IN THE HIGH COURT OF JUDICATURE AT MADRAS

RESERVED ON : 12.02.2026
PRONOUNCED ON : 09.06.2026

CORAM

THE HONOURABLE MR.JUSTICE M.NIRMAL KUMAR

Crl.O.P.Nos.22077 & 22104 of 2025
and Crl.M.P.Nos.15121, 15123, 15138, 15139,
16075 & 16078 of 2025

1.K.Saravanan, Director,
M/s.Asian Health and Nutri Foods Ltd.,
Kottumettupatti Village,
Omalur Bypass Road,
Omalur, Salem.

2.R.Jayaseelan

3.M/s.Asian Health and Nutri Foods Ltd.,
Rep. by its Managing Director K.Saravanan,
Kottumettupatti Village, Omalur Bypass Road,
Omalur, Salem. ... Petitioners
in both Crl.O.Ps

Vs.

State rep. by
The Inspector of Police,
Central Bureau of Investigation,
Bank Securities and Frauds Cell,
No.36, Bellary Road,
Ganganagar, Bangalore – 32.
In R.C.No.2/2013 CBE/BS&FC ... Respondent
in both Crl.O.Ps

Common Prayer: Criminal Original Petitions filed under Section 528 of BNSS to call for the records and quash the proceedings in C.C.No.39 of 2013 and C.C.No.54 of 2013 pending on the file of learned Chief Judicial Magistrate, Coimbatore.

| | | |
|---|---|---|
| For Petitioners in both Crl.O.Ps | : | Mr.R.Shunmugasundaram Senior Counsel for Mr.R.Prathaban |
| For Respondent in both Crl.O.Ps | : | Mr.K.Srinivasan Special Public Prosecutor |

COMMON ORDER

Crl.O.P.No.22077 of 2025 is filed by the petitioners/accused in C.C.No.39 of 2013 who are facing trial for the offence under Sections 120-B r/w. 420, 468 and 471 IPC. Crl.O.P.No.22104 of 2025 is filed by the petitioners/accused in C.C.No.54 of 2013 who are facing trial for the offence under Sections 120-B r/w. 420, 467, 468 and 471 IPC.

2.The case of the prosecution is that case was registered on 21.02.2013 by the respondent on the complaint of Deputy General Manager, State Bank of India, Mid Corporate Regional Office, Chennai. The petitioners 1 and 2, Directors of M/s. Asian Health and Nutri Foods Limited, Salem and 3rd petitioner is the Company, a closely held Public Limited Company has been banking with State Bank of Mysore since 2001. The petitioners 1 and 2 are the promoter Directors of the Company engaged in the business of processing of food grains such as Bengal gram, Toor dhal and Urad dhal. The Company availed working capital by a consortium of State Bank of India and State Bank of Mysore. During 2007, Union Bank of India joined the consortium. A consolidated working capital limit of Rs.36 Crores and term loan of Rs.50 Crores sanctioned to the Company during 2007. After availing the credit facilities, the Company reported huge loss of Rs.67 Crores as on 31.03.2009 and loss of Rs.58.71 Crores as on 31.03.2010. While reporting huge loss the Company reported impairment loss of Rs.29.12 Crores and write off of Rs.14.38 Crores being shortage and weigh difference in supply of goods and operating loss of rs.12.64 Crores. After reporting huge loss, the borrower Company approached BIFR requesting to declare the Company as a sick unit. A Special Investigative Audit as ordered by BIFR was conducted by State Bank of Mysore being the leader of consortium banks by engaging M/s.A.Kaliannan & Associates, who had given a report dated 25.01.2011 that the Company shown to have been written off Rs.29.12 Crores as impairment losses incurred in trading which was not in tune with the accounting practice and hence suspicious. Further the Company has shown to have been written off Rs.17.45 Crores as shortage and weight difference in goods supplied to certain customers only without any valid justification. Further none of the book debt statements submitted by the Company were certified by the Company appointed auditors. Write off of book debts of Rs.38.89 Crores in the names of 8 parties of Salem and Chennai was suspicious. Out of the 8 parties excepting one, others were non-existent and creation of Company Directors to divert the working capital funds extended by the State Bank of Mysore and other consortium bankers. By showing supply of goods in the names of fictitious buyers and subsequently writing off the said dues as bad debts, there was willful diversion of working capital funds by the borrower Company and its Directors by dishonest means. Thus, huge loss to State Bank of India to the tune of Rs.34.96 Crores with corresponding wrongful gain for the petitioner Company made. Hence, charge sheet filed listing witnesses and documents.

