IN THE HIGH COURT OF JUDICATURE AT MADRAS

RESERVED ON : 18.02.2026
PRONOUNCED ON : 9.06.2026

CORAM

THE HONOURABLE MR.JUSTICE M.NIRMAL KUMAR

Crl.A.Nos.633, 650 & 652 of 2019

Crl.A.No.633 of 2019:

1.S.Arivarasu, M/A.44 Years,
S/o.Subramaniyan,
No.SF 229, Chinna Thottam,
Opp: Jothimani Ponniah Kalyana Mandapam,
Edapalayam, Coimbatore.
The Then Business Development,
Manager of SBI Global Factors Limited.

2.A.Senthilmani, M/A.46 Years,
S/o.Arumugam,
No.10 (New No.10/13 Palani Andavarpet,
Udumalept.
Proprietor of M/s.Sri Selvanayagi Amman Textiles.

3.K.Ravichandran, M/A.52 years,
S/o.Kannan,
No.6, Sabiya Beevi Layout,
Udumalpet,
Partner of M/s.Vardhaman Fabrics.

4.T.Ashokan, M/A.59 years,
S/o.Thiyagarajan,
No.39B, Nadarajapuram II Street,
Medical College Road,
Thanjavur,
Partner of M/s.Meridean Integrated Fibres.

5.R.Purushothaman, M/A.47 Years,
S/o.Ramasamy,
No.32, Kurinji Nagar,
Tharapuram Road,
Udumalpet.
Partner of M/s.Saran Textiles. ... Appellants

Vs.

State: Rep. by
Inspector of Police,
CBI/SCB/Chennai.
R.C.No.6(2)/2010. ... Respondent

PRAYER: Criminal Appeal is filed under Section 374(2) of Code of Criminal Procedure, to set aside the judgment and sentence passed by the II Additional District Judge (CBI Cases), Coimbatore in C.C.No.8 of 2011 dated 28.08.2019 by convicting the Appellant-1/Accused-5 to undergo Rigorous Imprisonment for Two years and to pay a fine of Rs.5,000/- in default to undergo six months Simple Imprisonment for the alleged offences under Sections 120-B r/w 420, 467, 468, 471 and 472 IPC and under Section 13(1)(d) r/w 13(2) of the Prevention Corruption Act, 1988 and he was also convicted and sentenced to undergo Rigorous Imprisonment for two years and imposed a fine of Rs.5,000/- and to undergo six months for Simple Imprisonment for each of the substantive alleged offences punishable under Section 420 & 471 IPC and under Section 13(1)(d) r/w 13(2) of the Prevention of Corruption Act, 1988, Appellants 2 to 5 Accused 6 to 9 to undergo Rigorous Imprisonment for two years and imposed a fine of undergo six months Simple Imprisonment for the alleged offences under Section 120-B r/w 420, 467, 468, 471 and 472 IPC and under Section 13(1)(d) r/w 13(2) of the Prevention of Corruption Act, 1988 Rs.5,000/- in default to further convicted them Rigorous Imprisonment for two years each and to pay a fine of Rs.5,000/- each in default to undergo Simple Imprisonment for six months each for offences punishable under each of the substantive alleged Sections 420, 467, 468, 471 & 472 IPC.

For Appellants : Mr.K.Kannan for
Mr.K.K.Sivashanmugam

For Respondent : Mr.K.Srinivasan,
Special Public Prosecutor for CBI Cases

Crl.A.No.650 of 2019:

1.Maruvoor Arasi Textiles India Private Limited,
Madathur, Udumalpet,
Represented by its Managing Director N.Karthikeyan.

2.N.Karthikeyan, M/a. 54 Years,
S/o.Natarajan,
No.10/A, New No.8/14,
Subramaniya Layout,
Ghouse Garden,
Udumalpet 642 1023.

3.N.Ragupathy, M/a.46 years,
S/o.Natarajan,
No.8/16, Theeran Chinnamalai Street,
Shankaranmanallaur North,
Udumalpet.

4.N.Venkataraman, M/a.49 years,
S/o.Natarajan,
No.10/A, New No.8/14,
Subramaniya Layout,
Ghouse Garden,
Udumalpet 642 1023. ... Appellants

Vs.

The Inspector of Police,
CBI/SCB/Chennai.
RC NO.6(S)/2010. ... Respondent

PRAYER: Criminal Appeal is filed under Section 374(2) of Code of Criminal Procedure, to set aside the conviction and sentence imposed in judgment against A1 to A4, dated 28.08.2019 made in C.C.No.8/2011 on the file of II Additional District Judge (CBI Cases), Coimbatore by allowing this Criminal Appeal.

For Appellants	:	Mr.V.Paarthiban for Mr.Kannan Kumar
For Respondent	:	Mr.K.Srinivasan, Special Public Prosecutor for CBI Cases

Crl.A.No.652 of 2019:

C.Gunasekaran, 59 years,
S/o.Chinnasamy,
Partner of M/s.Supreme Yarns,
26, GTV Layout,
Udumalpet,
Tiruppur District. ... Appellant

Vs.

State through the Inspector of Police,
CBI/SCB/Chennai in RC No.6(S)/2010. ... Respondent

PRAYER: Criminal Appeal is filed under Section 374(2) of Code of Criminal Procedure, to set aside the conviction and sentence imposed on the appeal/accused No.10 dated 28.08.2019 in C.C.No.8 of 2011 by the II Additional District Judge (CBI Cases), Coimbatore.

For Appellant : Mr.V.Paarthiban for Mr.Kannan Kumar

For Respondent : Mr.K.Srinivasan,
Special Public Prosecutor for CBI Cases

COMMON JUDGMENT

Challenging the impugned judgment dated 28.08.2019 in C.C.No.8 of 2011 passed by the learned II Additional District Judge (CBI Cases), Coimbatore (trial Court), Crl.A.No.633 of 2019 is filed A5 to A9 and Crl.A.No.650 of 2019 is filed by A1 to A4 and Crl.A.No.652 of 2019 is filed A10.

2.Conviction and Sentence of the trial Court are as follows:

Rank of the Accused	Conviction and Sentence
A1 & A4	To undergo Rigorous Imprisonment for two years each and to pay a fine of Rs.5,000/- each in default to undergo Simple Imprisonment for six months each for offence under Sections 120-B r/w 420, 467, 468, 471 & 472 IPC and Section 13(2) r/w 13(1)(d) of Prevention of Corruption Act, 1988. To undergo Rigorous Imprisonment for two years each and to pay a fine of Rs.5,000/- each in default to undergo Simple Imprisonment for six months each for offence under Sections 420 & 471 of IPC.
A5	To undergo Rigorous Imprisonment for two years and to pay a fine of Rs.5,000/- in default to undergo Simple Imprisonment for six months for offence under Sections 120-B r/w 420, 467, 468, 471 & 472 IPC and Section 13(2) r/w 13(1)(d) of Prevention of Corruption Act, 1988.

