceedings cannot be used to stifle criminal law at the threshold.

<u>Analysis :</u>

8. Having considered the rival submissions made by the respective parties, the written submissions filed on behalf of the petitioners, dated 02.07.2026, the written submissions filed on behalf of respondent No.2, dated 08.07.2026, and upon perusal of the material available on record, it reveals that petitioner No.1 is a Non-banking Financial Institution within the meaning of the Companies Act, engaged in the business of asset finance, registered with the RBI and governed by the regulations framed by the RBI. Respondent No.2 is a company incorporated under the provisions of the Companies Act. On 26.03.2026, respondent No.2 lodged a complaint before the Deputy Commissioner of Police, Detective Department, Central Crime Station, Hyderabad City, wherein it is stated that respondent No.2 had availed multiple equipment finance facilities from petitioner No.1 since the year 2008 and respondent No.2 and petitioner No.1 had settled their accounts under a OTS

scheme dated 01.10.2015. As per the said OTS, the liability was settled for Rs.13.50 Crores with interest at 13% per annum payable over a period of five years/1765 days. According to respondent No.2, it had paid an amount of Rs.8 Crores by the end of 2016, leaving an outstanding principal of only Rs.5,50,00,000/-. At the instance of the petitioners, for their internal accounting and regulatory compliance, respondent No.2 entered into a Loan Agreement on 01.07.2017, *vide* agreement No.136475, for a notional amount of Rs.19.53 Crores. The said amount was transferred to the account of respondent No.2 and on the very same day, re-transferred to the account of petitioner No.1. Respondent No.2 made a series of payments between 2018 and 2021 on various dates pursuant to 2015 Settlement, dated 01.10.2015, and petitioner No.1 forwarded a calculation sheet on 01.10.2015 recording the settlement amount of Rs.13.50 Crores with interest at 13% per annum and reflecting a balance amount of Rs.40,07,289/- as on 31.07.2021 and further stated that petitioner No.1 had filed cheque bounce cases against respondent No.2 before the Metropolitan Magistrate Court, Calcutta, during 2016-2017, even after settlement under OTS. However, those cases were withdrawn by petitioner No.1.

9. In the said complaint, it is stated that petitioner No.1 issued a demand notice on 15.11.2021 under Section 13(2) of the SARFAESI

Act claiming an amount of Rs.28,17,48,804/-. In response thereto, respondent No.2 issued a reply dated 02.12.2021 denying the claim made by petitioner No.1. On 13.10.2023, petitioner No.1 issued a Possession Notice under Section 13(4) of the SARFAESI Act. Thereafter, on 26.12.2024, petitioner No.1 had issued a Demand Letter stating that respondent No.2 is due an amount of Rs.73,47,92,867/- as on 15.12.2024 based upon fabricated accounts and also stated that on 21.01.2025, respondent No.2 got issued a reply to the letter dated 26.12.2024 and 02.01.2025 denying the averments made in the said letters. It is further stated that petitioner No.1 filed an application under Section 7 of the IBC before the NCLT, Hyderabad, against respondent No.2 claiming an amount of Rs.76,79,81,227/-. At that stage, respondent No.2 came to know that petitioner No.1 had filed the said application before the NCLT by relying upon forgery, fabrication and falsification of records, especially, Deeds of Personal Guarantee executed by K. Ravinder Reddy, Managing Director of respondent No.2, and K. Priyamvada Reddy, one of the Directors of the Company, as well as the Deed of Hypothecation read with the ROC Charge Form. According to respondent No.2, the said documents had never been executed by them and their signatures appearing thereon were forged. Upon knowing the same, respondent No.2 lodged the present complaint on 26.03.2026. Based on the said complaint, Crime No.61 of 2026 was registered initially for the offences under Sections 318(4) and 344 read with 3(5) of the BNS. Subsequently, offences under Sections 316(2), 336(3), 338 and 340(2) of the BNS were also added.

