**IN THE HIGH COURT FOR THE STATE OF TELANGANA, HYDERABAD**

*** * ***

**CRIMINAL PETITION No. 8877 OF 2023**

**(CNR No. HBHC010459292023)**

Between:

Dr. V. Raja Gopal Reddy, S/o. Late C.V. Subba Reddy, Aged about 64 years, Occu: Retired Employee (Indian Bank), R/o. Flat No. 308, A-Block, Sri Mahalakshmi Meadows, Lakdikapool, Hyderabad.

… Petitioner/Accused No. 7.

AND

1. The State of Telangana, Represented by its Special Public Prosecutor for CBI, High Court for the State of Telangana, Hyderabad.

2. The Zonal Manager, Hyderabad Zone, Indian Bank, Vigilance Cell, 4$^{th}$ Floor, Liberty Plaza, Himayathnagar, Hyderabad – 500 029.

… Respondents.

**ORDER PRONOUNCED ON: 17.09.2026**

**THE HONOURABLE SRI JUSTICE N. TUKARAMJI**

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| 1. | Whether Reporters of Local newspapers may be allowed to see the Judgment? | : Yes |
| 2. | Whether the copies of judgment may be Marked to Law Reporters/Journals? | : Yes |
| 3. | Whether His Lordship wishes to see the fair copy of the Judgment? | : Yes |

**N. TUKARAMJI, J**

*** THE HON'BLE SRI JUSTICE N. TUKARAMJI**

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… Respondents.

! Counsel for the petitioner : Mr. Raja Sripathi Rao, learned Senior Counsel, argued on behalf of Mr. G. Aditya Goud, learned counsel for the petitioner.

^Counsel for respondents : Mr. Srinivas Kapatia, learned Special Public Prosecutor for Central Bureau of Investigation (CBI), representing respondent No.1-CBI

Mr. Hemanth Kumar Vemuri, learned counsel, argued on behalf of Mr. Srinivas Survi, learned counsel for Respondent No.2-Indian Bank.

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? Cases referred

*Susanta Kumar Dalei @ Susantha Kumar Dalai v. State of Odisha (Vigilance),* 2026 INSC 510;

*Vijay Kumar Kela and another v. Central Bureau of Investigation and another,* 2026 INSC 588;

*K. Bharathi Devi and another v. State of Telangana and another,* (2024) SCC 384;

*CBI v. Sarvodaya Highways Ltd.*, 2025 SCC OnLine SC 2598;

*Anil Bhavarlal Jain v. State of Maharashtra*, 2024 SCC OnLine SC 3823;

**IN THE HIGH COURT FOR THE STATE OF TELANGANA**
**AT HYDERABAD**

**THE HONOURABLE SRI JUSTICE N.TUKARAMJI**

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**DATE: 17.09.2026**

Between :

Dr. V. Raja Gopal Reddy
… Petitioner/Accused No. 7

AND

The State of Telangana, Represented by its Special Public Prosecutor for CBI, High Court for the State of Telangana at Hyderabad, and another.

… Respondents.

**ORDER**

This Criminal Petition is filed under Section 482 of the Code of Criminal Procedure Code, 1973 (Cr.P.C.), seeking quashment of the proceedings against the petitioner in C.C. No. 16 of 2014, pending on the file of the learned Principal Special Judge for CBI Cases, Hyderabad.

2. The petitioner is arrayed as Accused No. 7 in the aforesaid Calendar Case, facing accusations for the offences punishable under Sections 120-B read with Sections 420, 409, 467, 468, 471 of the Indian Penal Code, 1860, 420, 409 of the Indian Penal Code, 1860 (IPC), Sections 13(1)(d), 13(2) read with Section 13(1)(d) of the Prevention of Corruption Act, 1988 (PC Act).

3. Heard Mr. Raja Sripathi Rao, learned Senior Counsel, argued on behalf of Mr.G.Aditya Goud, learned counsel for the petitioner, Mr. Srinivas Kapatia, learned Special Public Prosecutor for Central Bureau of Investigation (CBI), representing respondent No.1-CBI and Mr. Hemanth Kumar Vemuri, learned counsel, argued on behalf of Mr.Srinivas Survi, learned counsel for respondent No.2-Indian Bank/de facto complainant.

**Factual matrix:**

4.1. The prosecution case, in brief, is that Accused No.1, K. Suresh Kumar, the Proprietor of M/s. PDM Industries, in conspiracy with the other accused, including the petitioner/Accused No.7, allegedly obtained various credit facilities from Respondent No.2-Indian Bank, Osmangunj Branch, Hyderabad, by submitting fake and forged title deeds, financial statements, invoices, net-worth certificates and other documents. The accused allegedly obtained an Overdraft Cash Credit/Open Cash Credit (OCC) facility for M/s. PDM Industries up to a limit of Rs.4.50 Crores, a Housing Loan of Rs.40 Lakhs, an Industrial Mortgage/Term Loan of Rs.50 Lakhs, and Term Loans in favour of M/s. P.S. Educational Society aggregating to Rs.2.25 Crores. The investigation further revealed that the sanctioned amounts were withdrawn and transferred to other accounts and were subsequently utilised for purposes other than those for which the facilities had been sanctioned. Certain non-existing firms were allegedly utilised for routing funds and creating artificial business turnover.