	To undergo Rigorous Imprisonment for two years and to pay a fine of Rs.5,000/- in default to undergo Simple Imprisonment for six months for offence under Sections 420 & 471 of IPC and Section 13(2) r/w 13(1)(d) of Prevention of Corruption Act, 1988.
A2, A3 and A6 to A10	To undergo Rigorous Imprisonment for two years each and to pay a fine of Rs.5,000/- each in default to undergo Simple Imprisonment for six months each for offence under Sections 120-B r/w 420, 467, 468, 471 & 472 IPC and Section 13(2) r/w 13(1)(d) of Prevention of Corruption Act, 1988. To undergo Rigorous Imprisonment for two years each and to pay a fine of Rs.5,000/- each in default to undergo Simple Imprisonment for six months each for offence under Sections 420, 467, 468, 471 & 472 IPC.

3.For the sake of convenience and clarity, the appellants are referred to as accused as per their rank in the charge sheet.

4.Case of the prosecution is as follows:

(a)M/s.SBI Global Factors Limited was a Private firm by name M/s.Global Trade Finance Limited till 27.03.2008 and it became a subsidiary of State Bank of India on 28.03.2008. M/s.Global Trade Finance Limited merged with M/s.SBI Global Factors Limited on 11.02.2010 and the name of M/s.Global Trade Finance Limited changed as M/s.SBI Global Factors Limited on 16.03.2010. M/s.Global Trade Finance Limited was providing factoring facilities and trade finance solutions to companies who are in the field of manufacturing and trading. Factoring is a trade finance facility given to clients against sale made by the clients to its buyers/debtors. Finance facility is provided to the clients on producing the trade documents evidencing sale made to the buyers such as invoices, despatch challans, etc.

(b)M/s.SBI Global Factors Limited involved in international and domestic factoring, sanctioned trade finance facilities to a tune of Rs.2.55 Crores to A1/M/s.Maruvoor Arasi Textiles India Private Limited, Udumalpet (A1) company on 11.02.2008. The Directors of the company viz., A2, A3 & A4 in active connivance with A5, the then Business Development Manager of M/s.SBI Global Factors Limited, cheated M/s.SBI Global Factors Limited by submitting Debtor Introductory Letters (DIL) in the names of non-existing debtors/buyers and made M/s.SBI Global Factors to release an amount of Rs.3.53 Crores to the account of the accused company. A1/M/s.Maruvoor Arasi Textiles India Private Limited company is represented by A2 as Managing Director, A3 & A4 as Directors. This company was in the business of manufacturing, producing, processing and converting all kinds of yarns, nylons, polyester and other fiber materials.

(c)During 2007, M/s.Global Trade Finance Limited was having one branch at Coimbatore. At that time, A5, Business Development Manager was the Branch Head. A1 company represented by its Managing Director/A1 and Directors A2 & A3 approached A5 for availing Trade Finance facilities. On 24.11.2007, A1 company gave application requesting for domestic factoring and import factoring facilities. They mentioned that their debtors/buyers are (1)M/s.Sri Selvanayagi Amman Textiles, Kaumudi Road, Abhiramam, (2)M/s.Vardhman Fabrics, Nochikottai Thottam, Erode, (3)M/s Saran Textiles, 251, Mangalam Road, Erode, (4)M/s.Supreme Yarns, 26, GTV Layout, Udumalpet and (5)M/s.Meridean Integrated Fibres, II Street, Natarajapuram South, Tanjore. On 28.11.2007, A1 paid the required fees as per the norms for conducting an independent survey about the credit worthiness and other aspects of the Al company. A field survey conducted by M/s.Sekhar Associates, Chartered Accountants, Chennai on the behest of M/s.Global Trade Finance Limited. PW9/Deepa Rajkumar conducted the field survey and report was submitted to A5 on 24.12.2007. The Surveyor listed out many discrepancies in the field survey report. Despite the same, A5 concealed these facts stating that no adverse comments were noticed in the field survey report and exaggerated the actual things and forwarded the Credit proposal to Head Office, Mumbai recommending factoring facility to A1.

(d)Based on the recommendations of A5, an amount of Rs.2.55 Crores was sanctioned by M/s.Global Trade Finance Limited, Head office on 11.02.2008. After the funds sanctioned, A5 sent a Plant Visit Report to Head Office, Mumbai stating that the overall performance of Al company was good and also forwarded the relevant documents such as Factoring agreement, Demand promissory note, Debtor Introductory Letter (DIL), Board Resolution, undertaking for borrowers, undertaking to cheques, etc. After the sanction and before releasing the credit limits, the Debt Management Department of M/s.Global Trade Finance Limited, Head Office, Mumbai contacted the five debtors over phone who executed the Debtor Introductory Letter (DIL). During the period between March 2008 to July 2008, an amount of Rs.5,54,46,749.56 was factored to Al company against forged and fabricated invoices submitted by Al company. The payments were effected from M/s.Global Trade Finance Limited at Mumbai through their bankers *i.e.,* Axis Bank, BKC branch, Mumbai through RTGS and was credited to the account of Al company maintained with Canara Bank, SSI Branch, Coimbatore. Out of this amount, an amount of Rs.3,19,44,980/- was received by M/s.Global Trade Finance Limited and Rs.3,53,01,425/- was still outstanding including interest. Repayment of the dues were going till August 2008 and Al company or the debtor firms did not pay after this period. M/s.Global Trade Finance Limited contacted Al company who assured that if the debtors were not paying the dues, Al company will pay the dues directly to M/s.Global Trade Finance Limtied. Investigation revealed that the Al company did not pay back the dues till date.

(e)All the 5 debtor firms are either not existing or not having business transactions with Al company during 2008. A6 submitted DIL (Debtor Introductory Letter) to M/s.Global Trade Finance as Proprietor of M/s.Sri Selvanayagi Amman Textiles, Kaumudi Road, Abiramam. He is a close friend of A2, A3. A6 took the premises of one M/s.Aysha Tex on lease during 2007 and it functioned only for 3 months and the said company did not have any transactions with Al company. A6 was assisting in the office works of Al company and helping A2 and A3 in preparing false invoices. Further, the tax returns not filed by this firm during 2008 the Commercial tax Department. An account opened in the name of M/s.Sri Selvanayagi Amman Textiles with Indian Overseas Bank, and this account was active only upto 2007. A6 who signed the Invoices as proprietor of M/s.Sri Selvanayagi Amman Textiles, Abhiramam, for receiving the goods from Al company. However, there were no real supply of goods by A1/M/s.Maruvoor Arasi Textiles India Private Limited. The GEQD opinion also confirmed the signatures of A6, Proprietor of M/s.Sri Selvanayagi Amman textiles, Kaumudi Road, Abhiramam in the Invoices and the DIL submitted to GTF.