10. Whereas, the case of petitioner No.1 is that respondent No.2 was due an amount of Rs.19,52,78,312/- as on 30.06.2017 in respect to five (5) contracts, namely, Contract Nos.54095, 56574, 94562, 104654 and 122845. In order to close the above said accounts, respondent No.2 had accepted the benefit of the consolidation of the outstanding dues under the earlier facilities and availed finance assistance for Rs.19.53 Crores and entered into the Loan Agreement No.136475 on 01.07.2017, pursuant to which, petitioner No.1 sanctioned a loan of Rs.19.53 Crores with interest at the rate of 17.75% per annum. As per the terms and conditions of the Loan Agreement, respondent No.2 was required to pay the loan in monthly installments of Rs.51,88,250/- commencing from 15.01.2018. Respondent No.2 made repayments under the said Loan Agreement till the year 2020. It is the further case of petitioner No.1 that respondent No.2 failed to make payment from thereafter and the said loan account was classified as NPA on 15.01.2020. Subsequently, petitioner No.1 issued a demand notice dated 15.11.2021 under Section 13(2) of the SARFEASI Act calling upon respondent No.2 to pay a sum of Rs.28,17,48,804/-. In response to

the said demand notice, respondent No.2 submitted a reply dated 02.12.2021 stating that as on date, respondent No.2 had already paid an amount of Rs.17.83 Crores including interest for the delayed period and that as per the records, only a sum of Rs.41.87 lakhs is due from their end and confirm the balance amount to be paid as per the OTS. However, in the said reply, there is no allegation of cheating, falsification of accounts or agreement was entered by threatening criminal action and fabrication of documents. Petitioner No.1 issued a reply to respondent No.2 on 28.12.2021, wherein it is stated that there was no formal communication neither from them nor from respondent No.2 regarding OTS proposal as referred in the reply letter dated 02.12.2021. According to petitioner No.1, respondent No.2 did not submit any further reply with regard to the alleged OTS. Subsequently, petitioner No.1 issued a Possession Notice on 13.10.2023 under Section 13(4) of the SARFEASI Act and took symbolic possession of the immovable properties owned by respondent No.2. Thereafter, petitioner No.1 issued another notice, dated 26.12.2024, stating that respondent No.2 was due a total amount of Rs.76,79,81,227/- as on 03.10.2025.

11. It is the further case of petitioner No.1 that respondent No.2 executed 2017 Loan Agreement along with Deed of Hypothecation and Deeds of Personal Guarantee of K. Ravinder Reddy and

K. Priyamvada Reddy. The Loan Agreement was executed for the purpose of consolidating the outstanding liabilities under the earlier credit facilities into a single loan account, consequent to which earlier contracts stood closed. Respondent No.2 acted upon 2017 Loan Agreement by making repayments thereunder till the year 2020, thereby acknowledging and confirming the existence and validity of the transaction entered in the year 2017.

12. It is also the specific case of the petitioners that at no point of time, respondent No.2 has not been made the allegation that any falsification of the accounts or the agreements had been executed under coercion or the Deed of Hypothecation and Deeds of Personal Guarantee were forged and fabricated documents and only after filing of the IBC proceedings before the NCLT, with a malafide intention and to obstruct the said proceedings, filed the present complaint and the same is clear abuse of the process of law. Further, as per Section 32(A) of the IBC, respondent No.2 is not entitled to prosecute the petitioners under the penal law.

13. The specific case of respondent No.2 is that the Deed of Hypothecation and Deeds of Personal Guarantee are fabricated documents and that the signatures of K. Ravinder Reddy and K. Priyamvada Reddy were forged; during the course of hearing, learned Senior Counsel for respondent No.2 has pointed out that the Loan

Agreement and the Deed of Hypothecation filed by petitioner No.1 before the NCLT are different from the Loan Agreement and the Deed of Hypothecation furnished to respondent No.2 and also there are material alterations.

14. The record discloses that respondent No.2 is not disputing the execution of the Loan Agreement, dated 01.07.2017, however disputing the asset details, which were mentioned in 'Annexure I to Schedule VII Assets Details' attached to the Loan Agreement. Further, respondent No.2 contends that the said document filed before the NCLT and the document furnished to it is not one and the same, and also disputing the Deed of Hypothecation, dated 01.07.2017, especially the particulars of the equipments mentioned in the Schedule differs from the documents which were filed before the NCLT and documents which were furnished to respondent No.2.

15. Sri N. Venkataraman, learned Additional Solicitor General of India, during the course of hearing submitted that the documents furnished to respondent No.2 and the documents filed before the NCLT are one and the same and only variation pertains to 'name of the equipment' column in the schedule of assets. Upon completion of documentation process at Head Office, the quantities were corrected as to accurately reflect the total number of assets covered under the transaction in reference to the Deed of Hypothecation and

respondent No.2 has not disputed about execution of the 2017 Loan Agreement as well as the Deed of Hypothecation and the dispute is only with regard to Asset Details and the particulars of the equipment in the 'Name of equipment' column in the schedule of assets respectively.

