IN THE HIGH COURT OF JUDICATURE AT MADRAS

Judgment reserved on : 14.07.2025

Judgment pronounced on : **07.10.2025**

CORAM :

THE HON'BLE MR.JUSTICE D.BHARATHA CHAKRAVARTHY

Crl.A.No.639 of 2014

K.Kumar Deshraj .. Appellant

Versus

State rep. by
The Inspector of Police,
CBI/ACB/Chennai.
RC No.51(A)/2003/CBI/ACB/CHENNAI .. Respondent

Prayer : Criminal Appeal filed under Section 374 of Cr.P.C., to set aside the conviction and sentence imposed on the appellant by a judgment, dated 21.11.2014 in C.C.No.27 of 2005 on the file of the XI Additional City Civil & Sessions Court for CBI Cases, Chennai - 1 and acquit the appellant of all the charges by allowing this appeal.

For Appellant : Mr.R.Rajarathinam, Senior Counsel, for Mr.A.M.Rahamath Ali

For Respondent : Mr.N.Baaskaran, Special Public Prosecutor (CBI Cases)

JUDGMENT

This Criminal Appeal challenges the judgment of the XI Additional City Civil and Sessions Judge (CBI Cases relating to Banks and Financial Institutions), Chennai – 600 001, dated 21.01.2014 in C.C.No.27 of 2005. In that case, four accused were tried in total. Accused Nos. 2 to 4 were acquitted of all charges. The first accused was also acquitted of the charges under Section 120B read with Section 420 of the Indian Penal Code and Section 13(2) read with Section 13(1)(d) of the Prevention of Corruption Act, 1988. However, the first accused, *Kumar Deshraj*, was found guilty of an offence under section 420 of the Indian Penal Code and sentenced to undergo Rigorous Imprisonment for two years and to pay a fine of Rs.5,000/- and in default, to undergo Simple Imprisonment for three months. For an offence punishable under Section 13(2) read with Section 13(1)(d) of the Prevention of Corruption Act, 1988, he was sentenced to Rigorous Imprisonment for two years and to pay a fine of Rs.10,000/-. In default of payment, he was to undergo Simple Imprisonment for six months.

2. On 14.11.2003, upon receiving reliable information, the Deputy Superintendent of Police, SPE:CBI:ACB, Chennai, registered this case. The information revealed that the seven accused individuals, all employed as Assistant Treasuries at the Reserve Bank of India, Chennai, were manning defective note counters during May and June 2003, daily between 10:00 A.M and 4:00 P.M. They were supposed to accept damaged or mutilated notes from customers or the public and, after verifying the damage, pay either the full, half, or no value, according to the Reserve Bank of India (Note Refund) Rules, 1975. However, it was found that while manning the counters, they received deliberately cut notes of higher denomination. Among the seven accused, they collected a total of 8257 notes, causing a loss of Rs.41,28,500/-. It appears that these seven accused conspired with unknown persons, listed as accused No.8 onwards, to commit the same. The allegation states that they misused a quarter of the deliberately cut currency notes of 500 rupee denomination, assembling these pieces into full 500 rupee notes, totaling Rs.6,82,083/-. They encashed these reconstructed notes and paid a sum of Rs.48,16,583/- to individuals entitled to receive this amount. By colluding with unknown persons, they gained wrongful profit.

3. Based on the said allegations, a case was registered in RC No.51(A)/2003/CBI/ACB/CHENNAI for offences under Section 120B read with Section 420, and Section 13(2) read with Section 13(1)(d) of the Prevention of Corruption Act, 1988. *P.W.17* completed the investigation and filed the Final Report, proposing that four accused be found guilty of the charges. Two Indian Bank officers, namely, the appellant *Kumar Deshraj* and *K.Sakthi Kumar*, both serving as Assistant Treasurers, were named as accused Nos.1 and 2. It was alleged that they conspired with private individuals, specifically the third accused *Vijay Kumar Agarwal* and the fourth accused *S.Manickam*. After the issuance of summons and the provision of copies, on 11.07.2007, the following charges were framed against the accused.

> "Firstly, that you Sh.K.Kumar Deshraj (A1) and you Sh.K.Sakthi Kumar (A2) while working as Assistant Treasurers in the defective note counters of Reserve Bank of India, Chennai entered into criminal conspiracy with you Sh.Vijaya Kumar Agarwal (A3) and you Sh.S.Manickam (A4) at Chennai and other places during the year 2003 to cheat Reserve Bank of India, Chennai and in pursuance of the said criminal conspiracy you Sh.Vijaya Kumar Agarwal (A3) prepared deliberately cut currency notes of 3/4th size and sent the same through you Sh.S.Manickam (A4) for exchange of its full value to RBI defective note counters on various dates manned by the above stated accused RBI officials and in furtherance of the said

criminal conspiracy, you Sh.Kumar Deshraj (A1) and you Sh.K.Sakthi Kumar (A2) by misusing or abusing their official position as Assistant Treasurers during the period May 2003-June 2003 had accepted 5533 and 1230 deliberately cut notes of Rupees 500 denominations respectively knowing fully well that such acceptance is totally against the RBI Note Refund Rules 1975 and various RBI circulars/guidelines issued in this regard and by the above said acts you S/Sh.Kumar Deshraj (A1), Sakthi Kumar (A2) had accused pecuniary advantage to you Sh.Vijaya Kumar Agarwal (A3) and you Sh.S.Manickam (A4) to the tune of Rs.27,62,500/- and Rs.6,15,000/- respectively totalling Rs.33,80,500/- and corresponding loss to RBI. Thus, you A1 to A4 committed offences punishable u/s 120-B r/w 420 IPC and sec. 13(2) r/w 13(1)(d) of P.C.Act 1988 and within my cognizance.

