IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED : 29.07.2025

CORAM :

THE HON'BLE MR.JUSTICE D.BHARATHA CHAKRAVARTHY

Crl.A.Nos.452, 466, 463, 474, 467, 473 and 464 of 2014

In Crl.A.No.452 of 2014:-

K.Subramanian .. Appellant

Versus

The Additional Superintendent of Police,
SPE/CBI/ACB, Chennai.
RC 34(A)/2002 .. Respondent

Prayer in Crl.A.No.452 of 2014 : Criminal Appeal filed under Sections 374 of Cr.P.C., to set aside the conviction and sentence imposed on the judgment, dated 22.08.2014 made in C.C.No.2 of 2006 on the file of the learned II Additional District Judge/Special Judge (CBI Cases), Coimbatore by allowing this Criminal Appeal.

For Appellant(s) : Mr.T.Arul,
(in Crl.A.Nos.452, for Mr.R.Sanjay
466 and 467 of 2014)

For Appellant(s) (in Crl.A.No.463 of 2014)	: Mr.B.Kumar, Senior Counsel for Mr.V.Murugesan
For Appellant(s) (in Crl.A.No.474 of 2014)	: Mr.G.Prabhakaran
For Appellant(s) (in Crl.A.No.473 of 2014)	: Mr.G.Mutharasu
For Appellant(s) (in Crl.A.No.464 of 2014)	: M/s.T.Uma Maheswari
For Respondent (in all the cases)	: Mr.N.Baaskaran, Special Public Prosecutor (CBI cases)

COMMON JUDGMENT

A. The Appeals:

All these appeals originate from the judgment of the learned II Additional District Judge/Special Judge (CBI Cases), Coimbatore, dated 22.08.2014, made in C.C.No.2 of 2006. In that case, 11 accused were tried, and the following table contains details of the accused's names and ranks, charges framed, findings, sentences, and appeals filed by the respective accused.

Name and Rank of the Accused	Charges framed (Amended Charges)	Judgement	Charges Convicted and Sentence imposed	Criminal Appeal Number
G.Janardhanan (Accused 1)	u/s.120-B r/w 420,468 r/w 471 IPC and Sec.13 (2) r/w 13(1)(d) of PC Act, 1988 and substantive offence u/s. 13(2) r/w 13(1)d of PC Act, 1988.	Convicted	i) 120-B of IPC - six months R.I. each. ii) 420 of IPC, convicted and sentenced to undergo 3 years R.I. each and also to pay a fine of Rs.1,000/- each i/d to undergo six months S.I. each. iii) 468 of IPC, convicted and sentenced to undergo 3 years R.I. each and also to pay a fine of Rs.1,000/- each, i/d. to undergo three months S.I. each. iv) 471 of IPC convicted and	Crl.A. No. 473 0f 2014

			sentenced to undergo 3 years R.I. each and also to pay a fine of Rs.1,000/- each i/d. to undergo 3 months S.I. each. v) Sec.13(2) r/w 13(1) (d) of PC Act, 1988 convicted and sentenced to undergo 1 Year R.I. each and also to pay a fine of Rs.1,000/- i/d. to undergo 3 months SI each.	
M.S.Velu (Accused 2)	u/s.120-B r/w 420, 468 r/w 471 IPC and Sec.13(2) r/w 13(1)(d) of PC Act, 1988, and substantive offence u/s. 420 IPC and 468 r/w 471 IPC	Acquitted	Acquitted	Acquitted
P. Govindasamy	u/s.120-B	Convicted	i) 120-B of IPC,	Crl.A. No. 466

(Accused 3)	r/w 420, 468 r/w 471 IPC and Sec.13(2) r/w 13(1)(d) of PC Act, 1988, and substantive offence u/s. 420 IPC and 468 r/w 471 IPC		Convicted and sentenced to undergo six months, R.I. each. ii) 420 of IPC convicted and sentenced to undergo 3 years, R.I. each, and also to pay a fine of Rs.1,000/- each i/d to undergo three months S.I. each. iii) 468 of IPC, convicted and sentenced to undergo 3 years R.I. each, and also to pay a fine of Rs.1,000/- each i/d. to undergo three months S.I. Each. iv) 471 of IPC, convicted and sentenced to undergo 3 years R.I. each, and also to pay a	of 2014

			fine of Rs.1,000/- each, i/d. to undergo three months S.I. each	
B. Laxmipathi Raj @ Prabhu (Accused 4)	u/s.120-B r/w 420, 468 r/w 471 IPC and Sec.13(2) r/w 13(1)(d) of PC Act, 1988, and substantive offence u/s. 468 r/w 471 IPC	Convicted	i) 120-B of IPC, Convicted and sentenced to undergo six months, R.I. each. ii) 420 of IPC convicted and sentenced to undergo 3 years, R.I. each, and also to pay a fine of Rs.1,000/- each i/d to undergo three months S.I. each. iii) 468 of IPC, convicted and sentenced to undergo 3 years R.I. each, and also to pay a fine of Rs.1,000/- each i/d. to undergo three months S.I. Each.	Crl.A. No. 463 of 2014

			iv) 471 of IPC, convicted and sentenced to undergo 3 years R.I. each, and also to pay a fine of Rs.1,000/- each, i/d. to undergo three months S.I. each	
Palani Chetty (Accused 5)	u/s.120-B r/w 420,468 r/w 471 IPC and Sec.13 (2) r/w 13(1) (d) of PC Act, 1988 and substantive offence u/s. 13(2) r/w 13(1)d of PC Act, 1988.	Convicted	i) 120-B of IPC - six months R.I. each. ii) 420 of IPC, convicted and sentenced to undergo 3 years R.I. each and also to pay a fine of Rs.1,000/- each i/d to undergo six months S.I. each. iii) 468 of IPC, convicted and sentenced to undergo 3 years R.I. each and also to pay a fine of Rs.1,000/- each, i/d. to undergo	Crl.A. No. 474 of 2014

			three months S.I. each. iv) 471 of IPC convicted and sentenced to undergo 3 years R.I. each and also to pay a fine of Rs.1,000/- each i/d. to undergo 3 months S.I. each. v) Sec.13(2) r/w 13(1) (d) of PC Act, 1988 convicted and sentenced to undergo 1 Year R.I. each and also to pay a fine of Rs.1,000/- i/d. to undergo 3 months SI each.	
C.Balasubramanian (Accused 6)	u/s.120-B r/w 420, 468 r/w 471 IPC and Sec.13(2) r/w 13(1)(d) of PC Act, 1988, and substantive	Convicted	i) 120-B of IPC, Convicted and sentenced to undergo six months, R.I. each. ii) 420 of IPC convicted and	Crl.A. No. 464 of 2016 (Died Pending Criminal Appeal)

	offence u/s. 468 r/w 471 IPC		sentenced to undergo 3 years, R.I. each, and also to pay a fine of Rs.1,000/- each i/d to undergo three months S.I. each. iii) 468 of IPC, convicted and sentenced to undergo 3 years R.I. each, and also to pay a fine of Rs.1,000/- each i/d. to undergo three months S.I. Each. iv) 471 of IPC, convicted and sentenced to undergo 3 years R.I. each, and also to pay a fine of Rs.1,000/- each, i/d. to undergo three months S.I. each	
S. Muthiah (Accused 7)	u/s.120-B r/w 420, 468 r/w 471 IPC	Acquitted	Acquitted	Acquitted