(f)In this case, A7 executed the DIL as a partner of M/s.Vardhman Fabrics, Erode and signed in all Invoices dealt with A1. But no firm was existing in the given address and was not registered with Sales Tax authorities. One account was opened with Karur Vysia Bank in the name of M/s.Vardhman Fabrics and the address of A7, Teachers colony, Udumalpet. A7 was working as Chess Master and is a close friend of A2 & A3. GEQD opinion confirmed that A7 signed as a partner of M/s. Vardhman Fabrics, Erode in the Invoices for receiving goods from A1. A8 executed the DIL of M/s.Meridean Integrated Fibres, Tanjore. No firm in the name of M/s.Meridean Integrated Fibres was existing in the said address. A8 is a friend of A2 & A3. An account was opened in the name of M/s.Meridean Integrated Fibres with Tamil Nadu Mercantile Bank Limited in the name of one Mr.Suresh Kumar and Mr.Tamil Selvan. The said Suresh Kumar is a relative of N.Karthikeyan & Tamilselvan an employee of Al company. On the directions of A2, Suresh Kumar and G.Tamil Selvan authorised A8 to operate the said account.

(g)A9 executed the DIL as a partner of M/s.Saran Textiles to M/s.Global Trade Finance Limited and he is a friend of A2 & A3 and workshop at Udumalpet and he did not own any firm in his name. The name of the firm was misused by accused persons to cheat M/s.Global Trade Finance Limited. The proprietor of M/s.Saran Textiles, Udumalpet is one Mr.Sadhasivam, S/o.Mayilsamy, who had transactions with Al company upto 2007. This firm was registered with Commercial Tax Office, Tirupur. The Tax returns filed by them did not reveal any transactions between Al company during 2008. GEQD opinion confirmed that it was R.Purushothaman who signed in the DIL submitted to GTF as a partner of M/s.Saran Textiles. A10 submitted the DIL of M/s.Supreme Yarns, Udumalpet. He is an employee of Al company and no company in the name of M/s.Supreme Yarns was running at Udumalpet. The said firm was registered with Commercial Tax authorities and partners of the firm were shown as A2 and A3. Further no Tax Returns filed during the year 2008. An account was opened in the name of M/s.Supreme Yarns by A2 & A3 and they had authorised A10 to operate the account. GEQD opinion confirms the signatures of A10 in the DIL and the Invoices for having received the goods from Al company without actually receiving any goods from them.

(h)Al company was running from UKPN Complex, Udumalpet during the year 2008. A2 & A3 were functioning from there and they used the service of A6 to prepare false invoices without supplying any goods to any of the debtors/buyers and used to obtain the signatures of A6, A7, A8, A9 and A10 in the Invoices. In the invoices prepared by Al company, the goods transported through Lorries bearing Registration Numbers of Karnataka State mentioned. None of the numbers registered with any of Regional Transport Office in Karnataka, except one number which happened to be a registration number of a school bus. This fact clearly indicates that no goods delivered to any of the debtors/buyers by A1 company. Al company was keeping rubber stamps and letter pads of different firms including the debtor companies, which clearly proves that the 5 debtors were existing only on papers and have been created only for availing the factoring facilities and to cheat M/s.Global Trade Finance Limited. A5 on his part as Business Development Manager did not ensure the safe guards for his company and again sent proposal to his Head Office requesting them to include another 17 debtors and also to increase the limits of funds in use to A1. The Head Office, Mumbai did not accede to his request stating that the documents submitted by the company are questionable and rejected the proposal on various grounds. Form-8 was to be submitted to the Registrar of Companies after obtaining the signatures of Company Secretary of

M/s.Global Trade Finance Limited and the client Al company. This was due to the fact that receivables were to be hypothecated by way of first charge in favour of M/s.Global Trade Finance Limited as per the terms and conditions of sanction letter. This was not executed by A5 even after repeated reminders from Head Office, Mumbai.

(i)Apart from the above, A5 Arivarasu was in the habit of obtaining pecuniary advantages from the clients of M/s.Global Trade Finance Limited. A5 started a company in the name of M/s.Twins Multi Studio at Coimbatore, jointly with the Directors of M/s.Pamba Spinning Mills & M/s.Paranthaman Spinning & Weaving Mills, who are all the clients of M/s.Global Trade Finance Limited to whom he recommended and got sanctioned the factoring facility. Thus, Al company represented by A2 to A4, entered into a conspiracy with A5 to A10 at Udumalpet and other places during 2007-08 to cheat M/s.Global Trade Finance Limited (Subsidairy of SBI) and in pursuance to the said conspiracy, A1 to A4 and A6 to A10 dishonestly prepared false Debtor Introductory Letters, Invoices and other documents, made fake rubber stamps in the names of fictitious debtor firms, used the same as genuine for the purpose of cheating and availed factoring facility to the tune of Rs.5,54,46,749.56 between March July 2008 and out of this, an amount of

Rs.3,19,44,980/- was received back by M/s.Global Trade Finance Limited and an amount of Rs.3,53,01,425/- is still outstanding and thereby caused wrongful loss to M/s.SBI Global Factors Limited and corresponding wrongful gain to themselves.

(j)During trial, on the side of the prosecution, PW1 to PW35 examined and Exs.P1 to P88 marked and MO1 to MO8 produced. On the side of the defence, DW1 to DW7 examined and Exs.D1 to D14 marked. The trial Court marked two documents Exs.C1 & C2. On conclusion of trial, the trial Court convicted all accused as stated above. Challenging the conviction and sentence, appeals are filed.

5.The submissions of the learned counsel for A1 to A4 are as follows:

(i)M/s. Global Trade Finance Limited functioned as a private limited company with 50% shareholding, and the same was purchased by M/s.SBI Factors and Commercial Services Private Limited on 10.02.2008. The company merged with SBI on 11.02.2010 and, as per the rules and procedures, the High Court of Bombay passed order for amalgamation on 12.03.2010. Thereafter, the name of the company changed as M/s.SBI Global Factors Limited with effect from 16.03.2010. A1 made loan application dated

24.11.2007 and paid fee for loan processing on 28.11.2007. A5, Business Development Manager, requested M/s.G.Sekar Associates, Chartered Accountant, to conduct an enquiry and send a report. PW9, Chartered Accountant requested PW10, his associate, to conduct enquiry and give report, and the report submitted on 24.12.2007. Thereafter, the application and report submitted to the Head Office, Mumbai, and the loan sanctioned on 11.02.2008, and the amount credited on 27.03.2008 and the same utilized for the business.

(ii)Learned counsel further submitted that the loan transaction was completed and the loan was given based on the report submitted by PW9 and PW10, which was well before the company was taken over by SBI. PW1, defacto complainant, admitted that he satisfied with the report of PW9 and PW10. This being so, the prosecution has no case to project that, at the instance of A1 and the other accused, in conspiracy with the same, the Auditor Report (Ex.P3) received from PW9 and PW10. In Ex.P3, shortcomings recorded. Despite the same, the Head Office, Mumbai sanctioned the loan. Such being the position, now making a turnaround and accusing A1 and attributing motive is not proper. In this case, a complaint under Section 138 of the Negotiable Instruments Act, 1881 filed by M/s.Global Trade Finance Limited before the learned XII Metropolitan Magistrate, Bandra, Mumbai in

C.C.No.3238/SS/2015, in which, amendment petition to change the name of the complainant company from M/s.Global Trade Finance Limited to M/s.SBI Global Factors Limited filed and the same ordered on 18.10.2013. The complaint under Section 138 N.I. Act is for dishonour of 12 cheques to the tune of Rs.2,55,00,000/-, which is the amount that was due by A1 company to PW1. This amount settled before Maha Lok Adalat on 13.07.2019 and C.C.No.3238/SS/2015 was withdrawn. Learned counsel further submitted that, at the time of filing the amendment petition in C.C.No.3238/SS/2015, the admitted position of PW1 was that M/s.Global Trade Finance Limited was amalgamated with M/s.SBI Factors and Commercial Services Private Limited by order dated 15.01.2010 passed by the High Court of Bombay, thereafter, a fresh certificate of incorporation issued by the Registrar of Companies on 18.03.2010. Now, the civil dispute given as criminal colour.