4.2. It is further alleged that several title deeds offered as collateral security were forged. Out of the 17 property documents examined during the investigation, 11 were found to be fake/forged. The petitioner/Accused No.7 and Accused No.6, who were Bank officials, allegedly failed to properly verify the title documents, business transactions, stock position, end-use of funds and compliance with the conditions attached to the sanctions, thereby facilitating the sanction and disbursement of the loan facilities in furtherance of the alleged conspiracy. It is further alleged that the Housing Loan of Rs.40 Lakhs was released without proper site verification and without compliance with the prescribed conditions, and that the funds were subsequently diverted for other purposes. The accounts were thereafter classified as Non-Performing Assets (NPAs) on 31.03.2010. Following adjustment/recovery through SARFAESI proceedings, the total alleged outstanding wrongful loss suffered by Indian Bank was calculated at approximately Rs.7,17,96,555/-. On the basis of the investigation, the CBI concluded that Accused Nos.1 to 8 had prima facie conspired to cheat Indian Bank by resorting to forged documents, fraudulent loan transactions, misuse/diversion of sanctioned funds and abuse of official position, thereby causing an alleged wrongful loss of approximately Rs.7.18 Crores to the Bank.

4.3. The prosecution specifically alleges that the petitioner/Accused No.7, while serving as Branch Manager of Indian Bank, Osmangunj Branch, Hyderabad, acted in conspiracy with the other accused and facilitated the fraudulent loan transactions. According to the prosecution, the petitioner failed to properly verify the title deeds, financial statements, statements of assets and liabilities, invoices and other documents submitted by the borrowers, notwithstanding that several documents offered as security were subsequently found to be forged. It is further alleged that the petitioner failed to ensure that the loan amounts were utilised for the purposes for which they had been sanctioned. The prosecution, therefore, contends that the petitioner failed to exercise the degree of diligence expected of a Bank Official and that such acts and omissions enabled the alleged fraudulent transactions and contributed to the wrongful loss caused to Indian Bank.

**Pleadings of the Petitioner:**

5.1. Learned Senior Counsel appearing for the petitioner submitted that the petitioner/Accused No.7 served as Branch Manager of Indian Bank, Osmangunj Branch, Hyderabad, from 27.07.2001 to 16.07.2006. During his tenure, credit facilities were extended to M/s. Sirish Traders/PDM Industries. The petitioner personally sanctioned the initial OCC limit of Rs.15 Lakhs on 12.09.2001. Thereafter, the OCC limit was enhanced to Rs.40 Lakhs, Rs.70 Lakhs and Rs.150 Lakhs respectively by the Circle Office, Hyderabad, since the enhanced limits were beyond the delegated powers of the petitioner. It was submitted that the loan proposals were prepared by the Credit Officer and were supported by legal opinions, valuation reports and other requisite documents. According to the petitioner, his role was confined to forwarding the proposals to the Circle Office for consideration and sanction, insofar as the enhanced limits were concerned. It was further submitted that the Housing Loan of Rs.40 Lakhs was sanctioned by the Circle Office and not by the petitioner.

5.2. It is the further case of the petitioner that subsequent audits and inspections conducted in relation to the concerned accounts did not disclose any irregularity, diversion or siphoning of funds attributable to him. The Stock Audit, Branch Inspections, statutory audits and Staff Accountability Studies allegedly did not fasten any accountability upon the petitioner, and the staff accountability was recorded as “Nil”. The petitioner was relieved from the Branch in July, 2006. Even thereafter, the Circle Office continued to deal with the accounts and the credit facilities and subsequently enhanced the OCC limit to Rs.300 Lakhs in 2007 and to Rs.450 Lakhs in 2009. The accounts ultimately became NPAs only in the year 2010, several years after the petitioner had ceased to function as the Branch Manager of the said Branch. It is further pleaded that the record indicates that the Bank’s Panel Advocates had certified the genuineness of the title documents relating to the securities offered. The petitioner also relies upon the fact that the Bank subsequently recovered substantial amounts through One Time Settlement (OTS), sale of properties and repayment of the loans. It is also stated that proceedings against the co-accused, namely Accused Nos.6 and 8, were quashed by this Court, while proceedings against Accused Nos.3 and 4 were quashed by the Hon'ble Supreme Court.

5.3. The petitioner relies upon the aforesaid circumstances to contend that the material on record does not disclose any specific act on his part, beyond the sanction of the initial OCC facility of Rs.15 Lakhs within the scope of his delegated authority and the forwarding of the subsequent proposals to the competent Circle Office, which could establish his criminal culpability in respect of the alleged transactions. According to the petitioner, the material relied upon by the prosecution does not attribute to him any specific act of forgery, fraudulent representation, diversion or siphoning of funds, or any other overt act demonstrating his participation in the alleged conspiracy. His contention is that his official role in processing or forwarding the loan proposals, without more, cannot constitute sufficient material to establish criminal culpability.