3.The contention of the learned senior counsel appearing for the petitioners is that prior to registration of case, several audits conducted in petitioner Company and reports obtained, details of which are as follows:

(a) 20.03.2009 - Stock Audit Report on the Audit conducted by the State Bank of Mysore

(b) 18.08.2009 – Investigative Audit Report on the Audit conducted by the State Bank of India

(c) 25.01.2011 – Special Investigative Audit Report on the Audit conducted at the instance of BIFR.

4.The learned senior counsel submitted that even prior to that, State Bank of Mysore, Salem Branch issued a notice dated 25.08.201 under Section 13(2) of SARFAESI Act and proceeded to take possession of the properties mortgaged as collateral securities vide Possession Notice dated 27.05.2011. The consortium of bankers without putting the petitioners on any further notice and without conducting any enquiry and not giving personal hearing, chosen to declare the petitioners as Fraud in terms of Reserve Bank of India's Circular. A proposal for One Time Settlement dated 19.06.2012 for a sum of Rs.85.43 Crores with State Bank of India, State Bank of Mysore and Union Bank of India was submitted. Despite the same, State Bank of India filed a criminal complaint dated 05.12.2012 and State Bank of Mysore filed a criminal complaint on 03.07.2012. He further submitted that on 14.11.2012 Union Bank of India informed that One Time Settlement proposal dated 16.08.2012 was approved but subject to approval by all other Consortium Member Banks. On 20.12.2012 State Bank of India intimated their approval and State Bank of Mysore on 27.11.2012 decided to issue a common One Time Settlement approval. In the meanwhile, CBI filed a final report on the complaint of State Bank of India and the learned Chief Judicial Magistrate, Coimbatore had since taken cognizance in C.C.No.39 of 2013 and on complaint of State Bank of Mysore filed final report in C.C.No.54 of 2013 before the learned Chief Judicial Magistrate, Coimbatore. The petitioners filed anticipatory bail petitions in Crl.O.P.Nos.28658/2012 and 28699/2012. This Court by order dated 03.01.2013 grant conditional anticipatory bail directing the petitioners to deposit a sum of Rs.1 Crore by 04.01.2013 and a sum of Rs.4 Crores on or before 20.01.2013. The said conditions complied with. The third Consortium bank, namely, Union Bank of India not chosen to file any complaint against the petitioners. The petitioners consistently submitting numerous One Time Settlement proposals right from the year 2010 onwards. The Banks not considered One Time Settlement, on the other hand invoking provisions of SARFAESI Act filed application before the Debt Recovery

Tribunal-III, Chennai in O.A.No.976 of 2014 and took steps to liquidate the mortgaged securities despite the undertaking given by the accused to compromise and settle the issue. The loss now projected is due to the lethargic attitude shown by the consortium bank. The State Bank of India approved the petitioners One Time Settlement on 19.12.2016, State Bank of Mysore approved the petitioners One Time Settlement on 23.12.2016 and Union Bank of India approved the petitioners One Time Settlement on 28.12.2016. Thus, the Consortium Bank agreed for One Time Settlement and the petitioners fulfilled the said commitment and the Consortium Bank had given No Due Certificate.

5.He further submitted that the petitioners earlier filed Crl.O.P.No.9369 of 2014 to quash the proceedings in C.C.No.54 of 2013. This Court by order dated 10.08.2018 dismissed the said quash petition as devoid of merits and advised the Trial Court to have a joint trial in C.C.Nos.39 of 2013 and 54 of 2013 and directed the Trial Court to take note of the subsequent events of approval for One Time Settlement.