(iii)He further submitted that while lodging the complaint on 09.06.2010, PW1 suppressed the pendency of the complaint under Section 138 N.I. Act before the learned II Metropolitan Magistrate, Bandara, Mumbai and the Summary Suit No.2154 of 2010 pending in the High Court of Bombay. PW35, Investigating Officer, admitted that he was not informed and not investigated with regard to these two cases, which were initially pending and are now settled. Further, the verification of the Firms A6 to A10 was not properly done. PW11, Postwoman, examined to show that when she attempted to serve the postal cover, the same returned, failing to look into the fact that it is the Public Relations Officer (PRI) of the Postal Department who is the authorized person to conduct such enquiry. Apart from the oral evidence, no documents such as Beat Book, address particulars, and other documents produced. Thus, the trial Court placing reliance on the evidence of PW11 and coming to the conclusion that A6 to A10 are non-existing Companies/Firms is not proper. Learned counsel further submitted that the registration certificates of A6 to A10 produced and the witnesses confirmed the certificates, and bank officials confirmed the transactions that took place in the names of A6 to A10. The State Bank of India took over the company and, after all legal requirements complied with on 16.03.2010, after three years of the loan and after filing of 138 N.I. Act complaint and Summary Suit No.2154 of 2010 before the High Court of Bombay, the criminal complaint lodged and the respondent, without considering the locus standi of PW1 and without any jurisdiction, registered the case against A1 to A10. In this case, A5 is the former Branch Manager of M/s.Global Trade Finance Limited, who resigned much before the amalgamation, but it was projected that A5 is a public servant and the provisions under the Prevention of Corruption Act, 1988 invoked.

When A5 was no longer a public servant, there is no question of invoking the Prevention of Corruption Act, 1988, and the respondent was divested of any jurisdiction to register and conduct the investigation in the above case. Added to it, A5, Branch Manager of M/s. Global Trade Finance Limited, was permitted to go on voluntary retirement after being given a clean chit.

(iv)Learned counsel further submitted that the admitted position of the prosecution case is that around Rs.3.53 crores repaid towards the loan and only a part amount remained due. In such circumstances, projecting the issue as criminal case is not proper. He further submitted that, in both the summary suit and the complaint under Section 138 of the N.I. Act, there was no averment or allegation against the accused that they created forged documents or committed cheating. In this case, since the complaint under Section 138 of the N.I. Act was compounded and withdrawn as early as on 13.07.2009, the respondent ought not to have registered the FIR on 12.06.2010. The summary suit also dismissed on 15.06.2016 in view of the settlement. PW35, the Investigating Officer, failed to consider all these aspects, but made a vain attempt and projected as though the beneficiaries, namely A6 to A10 were non-existing companies and they did not exist at the addresses furnished and no goods were supplied to them and the invoices and lorry receipts found to be forged. It is to be seen that the officials of PW1 admitted that the invoices and other connected documents all forwarded from Coimbatore Office to Chennai Office, which, upon verification of the same, uploaded all documents to the server, and it was the Head Office at Mumbai who released the loan amount directly to the business entities, pursuant to which, the loan disbursed.

(v)Learned counsel further submitted that PW4, a disgruntled ex-employee, was forced to depose as though A3 in this case created forged documents and gave signed cheques of other business entities to get encashed or to transfer the amounts into the account and that A3, along with PW4, purchased various rubber stamps in the names of A6 to A10 and used the same in the transaction. The evidence of PW4 is exaggerated. Even in the earlier statement under Section 164 Cr.P.C., he had not stated anything as deposed before the trial Court. During the cross-examination, PW4 disowned his earlier statement and admitted that he was enquired into in a hotel for three days by the Investigating Officers and forced to toe the line as dictated by them. In this case, the evidence of PW33, Scientific Officer, is not acceptable for the reason that the specimens not obtained from the accused as prescribed under law. Further, the rubber stamps which alleged to be seized by the respondent, there is no ink mark to prove the fact that it has been used in any manner. In any event, when the respondent had no jurisdiction on 12.06.2010 to register the case and investigate, all subsequent actions would fall. A1 Company has been in existence in the year 2005 having good turn over and failure in business projection lead to non-repayment within time and the same had been now repaid. The trial Court failed to give consideration that the entire dues settled to PW1 and Exs.D11 to D14 marked to substantiate the same.

(vi)In support of his submissions, learned counsel relied on the decision of the Hon'ble Apex Court in ***N.S.Gnaneshwaran etc., v. Inspector of Police and another*** reported in ***2025 SCC OnLine SC 1257*** for the point that once a settlement arrived at and the recovery proceedings dismissed as settled, no residual claim survives and the bank also not raised any objection as the dispute between the parties had been resolved through full and final settlement. In such circumstances, there is no justification for allowing the criminal proceedings to continue.

(vii)Making the above submissions and relying upon the above decision, learned counsel prays for acquittal.

6.The submissions of the learned counsel for A5 to A9 are as follows:

(i)Learned counsel submitted that in this case, A5 employed as Business Development Manager in M/s.Global Trade Finance Limited, a registered Non-Banking Financial Company. A5's role was limited to forwarding the borrowers' proposal to the Credit Department of M/s.Global Trade Finance Limited, and the Credit Department was to conduct independent assessment, field verification, audit report, internal due diligence and place the proposal before the Management Risk Committee, which alone had sanctioning powers. On 11.02.2008, M/s.Global Trade Finance Limited sanctioned a factoring facility of Rs.2.55 Crores under loan sanction letter (Ex.P41) to A1. The disbursement commenced from the first week of March 2008 following the sanction letter. M/s.Global Trade Finance Limited was a private Non-Banking Financial Company at the time of sanction and disbursement. As per the prosecution version, M/s.SBI Factors and Commercial Services Private Limited started acquiring the shares of M/s.Global Trade Finance Limited from 28.03.2008. A5 resigned on 30.06.2009, much before the acquisition of shares. He further submitted that the share acquisition is distinct from amalgamation and share acquisition is a mere change in ownership and does not affect incorporation, and no separate legal identity came into existence till amalgamation.