Secondly, that you A1 to A4 on or about the period and at the place mentioned in the Ist charge, in the course of the same transaction, in pursuance of the criminal conspiracy and in furtherance of the offences and the charges mentioned in the Ist charge cheated the Reserve Bank of India, Chennai by dishonestly inducing the said RBI to deliver a sum of Rs.33,81,500/- to you A1 to A4 particularly to give pecuniary advantage to Sh.Vijaya Kumar Agarwal (A3) and Manickam (A4) which was the property of the said Reserve Bank of India, Chennai and that you A1 to A4 thereby committed an offence punishable u/s. 420 IPC and within my cognizance.

Thirdly, that you A1 and A2 working as Asst. Treasurers in RBI, Chennai on or about the period and at the place mentioned in the Ist charge, in the course of the same transaction, in pursuance of the criminal conspiracy and in furtherance of the offences and the charges mentioned in the Ist charge being a public servant employed in Reserve Bank of India and being posted at the defective Note Counters of RBI, Chennai and being entrusted with the job of accepting defective/mutilated notes as stated above, by corrupt or illegal means or otherwise by abusing your position as a public servant, obtained for you A3 and A4 a pecuniary advantage to the extent of Rs.33,81,500/- from Reserve Bank of India, Chennai as mentioned in the previous charges and thereby you A1 & A2 committed the offence specified in sec.13(2)(d) of

Prevention of Corruption Act 1988 and punishable u/s 13(2) of the said act and within my cognizance."

4. The accused denied this and stood trial. The accused Nos.2 and 3 died before the trial concluded, and the charges against them stood abated. The prosecution examined *P.W.1* and *P.W.17,* and marked ***Ex.P-1*** to ***Ex.P-48***. Additionally, a series of cut notes from ***M.O.1*** to ***M.O.72*** were marked, along with bundles, a suitcase, and a polythene bag marked as ***M.O.74*** to ***M.O.83***. One *Ramakrishnan* was also examined as Court Witness *C.W.1,* and ***Ex.C-1*** was marked. When questioned about the incriminating circumstances and material evidence under Section 313 of the Code of Criminal Procedure, the accused denied the same. Thereafter, on behalf of the defence, *D.W.1* to *D.W.5* were examined.

5. The Trial Court then considered the cases of the prosecution and the defence. It found that there was no evidence on record linking the fourth accused to the entire episode. Therefore, the fourth accused, a private person, was acquitted. Consequently, since the charge is either abated against the other persons or the fourth accused is acquitted, the charge against the first accused

under Section 120B of the Indian Penal Code was also acquitted. The Trial Court, however, found that all the notes were new notes and deliberately cut notes. Therefore, in violation of the rules, accused Nos.1 and 2 allowed these notes to be encashed, causing loss to the Reserve Bank of India. Based on this finding, the Court held that the offence under Section 420 of the Indian Penal Code and the offence under Section 13(2) read with Section 13(1)(d) of the Prevention of Corruption Act, 1988, were proven and sentenced accordingly. Aggrieved, the present appeal is filed.

6. Heard *Mr.R.Rajarathinam*, learned Senior Counsel for the appellant and *Mr.N.Baaskaran*, learned Special Public Prosecutor for CBI Cases for the respondent.

7. *Mr.R.Rajarathinam*, learned Senior Counsel for the appellant, takes this Court through the entire evidence. The material objects, stacked in large trunk boxes, were brought before the Court and examined on various dates. He also submits detailed written arguments. The essence of his contention is that no rule of the Reserve Bank of India was violated, as the required portion of the note

was present in every cut note, and therefore, there is no loss to the Reserve Bank of India. The prosecution has not proved any pecuniary advantage for the first accused. No dishonest intent on the part of the first accused has been established. The learned Senior Counsel also gave the references of certain judgments. The relevant arguments and judgments will be addressed at the appropriate places as may be necessary.

8. Per *contra*, *Mr.N.Baaskaran*, learned Special Public Prosecutor for the respondent, relies upon the Reserve Bank of India (Note Refund) Rules and submits that a reading of the relevant provisions categorically demonstrates that a person who deliberately tenders cut notes is not entitled to any refund, thereby causing the bank a loss. Although the fourth accused, a private individual said to have benefited, was acquitted for want of evidence, it is proven that the first accused is the person who accepted the majority of these deliberately cut notes, numbering more than 5000, within the short period he was on duty, which indicates a deliberate act by the accused. Therefore, the Trial Court was correct in convicting the appellant.

9. During the arguments, it was stated that the original Investigating Officer was unavailable, and the current Superintendent of Police assisted the Court throughout all the hearings and prepared a detailed compilation of the particulars, including serial numbers of the notes.