16. In the written arguments dated 02.07.2026 filed by learned counsel for the petitioners, it is stated that the loan documentation was processed through the petitioner's Hyderabad Branch Office, whereas the Petitioner's Head Office situated at Kolkata was responsible for maintaining the final records and completing the documentation process. Consequently, the schedules forming part of the Loan Agreement and the Deed of Hypothecation came to be completed at different stages of the documentation process. While copies of the documents were furnished to the Borrower/respondent No.2 at the branch level at Hyderabad, the documents were thereafter transmitted to the Head Office at Kolkata, where the schedules were completed and maintained as part of the petitioner's records. On account of the said documentation process, the handwritten particulars appearing in the schedules are not identical in all copies. Though, the underlying transaction, the documents executed by the parties and the security created thereunder remain one and the same. It is relevant to mention that basing on the

above said submissions/reasons, this Court cannot give any finding that the disputed documents are genuine one or otherwise, while exercising the powers conferred under Section 528 of the BNSS in the present proceedings.

17. It is also relevant to mention that whether respondent No.2 has availed the loan for an amount of Rs.19,53,00,000/- under the 2017 Loan Agreement dated 01.07.2017 to close the earlier contract debts or at the instance of petitioner No.1, for their internal accounting and regulatory compliance only, and the said amount was credited to the account of respondent No.2 and on the very same day, they re-transferred the said amount to the account of petitioner No.1 and there is no due amount under 2017 Loan Agreement, dated 01.07.2017, in spite of the same, petitioner No.1 filed proceedings before the NCLT by claiming an amount of Rs.76,79,81,227/- under the said Loan Agreement based on the fabricated and falsification of records; and whether respondent No.2 entered OTS and pursuant to the same, respondent No.2 paid an amount of Rs.17.83 Crores including interest for the delayed period and only an amount of Rs.41.87 lakhs is due or not, or there is no agreement with regard to OTS between petitioner No.1 and respondent No.2 and respondent No.2 solely relying upon the e-mails sent by one of the employees does not constitute any settlement under OTS, these are disputed

facts and the same cannot be adjudicated and decided in the present criminal petition.

18. Insofar as the contentions raised by both the learned Additional Solicitor General of India that at no point of time, from the date of execution of the 2017 Loan Agreement i.e., on 01.07.2017, till the filing of the proceedings before the NCLT, respondent No.2 did not raise any dispute regarding the execution of the Deeds of Personal Guarantee and Deed of Hypothecation along with Loan Agreement and filed the present complaint only on 26.03.2026, after a lapse of six years, by making false allegations that the said documents are forged and fabricated, as a counter blast to the proceedings pending before the NCLT, are concerned, the specific case of respondent No.2 is that it came to know about the alleged fabrication and forgery of documents i.e., Deeds of Personal Guarantee and Deed of Hypothecation, only after petitioner No.1 filed an application before the NCLT. Whether the Deeds of Personal Guarantee executed by K. Ravinder Reddy and K. Priyamvada Reddy and the Deed of Hypothecation are forged and fabricated documents or not, is a disputed fact and the same cannot be decided by this Court while exercising the powers conferred under the provisions of Section 528 of the BNS, as the scope of the present criminal petition is very limited.

19. In **Bhajan Lal** *(supra)*, the Hon'ble Supreme Court held that the inherent jurisdiction of the High Court to quash criminal proceedings under Section 482 Cr.P.C. is extraordinary in nature and must be exercised sparingly, with great circumspection, and only to prevent abuse of the process of the Court or to secure the ends of justice. At the stage of quashing, the Court must proceed on the basis that the allegations in the FIR or complaint are true and examine only whether they prima facie disclose the commission of a cognizable offence. The Court cannot undertake an enquiry into the reliability, genuineness, or sufficiency of the allegations or evaluate the evidence. Unless the case falls within the well recognized categories warranting interference, criminal proceedings should ordinarily be allowed to continue, and the investigation or trial should not be interdicted at the threshold.

