IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED : 09.04.2025

CORAM

THE HONOURABLE MR.JUSTICE M.NIRMAL KUMAR

W.P.No.10852 of 2025

State Bank of India,
Represented by its Regional Manager, Mr.Monikandan Ramakrishnan,
State Bank of India, Regional Business Office,
Chennai South Zone,
#27/8, Kamarajar Street, West Tambaram,
Chennai – 600045. ... Petitioner

vs

Central Bureau of Investigation,
Represented by
Joint Director & Head of Zone,
Banking Securities and Fraud Zone,
V Floor, CBI Head Quarters,
No 5B-CGO Complex-Lodhi Road,
New Delhi – 110003. ... Respondent

PRAYER: Writ Petition is filed under Article 226 of the Constitution of India, to issue a writ of mandamus directing the respondent to register a First Information Report (FIR) / Regular Case (RC) on the basis of the complaint dated 08.03.2023 lodged by the petitioner with the respondent.

For Petitioner	:	Mr.Nithyaesh Natraj
For Respondents	:	Mr.K.Srinivasan, Special Public Prosecutor for CBI Cases

ORDER

The petitioner, Regional Manager of State Bank of India, Chennai South Zone, West Tambaram, Chennai filed this Writ Petition seeking direction to the respondent/Central Bureau of Investigation to register First Information Report (FIR) on the basis of the complaint, dated 08.03.2023 lodged by the petitioner.

2.Gist of the complaint, dated 08.03.2023 is as follows:

(i)The petitioner, Regional Manager of State Bank of India, Regional Business Office, Tambaram, Chennai is the controller of State Bank of India, Medavakkam Branch. He has been authorized to lodge complaint under the Regulations 76 & 77 of State Bank of India General Regulations, 1955 which is statutory. The Retail Assets Central Processing Centre (In short "RACPC") is a Loan Processing Cell of the State Bank of India looking after the processing, sanctioning and disbursement of diversified credit facilities such as housing loan, car loan, education loan mortgage loan, personal loan etc. The RACPC also undertakes the end-to-end facilitation *viz.,* preparation of appraisal, pre-sanction and post-sanction/pre-disbursement inspections, documentation and account maintenance for all kinds of credit facilities sanctioned till closure of accounts.

(ii)One Mr.A.Murugan for development and purchase of property i.e., a flat at "R.J.Book Square", Kundalahalli Village, K.R.Puram, Hobli, BET Bangaluru promoted and sold by M/s.R.J.Rishikaran Projects Private Limited, had approached the State Bank of India, Medavakkam Branch claiming himself to be the Proprietor of M/s.Arun Agency having office at Puzhuthivakkam, Chennai and requested for sanctioning of Housing Term Loan submitting his loan application, dated 30.12.2018. On completion of procedural compliances, the Loan Report was sent to RACPC, Tambaram. The then Branch Manager Mr.T.K.Balaji after completion of Legal Due Diligence, Valuation Process and other documentation process, sanctioned the Housing Loan (HTL Account No.38154161278) for a sum of Rs.550 lakhs in favour of Mr.A.Murugan on 31.12.2018 for development and purchase of property in R.J.Brook Square, Bangaluru.

(iii)As per the loan agreement and documents executed by the said Mr.A.Murugan in favour of the bank on 31.12.2018, the loan amount was agreed to be repaid with interest in Equated Monthly Installments of Rs.4,65,331/- commencing from 30.01.2019. Mr.A.Murugan also availed SBI Suraksh Loan in Account No.38155422163 of Rs.30 lakhs on 31.12.2018. Since the project was under construction/development, Equitable Mortgage was not created in favour of the bank towards the Loan Facility sanctioned. It is to be noted that the said loan was sourced by one Mr.K.Balasubramanian, Housing Loan Counselor.

(iv)After availing the Credit Facilities, the Borrower Mr.A.Murugan not shown interest for repayment and the account became (Non-Performing Asset) NPA on 25.01.2021. On scrutiny, the Bank noticed the breach in the loan agreements and failure on the part of the Borrower to create the Equitable Mortgage of the properties in favour of the Bank and also conducted internal investigation. The internal investigation revealed the fraud committed by Mr.A.Murugan in the housing loan availed by him in HTL Account No.38154161278.