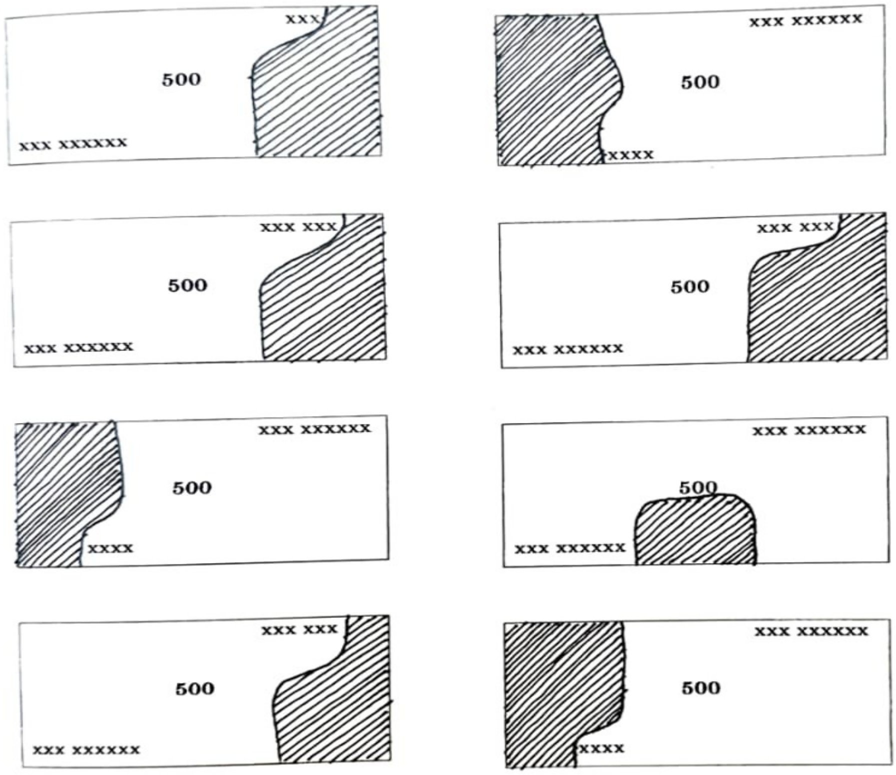
10. I have considered the rival submissions made on either side and given my anxious consideration of the facts of the case.

11. As rightly argued by the prosecution from the First Information Report to this stage, most of these notes appear new, fresh, and clean. They have not undergone extensive circulation or been damaged or mutilated by natural wear and tear from handling or other mishaps. The new and fresh notes are cut in a puzzle pattern, as demonstrated in the First Information Report, and the following picture is included for easy reference:-