5.4. In support of his submissions, learned Senior Counsel placed reliance upon *Susanta Kumar Dalei @ Susantha Kumar Dalai v. State of Odisha (Vigilance),* 2026 INSC 510, to contend that general, vague and omnibus allegations, without identification of a specific role or overt act attributable to an individual accused, cannot, by themselves, justify the continuation of criminal proceedings against such accused. It is submitted that, at the stage of discharge or quashing, the Court is not required to undertake a detailed appreciation of the evidence, so as to determine whether the prosecution will ultimately succeed at trial. Rather, the Court is required to examine whether the material on record discloses sufficient material or grave suspicion connecting the particular accused with the alleged offences. Applying the said principle, learned Senior Counsel contends that the petitioner's mere status as Branch Manager and his role in forwarding proposals cannot constitute sufficient material establishing criminal culpability in the absence of specific material demonstrating knowledge, dishonest intention, forgery or participation in the alleged conspiracy.

Reliance is also placed upon *Vijay Kumar Kela and another v. Central Bureau of Investigation and another,* 2026 INSC 588, to contend that, where a banking transaction has been substantially completed or settled pursuant to approved terms and the Bank has received the settlement amount, the continuation of criminal proceedings may, in appropriate circumstances, be examined from the perspective of abuse of the process of law, particularly where the possibility of quashing the proceedings has otherwise become remote. Learned Senior Counsel, therefore, submits that, since the amounts were recovered by the Bank pursuant to the OTS, full satisfaction was recorded before the DRT, and the basic ingredients of the alleged offences are not made out against the petitioner, continuation of the criminal proceedings against him would amount to an abuse of the process of law.

Learned Senior Counsel further placed reliance upon *K. Bharathi Devi and another v. State of Telangana and another,* (2024) SCC 384, which arose out of the very same Calendar Case, namely C.C. No.16 of 2014. It is submitted that, in the said proceedings, the Hon'ble Supreme Court considered the allegations against the concerned accused and ultimately quashed the proceedings against Accused Nos.3 and 4, inter alia, on the ground that the material on record did not attribute any specific and independent culpable role to them.

According to the petitioner, the said decision assumes significance in the present case because, similarly, no specific act of forgery, fraudulent representation, diversion of funds or participation in the alleged conspiracy has been attributed to the petitioner. His role, according to the petitioner, is essentially stated to have been confined to processing and/or forwarding proposals to the competent authority.

5.5. On the strength of the aforesaid facts and circumstances, learned Senior Counsel appearing for the petitioner contends that the prosecution has failed to place any sustainable material connecting the petitioner individually with the alleged offences. According to the petitioner, the material on record, at its highest, demonstrates his official involvement in the processing and forwarding of banking proposals, whereas the substantial sanctions were made by the Circle Office and the supporting documents were scrutinised by the concerned officers and professional experts. It is further submitted that the subsequent audits and inspections did not attribute any accountability to the petitioner and that the subsequent deterioration of the accounts occurred several years after he had ceased to be the Branch Manager of the concerned Branch. The petitioner, therefore, contends that, in the absence of specific and legally sustainable material disclosing his individual involvement, knowledge, dishonest intention or participation in the alleged conspiracy, continuation of the criminal proceedings against him would amount to an abuse of the process of law. Accordingly, learned Senior Counsel seeks quashing of the proceedings against the petitioner in the Calendar Case.

**Pleadings of the Respondent No.1-CBI:**

6.1. In contrast, learned Special Public Prosecutor appearing for Respondent No.1-CBI opposed the petition and submitted that the petitioner cannot be portrayed as a mere forwarding officer. According to the learned Special Public Prosecutor, the material collected during the investigation, coupled with the evidence already adduced before the trial Court, discloses the petitioner's active involvement in the processing, recommendation and sanction of the credit facilities extended to M/s. Sirish Traders/PDM Industries. It is submitted that, during the petitioner's tenure as Branch Manager of Indian Bank, Osmangunj Branch, Hyderabad, he was directly involved in the processing of credit facilities aggregating to approximately

Rs.3.05 Crores, comprising the OCC facility of Rs.15 Lakhs sanctioned in 2001, the enhanced limit of Rs.40 Lakhs in 2002, Rs.70 Lakhs in 2004 and Rs.1.50 Crores in 2005, as well as a Housing Loan of Rs.40 Lakhs sanctioned in 2003. According to the CBI, merely because some of the enhanced limits were ultimately sanctioned by the Circle Office, the petitioner cannot thereby completely dissociate himself from the transactions, particularly when his role in processing and recommending the proposals is specifically alleged by the prosecution.

6.2. Learned Special Public Prosecutor further submitted that the loans were processed and recommended on the strength of title deeds and other documents, which were subsequently found, to a substantial extent, to be vague, forged and unreliable. According to the prosecution, several title documents furnished as collateral security were not genuine and some of the documents were also found to have been deposited with other Banks. It is contended that, being the Branch Manager, the petitioner was under an obligation to exercise due diligence and to ensure verification of the genuineness and validity of the securities offered before recommending the credit facilities and their subsequent enhancements. The CBI submits that the relevant question is not merely whether the petitioner possessed formal authority to sanction a particular credit limit, but whether, notwithstanding the limits of his delegated powers, he knowingly or negligently facilitated the processing and recommendation of credit facilities on the basis of allegedly forged and unreliable documents. It is further submitted that the petitioner failed to independently verify the title deeds and did not ensure compliance with the prescribed banking procedure relating to verification of the securities. Particular emphasis is placed upon the manner in which the legal opinions were allegedly obtained. According to the CBI, instead of the Branch Manager forwarding the original title documents through the prescribed procedure to the Bank’s Panel Advocate for independent scrutiny, the borrower himself approached the Panel Advocate with photocopies of the documents and obtained the legal opinion. The CBI contends that such deviation from the prescribed procedure constitutes a material circumstance, which requires consideration while examining the petitioner’s conduct and the allegation that he failed to exercise the requisite degree of care and diligence expected of a Branch Manager while dealing with substantial public funds.