(ii)Learned counsel further submitted that M/s.SBI Factors and Commercial Services Private Limited filed Company Application No.1208 of 2009 before the High Court of Bombay, and the scheme of amalgamation with M/s.Global Trade Finance Limited framed and allowed on 11.02.2010, merging M/s.Global Trade Finance Limited with it. After issuance of the fresh certificate of incorporation, PW1 lodged a complaint on 12.06.2010 (Ex.P72) for wrongful loss of Rs.3.5 Crores. The factoring loan facility sanctioned on 11.02.2008 (Ex.P41). A5, being a Business Development Manager, resigned on 30.06.2009, well before the amalgamation of M/s.Global Trade Finance Limited. Whether A5 was a public servant is a preliminary issue which the trial Court failed to consider. The sanctioning of loan facilities, disbursement of the sanctioned loan amount, default and consequent crystallisation of liability took place prior to amalgamation. M/s.Global Trade Finance Limited, at the time of loan sanction, was merely a Non-Banking Financial Company, hence, the provisions of the Prevention of Corruption Act, 1988 do not apply to the transactions that happened during that period. The prosecution purposefully misapplied the Prevention of Corruption Act, 1988 to a private transaction and investigated the case. Hence, during the transaction period from February-March 2008, M/s.Global Trade Finance Limited was neither a Government company nor a subsidiary, hence, the Prevention of Corruption

Act, 1988 would not be applicable.

(iii)He further submitted that, for recovering the liability of A1 Company, Summary Suit No.550 of 2010 filed before the High Court of Bombay. Further, a complaint under Section 138 of the Negotiable Instruments Act, 1881 filed by M/s.Global Trade Finance Limited before the learned XII Metropolitan Magistrate, Bandra, Mumbai in C.C.No.3238/SS/2015. The filing of the summary suit and the complaint under Section 138 of the N.I. Act would prove that it was only a commercial transaction, and now both cases were withdrawn since the due amount paid to the satisfaction of PW1's company. The trial Court failed to consider that, as far as A6 to A9 are concerned, they are only buyers and do business for profit, and need not have any name board or storeroom, and that a telephone alone is required for their business. The trial Court failed to take note that, out of the loan amount of Rs.7 Crores, a sum of Rs.2.54 Crores repaid on various occasions, which would show that the transactions and business were genuine. When the amount became due, PW1 took offensive and filed the criminal complaint. The trial Court failed to take note of the fact that the transactions are purely civil in nature. In Ex.P74 agreement, clauses 2.1, 3.1, 3.2, 4.2.1, 6.1, 6.2, 6.3, 7.1, 12.1, 14.4, 18.2 and 18.2.1 would establish that it is purely civil in nature, and accordingly, the civil suit and the complaint under Section 138 of the N.I. Act filed. In this case, Rs.2.54 Crores settled and the complaint under Section 138 of the N.I. Act compounded. The trial Court failed to consider that, in the Auditor Report (Ex.P3), it is recorded that the companies were in existence and that, on 15.12.2007, inspection made and TNGST paid for the year 2006-07, which finds place in Ex.P3.

(iv)Referring to defence exhibits (Exs.D11 to D13), learned counsel submitted that Exs.D11 to D13 confirm that it is purely a civil dispute and that the dispute was amicably settled. He further submitted that once A5 is not a public servant, then the Prevention of Corruption Act, 1988 would not get attracted and the respondent would not have jurisdiction to register or investigate the case. The trial Court coming to a finding that PW1 admitted that 90% shares of M/s.Global Trade Finance Limited was purchased by the State Bank of India during the year 2008 and such factual scenario construed that PW1's Company has got amalgamated to public limited company in the year 2008 itself is not proper.

(v)In support of his submissions, learned counsel relied on the following decisions:

1.For the point that the company is a juristic person and is distinct from the shareholder and the company owns the property and not the shareholders, learned counsel relied on the decision of the Hon'ble Apex Court in Bacha ***F.Guzdar v. Commissioner of Income Tax, Bombay*** reported in ***AIR 1955 SC 74***.

2.For the point that the share acquisition does not merge corporate personality, learned counsel relied on the decision of the Hon'ble Apex Court in ***Life Insurance Corporation of India v. Escorts Ltd., & Ors.,*** reported in ***(1986) 1 SCC 264***.

3.For the point that only amalgamation sanctioned by Court extinguishes the corporate identity, learned counsel relied on the decision in ***Saraswati Industrial Syndicate Ltd., v. C.I.T., Haryana, Himachal Pradesh, Delhi*** reported in ***AIR 1991 SC 70***.

4.For the point that amalgamation under the Court is distinct from share purchase, learned counsel relied on the decision of the Hon'ble Apex Court in ***Singer India Ltd., v. Chander Mohan Chadha and others*** reported in ***(2004) 7 SCC 1***.

5.National Company Law Appellate Tribunal at Chennai in TA (AT) No.04/2024 decided on 10.03.2025 clarified that amalgamation under Sections 230 & 232 of Companies Act is a formal legal process distinct from mere share acquisition, and that until a valid scheme of amalgamation is sanctioned, both entities retain their separate identity.

6.For the point that when a dispute is essentially civil in nature, giving it a criminal colour is impermissible and criminal process cannot be used as an arm-twisting mechanism in recovery of money, learned counsel relied on the decision of the Hon'ble Apex Court in ***V.Y.Jose & Anr., v. State of Gujarat & Anr.,*** reported in ***(2009) 3 SCC 78*** and ***Indian Oil Corporation v. M/s.NEPC India Limited & Ors.,*** reported in ***(2006) 6 SCC 736***.

7.For the point that the Prevention of Corruption Act, 1988 is inapplicable to private individuals in commercial dispute and "public servant" liability cannot be expanded without statutory basis, learned counsel relied on the decision of the Hon'ble Apex Court in ***N.S.Gnaneshwaran v. Inspector of Police*** reported in ***2025 INSC 787***.

(vi)Making the above submissions and relying upon the above decision, learned counsel prays for acquittal.

7.Adopting the above arguments, learned counsel for A10 submitted that PW4 deposed that the Firm of A10 is in existence and as against the invoices, M/s.SBI Global Factors Limited received the full amount of the invoices, which itself negatived the prosecution case that A10, in connivance with the other accused, cheated M/s.SBI Global Factors Limited. He further submitted that the trial Court failed to appreciate the fact that the practice in the yarn business is based on the documents produced by the respective parties and that the said invoices tallied with the respective account transactions, which was admitted by the witnesses. The Auditor Report (Ex.P3) and the details of registration of Supreme Yarn established the fact that A10's Firm is in existence and that the Auditor visited the site on 15.12.2007. In the Auditor Report (Ex.P3), the levy of TNGST for the year 2006 is recorded. The trial Court failed to consider that there was matrimonial animosity between A10 and his wife and, for that reason, his wife, who examined as PW28, deposed against A10. This was taken as gospel truth, and it was held by the trial Court that there was no Firm run by A10. He further submitted that the entire debt discharged, hence, there was no question of proceeding against A10. Hence, he prayed for acquittal.