SPECIAL COURT (CASES)
HC-387
14 NOV 2003

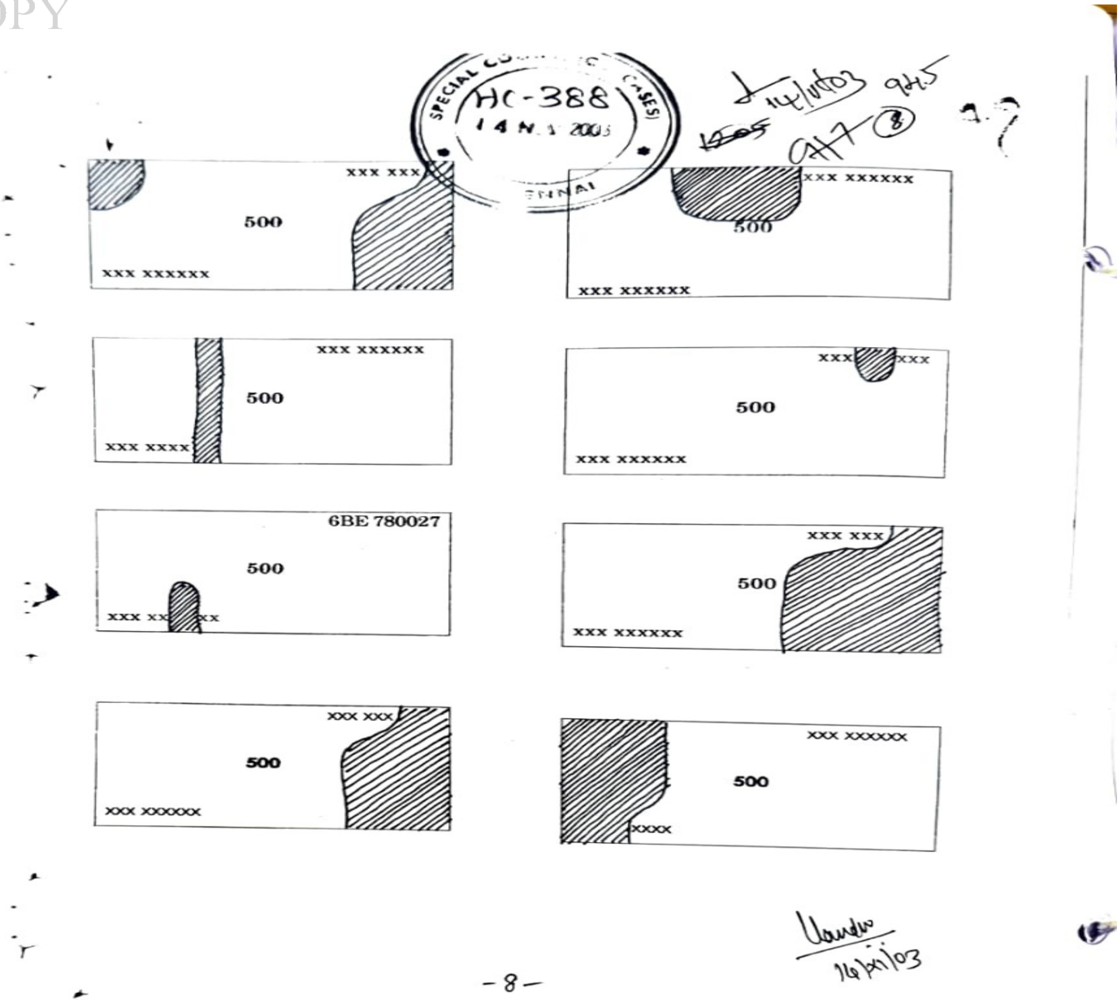
943
14/11/03
7

PATTERNS OF CUTS FOUND ON THE Rs 500 /- CURRENCY NOTES EXCHANGED BY THE SUSPECT OFFICERS OF RBI, CHENNAI DURING THE PERIOD FROM 20-05-2003 TO 19-06-2003.



-7-

14/xi/03



12. In this regard, it is necessary to refer to the Rules. The Reserve Bank of India (Note Refund) Rules, 1975, which were applicable at the time of the offence committed in May and June 2003, are placed on record. Rule 2 provides the definition of key terms such as essential features, government note, half

note, imperfect note, mutilated note, etc. Rule 3 addresses the presentation and disposal of claims. Rule 4 states that the prescribed officer of the bank may conduct an inquiry regarding any claim submitted under these Rules. Rule 5 contains general provisions relating to all claims. According to Rule 5(1), claims will not be entertained for notes alleged to be stolen. Rule 5(2) further specifies that claims regarding notes that cannot be identified as genuine by the prescribed officer, or notes that have been made imperfect, mutilated, or altered to appear as a higher denomination, or been deliberately cut, torn, defaced, or dealt with in any other manner not necessarily by the claimants to establish false claims or to defraud the bank or the public, will be rejected. It also applies to notes with words conveying a political message, notes imported into India from outside the country, or notes for which the value is payable by some other authority instead of the bank. Additionally, if information is requested by a prescribed officer and not provided, the claim regarding that note shall be rejected. The entire Rule 5 is reproduced below for quick reference.

> "**Rule 5: General provisions in relation to all claims**
>
> (1) A claim in respect of a note, which is alleged to have been stolen, shall not be entertained.
>
> **Note:** If a prescribed officer is satisfied that a mutilated note presented to him is one which appears to have been cancelled at

any office of the RBI or claim on which appears to have already been paid under these Rules, he may reject the claim on such note after making enquiries under Rule 4 above.
(2) A claim in respect of a note -
(i) which cannot be identified with certainty by the prescribed officer as a genuine note for which the Bank is liable under the Reserve Bank of India Act; or
(ii) which in the opinion of the prescribed officer has been made imperfect or has been mutilated, with a view to making it appear to be of a higher denomination, or has been deliberately cut, torn, defaced, altered or dealt with in any other manner, not necessarily by the claimants, with a view to establishing a false claim under these rules or otherwise to defraud the Bank or the public, or
Explanation: This rule is used in cases where a deliberate intention appears, but the note/s cannot be rejected under any other rule of these Rules. Hand- printed portions joined with parts of genuine notes are rejected under Rule 5(2)(ii).
(ii) which carries any extrinsic words or visible representations intended to convey or capable of conveying any message of a political character, or
(iii) which has been imported into India by the claimant from any place outside India, Bhutan and Nepal in contravention of the provision of any law, or
(iv) in respect of which the value is payable not by the Bank but by some other authority, or
(v) in relation to which any information, which is called for by the prescribed officer or the Bank as the case may be, is not furnished by a claimant within a period of three months from the date of receipt of the notice or letter asking for the information, shall be rejected."

13. Rule 8 lays down as to when the value of the mutilated Government note be paid. With reference to bank notes, Rule 9 lays down the procedure. The entire Rule 9 is extracted hereunder for ready reference:-

"**<u>Rules 9: Mutilated bank notes:</u>**

(1) The value of a mutilated bank note of a denomination of one thousand rupees or less, on which the **number is printed at one place only** may be paid, if-

a) the note presented is in not more than two pieces and of which no essential feature is missing and the complete number can also be identified in an undivided area on one of the pieces; or

b) the piece, or one of the pieces presented, has an undivided area which is not less than half the area of the note and the complete number can also be identified in an undivided area on such piece; or

c) the note presented is in pieces none of which may even comprise half the area of the note, but all the pieces presented can be identified as belonging to the same note and all the pieces taken together have an area which is not less than half the area of the note and a major portion of the number can also be identified in an undivided area on one of the pieces.

Explanation: Rule 9 (1) applies to the single numbered notes i.e. notes of Re.1, Rs.2 and Rs.5 denominations. The conditions to be satisfied for payment of notes under this Rule are as under:

S.No.	9(1)(a)	9(1)(b)	9(1)(c)
1.	Note is in one or two pieces.	Note is in one piece or in more than one piece	Note is in pieces.
2.	All essential features are present (even if partially).	Complete undivided number is available on one piece.	Major portion of the number is available in an undivided area on one of the pieces.
3.	Complete undivided number is available on one piece.	The piece on which full number is available is not less than half the	All the pieces belong to the same note.

		area of the note.	