6.3. It is further contended that, while enhancing the OCC facility from Rs.70 Lakhs to Rs.1.50 Crores, the petitioner allegedly recommended the enhancement without disclosing or verifying that the properties offered as security had already been mortgaged. According to Respondent No.1-CBI, the alleged suppression of, or failure to verify, the existence of prior mortgages, when considered cumulatively with the other circumstances concerning the title documents and the manner in which the credit facilities were processed, constitutes material which requires adjudication at trial and cannot be brushed aside at the stage of exercising the inherent jurisdiction of this Court. It is also contended that the petitioner failed to ensure compliance with the conditions governing the sanction and disbursement of the credit facilities. Such conditions allegedly included verification of the title deeds by the approved Advocate, valuation of the secured properties by the Panel Engineer, confirmation that the borrowers had not availed OCC facilities from other Banks, and verification of the utilisation of the sanctioned funds for the purposes for which the facilities had been granted. The CBI submits that these safeguards were intended to protect the Bank against, inter alia, the creation of multiple charges over the same properties and misuse of the sanctioned funds. The alleged failure on the part of the petitioner to ensure compliance with these conditions, according to the prosecution, constitutes relevant material for assessing his role and conduct in the transactions.

6.4. It is further submitted that the allegations are not confined to the material contained in the charge sheet but are also supported by evidence, which has already been recorded by the trial Court. Learned Special Public Prosecutor submitted that PW-2 deposed that, out of the 14 documents examined, 11 were fake and only three were genuine. According to the prosecution, this evidence is corroborated by the testimony of PW-3 and officials of the Registration Department. Learned Special Public Prosecutor submits that the allegation concerning the forged title documents is, therefore, not founded merely upon the assertions contained in the charge sheet but is supported by oral and documentary evidence, which is presently being tested before the trial Court. The prosecution accordingly contends that the genuineness of the title deeds, the manner in which they were produced and relied upon, compliance with the prescribed banking procedures, and the petitioner's conduct and knowledge are all matters requiring appreciation of evidence and ought not to be conclusively determined in proceedings seeking quashing of the criminal case.

6.5. It is further submitted that, when the acts and omissions attributed to the petitioner are considered cumulatively, the conduct of the borrower and the other accused, along with the surrounding circumstances, discloses material suggesting his participation in the alleged criminal conspiracy. According to the prosecution, the allegations raise questions as to whether the petitioner possessed knowledge of the fraudulent nature of the documents, whether he acted with dishonest intention, and whether his conduct formed part of the concerted course of action allegedly undertaken by the borrowers and the other accused. These questions, according to the learned Special Public Prosecutor, are required to be assessed on the basis of the entire evidence and cannot appropriately be determined at the present stage. It is further submitted that the trial has already substantially progressed. Out of 98 witnesses cited by the prosecution, 42 witnesses have been examined and 387 documents have already been marked. According to the learned Special Public Prosecutor, interference by this Court at such an advanced stage would unnecessarily interrupt the trial. Any assessment of the evidence for the purpose of determining the truth or otherwise of the allegations, it is contended, would travel beyond the permissible scope of the present proceedings and would amount to an exercise falling within the domain of the trial Court.

6.6. Learned Special Public Prosecutor also opposed the petitioner's reliance upon the One Time Settlement (OTS), subsequent recoveries and the alleged satisfaction of the Bank's dues. It is submitted that settlement of the Bank's monetary claims or recovery of amounts due does not, by itself, automatically extinguish criminal liability arising from allegations of conspiracy, cheating, forgery, criminal breach of trust and criminal misconduct. According to the learned Special Public Prosecutor, the Bank received Rs.3.80 Crores under the OTS against alleged total dues of approximately Rs.16.35 Crores, and the settlement consequently involved an alleged loss of approximately Rs.12.56 Crores. It is, therefore, contended that the OTS cannot be treated as wiping out the alleged criminality or as converting the allegedly fraudulent transactions into a purely civil dispute.

6.7. In support of the aforesaid contentions, learned Special Public Prosecutor placed reliance upon *CBI v. Sarvodaya Highways Ltd.*, 2025 SCC OnLine SC 2598, and submitted that, in cases involving serious economic offences, fraudulent banking transactions and allegations concerning forged or fabricated documents, mere settlement of the monetary claims of the financial institution does not, by itself, extinguish the criminal proceedings. It is contended that the present case does not relate merely to recovery of a debt, but involves allegations of fraudulent conduct on the part of the petitioner, misuse of the banking system and involvement of public funds. Therefore, according to the prosecution, settlement of the financial liability cannot constitute a ground, by itself, for quashing the criminal proceedings.