	and Sec.13(2) r/w 13(1)(d) of PC Act, 1988, and substantive offence u/s. 468 r/w 471 IPC			
Late KT. Pillai Thambi Gounder (Accused 8)	u/s. 120-B r/w 420,468 r/w 471 IPC and Sec.13(2) r/w 13(1)(d) of PC Act, 1988. Subsequently, A-8 died. Hence, charge abated.	Died, Charges Abated	Died, Charges Abated	Died, Charges Abated
Umashankar@ AppuGounder (Accused 9)	u/s.120-B r/w 420,468 r/w 471 IPC and Sec.13(2) r/w 13(1)(d) of PC Act, 1988	Acquitted	Acquitted	Acquitted
K. Subramanian (Accused 10)	u/s.120-B r/w 420,468 r/w 471 IPC and Sec.13(2) r/w 13(1)(d) of PC Act, 1988	Convicted	i) 120-B of IPC, Convicted and sentenced to undergo six months, R.I. each.	Crl.A. No. 432 of 2014

			ii) 420 of IPC convicted and sentenced to undergo 3 years, R.I. each, and also to pay a fine of Rs.1,000/- each i/d to undergo three months S.I. each. iii) 468 of IPC, convicted and sentenced to undergo 3 years R.I. each, and also to pay a fine of Rs.1,000/- each i/d. to undergo three months S.I. Each. iv) 471 of IPC, convicted and sentenced to undergo 3 years R.I. each, and also to pay a fine of Rs.1,000/- each, i/d. to undergo three months S.I. each	
A.Guruvayurappan	u/s.120-B	Convicted	i) 120-B of IPC,	Crl.A. No. 467

(Accused 11)	r/w 420, 468 r/w 471 IPC and Sec.13(2) r/w 13(1)(d) of PC Act, 1988, and substantive offence u/s. 468 r/w 471 IPC		Convicted and sentenced to undergo six months, R.I. each. ii) 420 of IPC convicted and sentenced to undergo 3 years, R.I. each, and also to pay a fine of Rs.1,000/- each i/d to undergo three months S.I. each. iii) 468 of IPC, convicted and sentenced to undergo 3 years R.I. each, and also to pay a fine of Rs.1,000/- each i/d. to undergo three months S.I. Each. iv) 471 of IPC, convicted and sentenced to undergo 3 years R.I. each, and also to pay a	of 2014

			fine of Rs.1,000/- each, i/d. to undergo three months S.I. each	
The above sentences shall be run concurrently and the set off also allowed u/s 428 CrPC, for the period undergone				

B. The Case of the Prosecution & Trial:

2. On 31.07.2002, after receiving a complaint from the Chief Manager of Punjab National Bank, Regional Office, Chennai (***Ex.P-310***), alleging that their branch at A'Nal Road, Koothampoondi village, Palani taluk, had sanctioned around 435 loans of Rs.25,000/- each for consumer durables such as televisions, washing machines, and refrigerators in the names of employees of M/s.Sri Karthik Papers Limited, based at Puliyangudi, Aliyar Nagar, Pottur village, Pollachi, the authorities initiated an investigation. These loans were approved based on a list of employees, along with their salary details, submitted by the company. Individual loan applications and photographs of the employees were also provided. The loans were issued in four batches from 17.07.1999 to 03.09.1999, totaling Rs.108.75 lakhs. An

undertaking signed by *M.S.Velu*, the Managing Director of the company, was obtained to ensure monthly EMI deductions, and a personal guarantee in his individual capacity was secured for loan repayment. Disbursements were made via Demand Drafts payable to M/s.Annai Electricals and Company, a dealer in consumer durables located in Dharapuram. The dealer provided proforma invoices and bills for these consumer loans.

2.1. Similarly, the branch also sanctioned 399 consumer loans of Rs.25,000/- each for employees of the Company named M/s.Jagadeeswaran Textiles Pvt. Ltd., located at Thungavi, Udumalpet taluk, Coimbatore. These loans were sanctioned based on the list of employees provided by the said Company, along with their individual loan applications and photographs. The loans were disbursed in five installments from 01.11.1999 to 04.01.2000, totaling Rs.99.75 lakhs. Regarding this Company, *P.Govindasamy*, the Managing Director, provided an undertaking to ensure EMI deductions. A personal guarantee was also obtained. The loan amounts were disbursed via Demand Drafts, and in some cases, credited to the current accounts of M/s.Annai Electricals and Company. *B.Laxmipathi Raj* is the Proprietor of M/s.Annai Electricals and Company.

2.2. However, when they conducted an internal investigation, they found out that M/s.Annai Electricals and Company did not have the capacity to supply goods on such a large scale. The margin money was arranged by the said dealer himself. Visits to the villages where the employees are supposed to reside revealed that the persons mentioned there were not residing at many of those addresses. The inspection also showed that there was no such supply of consumer durables by the dealer. Notices issued to the borrowers were returned with endorsements that such addresses did not exist. The post-dated cheques given for the loans were returned with the endorsement 'insufficient funds,' etc. The companies actually employed around 100 employees, but the loans were claimed and disbursed in the name of 834 persons. These companies are in severe financial crises. All the above loans were sanctioned by the Branch Manager/public servant, *G.Janardhanan*, who was placed under suspension on 04.06.2002. All these transactions are not genuine but fraudulent, intended to cheat the bank, and therefore, action was requested.

2.3. Regarding the said allegations, a regular case in RC MA1 2002 A 0034 was registered on 31.07.2002 for alleged offences under Sections 120B read with 420, 467, 468, 471 of the Indian Penal Code and Section 13(2) read with 13(1)(d) of the Prevention of Corruption Act, 1988, by *V.Sridharan* (*P.W.149*). After registering the case, initial investigation was conducted by *P.W.149,* and later, the investigation was continued and concluded by *R.Shivaji* (*P.W.151*), who submitted a Final Report before the Trial Court, proposing the accused’s guilt for the aforementioned offences. This was taken on file as C.C.No.2 of 2006. Upon the accused's appearance and the furnishing of copies, the Trial Court framed six charges on 08.08.2007, which read as follows:-

"A1 - G.Janarthanan,
S/o late M.Govindasamy.

A2 - M.S.Velu,
S/o Muthu Gounder.

A3 - P.Govindasamy,
S/o Palaniappa Thevar.

A4 - B.Lakshmipathi Raj @ Prabhu
S/o C.Balasubramaniam.

A5 - V.Palani Chetty,
S/o P.Vadivel

A6 – C.Balasubramanian,
S/o R.Chenniappa Gounder.

A7 – S.Muthiah,
S/o Subbaiah.

A8 - K.T.Pillai Thambi Gounder,
S/o P.Thangavelu Gounder.
(Case abated as per order dt. 22.04.2013)

A9 - R.Uma Shankar alias Appu Gounder
S/o K.S.Ramasamy Gounder.
(Amended as per Order in CMP No: 475/2014 Dated 16.04.2014)

A10 - K.Subramanian,
S/o Kaliappann.

A11 – A.Guruvayurappan,
S/o Arunachala Thevar.

as follows:

FIRSTLY:

You, A1 to A11 and Shri.N.Annadurai (deceased) during the period July 1999 to January 2000 at A'Nal Road, Dharapuram, Aliyar, Coimbatore, Udumalpet and other places entered into a criminal conspiracy to do illegal acts viz. to cheat the Punjab National Bank, A'Nal Road Branch, Coimbatore, to a tune of Rs..208 lakhs by using fabricated and false documents as genuine.