The sub-rules are applied to a mutilated note one after another to see whether the claim on it is payable under any of them i.e. if a particular note is not payable, say, under sub-rule 9(a), the possibility of its being payable under sub-rule (b) is examined, and if it is not payable even under sub-rule (b), the possibility of its being payable under sub-rule (c) is examined.

(i) If only one piece is presented and it is of an area less than half the area of a note, claim is rejected (cf. Rule 9(1) (b)).

(ii) If a note is in pieces and major portion of the number is not identifiable in an undivided area on one of the pieces, claim is rejected {cf. Rule 9(1) (c)).

(iii) If a note is in pieces none of which is more than half the area of the note and the pieces presented cannot be identified as belonging to the same note, claim is rejected {cf. Rule 9(1) (c)).

(iv) If a note is in pieces and the pieces can be identified as belonging to the same note, but the pieces presented together form an area less than half the area of the note, claim is rejected cf. {Rule 9(1)(c)).

2) The value of a mutilated bank note of a denomination of one thousand rupees or less, on which the number is printed at two places may be paid, if

(a) the note presented is in not more than two pieces and of which no essential feature is missing and both the pieces can be identified as belonging to the same note and the complete number can be identified in an undivided area at each of the two pieces at which it is printed; or

b) the piece, or one of the pieces presented, has an undivided area which is not less than three-fourths the area of the note and a major portion of the number can be identified on such piece in an undivided area at each of the two places at which it is printed; or

c) the note presented is in pieces none of which may even comprise half the area of the note but all the pieces presented can be identified as belonging to the same note and all the pieces taken together have an area which is not less than half the area of the note and a major portion of the number can also be identified in an undivided area at each of the two places at which it is printed.

Explanation: Rule 9 (2) applies to the double numbered notes i.e. notes in the denominations of Rs. 10 and above. The conditions to be satisfied for payment of notes under this Rule are as under:

S.No.	9(2)(a)	9(2)(b)	9(2)(c)
1.	Note is in one or two pieces.	Note is in one piece or in more than one piece.	Note is in pieces.
2.	All essential features are present (even if partially).	Major portion of the number is available at the both the places on one undivided piece.	All the pieces belong to the same note.
3.	Complete undivided number is available at both places on the same piece or on the two pieces.	This piece is not less than three-fourth the area of the note.	Major portion of the number is available in an undivided area at both the places (even if in two separate pieces).
4.	Both the pieces belong to the same note.	-	All the pieces taken together form not less than half the area of the note.

The sub-rules are applied to the note one after another to see whether the claim on the note is payable for full value under any of them i.e. if a particular note is not payable, say under sub-rule (a), the possibility of it being payable under sub-rule (b) is examined, and if it is not payable even under sub-rule (b), the possibility of it being payable under sub-rule (c) is examined. If a note is not found payable for full value under any of these sub-rules, only then it is examined to see whether it is payable for half value under Rule 9 (3).

(i) If on a note, the number at both places is available on one piece measuring not less than three-fourth the area of the note, but the number is not the major portion of the number at both places; the claim is rejected (cf. Rule 9(2) (b)). If on the other hand, the number is the major portion at one of the two places, half value is paid under Rule 9(3).

(ii) If a note is in pieces and together the pieces form an area more than half the area of the note, but the pieces cannot be identified as belonging to the same note, claim is rejected (Rule 9(2)(c)).

(iii) If a note is in pieces and the pieces can be identified as belonging to the same note, but the pieces presented together form an area less than half the area of a note, claim is rejected (Rule 9(2)(c)).

3) Half the face value of a mutilated bank note of a denomination of one thousand rupees or less on which the number is printed at two places may be paid, if, the piece, or one of the pieces presented, has an undivided area which is not less than half the area of the note and a major portion of the number can also be identified on such piece atleast at one of the places at which it is printed.

Explanation: This rule applies to double-numbered notes i.e. notes in the denominations of Rs. 10 and above. The conditions to be satisfied for payment of half value on such notes are as under:

i) The piece or one of the pieces presented has an undivided area, not less than half the area of the note and

ii) Major portion of the number (i.e. one of the two numbers) is available on such piece.

If one of the pieces qualifies for payment of half value, the other piece or pieces even if not belonging to the same note, are ignored.

A note is considered for payment of half value only when full value is not found payable on it under Rule 9(2).

> 4) A claim for the full value of a mutilated bank note of a denomination of one thousand rupees or less on which the number is printed at two places shall, if the note as presented has been formed by joining a half note of another note, be dealt with under sub-rule (3) as if there were separate claims in respect of each of the two half notes.
> **Explanation:** This rule is a corollary to Rule 9 (3) and is also applicable only to double-numbered notes. Each of the two, either vertically or horizontally divided half notes is treated as independent notes and claim dealt with under Rule 9(3).
> (i) The number is the sole feature that is used for distinguishing one note from another. Hence the emphasis is on the number or its major portion.
> (ii) If the major portion of the number of a double-numbered note is available at both places on one undivided area measuring at least ¾th the area of the note, the claim is paid ignoring the remaining portion of the note, whether presented or not (Rule 9(2)(b))."