Learned Special Public Prosecutor further placed reliance upon *Anil Bhavarlal Jain v. State of Maharashtra*, 2024 SCC OnLine SC 3823, wherein, according to the submission, the Hon'ble Supreme Court held that economic offences having a serious impact upon the public at large are required to be considered independently of the settlement of financial liability. It was further submitted that allegations involving corruption, abuse of banking transactions, cheating and other criminal offences cannot ordinarily be reduced to a dispute of a purely private nature merely because the financial institution has accepted settlement of its monetary claims.

6.8. Further, referring to the order passed in Criminal Petition No.5778 of 2016 concerning Accused Nos.1 to 5 in the same C.C. No.16 of 2014, learned Special Public Prosecutor submitted that those accused had also sought quashing of the proceedings by relying upon the OTS and settlement of the Bank's dues, but the proceedings were not quashed. According to the CBI, the said decision demonstrates that, in the context of the very same prosecution, the existence of an OTS cannot, by itself, be regarded as sufficient to terminate criminal proceedings where the allegations concern fake or forged documents and other acts constituting alleged criminality. As regards the relief granted to the co-accused and the plea of parity raised by the petitioner, learned Special Public Prosecutor submitted that the petitioner cannot claim parity as an automatic or absolute right. It is contended that the orders relating to Accused Nos.3 and 4, and the proceedings concerning Accused Nos.6 and 8, were based upon the specific records and material applicable to those accused. According to the prosecution, the material in the present case establishes that the petitioner had a definite role in the processing and recommendation of the credit facilities. It is, therefore, submitted that the petitioner cannot derive an automatic benefit from the orders passed in favour of the other accused, particularly when the nature and extent of the material and allegations against each accused have to be examined independently.

6.9. Learned Special Public Prosecutor appearing for Respondent No.1 accordingly submits that the charge-sheet material collected during the investigation, together with the evidence already recorded before the trial Court, discloses sufficient material connecting the petitioner with the alleged offences. It is, therefore, pleaded that the petitioner has failed to demonstrate that the allegations against him are inherently improbable or that the prosecution case is manifestly groundless, so as to warrant exercise of the extraordinary/inherent jurisdiction of this Court. Learned Special Public Prosecutor accordingly prayed for dismissal of the petition and for permitting the trial Court to proceed with the trial in accordance with law.

**Pleadings of the Respondent No.2-Indian Bank:**

7.1. Learned counsel appearing for Respondent No.2-Indian Bank, while opposing the petition, submitted that the petitioner was working as Branch Manager during the relevant period and was involved in sanctioning and/or recommending various credit facilities in favour of M/s. Sirish Traders/PDM Industries, including OCC limits and a Housing Loan. The concerned loan accounts were subsequently classified as Non-Performing Assets in the year 2010. It is further submitted that, during the course of recovery proceedings initiated under the SARFAESI Act, the Bank discovered that eleven (11) documents relating to five properties offered as security were allegedly fake or fabricated and that third-party claims were found to exist in respect of the said properties. According to Respondent No.2–Bank, the documents in question had been deposited with the Bank during the tenure of the petitioner and the petitioner had sanctioned and/or recommended credit facilities relying upon the said documents. It is, therefore, contended that the petitioner cannot now contend that his role was confined merely to forwarding the proposals. According to the Bank, as Branch Manager, he was responsible for exercising due diligence in relation to the borrowers, verifying the title documents and securities offered, and ensuring the genuineness and validity of the properties furnished as collateral security.

7.2. It is further submitted that, in respect of the initial OCC facility of Rs.15 Lakhs, the petitioner allegedly failed to obtain the Bank's legal opinion in accordance with the prescribed procedure. It is alleged that, in relation to the title documents, the borrower himself approached the Panel Advocate with photocopies of the documents and obtained the legal opinion. The Bank contends that such a procedure was contrary to the applicable banking procedure. With regard to the Housing Loan, the Bank further contends that the petitioner allegedly recommended the facility against a property which had already been mortgaged to the Bank.

7.3. It is further alleged that the petitioner failed to conduct the requisite site verification and that the loan amount was released in four stages without obtaining the necessary work-completion certificates. According to Respondent No.2-Bank, these circumstances disclose deviations from the prescribed procedure and are relevant to determining the petitioner's role and responsibility in the alleged transactions. It is further pleaded that, by virtue of his position as Branch Manager, the petitioner had a direct responsibility to verify and ascertain the credentials of the borrower, the genuineness of the title documents, the authority and validity of the sanctions, and the securities offered as collateral. It is, therefore, contended that the petitioner cannot avoid such responsibility merely by asserting that the authority to accord final sanction for the enhanced credit limits did not vest in him. The Bank further submits that the petitioner's conduct in processing, scrutinising and recommending the proposals on the basis of the documents and securities furnished by the borrowers is relevant for assessing his role and responsibility in the alleged transactions.