In furtherance to the said conspiracy, you A7 and A11 and Shri.N. Annadurai (deceased) furnished false documents containing list of names, purported to be the employees of A2 and A3 interested in availing consumer loan and you A8, A9 and A10 obtained photos of villagers to be affixed in the loan applications and you A2 and A3 stood personal guarantee for the repayment of the loans to be availed by the so called employees. You A4 fabricated false documents such as deed of hypothecation, guarantee letter, proforma invoice, cash bills and delivery letters to appear as if consumer goods were delivered to the respective loanees. You A1 and A4 knowing fully well that the loan applications are false and fabricated one made in the name of non-existing persons or in the name of persons who are neither interested in availing loan nor intended to avail loan, abused your official position as Branch Manager and Clerk respectively accepted the applications, sanctioned 435 consumer loan at the rate of Rs.25,000/ each in the name of persons purported to be the employees of M/s. Jagadeeswaran, Textiles Limited after obtaining personal guarantee from you A2 and A3 for the repayment of the loan amount. Further, deposited the total loan amount of 208 lakhs in the account of M/s. Annai Electricals Company owned by you A4 without proper verification and in total violation of the banking guidelines in respect of disbursement of Consumer loans. The entire amount has been siphoned by A4 and A6 from the bank account and in turn given to A2.

Thus you A1 and A5 public servants namely Manager and Cashier respectively abused your official position, conspired along with other accused and cheated the Punjab National Bank by using fabricated false documents as genuine and thereby caused wrongful loss to the Punjab National Bank and corresponding wrongful gain thereby you A1 to A11 committed an offence punishable under section 120 B r/w 420, 468 r/w 471 IPC and section 13(2) r/w 13(1)(d) of PC Act, 1988 and within my cognizance.

SECONDLY

You A2, A3 cheated Punjab National Bank by presenting consumer loan application forms in the name of non existing employees. You A8, A9 and A10 obtained photos from villagers under false pretest and affixed it in the loan applications, you A7 and A11 furnished list of fictitious persons and certified them as employees of A2 and A3 respectively. And induced the bank to sanction consumer loan to a tune of Rs.208 lakhs. You A1 introduced A4 for opening of account in the Punjab National Bank and deposited the entire consumer loan amount into the account of A4. You A5 prepared pay-in-slip for deposit of money and debit vouchers containing forged signatures. You A1 to A11 allowed A4 and A6 to withdraw the amount thus you A1 to A11 committed an act of cheating by forging document an offence punishable under section 420 IPC and within my cognizance.

THIRDLY

You A7 and A11 fabricated documents containing false information namely list of employees of M/s. Karthik Paper Mills of A2 and M/s. Jagadeeswaran Textiles of A3 respectively. Thereby committed an act of fabricating false document and using it genuine for the purpose of cheating which is an offence punishable under section 468 r/w 471 IPC and within my cognizance.

FOURTHLY

You A4 and A6 in the name of M/s. Annai Electricals, fabricated false documents such as Proforma Invoice, Deed of Hypothecation, Guarantee Letter, Delivery Note and Cash Bills to cheat Punjab National Bank by inducing the bank to deliver a sum of Rs.208 Lakhs in the account of M/s. Annai Electricals believing that goods were delivered to the loanees as per the invoice and thereby committed an offence of fabricating false document and using it as genuine to cheat a person thus committed an offence punishable under section 468 r/w 471 IPC and within my cognizance.

FIFTHLY

You A2 and A3 fabricated documents such as application forms for consumer loan, containing false details, executed letter of guarantee and post dated cheques and induced the Punjab National Bank to sanction loan for a tune of Rs.208 Lakhs based on the forged documents used as genuine for the purpose of cheating and thus committed an offence punishable under section 468 r/w 471 IPC and within my cognizance.

SIXTHLY

You Al and A5 being a Public Servant namely Manager and Cashier respectively of Punjab National Bank A'Nal Road Branch, Coimbatore, abused your official position by corrupt or illegal means obtained pecuniary advantage for yourselves and other accused by knowingly sanctioning consumer loans in the fictitious names of A2 and A3 employees and thereby caused wrongful loss to Punjab National Bank to a tune of Rs. 208 lakhs and corresponding gain to yourself and others thereby committed an act of misconduct by a Public

> Servant which is an offence punishable under section 13(2) r/w 13(1) (d) of PC Act, 1988 and within my cognizance.
>
> And I hereby direct that you be tried by this court on the above charges."

All the accused denied the charges and stood trial.

2.4. To establish the charges, the prosecution examined 151 witnesses. The detailed list of witnesses, including their names, designations, and purposes for examination, was provided in detail in the list appended to the Trial Court's judgment. The prosecution marked ***Ex.P-1*** to ***Ex.P-1485***. The Trial Court, in the list of marked exhibits attached to its judgment, has clearly detailed and described each exhibit. I have considered the evidence presented in detail. Since some of the accused were acquitted while some were convicted on specific charges, a comprehensive summary of this evidence need not be reproduced here, especially due to its sheer volume, 15,121 pages. Only the relevant exhibits and oral evidence will be discussed wherever necessary.

2.5. After completing the examination of prosecution witnesses and questioning under Section 313 of the Code of Criminal Procedure, the accused denied the evidence as false. Subsequently, no oral evidence was presented on behalf of the defense; however, during the trial, ***Ex.D-1*** and ***Ex.D-2*** were marked. Additionally, *K.Udaya Rajan*, the Chief Manager who conducted an enquiry and submitted a report, was summoned as *C.W.1,* and an inspection report prepared by *Anbazhagan* was marked through him as ***Ex. C-1***.

2.6. The Trial Court then heard the learned Special Public Prosecutor and the learned Counsel for all the accused. Among other considerations, the Court primarily focused on the fact that M/s.Sri Karthik Papers Ltd., had repaid the entire amount of 453 loans advanced to its employees to the bank and that these transactions appeared to be regular. Most loans had been disbursed to employees, and the role of the company's officials was examined. The second accused, who was only prosecuted as the Managing Director of the said company, the seventh accused, who was the Manager, and the ninth accused, a relative of the second accused who assisted by arranging photographs and bringing people, were acquitted.

2.7. However, the remaining accused were convicted mainly because M/s.Jagadeeswaran Textiles Pvt. Ltd., did not repay its loan, resulting in losses to the bank. The Court found some loans linked to the mill to be fictitious. Notably, Rs.52,10,000/- was credited to 21 credit transfer vouchers marked ***Ex.P-1319*** to ***Ex.P-1339***. It was concluded that all accused conspired by using fictitious names, and in some cases actual names, but did not disburse loans to the employees or create primary security, as the consumer durables, with the amounts being diverted back to the company, which failed to repay the bank. Since the dishonest intent was present from the start, evidenced by false particulars, the Court held the Managing Director and those connected with M/s.Jagadeeswaran Textiles

Pvt. Ltd., guilty. The Court also found the public servants, accused Nos.1 and 5, the Manager and Cashier, respectively, guilty. The Managing Director was found guilty because the loans were granted without verification of beneficiaries or documents. The Cashier was deemed guilty because he filled out multiple documents and actively participated in processing and disbursing the loans. The respective accused have now filed these appeals, as stated above.