6.The petitioners filed a discharge petition before the Trial Court, it was dismissed. The petitioners filed Crl.R.C.No.1419 of 2019 seeking to set aside the dismissal order dated 04.11.2019. This Court permitted the petitioner to withdraw the petition vide order dated 19.12.2019 and directed the Trial Court to expedite the trial. Further when disposing of Crl.O.P.No.14311 of 2023 vide order dated 07.08.2013, this Court accepted the contention of the petitioners and found that it is a fit case to entertain plea bargaining. The learned Special Public Prosecutor for CBI concurred and approved plea bargaining in C.C.Nos.39/2013 and 54/2013 can be entertained. The Trial Court issued notice to CBI and to the defacto complaint and observed that the parties should work out Mutually Satisfactory Disposition as per the guidelines laid down in the Code and thereafter dispose of the case as per the provisions contemplated under Section 265E of Cr.P.C. The petitioners filed a plea bargaining petition vide application dated 06.06.2023 and 25.11.2024 respectively. When the said application came up for admission, the learned Special Public Prosecutor for CBI submitted that since the offences are non-compoundable expressed his doubt, whether the application for plea bargaining could be entertained and thus, this objection caused a delay of 18 months in admitting the petitioners plea bargaining application. In the meanwhile, there was change of

Presiding Officer. The incumbent Presiding Officer gave an alternative suggestion to treat the Plea Bargaining Petition under Probation of Offenders Act and gave a suggestion to the accused to file an admission petition so that the Trial Court can pass orders on it. In such circumstances, now the present petition is filed seeking quashing of proceedings in both the cases.

7.The learned Special Public Prosecutor for CBI cases filed his objections along with typed set of papers. The allegations in brief are that, Shri K. Saravanan (A-1) and Shri R. Jayaseelan (A-2) were parties to a criminal conspiracy hatched at Salem, during 2007-2010, to cheat and defraud the State Bank of Mysore, Salem Branch, Salem, State Bank of India and Union Bank of India in the matter of availing credit facilities in the form of term loan and working capital loan in the name of M/s Asian Health & Nutri Foods Ltd. (A-3) by producing forged and fabricated documents and using the same as genuine knowingly and having reasons to believe that the same were forged documents and to divert the bank funds so availed for the purpose other than for which it was sanctioned and to obtain wrongful gain for themselves. In furtherance of the said criminal conspiracy, Shri K. Saravanan (A-1) and Shri R.Jayaseelan (A-2) have applied and got sanctioned with a working capital limit of Rs 36 crores and Term loan of Rs 50 Crores in the name of M/s.Asian Health Nutri Foods Ltd. (A-3) from the consortium of three banks namely State Bank of Mysore, State Bank of India and Union Bank of India during 2007, for the expansion project to set up new manufacturing units at Chennai, Gulbarga, Tenali, Kurnool, Madurai and Bangalore, which they failed to complete even after availing the credit facilities sanctioned under term loan, and for working capital. The consortium loan was shared by the member Banks as follows:

| Name of the Bank | Working Capital | Term Loan | Total Amount in Crores |
|---|---|---|---|
| State Bank of Mysore | 16.50 | 20.00 | 36.50 |
| State Bank of India | 14.80 | 20.00 | 36.50 |
| Union Bank of India | 04.70 | 10.00 | 14.70 |
| **Total** | 36.00 | 50.00 | 86.00 |

8.It is further submitted that in furtherance of the criminal conspiracy and in the course of same transaction Shri K.Saravanan (A-1) and Shri R.Jayaseelan (A-2) failed to establish the units and start functioning as per projected projects, on the other hand created false documents and accommodative purchase bills showing purchase of raw materials by M/s Asian Health & Nutri Foods Ltd. (A-3), by using their employees, in the name of falsely constituted entities namely M/s.Mass Traders, M/s.Thirumurugan Traders, M/s.Padmavathy Traders, M/s. Magnum Traders and M/s. EKS. Enterprises without any underlying business transactions and in the course of same transaction Shri K.Saravanan (A-1) and Shri R.Jayaseelan (A-2) generated false and accommodative sales invoices in the name of 8 debtor units namely M/s.Krishna Trading Co., M/s.Kamat Agencies, M/s Bhairav Enterprises, M/s.R.P.Trading Co., M/s.Stanwin Impex and M/s.Kishore Trading Co., M/s.Mass Traders and M/s.Thirumurugan Traders, falsely reflecting huge sales in the name of these sole proprietary concerns. Investigation revealed that there was no actual trade transactions taken place between M/s.Asian Health & Nutri Foods Ltd., (A-3) and the so called debtor units as shown above. Shri K.Saravanan (A-1) and Shri R.Jayaseelan (A-2) created false/forged valuable documents such as sales invoices/bills, false Goods Receipt Note (GRN) and Weighment Slips prepared with the help of their employees and submitted the same claiming as if they were genuine documents and projected genuine trade transaction taking place between the debtor units and M/s Asian Health & Nutri Foods Ltd (A-3) based on the aforesaid forged bills. It is submitted that during the Special Investigative Audit as ordered by BIFR, conducted by State Bank of Mysore as lead Bank by engaging M/s.A.Kaliannan &