7.4. It is also submitted that the record discloses allegations relating to the loan documents and the alleged acceptance of fake and fabricated documents as security, the alleged failure to follow the prescribed banking procedure, the failure to obtain the requisite legal opinion, the failure to verify the properties offered as security, and the failure to ascertain the existence of any prior mortgage. According to Respondent No.2-Bank, the petitioner's criminal liability in respect of these allegations involves disputed questions of fact and appreciation of evidence, which cannot appropriately be determined in proceedings seeking quashing of the criminal proceedings, particularly when charges have already been framed and the trial is substantially underway.

7.5. Learned counsel for Respondent No.2-Bank also disputed the contention that the subsequent OTS and recovery proceedings have the effect of extinguishing the alleged criminal liability. It is submitted that the settlement involved an alleged loss of approximately Rs.1,256 Lakhs and that the settlement, by itself, does not nullify the allegations relating to fraudulent abuse of the banking process or criminal conspiracy. On the aforesaid grounds, Respondent No.2-Indian Bank prayed for dismissal of the petition.

**Analysis and Conclusion:**

8. Having heard the rival submissions and upon consideration of the material placed on record, the following points arise for consideration:

A. Whether the material placed on record prima facie discloses the essential ingredients of the offences alleged against the petitioner?
B. Whether there is specific material connecting the petitioner with the alleged criminal conspiracy?
C. Whether criminal liability can be fastened upon the petitioner merely on account of his position as the Bank Officer, who authorised, processed or forwarded the loan proposals?
D. Whether continuation of the criminal proceedings against the petitioner would amount to an abuse of the process of law?

9. At the outset, it is necessary to bear in mind that the jurisdiction under Section 482 Cr.P.C. is required to be exercised sparingly, cautiously and with circumspection. At the same time, the inherent jurisdiction of this Court

is intended to prevent abuse of the process of law and to secure the ends of justice. Ordinarily, while considering a petition seeking quashing of criminal proceedings, this Court would not undertake a meticulous appreciation of evidence or conduct a mini-trial. It is, however, equally well settled that where the allegations and the material placed on record, even if taken at their face value and accepted in their entirety, do not constitute the essential ingredients of the alleged offences, or where the material does not disclose the necessary nexus between the accused and the alleged criminality, continuation of the proceedings cannot be permitted merely because a charge sheet has been filed or the trial has commenced. The exercise of inherent jurisdiction, therefore, necessarily requires the Court to examine whether the prosecution material discloses the foundational ingredients of the offences and whether there is sufficient material connecting the particular accused with the alleged criminal acts.

10. In the instant case, the petitioner was admittedly working as Branch Manager of Indian Bank, Osmangunj Branch, Hyderabad, from 2001 to 2006. The material placed before this Court indicates that the petitioner initially sanctioned an OCC facility of Rs.15 Lakhs on 12.09.2001. The subsequent enhancements to Rs.40 Lakhs, Rs.70 Lakhs and Rs.1.50 Crores were beyond the petitioner's delegated powers and were sanctioned by the Circle Office, Hyderabad. The proposals for the said facilities were prepared by the Credit Officer/PW-4, and the petitioner's case that he

forwarded the proposals to the competent authority finds support from the material referred to before this Court. The Housing Loan of Rs.40 Lakhs was also sanctioned by the Circle Office. In this context, the distinction between an Officer who processes, scrutinises or forwards a proposal and the competent authority empowered to accord the final sanction assumes significance. The petitioner cannot be attributed criminal liability merely by reason of the office held by him as Branch Manager. To sustain allegations of conspiracy, cheating, criminal breach of trust, forgery, use of forged documents or criminal misconduct, there must be material connecting the petitioner with the essential elements of the respective offences. The mere fact that the petitioner processed or forwarded proposals, which were subsequently considered and sanctioned by the competent authority cannot, in the absence of further material, by itself be construed as participation in the alleged fraudulent transactions. The prosecution case substantially rests upon the allegation that certain documents furnished as collateral security were fake or forged. The mere fact that some documents were subsequently found to be forged cannot, by itself, constitute a circumstance against every person, who dealt with the transaction unless there is material to show that such person fabricated the documents, intentionally used them as genuine, or consciously relied upon them with knowledge of their alleged fraudulent character.

11. The crucial question, therefore, in the case of the present petitioner is whether there is any material to show that Accused No.7 either fabricated the documents, participated in their preparation, deliberately facilitated their use, or entered into an agreement with the other accused for obtaining the loan facilities by fraudulent means. Upon examination of the material placed before this Court, no specific nexus between the petitioner and the alleged fraudulent acts has been demonstrated. There is no material pointed out to show that the petitioner fabricated or caused the fabrication of any title document. More importantly, there is no material on record demonstrating that, at the relevant time, the petitioner was aware that the documents were forged or that the securities allegedly offered to the Bank were based upon fabricated documents. The mere fact that the securities were subsequently found to be defective or fabricated cannot, by itself, establish that the petitioner possessed knowledge of such forgery or acted with dishonest intention at the time when the loan proposals were processed and forwarded for consideration along with the legal opinion.