C. The Arguments:

3. *Mr.G.Mutharasu*, the learned Counsel for the first accused, the Branch Manager, would submit that M/s.Annai Electricals and Company had a current account at the Punjab National Bank in the said branch. Upon perusing ***Ex.P-1261*** to ***Ex.P-1318***, it can be seen that the said dealer/supplier of goods had a turnover of Rs.6,25,93,535/-, and many credit transfer vouchers are also marked. The learned Counsel would submit that, based on the documentary evidence brought on record and the complaint in

Ex.P-310, the total amount disbursed as a loan is only Rs. 2,08,00,000/-. However, the current account of M/s.Annai Electricals and Company, owned by the fourth accused, contained several other details, totaling up to Rs.6,25,93,535/-.

3.1. The Trial Court erroneously considers all the transactions as related to the accused and connected to the instant case for which the prosecution is laid by the respondent. In fact, the other transactions were unconnected and only serve to undermine the prosecution's claim that the dealer cannot supply large quantities of consumables, which is again doubtful and false. Furthermore, the prosecution's case that, via 21 credit vouchers marked as ***Ex.P-1319*** to ***Ex.P-1339***, a sum of Rs.52,10,000/- was credited to the third accused, M/s.Jagadeeswaran Textiles Pvt. Ltd., is factually incorrect. Even their claim regarding M/s.Karthik Papers Ltd., is mistaken. These so-called credit vouchers were actually challans for paying monthly EMIs to M/s.Annai Electricals and Company for consumer loans.

The square stamps on these exhibits clearly show the endorsement 'cash received'. Therefore, these vouchers represent payments made by M/s.Jagadeeswaran Textiles Pvt. Ltd., on different dates, and do not indicate that the amount was credited to their account. As a result, the prosecution's entire case is false. The Trial Court was unfortunately misled by this error and wrongly convicted all the accused.

3.2. As a matter of fact, the only allegation made against the first accused, a public servant, is that he sanctioned loans without verifying the details of each and every loan. In this case, it is noted that a total of 835 loans were disbursed to two companies. It is also further noted that the majority of these loans were not faulted by the prosecution. The prosecution did not specifically allege, with reference to M/s.Jagadeeswaran Textiles Pvt. Ltd., and M/s. Karthik Papers Ltd., how many loans were disbursed under fictitious names or how many were incorrect. The prosecution’s case is that, upon inspection, it was generally found that the addresses were fictitious, and some witnesses deposed that they never received consumables. Therefore, it was concluded that the entire amount was taken and siphoned off by the companies. To support this, the prosecution relied on credit vouchers, which are incorrect. As a result, the entire case of the prosecution collapses.

3.3. The branch was awarded prizes for doing very well. The first accused took charge of the branch and kick started the entire process of economic activity by entertaining these companies. He disbursed consumer loans to employees up to a sum of Rs.25,000/-. Such disbursement was made directly to the dealer. The relevant invoices were produced. Absolutely, no ill-motive or dishonest intention can be attributed to the first accused. The prosecution did not present any evidence of conspiracy. No allegation is made that the first accused received any pecuniary benefit. The only misconduct alleged against the first accused is that he should have personally verified the identity and documents of each individual.

3.4. Firstly, the said allegations should not be made in the case because even at the time of sanctioning the loan, the first accused had written to the Chief Manager vide ***Ex.P-1374***. This is not a normal loan granted to one or two persons. The Court below omitted to consider the practicality of it. When 834 employees are being verified within the factory premises itself and their loan applications are being processed with a limited staff, such an allegation in the context of the instant case cannot be made, especially, considering the fact that the majority of the loans disbursed were to the correct beneficiaries and they also admitted that the consumables were delivered to them.

3.5. Furthermore, the prosecution's case is based on the sampling logic that after verifying all the loans, at least a few individuals came forward and testified that they did not receive the consumables. Even among these sampled witnesses, many turned hostile and later claimed that they did receive the benefits. Therefore, the case against the accused lacks thorough investigation and is based on incorrect facts. Merely because a detailed individual scrutiny of each application could not be conducted due to the circumstances of the case, it does not imply any dishonest intent. As a result, the Trial Court wrongly convicted the first accused. Additionally, the ratification or sanctioning of the loans was also authorized by the Zonal Office vide ***Ex.P-1395***.

3.6. *Mr.T.Arul*, learned Counsel for accused Nos.3, 10, and 11, first makes his submissions regarding accused No.10. While the Trial Court concluded that the prosecution failed to prove the offences related to M/s.Karthik Papers Ltd., and the individuals connected to those loan transactions, accused No.10 was also prosecuted only because he happened to be a contractor supplying labor to the second accused company. He has no connection with the third accused company. The finding that he is involved with the third accused company is factually incorrect and, following the same reasoning as used for the second accused, ninth accused, etc., accused No.10 should be immediately acquitted of all charges.

3.7. With regard to the other accused, he would argue that the logic adopted by the Trial Court concerning M/s.Karthik Papers Ltd., is flawed because they had repaid the entire amount pending trial. In fact, M/s. Jagadeeswaran Textiles Pvt. Ltd., also, on the basis of an undertaking and personal guarantee, offered to repay the full loan amount, but, this was not accepted by the bank during the trial. However, after the trial, the entire amount has been paid, and no sum remains due to the bank as of now. Therefore, using the same logic, these accused should also be acquitted. Additionally, these are consumer loans provided by the bank, with a maximum of Rs.25,000/- each. The loans are disbursed directly to the fourth accused, who is the dealer. There is no evidence that the money was received back by the third accused Company. The prosecution relied solely on 21 credit vouchers, which are not credit vouchers but only reflect the payment of monthly installments made by the company on behalf of its employees. Hence, the prosecution's case is based on a mistaken understanding.

3.8. Furthermore, this is not a case where the prosecution has specifically accused the third accused of claiming that, out of 399 loans, 'n' number are fictitious. That is not the charge. They only stated that, upon random verification, some individual addresses were incorrect and some persons claimed they did not actually take the loans. In fact, 124 loans were randomly selected, and notices were sent. Ultimately, notices ***Ex.P-71*** to ***Ex.P-77*** were issued to only five persons, alleging their loans were in fictitious accounts. The relevant witnesses regarding these documents were not examined. Concerning the loans of M/s.Jagadeeswaran Textiles Pvt. Ltd., the prosecution examined beneficiaries as *P.W.95* to *P.W.105* and *P.W.143*. Among these witnesses, *P.W.61*, *P.W.93*, *P.W.112*, *P.W.118*, *P.W.125*, *and P.W.133* turned hostile. Therefore, even the prosecution's specific claim that they identified some persons who confirmed they did not receive the loans turned out to be false during the trial. Since the prosecution's case regarding details and the overarching claim that the entire loan transaction was fictitious, with only the company as the beneficiary, proved false, all the accused are liable for acquittal.

3.9. The learned Counsel, guiding the Court through *P.W.4*, would argue that although he initially stated he never received the loan, he later admitted during cross-examination that he did receive it. Therefore, the prosecution's case is entirely unreliable. The fact that the third accused provided an undertaking to repay, supported by cheques from the relevant employees' bank accounts in the form of post-dated cheques for EMI repayment, along with a personal guarantee for due repayment, clearly demonstrates there was no dishonest intention to defraud the bank. Even the first 18 installments were paid regularly; it was only after the first accused was transferred and the new Branch Manager took over that the EMI payments became irregular. This suggests that the mishandling by the concerned Branch Manager, examined as *P.W.70*, was the reason for the default.