20. In **Neeharika Infrastructure Private Limited** *(supra)*, the Hon'ble Supreme Court held that the power to quash criminal proceedings under Section 482 CrPC is extraordinary and must be exercised sparingly and with great circumspection. An FIR is not an encyclopedia and need not contain every minute detail of the alleged offence. At the stage of quashing, the Court is only required to ascertain whether the allegations prima facie disclose the commission of a cognizable offence and cannot embark upon an

enquiry into their truthfulness, reliability, or sufficiency. Ordinarily, the investigating agency must be permitted to complete the investigation, and criminal proceedings should not be interdicted at the threshold except in exceptional cases where no offence is disclosed or where the continuation of the proceedings would amount to an abuse of the process of law.

21. In **M. Maridoss** *(supra)*, the Hon'ble Supreme Court held that while exercising jurisdiction under Section 482 Cr.P.C., the High Court is not expected to conduct a mini trial or assess the merits of the allegations. Its enquiry is confined to determining whether the averments in the FIR, taken at their face value, prima facie disclose the commission of a cognizable offence. The investigating agency has a statutory right to conduct a fair and complete investigation and must be afforded reasonable time to do so. Premature quashing of criminal proceedings, without permitting the investigation to progress, is impermissible unless the FIR ex facie fails to disclose any cognizable offence or the prosecution is barred by law.

22. In **Rocky** *(supra)*, the Hon'ble Supreme Court held that, at the stage of quashing, the Court cannot adjudicate upon disputed questions of fact or determine the authenticity, evidentiary value, or legal effect of disputed documents. Where the allegations in the FIR or charge sheet prima facie disclose the commission of a cognizable

offence and are supported by material collected during the investigation, the criminal proceedings ought not to be quashed merely on the basis of a defence founded on disputed documents, as their genuineness and evidentiary value are matters to be decided during trial.

23. In **A.R. Antulay** *(supra)*, the Hon'ble Supreme Court held that it is a settled principle of criminal jurisprudence that the concept of locus standi is foreign to criminal law and, unless a statute expressly provides otherwise, any person can set the criminal law in motion by lodging a complaint or furnishing information regarding the commission of an offence. Since a crime is an offence against society and not merely against an individual, the right to initiate criminal proceedings cannot be restricted by importing the concept of locus standi, except where a specific statutory provision prescribes an eligibility criterion for the complainant.

24. In **Vasanth** *(supra)*, the High Court of Karnataka held that a person has the locus to initiate criminal proceedings where the alleged forged or fabricated document is used or intended to be used against him or otherwise affects his legal rights or interests. Even if the forgery pertains to a property or document not directly owned by the complainant, he is competent to lodge a criminal complaint if the

forged document has been relied upon to prejudice his rights or has formed the basis of proceedings against him.

25. In **Sharla Bazliel** *(supra)*, the Hon'ble Supreme Court held that where the FIR contains specific allegations of forgery, fraud, fabrication of documents, or criminal breach of trust, and the disputed documents or signatures are pending forensic or handwriting examination, the High Court should not exercise its inherent jurisdiction to quash the proceedings at a premature stage. Until the investigation, including scientific examination of the questioned documents, is completed, the criminal proceedings ought to be permitted to continue to their logical conclusion.

26. Insofar as the other grounds raised by Sri B. Narasimha Sharma, learned Additional Solicitor General of India, that respondent No.2 filed the present complaint by giving a criminal colour, as a counter blast to the proceedings pending before the NCLT and by virtue of statutory protection given under Section 32A of the IBC, respondent No.2 is not entitled to prosecute the proceedings under penal law and also Doctrine of Indoor Management is applicable, especially there are no specific allegations against petitioner Nos.2 to 4 and they have joined in 2021 and the alleged allegations are pertaining to 2017 are concerned, there are specific allegations levelled in the complaint that the Deeds of

Personal Guarantee and Deed of Hypothecation are forged and fabricated documents. Whether petitioner Nos.2 to 4 are having any role in the commission of offence or not and whether any material exists to connect them with the alleged crime are to be revealed during the course of investigation, especially the investigation is at threshold and pendency of the proceedings before the NCLT is not a bar to prosecute the proceedings under penal provisions.