Thus, upon a complete reading of the Rule, it becomes clear that if all the essential features of the note and its complete number can be identified, the value can be paid. Additionally, if one of the pieces presented, which is at least half the area of the note, and the complete number can also be identified in the undivided area, the amount can be paid. Even if pieces of the note are presented but can be identified as belonging to the same note—specifically, if all the pieces taken together have an area of not less than half the area of the note and the major portion of the number can be identified in an undivided area of one of the pieces—the amount can be paid. It is explicitly held that it is not essential for all the pieces to be established as belonging to the same note, provided that the other conditions are satisfied.

14. The learned Counsel would argue that unless dishonest intention is proved, the person sitting at the counter must accept even a deliberately cut note. Already, Rule 5(2)(ii) was extracted *supra.* Rule 4 also authorizes the officer to conduct inquiries. When a large number of notes are presented, which are fresh and would naturally invoke suspicion for anyone manning the counter, the argument of the learned Counsel for the appellant cannot be accepted. On the face of it, it is clear that the note is deliberately cut. A large number of notes, approximately 5,533, were presented to the appellant between 30.05.2003 and 19.06.2003, especially considering that most of these notes are from the same serial numbers. The intention to defraud is evident in this transaction. Therefore, I hold that the accused's actions in accepting these notes and refunding the amount for such deliberately cut notes constitute a clear violation of Rule 5(2) of the Rules.

15. The other argument is that there is also a committee that oversees the

refunds on a day-to-day basis. Merely because the supervisory committee was negligent or did not perform its duty efficiently, that does not absolve the appellant. Therefore, accepting such a large number of notes in violation of Rule 5(2) is undoubtedly a grave misconduct. The Reserve Bank of India, however, chose to impose only a punishment of a salary increment cut on the first accused.

16. Be that as it may, the next issue to determine is whether the violation of the said Rule 5(2) by itself would constitute the offences alleged against the appellant. Regarding the offence under Section 13(2), read with 13(1)(d) of the Prevention of Corruption Act, 1988, there is no evidence that the first accused/appellant received any pecuniary benefit. The prosecution argues that he abused his office for the pecuniary advantage of the fourth accused or a private individual who took the full value of the note. The prosecution's case does not claim that the notes are counterfeit. It alleges a note-cut scam, where the accused are said to have deliberately cut the notes, saving 1/4th of each, and then used these pieces like puzzle parts to reassemble and present the notes to claim their full value. For example, if a bundle of 500-rupee notes is

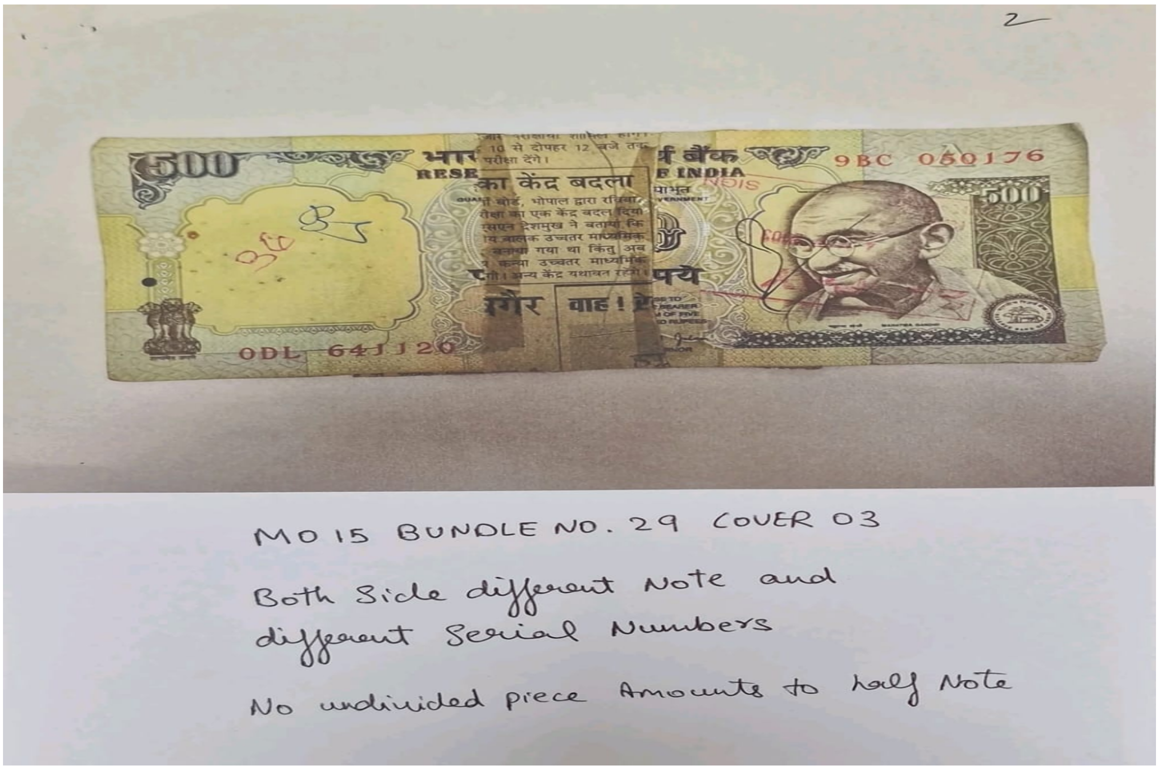
intentionally cut, removing 25% of each note, then rejoining the pieces could convert 100 notes into 125 notes, totalling Rs.62,500/-; thus, they could illegally enrich themselves by Rs.12,500/- and cause a loss of 25% of the amount to the bank.