3.10. *Mr.B.Kumar*, learned Senior Counsel for the fourth accused, submitted that the fourth accused is only a dealer. The sanctioned loan amounts are credited to the dealer's account. The dealer has supplied consumables such as televisions, refrigerators, etc., and the invoices have been produced. The first allegation against the dealer is that he only arranged for the margin money. There is no evidence to support this claim. The second allegation is that, without supplying consumables, the money was paid to the companies, namely accused Nos.2 and 3. Again, there is no evidence to prove this. The initial allegations against the fourth accused were not proven during the trial. The claim that the fourth accused lacked the capacity to supply consumables was also disproved by the exhibits marked by the prosecution (***Ex.P-1261*** to ***Ex.P-1318)***, which show transactions totaling more than Rs.6,25,93,535/-. Therefore, as a genuine dealer, since loans were disbursed and consumables supplied, the prosecution's case against the fourth accused was unfounded. Regarding the same role, accused Nos.2, 7, and 9 had already been acquitted of charges related to one company. However, because the other company did not repay the loan by the time of judgment, the fourth accused was convicted. Additionally, many witnesses, including *P.W.2*, testified that the consumables were supplied. As a result, the allegations that the fourth accused was involved in entirely fraudulent or fictitious transactions proved false during the trial, and the prosecution did not prove its case. Therefore, the fourth accused must be acquitted.

3.11. The learned Senior Counsel also submitted that in this case, the matter is filed with reference to two sets of loans: one concerning M/s.Karthik Papers Ltd., and another concerning M/s.Jagadeeswaran Textiles Pvt. Ltd. Since there is no connection between the two companies, they cannot be considered part of the same transaction. According to the prosecution, just because the investigation uncovered loan transactions involving the third accused company also, during the investigation, with respect to the second accused company, this cannot serve as a basis to investigate the loan account of the third accused in the same First Information Report and to file a single final report. Charges can only be consolidated if they arise from the same transaction. Apart from the fact that the Branch Manager was the same and that the fourth accused, M/s.Annai Electricals and Company, which supplied goods to both companies, is the same, there is no other connection that links these two transactions.

3.12. The learned Senior Counsel would rely on the judgment of the Hon'ble Supreme Court of India in ***State of Jharkhand through SP, Central Bureau of Investigation Vs. Lalu Prasad Yadav alias Lalu Prasad***[1], specifically relying on paragraph Nos. 33 to 38. The learned Senior Counsel would submit that the misjoinder of charges and non-compliance with these

[1] (2017) 8 SCC 1

mandatory provisions of the Code of Criminal Procedure are held to be fatal to the prosecution's case. Therefore, the learned Senior Counsel would argue that, apart from the merits, the case of the prosecution is thoroughly unsustainable.

3.13. *Mr.G.Prabhakaran*, learned Counsel for the fifth accused, submits that the fifth accused is employed as a Cashier in the bank. The only allegations against the fifth accused are that he happened to fill out certain challans and other documents during the process of disbursing the loans. Apart from this, there is no other evidence indicating that the fifth accused had any dealings with the other accused or that he received any benefits from the transaction. The loan was sanctioned by the first accused, who was the Manager, and the approval was given by the Zonal Office. For such approved loans, especially consumable loans where the application is only in English and Hindi, and since the employees of the Textile Mill and Paper Mill are not well-versed in filling out the forms, it is part of the bank staff's duties to complete the applications. This fact is supported by the evidence of *P.W.69*, *P.W.70*, *P.W.71,* and *P.W.72*. All four witnesses have clearly stated that it is the duty of subordinate bank officials to carry out tasks assigned by their Manager. When disbursing a large number of 835 loans, everyone in the bank remains busy with various activities.

3.14. The activity assigned to the petitioner is to fill out those challans, applications, vouchers, pay-in slips, etc. The prosecution witnesses themselves have testified that when filling out the vouchers and pay-in slips, it was not the responsibility of the fifth accused to verify identities, KOC documents, etc. When the particulars were dictated or provided to the fifth accused, he merely assisted by transcribing them into the correct columns or spaces and filled out the forms accurately to assist those obtaining loans. Therefore, there is absolutely no evidence to prosecute the fifth accused in this case. The findings against the fifth accused by the Trial Court are contained in paragraph No.156 of the judgment. It is clear that these findings are unsupported by any prosecution witnesses. In fact, the findings were made without considering the answers given by *P.W.69* to *P.W.72*. Hence, no offence is established against the fifth accused, who is entitled to acquittal on merits. Furthermore, regarding charges under Sections 467 and 471 of the Indian Penal Code, no such charges were framed against the fifth accused. The Trial Court mistakenly convicted him of these offenses due to oversight. As for the charge under Section 120B of the Indian Penal Code, the details of the alleged offenses were not specified in the charge, thus failing to inform the accused of what false documents were created by him or how he allegedly aided or played a role in the entire episode. In the absence of such details, the fifth accused cannot be convicted of these offences.

3.15. The learned Counsel further submits that in the case involving the other Company, in which the second accused and the other accused were prosecuted, a clear finding was given that merely because the employees were unable to pay the loan installments or had discontinued employment, the prosecution of the Company as an accused was unsustainable. A further finding was also made regarding the loan disputes between the Mills and Punjab National Bank, which arose only after the installments were not paid. Therefore, there is no proof of dishonest intent or a conspiracy to commit any offence by the prosecution. The same logic, used in paragraph No.199 to acquit the other accused, applies with equal force to all of the convicted accused. Once the Trial Court concludes that the matter pertains to a loan dispute, the entire context becomes civil, and the allegations of conspiracy and related charges are entirely unfounded. Additionally, as argued by the other learned Counsel, the prosecution's case has also been proven to be false.

3.16. The learned Counsel would also submit that the sanctioning authority never truly applied its mind and, aside from directly copying the contents of the Final Report, the sanction order does not show proper consideration. Furthermore, the Inspection Report, marked as ***Ex.C-1,*** also indicates that there is nothing culpable against the fifth accused. He would additionally argue that simply because ***Ex.C-1*** report does not support the case of the prosecution, the prosecution suppressed this report and another inspection report made by *Rangan.* Therefore, an adverse inference should be drawn against the prosecution. A fair prosecution should have presented all relevant evidence. All pertinent materials should have been brought to the Court's notice, which was not done in this case.

3.17. Per *contra*, *Mr.N.Baaskaran*, learned Special Public Prosecutor, submitted that the prosecution's case is that the accused persons entered into a criminal conspiracy to cheat the Punjab National Bank, A'Nall Road Branch, by falsifying records and using the fabricated records as genuine. Thus, they committed criminal misconduct. The first accused, being the Branch Manager, and the fifth accused, being the Cashier, fraudulently and dishonestly fabricated the documents and sanctioned a total of 435 loans for the second accused company, M/s.Karthik Papers Ltd., and 399 loans for the third accused company, M/s.Jagadeeswaran Textiles Pvt. Ltd., totaling Rs.208 lakhs. The first accused, without verifying the existence of the applicants, sanctioned the loans and released the funds. The fourth accused, representing M/s.Annai Electricals and Company, did not supply the consumables, and false records have been produced. The procedure for sanctioning consumer loans is clearly outlined and has been explained by the prosecution witnesses. Under this scheme, the employer of the applicant should deduct the monthly loan installment from their salary and remit it to the bank account. The borrower must visit the branch, and the Manager is required to meet the borrower and attest the photograph on the application-cum-appraisal-cum-sanction letter.

3.18. The demand promissory note must be signed by the borrower in the presence of the Branch Manager. The borrower also needs to sign the letter of hypothecation and the letter of authority to authorize the employer to deduct the amount from the salary, both in the presence of the Branch Manager. The letter of guarantee must be signed by the guarantor at the branch in the presence of the Branch Manager. The supplier's proforma invoice should be collected. The sanctioned amount must be remitted directly to the supplier. The debt transfer voucher must be prepared before releasing the amount, and the borrower's signature should be obtained on the reverse side of the transfer voucher. Afterwards, the end use should be verified by checking whether the consumer durable has been purchased. These forms serve as the primary security for the loan repayment.