Associates. In the special investigative audit report dated 25.01.2011, M/s.A.Kaliannan & Associates reported the following among other things:

(i) that the company has shown to have been written off Rs.29.12 crores as impairment losses incurred in trading which was not in tune with the accounting practice and hence suspicious.

(ii) The company has shown to have been written off Rs.17.45 crores as shortage and weight difference in goods supplied to certain customers only without any valid justification. Such huge write off of book debts gives doubt about the existence and veracity of debtors in question.

(iii) Further, none of the book. Debt statements submitted by the company were certified by the company appointed auditors.

(iv) Write off of book debts of Rs.38.89 crores in the names of 8 parties of Salem and Chennai was suspicious.

(v) It was proved during the investigation that the sales invoices were false and accommodative and no actual trade transactions took place and the petitioners had got the false/forged valuable documents such as sales invoices/bills, false Goods Receipt Note (GRN) and Weighment Slips prepared with the help of their employees and submitted the same claiming as if they were genuine documents and claimed that genuine trade transaction were taken place between the debtor units.

9.It is further submitted that State Bank of Mysore took possession of the properties which were mortgaged and offered as collateral vide possession notice 27.05.2011, vide Sec 13 (12) of SARFAESI Act read Rule 3 of the Security (Enforcement) Rules, 2002 since the petitioners approached BIFR (Board of Industrial and Financial Reconstruction), claiming that the company had incurred huge losses and requested to declare the company as Sick company and failed to pay the amounts availed through various facilities from the bank and the bank declared the petitioners transaction as fraud in terms of Reserve Bank of India's Circular. The role of the bank officials was investigated but no criminal charges found during the investigation.

10.The petitioners and the bank had entered into OTS settlement for the amount of Rs.85.43 crores before the charge-sheet was filed in the trial court, had the petitioner fully paid the OTS amount to the consortium banks, for State Bank of Mysore share of Rs. 35.48 Crores (@41.53%) even then, there was a wrongful loss of Rs.22.35 crores to the State Bank of Mysore, which includes the interest accrued from the date after the account turning

NPA, which is mentioned in the final report. A total amount of only Rs. 22.50 Crores was paid to the consortium banks during a compromise proposal approved by the bank vide proceedings dated 31.10.2016 and not Rs.85.43 crores.

11.It is further submitted that the consortium of banks faced a huge loss due to non-repayment of total sanctioned loan amount, which was caused due to the ill intention of the petitioners and conspiracy to cheat the consortium of banks by showing huge losses to the company by engaging in manipulation/forging of records such as books of accounts, annual financial statements, Stock statements generated valuable documents such as false and accommodative sales/purchase bills, GRN and weighment slips. Since the petitioners did not pay the banks as per the compromised OTS settlement of Rs.85.43 Crores as proposed by the banks on 23.02.2012, the consortium of the banks had to settle for a compromised amount of only Rs. 22.50 crores vide proceedings dated 31.10.2016. Further, the role of bank officials in the fraud was thoroughly investigated but no criminal charges were proved and the petitioners did not pay the balance amount as contemplated in the compromise OTS settlement due to their ill intent and are just trying to blame the consortium banks for the wrongful loss they incurred due to the wrongful deeds of the petitioners. It is further submitted that the subject OTS Settlement is a civil matter, the charges investigated by the respondent against the petitioners are criminal in nature, OTS should not have any bearing on the proceedings for criminal charges initiated by the investigating agency.