17. In fact, this is the allegation that was made in the First Information Report and the relevant portion of ***Ex.P-31*** can be gainfully extracted hereunder:-

> "Further, they in pursuance of the criminal conspiracy misused the 1/4th portion of the above deliberately cut currency notes of Rs.500/- denomination and built-up currency notes of Rs.500/- denominations which totals to Rs.6,88,083/-, and they encashed the said built-up notes and produced to the RBI in order to get the sum of Rs.48,16,583/- which they were not legally entitled. By doing so A-1 to A-8 and other unknown persons caused a total wrongful loss of Rs.48,16,583/- to the RBI, Chennai and corresponding wrongful gain to themselves."

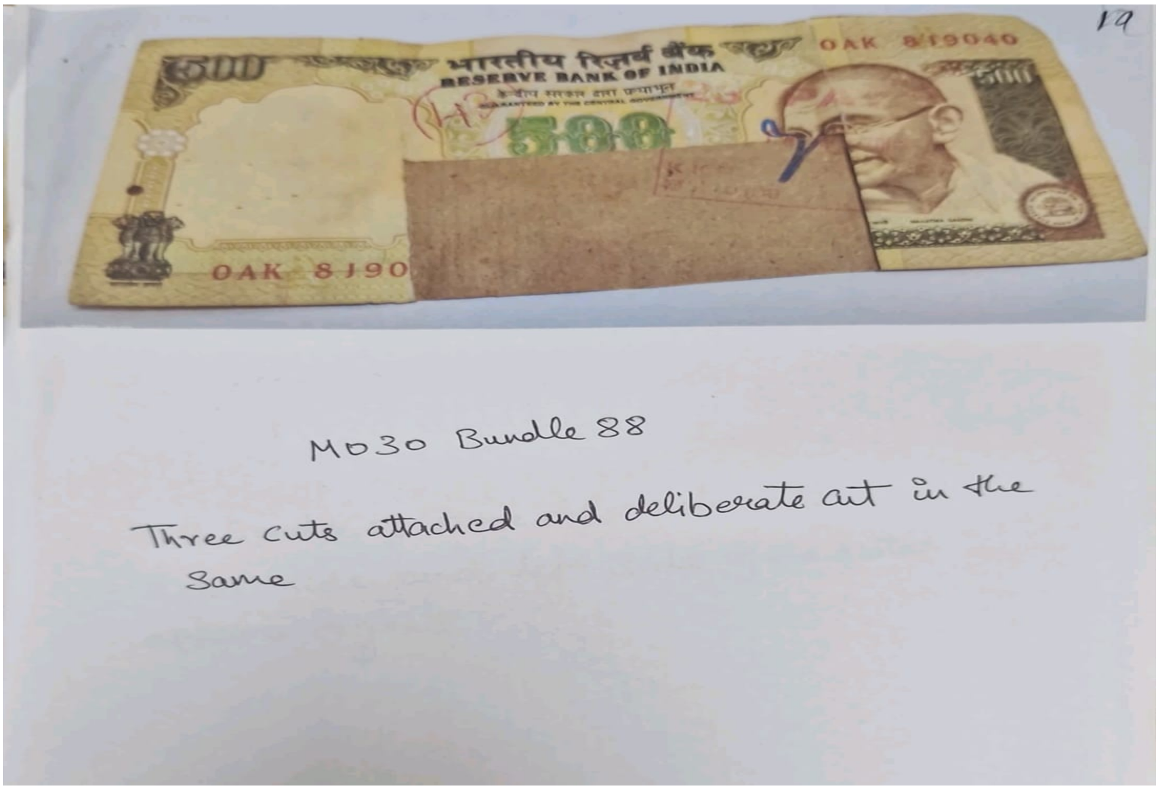
18. Cutting these notes and using the cut pieces is the act that completes the offense. But, unfortunately, during the entire investigation, not a single note, by means of these cut pieces which consist of small portions cut from other notes, were brought forward. The charges framed were also extracted supra. They also did not suggest such an allegation. Although making the Reserve Bank of India pay for those cut notes totaling Rs.33,81,500/-, was in violation of