8.The submissions of the learned Special Public Prosecutor for CBI Cases appearing for the respondent are as follows:

(i)Learned Special Public Prosecutor for CBI Cases filed written submission and submitted that M/s.Globtal Trade Finance Limited, a private firm was in existence till 27.03.2008 and it became a subsidiary of SBI on 28.03.2008. Consequently, M/s.Global Trade Finance Limited merged with M/s.SBI Global Factors Limited on 11.02.2010 and name of M/s.Global Trade Finance Limited changed as M/s.SBI Global Factors Limited on 16.03.2010. M/s.Global Trade Finance Limited was providing factoring facilities to the companies who are in the field of manufacturing and trading. The factoring is a trade financial facility given to clients against sale made by the clients to its buyer/debtors. The finance facility is provided to the clients on production of the trade documents evidencing sale made to the buyers such as invoices, despatch challans etc. M/s.SBI Global Factors Limited sanctioned trade finance facility to A1 to the tune of Rs.2.55 Crores on 11.02.2008 on the basis of Debtor Introductory Letters (DIL) in the names of A6 to A10 which were non-existing and caused a loss of Rs.3.53 Crores.

(ii)The prosecution case is that based on the recommendation of A5, Business Development Manager, a sum of Rs.2.55 Crores sanctioned on 11.02.2008 by M/s.Global Trade Finance Limited to A1 Company. During the period between March 2008 and July 2008, an amount of Rs.5.54 Crores factored to A1 company on the basis of the fabricated invoices submitted by A1. Out of the above said sum, Rs.3.19 Crores received back by M/s.Global Trade Finance Limited and Rs.3.53 Crores left outstanding. A6 to A10 are the five debtors who are either non-existing or not having real business transaction with A1 during the year 2008.

(iii)As regards A6 is concerned, he submitted Debtor Introductory Letter (DIL) (Ex.P10) to M/s.Sri Selvanayagi Amman Textiles. Further, no tax return filed by this Firm during 2008 before the Commercial Tax Department. The bank account opened in Indian Overseas Bank was active only up to the year 2007. A6 signed invoices showing he received goods in the capacity of Proprietor of M/s.Sri Selvanayagi Amman Textiles which is found in Annexure II Exs.P14, P15, P16, P17 & P18. As per the invoices, the goods were shown despatched by lorry bearing Registration No.KA 01 AB 2897. Exs.P48 & P49 read with the evidence of PW25 shows that no such lorry registered in Regional Transport Office, Bangalore (Central). Further, A6 signed as

Proprietor of M/s.Sri Selvanayagi Amman Textiles for having received the goods through lorry bearing No.KA 05 AF 2052. On combined reading of Exs.P54 & P55 and Exs.P56 & P57 and the evidence of PW31 & PW32 shows that no vehicle registered in KA 05 AF 2052 and also KA 07 AF 3543.

(iv)The cheques payable to M/s.Global Trade Finance Limited by M/s.Sri Selvanayagi Amman Textiles to the tune of Rs.19,52,000/-, Rs.19,99,500/-, Rs.19,67,250/-, Rs.20,44,650/- and Rs.20,38,200/- all dishonoured. Thus, non receipt of goods, fake lorry numbers and dishonour of the cheques would show that A6 in connivance with A1 stage-mannered as though the goods supplied and the amount diversified. PW4, Thirumoorthy, employed in A1 company, confirms that it was A2 who used to prepare invoices in the name of M/s.Supreme Yarn, M/s.Sri Selvanayagi Amman Textiles, M/s.Meridean Integrated Fabrics, M/s.Saran Textiles and M/s.Vardhaman Fabrics of A6 to A10 as if the goods sent to those companies. But the evidence proves that no such goods sent to them. PW4 further confirmed that A7, Partner of M/s.Vardhaman Fabrics, is a friend of A2 & A3 and he used to come and meet A2 & A3, but no Firm functioned in the name of M/s.Vardhaman Fabrics. PW4 further confirmed that A3 used him for depositing the cash as well as cheques in Karur Vysya Bank in the account of

M/s.Vardhaman Fabrics and also at times withdrawn of money and handed over to A3. Similar bank transactions at the instance of A3, PW4 carried out in the bank account of M/s.Sri Selvanayagi Amman Textiles and in the bank account of M/s.Supreme Yarns in the name of A10 in Tamilnad Mercantile Bank. Thus, the role of A6 to A10 have clearly spoken by PW4. PW4 further confirmed that he along with A3 visited Pushpa Rubber Stamps shop at Udumalpet and ordered making of rubber stamps in the name of A6, A7, A9 & A10. PW4 also identifies the signatures of A2 & A3 in the letterpad of A10 and he identifies MO1 to MO7, rubber stamps which were brought by him along with A3 from Pushpa Rubber Stamps, Udumalpet.

(v)PW5, Manager of Karur Vysya Bank confirms that Ex.P28 is the Account Opening form of M/s.Vardhaman Fabrics, Ex.P29 is the Account Opening Form of M/s.Saran Textiles and about the partnership firms. PW7, Branch Manager of Tamilnad Mercantile Bank identifies Ex.P30 Account Opening Form of M/s.Meridean Integrated Fabrics and its Partners and A8 gave authorisation letter Ex.P33 to operate the said bank account. PW8, another Branch Manager of Tamilnad Mercantile Bank produced Ex.P32 Account Opening Form in the name of M/s.Selvanayagi Amman Textiles opened by A6 as Proprietor. He further states that Ex.P31 is the authorisation letter given by the partners of M/s.Supreme Yarns to the bank authorising A10 to operate the account. PW9 & PW10, Chartered Accountant and his Associate confirmed the field survey conducted on A1 company and gave the Auditor Report (Ex.P3). PW11 is the Postwoman who states about the non-existence of M/s.Vardhaman Fabrics. PW12, a resident of Nochikuttaithottam confirms that there was no such company in the name of M/s.Vardhaman Fabrics functioning in the address given. PW13 confirms that he is running the business in the name of M/s.Saran Textiles which was misused and projected as though A10 was running the Firm. PW15 confirmed that A6 studied with him in school, A6 took a spinning mills on lease from M/s.Aisha Spinning Mill from one Basheer Ahmed. He further states that he was supplying cotton to the said mill. He further confirmed that A6 was running a mill only for three months and when he took the mill on lease, he changed the name as M/s.Sri Selvanayagi Amman Textiles. PW16 confirmed that at the instance of A2 & A3, he went to Tamilnad Mercantile Bank and signed in Ex.P30 on the request. PW17 admits that the photo found in Ex.P30 belongs to him and he was not doing any business at Nochikuttaithottam. PW18 confirms that one Basheer Ahmed let M/s.Aisha Textiles on lease to A6. PW19, Vice President of M/s.SBI Global Factors Limited speaks about the procedures right from the proposal stage up to the sanction stage of factoring facility. PW20, Sub Divisional Engineer in BSNL confirmed that on 05.07.2010, A1 company was searched and in search list (Ex.P34), blank letterhead of M/s.Saran Textiles, M/s.Supreme Yarns and M/s.Sri Selvanayagi Amman Textiles recovered and the blank letterheads marked as Exs.P35, P36 & P37. Ex.P38 is a sheet containing impression of seals seized during search.