12. The prosecution alleges that the petitioner approached the Panel Advocate with photocopies of the documents and obtained a legal opinion without furnishing the original documents. The petitioner, however, points out that the Circular relied upon by the prosecution was issued only in 2003 and, therefore, could not have been retrospectively applied to the transactions in question, so as to characterise the petitioner’s conduct as a deviation from

the banking procedure prescribed at the relevant time. Even assuming that there was a deviation from the prescribed procedure, such deviation, in the absence of material demonstrating that the petitioner consciously adopted the procedure knowing that the documents were forged or with an intention to facilitate cheating, would not, by itself, constitute the offences alleged against him. A mere procedural lapse or deviation, without the requisite criminal intent and without a demonstrable nexus with the alleged fraudulent acts, cannot, by itself, be converted into an offence of cheating, forgery or conspiracy.

13. In the instant Calendar Case, the statements of the witnesses referred to above, at their highest, disclose a deviation from the prescribed procedure. In the absence of any other material establishing a nexus between such deviation and the alleged fraudulent acts, drawing an inference of a deliberate design or criminal intent on the part of the petitioner would not be justified. Similarly, the allegation concerning the enhancement of the OCC facility beyond Rs.15 Lakhs, by itself, cannot establish the existence of a criminal conspiracy on the part of the petitioner. The enhanced facilities were admittedly beyond the petitioner’s delegated powers and were sanctioned by the Circle Office. If the petitioner merely forwarded the proposals to the competent authority, the subsequent decision or action of the Circle Office cannot retrospectively be attributed to him in the absence of material demonstrating that he deliberately participated in,

facilitated or was otherwise knowingly connected with the alleged fraudulent activities.

14. The allegations concerning the genuineness of the documents also require consideration. In this context, the prosecution relies upon the depositions of PWs.2 and 3 and the officials of the Registration Department, who stated that, out of fourteen (14) documents examined, eleven (11) were fake and only three (3) were genuine. There can be no dispute that the creation or fabrication of forged documents may give rise to criminal liability on the part of the persons responsible for their creation or use, subject to the ingredients of the relevant offences being established. However, the mere fact that certain documents were subsequently found to be forged does not, in the absence of further material, establish that every officer, who processed or dealt with the loan transaction necessarily had knowledge of the forgery or shared the dishonest intention behind it. Knowledge and dishonest intention cannot be attributed generally or merely by virtue of an official designation. They must be established, on the material available, against the particular accused. Criminal liability cannot be imposed merely by reason of a person's designation, office or supervisory position.

15. The prosecution has also relied upon the responsibilities attached to the petitioner's position as Branch Manager. It is undoubtedly true that a Branch Manager is required to exercise due care and diligence in

accordance with the applicable banking norms and procedures. However, a mere lapse in the discharge of official duties, in the absence of material establishing the requisite *mens rea* and the necessary nexus with the alleged criminal acts, cannot, by itself, establish the ingredients of the offences alleged against the petitioner. The distinction between negligence, procedural irregularity and intentional participation in a criminal scheme assumes particular importance in the present case. The existence of a duty of care does not, by itself, establish that the petitioner possessed knowledge of the alleged fraud or shared the dishonest intention of the principal accused.

16. In particular, Section 471 of the IPC requires knowledge or reason to believe that the document in question is forged. Section 420 of the IPC requires the essential elements of deception and dishonest intention. Section 120-B of the IPC requires an agreement between two or more persons to commit an illegal act or to commit a lawful act by illegal means. Similarly, Section 13(1)(d) of the Prevention of Corruption Act, 1988, as applicable to the relevant period, requires the obtaining or attempting to obtain for oneself or for any other person any valuable thing or pecuniary advantage by corrupt or illegal means or by abusing one’s position as a public servant.

17. No specific material demonstrating the aforesaid requirements has been brought to the notice of this Court insofar as the petitioner is concerned. The subsequent conduct of the Bank also assumes some relevance, though it cannot, by itself, determine the question of criminal liability. The material placed before this Court indicates that Stock Audits, Branch Inspections, Statutory Audits and Staff Accountability Studies did not attribute any specific accountability to the petitioner, and the Staff Accountability was recorded as “Nil”. It is further not in dispute that, after the petitioner ceased to be the Branch Manager in July, 2006, the Circle Office substantially enhanced the OCC limits in 2007 and 2009, and the accounts were classified as Non-Performing Assets only in 2010. These circumstances do not, by themselves, conclusively establish the petitioner’s innocence. Nevertheless, they constitute relevant surrounding circumstances when the Court examines whether there is sufficient material to demonstrate that, during his tenure, the petitioner intentionally participated in the alleged fraudulent scheme.

18. The petitioner’s reliance upon the legal opinions, valuation reports and the institutional mechanism through which the credit proposals were processed cannot also be completely disregarded. The credit proposals were processed through a mechanism involving the Credit Officer, Panel Advocates, valuation reports and the competent sanctioning authority. The mere fact that the documents were subsequently found to be false does not

necessarily establish that every officer associated with the processing of the proposals had knowledge of their falsity. In the absence of material demonstrating that the petitioner had actual knowledge of the alleged fraud, or that he deliberately ignored facts within his knowledge in furtherance of the alleged conspiracy, the Court is required to distinguish between a mere instance of negligence or procedural irregularity and conscious criminal participation.