3.19. The learned Special Public Prosecutor further submits that, with that background, the role of the first accused needs to be examined. It is stated by the prosecution that he approved the loan without even meeting the applicants. Neither the applicants visited the bank, nor did the Manager visit them at the address given in the applications. Some of the persons listed in the applications do not even exist. Therefore, the prosecution has proved that he fraudulently and dishonestly attested the photos as if he had seen the applicants. According to the bank's circular, salary certificates of the supposed employees should have been obtained, but this was not done. The entire advance amount for all the loans was credited to the account of a single supplier, the fourth accused. Under the very nose of the first accused, the sixth accused, the father of the fourth accused, withdrawn cash from the account of the fourth accused. From the prosecution's evidence, it is clear that many of the applicants did not deposit the required margin money. Therefore, the prosecution also proves that only the third accused deposited the margin money.

3.20. None of the documents that were supposed to be signed and delivered at the branch premises were done so. The learned Special Public Prosecutor relied on the testimony of *Ganesh Murthy*, examined as *P.W.70*, who explicitly discussed irregularities during the sanction of the consumer loan and the fact that loans from ***Ex.P-1462*** to ***Ex.P-1485*** remained pending without any recovery. He also mentioned that he visited the debtors' addresses directly, but most addresses were incorrect and the residents did not live there. The testimony of *P.W.142* also supports this. When demand notices were issued by *P.W.70*, most postal covers were returned, marked as ***Ex.P-1149*** to ***Ex.P-1204***. Additionally, undelivered postal covers were marked as ***Ex.P-1205*** to ***Ex.P-1244***. The total amount of Rs.6,25,93,535/- was credited through 60 cash transfer vouchers, marked as ***Ex.P-1261*** to ***Ex.P-1318***.

3.21. Further, referring to the role played by the third accused, the learned Special Public Prosecutor would submit that an amount of Rs.52,10,000/- via 21 credit transfer vouchers, marked as ***Ex.P-1319*** to ***Ex.P-1339***, was paid. The third accused, being the Managing Director of the Company, issued cheques for 357 consumer loans, of which 29 cheques were marked as ***Ex.P-1373*** series. The third accused also provided a letter of guarantee to repay the amount, marked as ***Ex.P-1376***. *P.W.71*, a Special

Assistant working at the Punjab National Bank, was examined to verify the signatures and writings of accused Nos.1 and 5, who are public servants. His testimony makes it clear that the transfer vouchers were prepared by the fifth accused and were passed and signed by the first accused. ***Ex.P-1318*** cheque was processed by the first accused and the amount was collected by the fifth accused. *P.W.72*, *Sreedharan*, also testified regarding the same facts concerning the other transfer vouchers from ***Ex.P-318*** to ***Ex.P-348,*** etc. Therefore, the learned Special Public Prosecutor argues that the third accused, *Govindasamy*, submitted false documents to obtain loans from Punjab National Bank in the names of fictitious employees. He also submitted a false letter claiming that goods were delivered to these employees as per the loan documents. Additionally, he issued post-dated cheques for installments, falsely indicating that the borrowers had repaid the loan accounts.

3.22. In fact, the recovery proceedings were also initiated against the third accused before the Debt Recovery Tribunal, Coimbatore, which was marked as ***Ex.P-1377***. To further strengthen the allegations against the third accused, *Vasudevan*, an Inspector from the Regional Office of the ESI Corporation, was examined, and he testified that M/s.Jagadeeswaran Textiles Pvt. Ltd., had only 61 laborers in total. Copies of the attendance register were also marked. Similarly, *P.W.3* from the Employees' Provident Fund administration was examined and testified that he had only 72 laborers in August 1999. Therefore, the prosecution has clearly demonstrated that, with fewer than 399 employees on the roll, it is only the third accused who orchestrated the entire episode of submitting 399 applications, disbursing the loan, siphoning off the funds, and thereby cheating the bank.

3.23. *P.W.4*, *Kabilan*, on whose behalf the application was also made, deposed in chief that he never worked for M/s.Jagadeeswaran Textiles Pvt. Ltd., and he also identified his photo in ***Ex.P-10*** and denied his signature in ***Ex.P-10***. Similarly, when another witness, *P.W.5*, *Panchalingam*, was examined, he deposed that he had never worked at M/s.Jagadeeswaran Textiles, and he also identified his photo in ***Ex.P-11***. He denied his signature in ***Ex.P-10*** and further stated that he never availed a loan from the Punjab National Bank, Anal Road branch. From the evidence of *P.W.143*, the Cashier of M/s. Jagadeeswaran Textiles Pvt. Ltd., it is clear that several loan applications, starting from ***Ex.P-752***, ***Ex.P-778***, ***Ex.P-779***, and others, were all filled out only by him. The signatures and writings of *P.W.143* were marked as ***Ex.P-1447***. Thus, the prosecution has established the guilt of the third accused.

3.24. As far as the fourth accused, *B.Laxmipathi Raj*, is concerned, the prosecution has established that he opened a current account in the name of M/s.Annai Electricals and Company with Punjab National Bank, Dindigul branch. This account was opened with a dishonest intention to siphon off funds and defraud the bank. Subsequently, cheques were issued for the purchase of consumer durables. Normally, he would have placed orders through wholesale distributors or manufacturers of the consumer durables, and the payments would have been transferred directly to them. However, the fourth accused withdrew several amounts by issuing cheques in his own name and also in favor of his father, the sixth accused, *Balasubramanian*. He further obtained a Demand Draft from the current account and deposited it into his own account No.32247 with Tamil Nadu Mercantile Bank. The funds deposited in this account, as well as in his father *Balasubramanian's account,* were subsequently withdrawn as cash. The prosecution has proved that the fourth accused filled out several portions of the applications and hypothecation agreements. Therefore, he played an active role, knowing that the applications were made in false and fictitious names, and without supplying the consumer durables, the money was siphoned off and funneled back to the beneficiaries, the accused Nos. 2 and 3.

3.25. The deposition of *P.W.11*, *Balakrishnan*, who was part of the staff of the fourth accused, clearly identified the fourth accused's signature in

Ex.P-3097 and ***Ex.P-1400***. He also confirmed that the fourth accused is the sole owner of M/s.Annai Electricals and Company. *P.W.144*, *Jayaranjan,* the Inspector, also discussed the searches conducted at the premises of M/s.Annai Electricals and Company. Therefore, the prosecution has clearly established the role of the fourth accused. Regarding the fifth accused, he prepared some Debit Transfer Vouchers with forged signatures of the purported borrowers. He also handed cash to accused Nos.4 and 6 at the counter when they withdrew amounts from their accounts, including when a large sum was sought from the currency chest at Trichy and paid out to accused Nos.4 and 6. To support these allegations, *the prosecution examined P.W.70*, *P.W.71,* and *P.W.72,* who identified the signatures and testified about the fifth accused's role, noting that he failed to follow several norms and mandatory procedures required during regular banking transactions.