(vi)PW21, Superintendent from Customs and Central Excise Department stated that he was present during the house search of A2 and Ex.P40 is the house search list. He confirms Ex.P39 is the sheet containing impression of seals which seized during search. PW22, Senior Manager of M/s.SBI Global Factors Limited confirms about sanctioning of loan of Rs.2.55 Crores to A1. PW23, Manager Secretarial of M/s.SBI Global Factors Limited speaks about Ex.P41 Loan Sanction Letter dated 01.03.2008 to A1 and finance facility to the tune of Rs.2.55 Crores disbursed and also with regard to communication had with A1. PW24, Manager in Debt Department of M/s.SBI Global Factors Limited confirms the contacting the debtor on the basis of the Debtor Introductory Letter (DIL). PW27, wife of A8 confirms that her husband A8 is the friend of A2 and he signed certain documents for availing loan from Canara Bank and also giving her properly as collateral security. The invoices Exs.P11 & P12 contained the address of M/s.Meridean Integrated

Fabrics, Tanjore and all signed by A8. PW28, wife of A10 confirms that her husband was working in A1 company and never ran any business on his own. PW29, Chief Manager (Client Relationship/Operation Department) of M/s.SBI Global Factors Limited confirms about the loan transaction with A1 company and the documents executed including invoices, lorry bills and other documents. In this case, the documents which were submitted by A1 company all proved to be not proper.

(vii)PW30, PW31 and PW32 are the Officials of the Regional Transport Office, Karnataka who confirmed that the lorry registration number found in the invoices and the lorry receipts were not registered in the respective Regional Transport Office. PW33, Principal Scientific Officer, Central Forensic Science Laboratory confirms that the specimen signature of A2 marked as Ex.P59, A6 as Ex.P60, A9 as Ex.P61, A7 as Ex.P62, A8 as Ex.P63 and A10 as Ex.P64. The questioned signatures marked as Q1 to Q51 found in Annexure I as per Ex.P58. PW33 examined and gave a report Ex.P65 confirming that the questioned signatures marked as Q11 to Q22 tallies with the specimen signature of A6, questioned signature marked as Q23 tallies with the specimen signature of A9, questioned signature marked as Q28 to Q38 tallies with the specimen signature of A7, questioned signature marked as Q47 to Q51 tallies with the signature of A10 and questioned signature marked as Q1 to Q10 found similar with the signatures of A2.

(viii)PW34, Official from M/s.SBI Global Trade Finance Limited confirms that factoring service provided to SME clients and the facilities were backed by the credit insurance and in the present case, all were insured with the New India Assurance Company and steps were being taken to obtain the credit cover from the insurance company. PW35, Investigating Officer deposed about registration of the case, conducting investigation, examining the witnesses, recording their statements, collecting documents and filing charge sheet.

(ix)PW1 states that on 10.02.2008, SBI brought 90% of shares from M/s.Global Trading Finance Limited. On 11.02.2010, SBI Factors got merged with the State Bank of India and M/s.Global Trade Finance Limited name changed to M/s.SBI Global Factor Private Limited. He further confirms that M/s.SBI Global Factor Private Limited is a subsidiary of SBI with effect much earlier though the name change took place during March 2010. The Annual Report 2008 of M/s.Global Trade Finance Limited marked as Ex.P85 confirms that one O.P.Bhatt is Chairman from State Bank of India and the second person

R.Sridharan is the Director of the Company and his position is Deputy Managing Director and GE (Subsidiaries, SBI) and the fourth person is R.Venkatachalam, Director of the company and his position is the Chief General Manager (MCG), State Bank of India and the fifth person is V.Kannan is a Director of Company and his position is General Manager, Bank of Maharashtra and the sixth and seventh persons are only two Directors of M/s.Global Trade Finance Limited. Thus, even in the year 2008, M/s.Global Trade Finance Limited was under the control and manned by the officials of State Bank of India. In the balance sheet as on 31.03.2008, it is shown that the shares are held by a holding company SBI with effect from 28.03.2008. PW29 in his evidence confirmed that in the month of May 2008 and July 2008, the loans disbursed based on the sales invoice which submitted in Exs.P11 to P24. During this period, SBI was holding 90% of the shares. Further, PW34 confirmed that Exs.P64 to P71 are the insurance claims in respect of A1 Company covering their buyers namely A6 to A10 and these claims took place on 10.06.2008, 01.11.2008, 29.09.2008, 12.01.2009 and 14.11.2008. Thus, all the above insurance claims took place after SBI took over the company with effect from 29.03.2008. M/s.SBI Global Trade Factors Limited became a subsidiary of SBI, hence, the provisions under the Prevention of Corruption Act, 1988 gets attracted. In view of the above, all the appeals to be dismissed and the trial Court conviction and sentence to be confirmed.

9.Considering the submissions and on perusal of the materials, it is seen that PW1, the Vice President of M/s.SBI Global Factors Private Limited, verified the documents and found that A1 Company not repaid the outstanding debt to the tune of Rs.3.53 Crores. On verification of the documents, it was found that the debtor firms namely A6 to A10 were either not functioning at the addresses furnished or had no genuine business transactions with A1 Company. PW1 informed the Head Office and, on its direction, lodged the complaint before the respondent. A2 to A4, the Directors of A1 Company, were enquired and they were unable to furnish satisfactory explanation regarding the transactions, invoices, transport documents and the alleged debtor firms. In the meanwhile, A5, who was functioning as Business Development Manager of M/s.Global Trade Finance Limited, gave his voluntary resignation on 30.06.2009. It is true that M/s.Global Trade Finance Limited earlier filed a complaint under Section 138 of the Negotiable Instruments Act before the learned Metropolitan Magistrate, Bandra, Mumbai and also filed summary suit before the High Court of Bombay for recovery of money. However, the pendency or settlement of civil proceedings would not bar criminal prosecution when the materials disclose ingredients of offences such as conspiracy, cheating, forgery and use of forged documents. Merely because civil remedies were also invoked, the criminality involved in the transaction does not stand effaced.

10.PW2, Assistant Manager of M/s.Global Trade Finance Limited, who was working as Business Development Officer at Coimbatore during the relevant period, clearly deposed the procedures followed while sanctioning and availing factoring facilities. He confirmed that A2 used to frequently visit the office and maintain close contact with A5. PW3, Assistant Manager of M/s.Global Trade Finance Limited, deposed that his duty was to verify the invoices submitted by the borrower along with letters of authorisation and transfer of receivables, feed the particulars into the system and thereafter forward the same to the Head Office, Mumbai, from where the funds were released to the borrower. The covering letters submitted by A1 and the connected transfer of receivables marked as Exs.P11 to P24. PW3 further clarified that, even after amalgamation, no fresh appointment orders were issued to him and that he continued in service uninterruptedly.