19. As regards the OTS and subsequent recovery, this Court is conscious that settlement of a banking dispute does not invariably extinguish criminal liability, particularly where serious offences such as forgery, cheating and conspiracy are alleged. The OTS, therefore, cannot be treated as an independent or automatic ground for quashing the criminal proceedings. Nevertheless, the OTS, the substantial amounts recovered by the Bank and the subsequent satisfaction recorded in the recovery proceedings constitute surrounding circumstances, which may be taken into consideration along with the absence of specific material connecting the petitioner with the alleged criminal acts. The decisive factor in the present case is not the OTS by itself. Rather, it is the absence of sufficient material establishing the petitioner’s conscious participation in the alleged fraudulent transactions and conspiracy.

20. The principle laid down by the Hon'ble Supreme Court in *K. Bharati Devi* (supra) assumes particular significance since the said proceedings arose out of the same Calendar Case. While considering the role attributed to the accused therein, the Hon'ble Supreme Court examined whether the charge sheet disclosed a specific and independent culpable role against them and ultimately quashed the proceedings. The said judgment cannot, however, be understood as laying down that an OTS or settlement of the Bank's dues, by itself, is sufficient to quash criminal proceedings arising out of the underlying transactions. Its relevance to the present case lies in the principle that individual criminal culpability must be discernible from the material available against the particular accused. Likewise, *Susanta Kumar Dalei* (supra) is relevant to the extent that criminal proceedings cannot be sustained on the basis of general, vague or omnibus allegations where the material does not disclose the specific role of the accused or a sufficient nexus between the accused and the alleged offences.

21. At this stage, this Court is not required to determine whether the petitioner is ultimately innocent. The limited question is whether the prosecution material is sufficient to justify the continuation of criminal proceedings against him. The fact that the trial has progressed and several witnesses have already been examined also deserves consideration. Ordinarily, this Court would be slow to interfere with criminal proceedings at an advanced stage of trial. However, mere progress of the trial cannot, by

itself, denude this Court of its jurisdiction under Section 482 Cr.P.C. Where the foundational material against a particular accused does not disclose the essential ingredients of the offences alleged, continuation of the proceedings cannot be justified solely on the ground that evidence has already been recorded. The inherent jurisdiction is intended, inter alia, to prevent the criminal process from being permitted to continue in circumstances where its continuation, in the facts of the particular case, would result in an abuse of the process of law.

22. In the ultimate analysis, the material placed before this Court establishes that the petitioner was the Branch Manager during the relevant period and was associated with the processing of the loan proposals. However, mere association with the banking transactions cannot, by itself, be equated with participation in the alleged criminal conspiracy. The enhanced credit facilities were beyond the petitioner's delegated sanctioning powers and were sanctioned by the Circle Office. The proposals were prepared by the Credit Officer and were supported by legal opinions and valuation reports, which formed part of the relevant records. No material has been brought to the notice of this Court to establish that the petitioner fabricated any title document, procured the forged documents, or had knowledge that the documents were forged and nevertheless intentionally used them as genuine. There is also no material demonstrating that the petitioner deliberately suppressed the alleged prior mortgage in furtherance

of the conspiracy or entered into any agreement with the borrowers or the other accused to cheat the Bank. Equally, there is no specific material demonstrating that the petitioner possessed dishonest intention, misappropriated any property, or forged any document entrusted to him, so as to attract Section 409 of the IPC. Likewise, there is no material to show that, by abusing his position as a public servant, the petitioner obtained or attempted to obtain for himself or for any other person any valuable thing or pecuniary advantage by corrupt or illegal means, so as to satisfy the ingredients of the applicable provision of the Prevention of Corruption Act. The material relied upon by the prosecution may, at the highest, give rise to a question concerning the adequacy of the petitioner's supervision or the manner in which he discharged his official duties. However, criminal prosecution cannot be sustained merely on the basis of such supervisory lapses, particularly in the absence of material establishing the requisite knowledge, dishonest intention or conscious participation in the alleged conspiracy.

23. This Court is, therefore, of the considered view that, insofar as Accused No.7 is concerned, the prosecution has failed to demonstrate sufficient material establishing a specific nexus between the petitioner and the alleged forged documents or the alleged conspiracy. The allegations and the material, even when considered cumulatively, do not disclose the essential ingredients of the offences alleged against the petitioner in the

absence of material establishing his knowledge of the alleged forgery, dishonest intention, conscious use of forged documents, or an agreement or concert with the principal accused to commit the alleged offences. In such circumstances, permitting the prosecution to continue against the petitioner would amount to subjecting him to criminal proceedings without the foundational material necessary to establish individual criminal culpability. The petitioner is, therefore, entitled to invoke the inherent jurisdiction of this Court under Section 482 Cr.P.C. to prevent abuse of the process of law and to secure the ends of justice.

24. Accordingly, this Criminal Petition is allowed. Consequently, the proceedings in C.C. No.16 of 2014, pending on the file of the learned Principal Special Judge for CBI Cases, Hyderabad, insofar as they relate to the petitioner/Accused No.7, are hereby quashed.

It is made clear that the observations made in this order are confined exclusively to the case of the petitioner/Accused No.7 and shall not be construed as an expression of opinion on the merits of the case against the other accused. The trial Court shall proceed against the other accused, if any, in accordance with law and uninfluenced by any of the observations made herein. Pending miscellaneous applications, if any, shall stand closed.

**N.TUKARAMJI, J**

Date: 17.09.2026

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