27. In **Manish Kumar** *(supra)*, the Hon'ble Supreme Court held that while upholding the constitutional validity of Section 32A of the Insolvency and Bankruptcy Code, 2016, held that the immunity thereunder is a substantive, post-approval immunity available only to the corporate debtor as a juristic entity and its property contingent upon fulfilment of the conditions in Section 32A(1) and does not extinguish the criminal liability of the individual promoters, directors, or officers who committed the offence; such individuals remain liable to be prosecuted independent of and notwithstanding the pendency or conclusion of proceedings before the NCLT/NCLAT, as further borne out by the continuing obligation of cooperation with investigating authorities under Section 32A(3). Consequently, Section 32A cannot be read as a procedural bar on parallel criminal proceedings against individual accused persons during the pendency of NCLT proceedings.

28. It is relevant to mention that in **Ruben and Ladenberg v. Great Fingall Consolidated Co.**[15], the House of Lords laid down the foundational principle that the doctrine of indoor management cannot be invoked where the act complained of is a forgery or where the circumstances themselves arouse suspicion, holding that persons dealing with a company must act with due caution and cannot blindly rely on ostensible authority when the transaction is tainted with irregularity. This principle was subsequently adopted and applied by the Hon'ble Supreme Court in **M/s. MRF Limited v. Manohar Parrikar & Ors**[16], where the Court observed that when there exists "definite suspicion of irregularity" and the conduct of the concerned individual indicates active involvement in the fraudulent act, the doctrine ceases to operate. Applying the same, accused No.1, being an employee of respondent No.2 company, cannot be treated as a mere intermediary but is prima facie shown to have actively colluded in the fraudulent transactions alleged. The said doctrine was further clarified in **Gunmala Sales (P) Limited v. Navkar Promoters (P) Limited & Ors**[17], wherein the Hon'ble Apex Court held that "it cannot be invoked to give a carte blanche to outsiders to avoid liability where the circumstances invite inquiry or suggest collusion". Hence, while bona fide outsiders dealing with a company

[15] (1906) AC 439 (HL)
[16] (2010) 11 SCC 374
[17] (2015) 1 SCC 103

in good faith may be protected, such protection is unavailable where the transactions are irregular or executed in concert with insiders. In the present case, petitioner No.1, who is employee of the banking institution and petitioner No.2 is a banking institution, though outsiders to respondent No.2 company and there are specific allegations against them that they facilitated or overlooked irregular transactions undertaken in collusion with other accused. Hence, this Court of the considered view that basing upon the principle of protection of the doctrine of indoor management, petitioners are not entitled to seek quash the proceedings at the threshold.

29. Insofar as the judgments relied upon by the learned counsel for the petitioners, in **Priyanka Srivastava** *(supra)*, the Hon'ble Supreme Court held that the power under Section 156(3) Cr.P.C/ Section 175(3) BNSS must be exercised with due application of judicial mind and not mechanically. Where the dispute arises from proceedings under the SARFAESI Act, 2002, and an efficacious statutory remedy is available before the Debts Recovery Tribunal, criminal proceedings should not be permitted to be used as a pressure tactic against secured creditors or bank officials. Before directing investigation, the Magistrate must exercise greater care and caution, particularly in view of the protection under Section 32 of the

SARFAESI Act for acts done in good faith, so as to prevent abuse of the criminal process.

30. In **K. Virupaksha** *(supra)*, the Hon'ble Supreme Court held that criminal law cannot be invoked to adjudicate disputes that are essentially civil, contractual or governed by a special statutory mechanism. Where a complete statutory remedy is available under a special enactment, the criminal process cannot be permitted to circumvent or overreach such remedies unless the complaint, on its face, discloses the essential ingredients of a cognizable criminal offence independent of the civil dispute. Courts must remain vigilant to prevent the criminal justice system from being employed as a means of exerting pressure, settling contractual disputes or otherwise abusing the process of law.

31. In **Deepak Upadhyaya** *(supra)*, the High Court of Madras held that where a special statute provides a complete and efficacious mechanism for redressal of grievances, the criminal process ought not to be invoked by bypassing such statutory remedies, particularly when the complaint is lodged belatedly, without any plausible explanation, and only after adverse proceedings have been initiated against the complainant. Such circumstances may legitimately indicate malafides, an ulterior motive, or an attempt to exert pressure or settle personal scores. Courts, in the exercise of their

inherent jurisdiction, must prevent abuse of the criminal process and quash proceedings where the criminal law is employed as a tool of harassment rather than for the bona fide prosecution of a genuine criminal offence.