3.26. The learned Special Public Prosecutor then moved to the tenth accused, *K Subramanian,* and submitted that he is the one who collected the photographs of the villagers and supplied them to the other accused so that they could be used for concocting the loan applications. The learned Special Public Prosecutor relied on the evidence of *P.W.8*, *Chinnasamy,* and *P.W.9*, *Manonmani,* which indicate the role of the tenth accused in this regard. Regarding the eleventh accused, the learned Special Public Prosecutor submitted that he is the Manager of M/s.Jagadeeswaran Textiles Pvt. Ltd. He actively assisted in preparing the false loan applications and related documents. He fraudulently attested the letter of authority, purportedly given by the so-called employees, even though these individuals were not actually employees and no such employees ever existed. He also signed ***Ex.P-779***, ***Ex.P-810***, ***Ex.P-854***, among others, and filled in and signed these exhibits. The prosecution proved the role of the eleventh accused by examining *P.W.143*, *K. Srinivasan*, the Cashier, who stated that he filled out the alleged loan applications under ***Ex.P-752***, ***Ex.P-778***, etc., and his signatures and writings were marked as ***Ex.P-1447***. Thus, it is clear that the eleventh accused was actively involved in the crime by submitting the entire loan applications to the bank.

3.27. The learned Special Public Prosecutor, based on the above role played and the evidence, submits that the prosecution examined 64 of the 834 loan applicants. Except for one or two witnesses becoming hostile, most of them denied working in the companies, applying for the loans, or receiving consumer durables. *P.W.16* and *P.W.17*, Village Administrative Officers, explicitly testified about the non-availability of the loan applicants at the addresses listed in their applications. The other Village Administrative Officers, *P.W.21*, *P.W.26* to *P.W.31*, *P.W.119*, also testified regarding the non-availability of the applicants in their jurisdictions. The Trial Court's findings on this are clearly stated in paragraph No.108 of the judgment. In one of the loan applications, marked as ***Ex.P-437***, the name is *L.Lawrence;* however, the photograph attached shows *P.W.107*, *Masani.* During his examination, he clearly stated that his name is *Masani,* not Lawrence, and he never applied for or received any loan. *P.W.97*, *Sundaradevar,* admitted he used the photograph to purchase a Television but denied signing for the Television, asserting he never signed any such document. Conversely, the loan application in ***Ex.P-916*** lists the name *Senthilnathan,* not *Sundaradevar.* Similarly, *P.W.99*, *Dharamaraj,* testified that the photograph in ***Ex.P-859*** is his, but his name is not *Vinayagam,* S/o.*Kandan,* as indicated in the application. *P.W.100*, another worker, denied that the photograph and signature in ***Ex.P-1056*** belong to him. *P.W.143* explicitly stated that the loan applications were filled out solely on the instructions of the third accused. He also confirmed signing ***Ex.P-752*** in the name of *Karupasamy.*

3.28. The learned Special Public Prosecutor would draw the Court's attention to *P.W.103*, who also testified that he did not sign in ***Ex.P-894***. *P.W.4*, *Kabilan,* also denied signing the loan application in ***Ex.P-10***. The learned Special Public Prosecutor would submit that out of 834 loan applications, notices were issued to 124 applicants, and these notices were returned undelivered. The third accused, Mills, is liable to pay a sum of Rs.46.37 lakhs towards principal and Rs.59.44 lakhs towards interest, totaling Rs.105.81 lakhs. When witnesses produced by the prosecution clearly deposed that they never obtained any loan from Punjab National Bank nor purchased any consumer durables from M/s.Annai Electricals and Company, the prosecution's case is proved. Seventeen witnesses regarding accused Nos.1 and 5, who are public servants, should have followed circular No. 82, dated 21.08.1998; however, they violated all banking norms. Although the circular was not produced, its contents were discussed by various prosecution witnesses.

3.29. In some cases, despite the handwriting expert's opinion not supporting the prosecution's case, many witnesses, including some hostile witnesses, admitted to filing loan applications and not receiving loans, so these portions of the expert opinion need not be given much weight. *P.W.143* specifically stated that many applications were signed only by the eleventh accused. The applications signed by *P.W.143* were marked as ***Ex.P-752***, ***Ex.P-778***, ***Ex.P-779***, ***Ex.P-112***, ***Ex.P-810***, ***Ex.P-854***, ***Ex.P-119***, ***Ex.P-924***, ***Ex.P-953***, ***Ex.P-1001,*** and ***Ex.P-1004***. *P.W.143* also testified that these applications were written at the office of the fourth accused, with the sixth accused present throughout the process. Therefore, the learned Special Public Prosecutor argues that the Trial Court has rightly convicted all these accused. Conversely, the other set of accused from Sri Karthik Papers Limited were acquitted solely because the amount was paid by them during the trial, and he contends there is no reason for this Court to interfere.

D. The Discussion & Findings:

4. I have considered the rival submissions made on either side and perused the material records of the case.

4.1. Firstly, regarding loans disbursed to the employees of Sri Karthik Paper Mills, the Trial Court acquitted accused Nos.7 and 9. The Court examined the letter of guarantee provided by the second accused and found that no false documents could be attributed to the Company. It also determined that, since all loan amounts had been repaid to the bank, the second accused and other persons involved as accused in connection with the loans to Sri Karthik Paper Mills were acquitted. Regarding the tenth accused, *K.Subramanian*, the prosecution's case was that he merely went to villagers to collect photographs, which were then used to obtain loans by his brother-in-law, *M.S.Velu*, the second accused and Managing Director of Karthik Paper Mills. The testimonies of *P.W.8*, *Chinnasamy,* and *P.W.9*, *Manonmani*, clearly established that the tenth accused, acting as the contractor/agent for the second accused, collected these photographs. Therefore, following the same reasoning applied to the second accused and others associated with Sri Karthik Paper Mills, the tenth accused should also have been acquitted. However, an incorrect conclusion was reached that linked the tenth accused to the third accused, M/s.Jagadeeswaran Textiles Pvt. Ltd. As a result of this flawed finding, the Trial Court convicted him.

Consequently, the tenth accused should be straightforwardly acquitted of all charges.

4.2. Considering the prosecution's case and the framed charges, it can be observed that when the first accused was serving as the Branch Manager of A'Nal Road Branch of Punjab National Bank, during that period, 834 loans were disbursed under the consumer loan scheme to the employees of the second accused and the third accused Companies. Regarding 435 loans disbursed to the second accused Company, the Trial Court acquitted the second accused and other connected accused, and since there is no cross appeal, we are not concerned with these in the present appeals.

4.3. The charge regarding the balance of 399 disbursed loans must be considered by this Court. After conviction by the Trial Court, the entire amount has already been settled. No further amount is due to the bank. The learned Counsel for the third accused contends that even before the trial, they were willing to settle, but their settlement was not accepted solely due to the pendency of the case. However, no record has been produced to substantiate this claim. Regardless, the charges framed in this case are outlined above. The prosecution alleges a conspiracy among all the accused, involving the companies as beneficiaries of the loan, the creation of false documents, submission of applications with forged documents and fictitious names, and cheating the bank.