(v)The Income Tax/PAN credentials of the Borrower were not obtained and verified as per guidelines and the verification was done by the then Branch Manager, Medavakkam Branch. Further, the Income Verification of the Borrower was done by M/s.Navashakthi Engineering Private Limited, Chennai. However, the Income Tax Returns for AY 2015-16, 2016-17, 2017-18, 2018-19 were signed by Mr.T.K.Balaji, the then Branch Manager of Medavakkam Branch, not by RACPC officials in the Housing Term Loan proposal. Two valuation reports obtained from Mr.A.V.S.Balasubramanya, dated 24.12.2018 for Rs.7.58 Crores and another by Mr.C.Ethiraj, dated 26.12.2018 for Rs.7.56 Crores were considered for sanctioning of credit facilities and no records available in appointment of above said two Valuers. The valuation reports received by Medavakkam Branch Manager forwarded the same to RACPC is a deviation from the procedure and RACPC also failed to verify the authenticity of their valuation reports before recommending the proposal for sanction. On enquiry, it was found that the above said Valuers denied their valuation of the property stating that no request was received by them from the Branch for conducting valuation. Since the report was forwarded to RACPC from Medavakkam Branch, sanction happened without confirming authenticity of Reports. Further, the Borrower's CIBIL score manipulated. Without any validating document on record, mere letter from the Valuer in touting the rental income of the property to be Rs.2.16 lakhs were considered. This also led to sanctioning of huge loan. It was also found that the Borrower with the help of Promoter M/s.R.J.Rishikaran Projects Private Limited had inflated the project cost to Rs.7.43 Crore to acquire higher amount as Credit Facility and the Valuation Report by the aforesaid Valuers facilitated sanctioning of loan. The Borrower with the aid of Builder has conveniently projected that he already made marginal payments through Kotak Mahindra Bank cheque to the tune of Rs.1.50 Crore which was found to be not true. The disbursement of the loan happened at various intervals in favour of Builder without carrying out inspections in the said property. The Borrower made a request on 17.08.2019 stating that 95% of the work completed, is not correct. The registration of sale deed for the property in favour of the Borrower and creation of Equitable Mortgage in favour of the Bank and Registration of Memorandum of Title Deeds not done. Further, in the Home Loan Application name of one Mr.R.Karthikeyan as Home Loan Counselor recorded whereas it was sourced by Mr.K.Balasubramanian. On verification Mr.R.Karthikeyan denied such sourcing. Further, it was found that the commission for the Housing Term Loan was preferred by Mr.K.Balasubramanian and an amount of Rs.2,72,445/- was credited in

Account No.37642524238 on 09.01.2019 and out of which, Rs.1.35 lakhs was given in cash to the then Branch Manager Mr.T.K.Balaji through a withdrawal slip, dated 09.01.2019 by Mr.K.Balasubramanian.

(vi)During subsequent inspection on 02.10.2021, the Assistant General Manager of RACPC, Tambaram and the present Branch Manager of Medavakkam Branch met the builder and during enquiry, the Builder revealed that he has shared an amount of Rs.1 Crore to the Borrower Mr.A.Murugan from the loan proceeds received from the Bank. The above between transactions clearly shows nexus and indicates that Mr.A.Murugan, M/s.Rishikiran Projects Private Limited, Bengaluru represented by its Managing Director Mr.Rathnakar Shetty (Builder), Mr.Rathnakar Shetty, T.K.Balaji, the then Branch Manager, Medavakkam Branch, Chennai, Mr.K.Balasubramanian, Housing Loan Counselor all colluded and conspired together with malafide intention to cheat the bank at the inception stage and further got the properties values inflated with the aid of valuers Mr.A.V.S.Balasubramanian and M/s.G.Shyam Sunder & Associates Mr.C.Ethiraj. For the purpose of availing housing loans with inflated value of the properties by creating fabricated documents and defrauded the bank by committing misappropriation of the public money.

(vii)The then Branch Manager Mr.T.K.Balaji, apart from his involvement in the above case, due to his dubious conduct and act, is facing cases in FIR.No.45 dated 24.04.2021, FIR.No.54 dated 05.05.2021 and FIR.No.56 dated 12.05.2021 investigated by Vepery Police Station on the complaint given by the bank in respect of other loan transactions. The involvement of the then Branch Manager and the other bank officials will attract provisions under the Prevention of Corruption Act, 1988 apart from IPC offences.

(viii)In furtherance of the common intention of all the accused, they joined together and committed several acts of transfer of funds by deceptive and fraudulent ways, which have caused a loss of Rs,7,00,25,642.00/- in the main Housing Term Loan account and Rs.34,09,773.00 in SBI Suraksha Account. Giving all these details and particulars, a complaint lodged to the respondent against Mr.A.Murugan, Borrower of the Housing Term Loan; M/s.Rishikiran Projects Private Limited, Bangaluru represented by its Managing Director Mr.Rathnakar

Shetty (Builder); Mr.Ratnakar Shetty; Mr.T.K.Balaji, the then Branch Manager, SBI, Medavakkam Branch, Chennai; Mr.K.Balasubramanian, Mr.AVS.Balasubramanya; Housing Loan Counselor; Mr.M/s.G.Shyam Sunder & Associates Mr.C.Ethiraj along with approval under Section 17A of Prevention of Corruption Act, 1988.