32. In **ICICI Bank Ltd.** *(supra)*, the High Court of Bombay held that where a special statute provides a complete and efficacious mechanism for redressal of grievances, the criminal process ought not to be invoked by bypassing such statutory remedies, particularly when the complaint is lodged belatedly, without any plausible explanation, and only after adverse proceedings have been initiated against the complainant. Such circumstances may legitimately indicate malafides, an ulterior motive, or an attempt to exert pressure or settle personal scores. Courts, in the exercise of their inherent jurisdiction, must prevent abuse of the criminal process and quash proceedings where the criminal law is employed as a tool of harassment rather than for the bona fide prosecution of a genuine criminal offence.

33. In **Mala Choudhary** *(supra)*, the Hon'ble Supreme Court held that a purely civil or contractual dispute cannot be permitted to assume the colour of a criminal offence merely by making bald allegations of cheating or fraud. Where the allegations are inconsistent, materially contradictory, or fail to disclose prima facie

criminal intent at the inception of the transaction, the initiation of criminal proceedings amounts to a misuse of the criminal justice system. The criminal process cannot be employed as a weapon of pressure or harassment, or to secure relief that is essentially civil in nature. Such proceedings constitute an abuse of the process of law, warranting interference by the High Court in the exercise of its inherent jurisdiction.

34. In the aforesaid judgments, the Hon'ble Supreme Court and High Courts of Madras and Bombay held that criminal law cannot be invoked to adjudicate the disputes that are essentially civil, contractual or governed by a special statutory mechanism.

35. The above said judgments relied upon by the learned counsel for the petitioners are not applicable to the facts and circumstances of the present case on the ground that respondent No.2 in the complaint has made specific allegations regarding forgery and falsification of accounts as well as the fabrication of documents, especially the Deeds of Personal Guarantee and the Deed of Hypothecation, and the said allegations *prima facie* attract the ingredients of the offences mentioned in the F.I.R.

36. It is very much relevant to mention that the Hon'ble Supreme Court in **Bhajan Lal, Neeharika Infrastructure Private Limited, M. Maridoss, A. R. Anthulay, Rocky and Sharla Bazliel** *(supra)* has

consistently held that while exercising its inherent jurisdiction to quash criminal proceedings under Section 482 Cr.P.C., the High Court must proceed on the assumption that the allegations contained in the FIR or complaint are true and examine only whether they *prima facie* disclose the commission of a cognizable offence. At this stage, the Court cannot assess the truthfulness, reliability, genuineness, or sufficiency of the allegations, nor can it evaluate the evidence or adjudicate disputed questions of fact. The power to quash is extraordinary in nature and must be exercised sparingly and only in exceptional cases where the FIR does not disclose any offence, the prosecution is barred by law, or the continuation of the proceedings would amount to an abuse of the process of law. An FIR is not expected to be an exhaustive account of every minute detail of the alleged offence; it is sufficient if it sets out the basic facts disclosing the commission of a cognizable offence. Ordinarily, the investigating agency must be permitted to conduct a fair and complete investigation, and the High Court should not undertake a mini trial by examining the merits of the allegations or the defence of the accused. It is equally well settled that the concept of locus standi is generally foreign to criminal law, and any person may set the criminal law in motion unless a statute expressly provides otherwise. Furthermore, where the allegations involve forgery, fraud, fabrication of documents, or criminal breach of trust, and the disputed documents or signatures are yet to undergo forensic or handwriting examination, the High Court ought not to quash the proceedings on the basis of disputed documents or defence material, as their authenticity and evidentiary value are matters to be determined during investigation.

37. It is already stated *supra* that there are specific allegations levelled in the complaint regarding forgery, fabrication and falsification of records, especially Deeds of Personal Guarantee and the Deed of Hypothecation, which *prima facie* disclose the commission of cognizable offences and the investigation is at threshold. Hence, this Court is of the considered view that the petitioners are not entitled to seek quashing of F.I.R.No.61 of 2026 at this stage.

38. For the foregoing reasons and in view of the precedent decisions, this Court does not find any ground to quash the proceedings against the petitioners in F.I.R.No.61 of 2026 of Central Crime Station, Hyderabad, to exercise the powers under Section 528 of the BNSS.

39. Accordingly, both the Criminal Petitions are dismissed.

Miscellaneous applications, pending if any, shall stand closed.

J. SREENIVAS RAO, J

Date:24.07.2026
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