4.4. The germination of the case is that when the subsequent Manager took charge, even though the installments were being regularly paid in all these 834 loans, he found that all was not well in the records, and therefore, when the exercise was undertaken, suddenly, the installments stopped and the accounts slipped into NPA. Upon suspicion, they issued notices to 124 applicants for verification by way of a random check. As far as the allegations against the third accused are concerned, *P.W.4*, *P.W.5*, *P.W.95* to *P.W.103*, *P.W.105* and *P.W.109* were examined. The other witnesses relate to

Sri Karthik Paper Mills. Among the said persons, it can be seen that *P.W.95*, *P.W.96*, *P.W.97*, *P.W.98*, *P.W.100*, and *P.W.101* turned hostile and did not support the case of prosecution inasmuch as they deposed that they got loans and also purchased consumer durables such as a television or a refrigerator, etc. *P.W.98* admitted to purchasing the Television; However, the signature on the loan application does not belong to him. Thus, the very attempt of the prosecution is to first establish that all is not well in sanctioning these 399 loans, and it was a wholesale fraud that proved futile and ended up only raising doubt about the probable case that it may be that some of the loans were not proper and raises questions as to how the money was siphoned off and if the third accused and his company were the beneficiaries, how the money was funneled back to them by Accused No. 4.

4.5. The prosecution was not successful in proving the money trail. Since it was a consumer loan, the amount was released directly to the fourth accused, who was the dealer. The prosecution argued that the fourth accused was not capable of handling such large transactions; however, as rightly pointed out by the learned Counsel for the accused, from the statements of the accounts marked as exhibits by the prosecution, it is evident that transactions totaling Rs.6,25,93,534/- were credited through various credit transfer vouchers via banking transactions in the account of the fourth accused. This casts doubt on the prosecution's claim that the fourth accused was incapable of handling such large sums. Moreover, the primary basis for the prosecution's case, which led the Trial Court to convict the third accused and others, is that a total of Rs.52,10,000/- was credited into the third accused's account through 21 cash transfer vouchers marked as ***Ex.P-1319*** to ***Ex.P-1339***. These vouchers are found from page No.14464 onwards of Volume-XXXI of the paper book.

4.6. Upon examining these exhibits, it is clear that all these exhibits are pay-in slips for cash deposits into the account. The slips also bear the square seal of the branch and clearly contain the endorsement 'cash received'. Therefore, these are the exhibits through which a total sum of Rs.52,10,000/- was paid into the loan account that was received by the bank. Hence, the foundation of the case itself is based on an incorrect assumption of fact made by the Investigating Officer. If only he had properly assessed the facts related to ***Ex.P-1319*** to ***Ex.P-1339***, he would have approached the case differently. He would have considered all 399 applications, identified which were forged and which were genuine, and filed specific charges for each forged application. This would have given the accused the opportunity to face charges concerning each individual forged application. It is evident that the prosecution has gathered extensive evidence in this case. The evidence shows that many applications were submitted casually, often without correctly identifying the applicants or verifying addresses and photographs. These facts have been established by the prosecution.

4.7. In fact, to that extent, grave misconduct on the part of *P.W.1* and *P.W.5*, both public servants, is recorded. 834 loan applications were suddenly submitted and the A' Nal Road branch, which had previously been stagnant and was considered a dull branch of Punjab National Bank, was revitalized by the first accused, who infused energy into it, and was appreciated by senior officials for this effort, leading to the branch winning a prize. There is a doubt about whether the accused, in their zeal to generate activity and create transactions, contacted accused Nos.2 and 3 companies and bypassed normal procedures, such as calling each employee/applicant to the branch and having them sign across their photos in their presence, and instead rushed the applications through, disbursing loans hastily, or whether this was done with dishonest intent, involving conspiracy with accused Nos.2 and 3, to cheat the bank. The prosecution has recorded transactions where the applications were not in the applicants' current names, signatures appeared forged, and third party photos were used, suggesting a failure to individually verify each applicant. On the other hand, exculpatory evidence shows that many applicants were also contract employees, as admitted by most of the 17 employees examined, who testified that they obtained loans.

Additionally, the repayments by way of monthly installments initially were regular, and the loan amounts were eventually repaid. The guarantees and collateral securities were not found to be forged, implying accused Nos.2 and 3 were liable for the full loan amount. Consequently, considering the overall charge that accused Nos.1 and 5, as public servants, conspired with accused Nos.2 and 3, and with aid from the fourth accused dealer, the transactions appeared as consumer loans were a make-believe affair, intended for accused Nos.2 and 3. Since this fact is not proven by the prosecution, I conclude that a lack of evidence of dishonesty on the part of accused Nos.1 and 5 prevents me from accepting the charges against them. Moreover, it is not established that accused Nos.2 and 3 were the ultimate beneficiaries of all these loans. The charges were sought to be proved by placing reliance on ***Ex.P-1319*** to ***Ex.P-1339*** turned out to be factually incorrect.

4.8. What is ultimately on record is that a doubt was entertained as to whether there loans were consumer loans or an attempt by the companies to raise fund for themselves. Certain names in which loans were granted were fictitious, certain were the actual employees and certain were contract employees and certain names were correct but their signatures were forged. The materials presented demonstrate this. However, what needs to be further established to hold the charges as framed to be proved is that by establishing who was the beneficiary, how the cash reached the third accused, or the margin money was paid only by the third accused and not the loanees etc. To establish all elements of forgery, cheating, etc., the prosecution did not complete the final step. Further, in this case, with references to individual transaction, no specific charges were framed. The general charge making the entire loan transaction as a single act of fraud is not proven by sufficient evidence. Thus, I believe that despite the large volume of evidence collected, running to as many as 15000 pages, the quality of that evidence is lacking to prove the specific charges against the accused.

4.9. In this regard, as rightly argued by the learned Senior Counsel appearing on behalf of the fourth accused, perhaps, the entire lack on the part of the prosecution started with the fact that no separate First Information Report was recorded in respect of the third accused Company. These procedural safeguards also act to ensure proper prosecution. Merely because doubts regarding the veracity of the loan transactions with reference to the third accused were also unearthed during the same investigation made with reference to the second accused Company, it cannot be stated that the transactions of the Companies were interconnected. There is no relation that is even alleged by the prosecution between the third and fifth accused Companies. They are independent Companies. They obtained loans with respect to their employees separately. Just because the dealer and the Bank Manager are one and the same, the clubbing of the charges also proves fatal, in the sense that the prosecution itself was not able to decipher as to what exactly they are alleging and what exactly they proposed to be the outcome of the investigation. There is no material to suggest that these 11 accused conspired together, either directly through evidence or through their transactions. It is understandable that the Investigating Officer and the prosecution have taken best efforts in collecting all this information and putting it together. But, the benefit of the doubt accrues to the accused only because of the nature of the charges framed, i.e., alleging that the entire transactions are false and are orchestrated by the second and third accused to get financial benefits to themselves, which the prosecution was unable to prove beyond a reasonable doubt. The entire amount outstanding also stands settled as on 07.11.2017, pending these appeals and thus there is no financial loss for the bank. For all the above reasons, I am unable to uphold the conviction and sentence that were imposed by the Trial Court.

E. The Result:

5. Accordingly, all these Criminal Appeals are allowed. The conviction and sentence imposed by the learned II Additional District

Judge/Special Judge (CBI Cases), Coimbatore, vide the judgment dated 22.08.2014, made in C.C.No.2 of 2006, against all the appellants, shall stand set aside. If any fine amount has been paid, it is ordered to be refunded as per law. Bail bonds, if any, are ordered to be cancelled.

29.07.2025

Neutral Citation : yes
grs

Note:- Registry to type out the cause title and prayer in all the cases.

To

1. The II Additional District Judge/Special Judge (CBI Cases),
   Coimbatore.

2. The Additional Superintendent of Police,
   SPE/CBI/ACB, Chennai.

3. The Public Prosecutor,
   High Court of Madras.

D.BHARATHA CHAKRAVARTHY, J.

grs

Crl.A.Nos.452 of 2014 etc., (batch cases)

29.07.2025