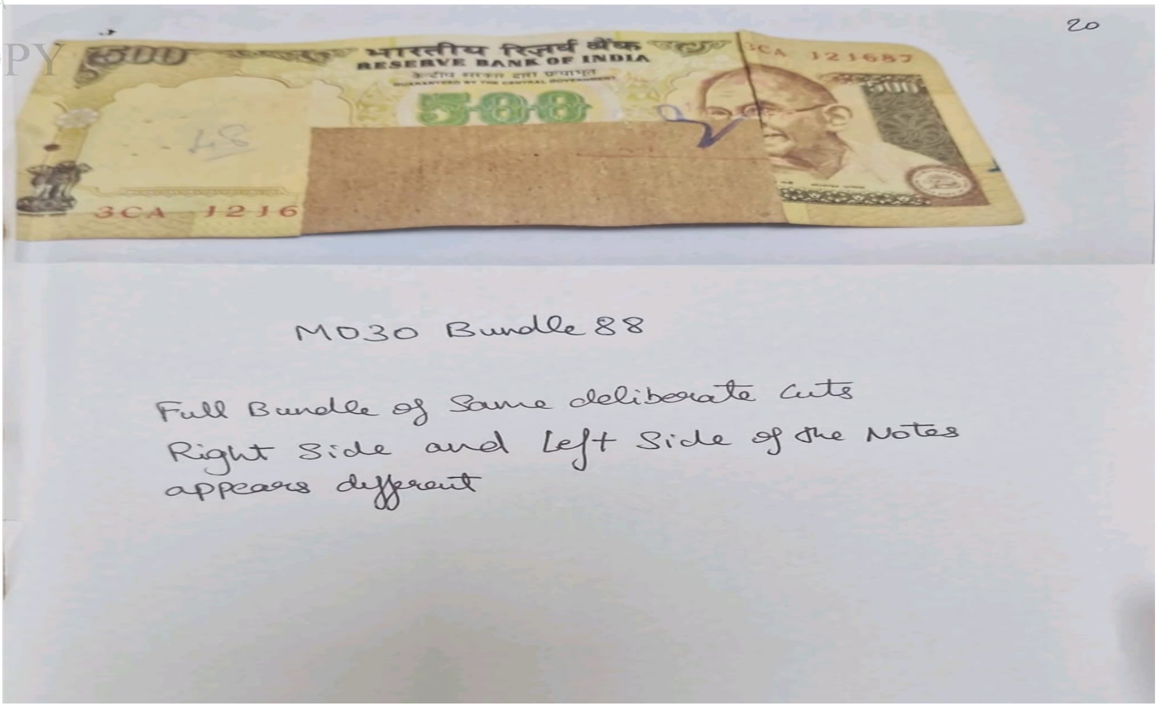
the Rules, each note is a genuine 500-rupee note, and when its value has been replaced, it cannot be said that the bank suffered any loss or was cheated. The entire Material Object series was thoroughly scanned. In fact, in one of the notes, in ***M.O.15*** bundle No.29, cover 03, the following note was admitted:-



It is evident that two pieces of the note were joined with a piece of newspaper. Both pieces belong to different notes, and no piece was above 50%, so the value should not have been paid.

19. In ***M.O.30***, bundle 88, with reference to two notes, it can be seen that a portion has been deliberately cut, and ordinary paper was pasted. Apart from this, the right-hand side portion, in which only the entire serial number—i.e., the essential feature—is visible, appears to be from a different piece attached, and it is doubtful whether it is the same piece or not. The pictures of this note is as below:-





Thus, I am able to conclude that, certainly, these notes were deliberately cut with the intention of defrauding the bank and should not have been allowed by the accused. However, there is no proof on record that the accused presented those additional notes created and caused loss to the bank. The investigation in this regard is completely lacking.

20. Even regarding the one note where a loss of Rs.500/- was created for the bank, it was unearthed and pointed out by the present Officer who assisted the Court. It was not explicitly pointed out before the Trial Court; neither were

the allegations made as a specific charge. The nature of the allegation differs, as it involves a violation such as not having even 50% of one note, and should have been framed as a formal charge and presented to the accused. For the one note alone, the dishonest intention cannot be readily assumed without any direct evidence linking it to the proof of the fourth accused or any other private person who presented the note and walked away with Rs.500/-. Therefore, in the absence of proof of even a single note used by the accused to fabricate or gain additional advantage, this Court cannot conclude there was any loss to the Reserve Bank of India. Without such a conclusion, the dishonest intent cannot be presumed. The evidence shows that, by tendering Rs.500/- notes with more than 50% of the notes, only Rs.500/- was obtained from the bank; hence, it cannot be considered a wrongful loss or wrongful gain. Thus, the element of dishonesty has yet to be established. This Court randomly inspected the bundles of notes, and the officer assisting the Court examined them thoroughly. We did not find even a single note that had been assembled with these 25% cut-pieces, so that this Court could conclude a note-cutting scam had occurred. Although it can only be suspected that such a purpose might be the only reason for deliberately cutting notes, it was the prosecution's duty to uncover the complete scam. It is also possible that these cut pieces are used elsewhere, perhaps in a different branch, but this remains to be proven. In the absence of proof as to the dishonesty, both the offences punishable under Section 13(2) read with 13(1)(d) of the Prevention of Corruption Act, 1988 or under Section 420 of the Indian Penal Code, cannot be held to be proven beyond a doubt. Consequently, the accused has to be given the benefit of the doubt.

21. Accordingly, this Criminal Appeal stands allowed. The conviction and sentence imposed on the appellant vide the judgment, dated 21.11.2014, in C.C.No.27 of 2005 on the file of the XI Additional City Civil & Sessions Court for CBI Cases, Chennai - 1, are set aside. Any fine amount paid is ordered to be refunded.

07.10.2025

Neutral Citation : yes
grs

To

1. The Governor,
   Reserve Bank of India,
   Mumbai.

2. The XI Additional City Civil & Sessions Court for CBI Cases,
   Chennai - 1.

3. The The Inspector of Police,
   CBI/ACB/Chennai.

4. The Public Prosecutor,
   High Court of Madras.

D.BHARATHA CHAKRAVARTHY, J.

grs

Crl.A.No.639 of 2014

07.10.2025