3.The learned counsel for the petitioner submitted that the above complaint ought to have acted upon immediately since the Bank officials/public servants in collusion with others committed misconduct, misappropriation and cheated the Bank/public money. He further submitted that there is possibility that the accused to escape from clutches of law and there is immediate requirement to issue Look Out Circular and to impound their passports and also to retrieve properties acquired through ill-gotten money. This can be done only on registration of First Information Report. He further submitted that though the complaint was received on 16.03.2023 by the respondent, on 08.08.2024 the respondent sent a communication stating that since the Government of Tamil Nadu has withdrawn the General Consent to investigate the offences under Delhi Special Police Establishment Act, 1946, it has become necessary to obtain permission to investigate offences by the Central Bureau of Investigation on case to case basis by issuance of notification under Section 6 of Delhi Special Police Establishment Act, 1946 by Government of Tamil Nadu. It is also informed that earlier proposals sent to Government of Tamil Nadu requesting to issue notifications are still pending for more than a year, hence directed the petitioner to make representation to the Chief Secretary of Tamil Nadu in this regard or to approach this Court.

4.He further submitted that in Chapter VI of Master Circular on “Frauds Classification and Reporting” issued by the Reserve Bank of India, a tabulation given, wherein the Amount involved in the fraud and Agency to whom the complaint should be made are given. In this case, the fraud and misappropriation committed is around Rs.7.34 Crores and there is an involvement of the then Branch Manager and other bank officials/public servant. Hence, the complaint was lodged to the respondent who is the authorized person, as per the guidelines of Reserve Bank of India, to register a case and to investigate. On the Contrary, a communication, dated 08.08.2024 was sent by the respondent. Hence, he prays for appropriate direction for registration of First Information Report.

5.The learned Senior Counsel/Special Public Prosecutor for CBI Cases appearing for the respondent submitted that as per the direction of the Reserve Bank of India *vide* its Master Circular dated 01.07.2016 (Frauds Classification and reporting by commercial banks and select FIs) in RBI/DBS/2016-2017/28 DBS.CO.CFMC.BC.No.1/23.04.001/2016-17, the Reserve Bank of India has classified the frauds committed and issued certain guidelines for reporting frauds to Police/CBI in Chapter VI. He further submitted that the petitioner is the largest public sector bank and the complaint discloses the fraud and misappropriation committed by the Borrower of the loan in active collusion with the Builder, Valuers, the then Branch Manager of the Bank and other loan processing officials of the bank. Hence, the complaint of the petitioner needs detailed and thorough investigation to unearth the deep-rooted conspiracy and to recover the public money. The restrictions of the respondent has been expressed in the communication, dated 08.08.2024 to the petitioner. He further submits that subject to the order of this Court, the respondent is ready to proceed with the complaint in accordance with law.

6.Considering the submissions and on perusal of the materials, it is seen that the Borrower in the name of Housing Loan and Suraksha Loan had inflated the amount in active collusion with the Builder, Valuers, the then Branch Manager of the Bank and other loan processing officials of the bank. Further, the loan processing officials of the bank failed to verify the authenticity of the valuation reports before recommending the proposal for sanction and the then Bank Manager played an active role. It is also seen that there is a reverse flow between the Borrower and the then Branch enquiry Manager which was unearthed during internal enquiry conducted by the Bank.

7.With regard to active involvement of the others in siphoning out of huge amount of Rs.7.34 Crores of the Bank, the same has to be unearthed and recovered. As submitted by the learned counsel for the petitioner, there is a possibility that the offenders might flee and escape from clutches of law and issuance of the Look Out Circular might be required in this case. The Look Out Circular can be issued only on registration of criminal case.

8.In such circumstances, keeping the complaint pending for a long period without any progress is not proper. It is not in dispute that the complainant is a Public Sector Bank and huge amount of public money siphoned out by the offenders.

9.In similar situation, this Court by orders, dated 23.01.2024, 05.07.2024 and 14.10.2024 in W.P.Nos.601 of 2024, 16029 of 2024 and 28365 of 2023 directed the respondent/Central Bureau of Investigation to register FIR based on the complaint of State Bank of India and to proceed with the investigation in accordance with law and file a final report as expeditiously as possible.

10.In view of the above, this Writ Petition stands allowed with a direction to the respondent/Central Bureau of Investigation to register an First Information Report on the complaint of the petitioner, dated 08.08.2023 and proceed with the investigation in accordance with law. No costs.

09.04.2025

Index: Yes/No
Speaking Order/Non-Speaking Order
Neutral Citation: Yes/No
vv2

M.NIRMAL KUMAR, J.

vv2

To

1.The Joint Director & Head of Zone,
Central Bureau of Investigation,
Banking Securities and Fraud Zone,
V Floor, CBI Head Quarters,
No 5B-CGO Complex-Lodhi Road,
New Delhi – 110003.

2.The Special Public Prosecutor for CBI Cases,
Madras High Court.

W.P.No.10852 of 2025

09.04.2025