12.Further, the accused filed a petition U/s 482 Cr.PC, seeking to call for records in and connected to CC.No.54/2013 on the file of Chief Judicial Magistrate, Coimbatore and quash the same, was dismissed by this Court and while disposing the said petition in Crl.O.Pno.14311 of 2023, vide order dated 07.08.2023 but observed the contention of petitioner therein that the case of the petitioner is fit enough for entertaining plea bargaining. As per the directions of the Hon'ble High Court, vide order dated 07.08.2023 in Crl.OP.No.14311/2023, the accused filed an application before the trial Court for plea bargaining. The prosecution in the trial court had highlighted the fact that since the charge under section 467 of IPC is included against the accused persons, plea bargaining may not be applicable since offence under Section 467 IPC is punishable with imprisonment for life. Subsequently, the accused withdrawn the application for plea bargaining on 11.03.2025 and submitted before the Trial Court that they are pleading guilty and filed an application under section 360 of Cr.PC and to invoke provisions under the Probation of Offenders Act seeking admonition after conviction. Based on the application filed by the accused, the trial court directed the probation officer of Coimbatore district to verify the character and antecedence and other relevant factors of the accused persons and to submit a report. The probation officer submitted the report to the trial court and thereafter in order to ascertain and to ensure the actual re-payment of the loan amount by the accused persons to the bank, three witnesses, namely, Managers of State Bank of India, State Bank of Mysore and Union Bank of India examined by the trial court as Court witnesses. After examining the witnesses, the trial court observed that the repayment of the outstanding loan amount was very less with that of the principal amount, which caused loss to the banks and also considering the severity of the charges against the accused, declined the prayer of the accused seeking admonition. Thereafter, the trial court had set the date on 18.06.2025 to dispose of the cases under Mutually Satisfactory Disposition and all the concerned parties were called to the court. At that stage, petitioner filed this petition one day before in an attempt to further delay the matter. The learned Special Public Prosecutor is not averse to entertain plea bargaining but the petitioner to show how offence under Section 467 IPC is not made out.

13.Considering the submissions made and on perusal of materials, it is seen that the petitioners availed financial facilities, term loan from Consortium Banks, namely, State Bank of India, State Bank of Mysore and Union Bank of India. Now One Time Settlement arrived at with the Consortium Banks and the petitioners paid the One Time Settlement. Earlier, the petitioners filed anticipatory bail petitions in Crl.O.P.Nos.28658/2012 and 28699/2012 and this Court granted interim anticipatory bail on 03.01.2013 imposing certain conditions and one of the condition was that the petitioner to deposit Rs.1 Crore by 04.01.2013 and thereafter to deposit Res.4 Crores on or before 20.01.2013. Subsequently, when the matter was taken up on 26.02.2013, a compromise proposal was submitted and based on the compromise proposal dated 23.02.2013, the petitioners were required to pay Rs.85.43 Crores towards dues of all three Consortium Banks and to remit Rs.5 Crores on or before 23.03.2013 and another Rs.5 Crores on or before 23.04.2013 and to remit minimum of

Rs.34.90 Crores within six months i.e. on or before 23.08.2013 and the balance amount of Rs.40.53 Crores within 18 months i.e., on or before 23.08.2014, interim anticipatory bail already granted is ordered to be continued until further orders. The petitioners filed miscellaneous petitions to relax the conditions imposed by this Court and this Court by order dated 24.03.2015 relaxed the conditions imposed and the petitioners are granted anticipatory bail. Thereafter, the first petitioner filed a quash petition in Crl.O.P.No.9369 of 2014 seeking to quash C.C.No.54 of 2013. This Court by order dated 01.08.2018 finding that the charges are similar in both C.C.No.54 of 2013 and C.C.No.39 of 2013, observed that it is advisable for the Trial Court to have a joint trial of both cases or simultaneously by exercising power under Section 218 of Cr.P.C and further observed that while deciding the case on merit, the Trial Court shall also take note of the subsequent events in respect of discharge of debt and to pass appropriate orders. Thereafter, the first petitioner filed another quash petition in Crl.O.P.No.14311 of 2023. This Court by order dated 07.08.2023 referring to the earlier order on 01.08.2018 and finding that the trial had made no headway and the petitioner coming forward to file an application for plea bargaining and the Special Public Prosecutor for CBI admitted that the transaction appears to be bordering breach of contract and breach of trust and at the end of the day, the parties have cleared the loan under One Time Settlement Scheme, the parties shall work out Mutually Satisfactory Disposition as per the guidelines laid in the Code in disposing of the case in tune with Section 265(E) of Cr.P.C. and the principles adopted in Kothari Polymers case, had directed the Trial Court to complete the process of plea bargaining.

14.The second petitioner filed plea bargaining petition in Crl.M.P.No.12388 of 2024 in C.C.No.54 of 2013 and Crl.M.P.No.12394 of 2024 in C.C.No.39 of 2013. The procedure got initiated and later, on petitioner caused apprehension that since for offence under Section 467 IPC, the punishment is imprisonment for more than seven years and the Probationary Officer's report is not in his favour and Section 265E(c) and (d) might be invoked, hence not pressed the plea bargaining petition which is the bone of contention. The primary allegation against the petitioners is that Books of accounts, Annual Financial Statements, Weighment Slips, Goods Receipt Notice (GRN) and Purchase bills are created documents and hence Section 467 may be attracted is mere apprehension. In this case, the primary witnesses are Bank officials and the Staff of the 3rd petitioner Company. From the statement of witnesses, except for a sweeping allegation that at the instance of first petitioner documents created. It is seen none of the documents prepared or signed by the petitioners. The Bank's Chartered Accountant A.Kaliannan, another Chartered Accountant C.Thomas, M.Prabakar, S.Elangovan, K.Ramesh Kumar and Vikas R.Kasat all not stated anything against the petitioners. Likewise, Accountant of 3rd petitioner Company, namely, R.Shankar, Venkatraman, Rathinavel, Senthil, Kannan, Dharmachalam, Manivannan, Senthil Kumar, Raman, Vadivel, Shanmugavelmurugan, Yuvaraj and Anbumane not stated anything about petitioners creating any forged documents except a sweeping allegation made by employees of A3 Company that on verbal instructions there was some recordings made in the Stock register and bills. On scrutiny it is clear on the materials projected that there is no making of false documents by the petitioners and the gravamen for the offence under Section 467 IPC is not found. Hence, the offence under Section 467 IPC is not made out and attracted in the above case.

15.Further this Court in ***Crl.O.P.No.14485 of 2022 dated 07.08.2024*** in the case of ***G.Venkateshan vs. State rep. by the Inspector of Police, Keevalur Police Station, Nagapattinam*** dealt with plea bargaining and it will be apposite to extract paragraph 29, which is as follows:

> *"29.It is appropriate for this Court at this juncture to clarify that, the offenders who apply for plea bargaining and go through the process of Mutually Satisfactory Disposition need not apprehend that he will be certainly imposed with sentence of imprisonment. The Act prescribes half the sentence of imprisonment in case of the offence where minimum sentence is prescribed. In all other cases where the sentence of imprisonment is extendable to a certain period, then the Court may not impose sentence of imprisonment, if the sentence prescribed for the said offence is -may be imprisonment or with fine-. The Imprisonment, may be till Raising of the Court to the maximum of 1/4th period prescribed under the Act.*

16.Thus the apprehension of the petitioners that some prescribed minimum sentence would be imposed is uncalled for and even in such cases, this Court observed that imprisonment till raising of the Court is sufficient. In view of the above, the petitioners are permitted to resubmit Crl.M.P.No.12388 of 2024 and Crl.M.P.No.12394 of 2024 or file a fresh plea bargaining petition before the Trial Court and the Trial Court considering the One Time Settlement and on the facts and materials, offence under Section 467 IPC is not made out and attracted in the above case, the Trial Court to consider the plea bargaining and dispose of the case at the earliest.

17.In the result, the Criminal Original Petitions stand disposed of. Consequently, connected miscellaneous petitions are closed.

09.06.2026

Index : Yes/No
Speaking Order/Non Speaking Order
Neutral Citation: Yes/No
*cse*

To

1.The Inspector of Police,
Central Bureau of Investigation,
Bank Securities and Frauds Cell,
No.36, Bellary Road,
Ganganagar, Bangalore – 32.

2.The Chief Judicial Magistrate,
Coimbatore.

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

M.NIRMAL KUMAR, J.

*cse*

Pre-delivery order made in

Crl.O.P.Nos.22077 & 22104 of 2025

09.06.2026