11.The anchor witness in this case is PW4, Thirumoorthy, who worked in A1 Company during the relevant period. PW4 deposed in detail about the functioning of A1 Company and the role played by A2 to A4. He categorically stated that A6 to A10 were friends and acquaintances of A2 and A3 and that they were not carrying on genuine business activities as projected before M/s.Global Trade Finance Limited. PW4 further deposed that false invoices prepared in the names of the debtor firms and that he instructed by A3 to deposit cheques and cash into the bank accounts maintained in the names of those firms and thereafter withdraw amounts and hand them over to A3. He also stated that he accompanied A3 to Pushpa Rubber Stamps shop at Udumalpet for preparation of rubber stamps in the names of A6 to A10 and these rubber stamps were thereafter affixed in the invoices which were submitted as debtor bills and uploaded in the computer, thereafter, the loan amount transferred from the Head Office. The rubber stamps recovered during investigation marked as MO1 to MO6.

12.The evidence of PW4 is corroborated by the seizure mahazars. Further the witnesses to the search and seizure confirmed the search conducted in the premises of A1 Company and the residence of A2 and seizure of blank letterheads and seals relating to the debtor firms. The recovery of blank letterheads, rubber stamps and connected materials belonging to the debtor firms from the premises of A1 Company confirms the prosecution case that the debtor entities were being controlled and operated by the accused themselves for the purpose of obtaining wrongful gain. Thus, the evidence on record clearly establishes that A6 to A10 existed only on paper and not a genuine independent business entities.

13.Further, PW6 and PW16, who were employees connected with A1 Company, and PW17, who is related to A2 to A4, deposed the active role played by A2 to A4 in operating the accounts of the debtor firms and diverting the loan amounts. Their evidence clearly establishes that the debtor firms were merely accommodation entities utilised for availing factoring facilities. The consistent evidence of these witnesses, coupled with the documentary evidence, established the conspiracy among A1 to A10 in creating fictitious trade transactions and dishonestly inducing the financial institution to part with funds.

14.Apart from the oral evidence, the prosecution also produced cogent documentary evidence to establish the falsity of the transactions. The officials from the Regional Transport Office, Karnataka, namely PW30 to PW32, confirmed that the vehicle registration numbers mentioned in the invoices and lorry receipts were either non-existent or related to different vehicles including a school bus. This evidence clearly disproves the defence version that actual transport of goods had taken place. The use of false vehicle registration numbers in the invoices and transport documents is a strong incriminating circumstance establishing fabrication of records and absence of genuine supply of goods.

15.PW33, the Handwriting Expert from the Central Forensic Science Laboratory, examined the disputed signatures and specimen signatures and submitted Exs.P65 and P66 reports confirming that the questioned signatures found in the invoices and Debtor Introductory Letters tallied with the specimen signatures of A2 and A6 to A10. The expert evidence corroborates the prosecution case that the accused themselves executed and used the fabricated documents. The defence contention regarding improper collection of specimen signatures does not dent the evidentiary value of the expert opinion, especially when the same stands corroborated by oral and documentary evidence available on record.

16.As regards A5, Ex.P88 reveals that he was also a partner in M/s.Twin Multi Studio India Private Limited along with persons connected to entities which had availed factoring facilities from M/s.Global Trade Finance Limited.

The evidence further establishes that A5, despite adverse remarks contained in the field verification report, recommended sanction of factoring facilities in favour of A1 Company and suppressed material discrepancies noticed during verification. The conduct of A5 in forwarding favourable recommendations despite adverse findings in the field survey report and in failing to secure mandatory safeguards such as creation of charge by filing Form-8 clearly indicates his active complicity in the conspiracy.

17.The contention raised by the learned counsel for the accused that the provisions of the Prevention of Corruption Act, 1988 would not apply since the amalgamation with SBI took place only in the year 2010; the loan sanction and disbursed in the year 2008 and A5 resigned from the job on 30.06.2009, cannot be accepted. The trial Court elaborately discussed this point in its judgment in paragraph No.13. The evidence and materials particularly Ex.P85 established that State Bank of India acquired controlling interest in M/s.Global Trade Finance Limited during the relevant period itself and that officials of SBI were occupying key positions in the management of the company. PW1 and PW29 also deposed about the fact that the factoring transactions and disbursements continued after SBI acquired majority shareholding. In terms of Section 46A of the Banking Regulation Act, 1949, the Managing Director, Director, Auditor, Liquidator, Manager and any other employee of a banking company are deemed to be public servants. Hence, the contention that A5 was not a public servant at the relevant point of time is liable to be rejected.

18.The contention of the learned counsel for A5 that M/s.Global Trade Finance Limited was merely a Non-Banking Financial Company and hence the Prevention of Corruption Act, 1988 would not apply, is unsustainable for the reason that during the relevant period of disbursement and operation of the factoring facility, SBI already acquired substantial control over the company and public funds were involved in the transactions. Hence, the CBI had necessary jurisdiction to register the case and conduct investigation.

19.In this case, SBI purchased 90% of the shares even prior to 28.03.2008. Out of seven Directors, five were ex-officio Directors from SBI. Hence, public funds involved in the factoring transactions extended to A1 Company. The subsequent settlement of dues between the parties or withdrawal of complaint under Section 138 of the Negotiable Instruments Act cannot absolve the accused from criminal liability arising out of forgery, fabrication of documents, use of fictitious debtor entities and conspiracy to cheat the financial institution. The decisions relied upon by the learned counsel for the appellants relating to purely civil disputes are distinguishable on facts, since the present case involves substantial evidence regarding fabrication of invoices, forged transport documents, fictitious firms and dishonest diversion of funds.

20.The trial Court, by a well-reasoned judgment, properly appreciated the oral and documentary evidence and rightly arrived at the conclusion that the prosecution proved the charges against the accused beyond reasonable doubt. This Court does not find any perversity or illegality in the appreciation of evidence or findings rendered by the trial Court.

21.However, considering the fact that the occurrence had taken place in the year 2008 and considerable time has elapsed thereafter, and further taking into account Exs.D11 to D13 which reveal that the amount due, forming the subject matter of the complaint under Section 138 of the Negotiable Instruments Act, has been paid and the said proceedings as well as the summary suit have been withdrawn, and also considering the personal circumstances of the accused, namely that A2 is facing family issues, A3 and A4 are suffering from cardiac ailments, A6 has dependent children and A7 is having a specially-abled child, this Court is inclined to modify the sentence imposed on the accused from two years rigorous imprisonment to one year rigorous imprisonment.

22.Accordingly, the conviction of the appellants/accused as stated above is confirmed and the sentence is modified as follows:

(i)The sentence of two years each imposed on A1 & A4 for offence under Sections 120-B r/w 420, 467, 468, 471 & 472 IPC and Section 13(2) r/w 13(1)(d) of Prevention of Corruption Act, 1988 is modified to one year. The sentence of two years each imposed on A1 & A4 for offence under Sections 420 & 471 of IPC is modified to one year.

(ii)The sentence of two years imposed on A5 for offence under Sections 120-B r/w 420, 467, 468, 471 & 472 IPC and Section 13(2) r/w 13(1)(d) of Prevention of Corruption Act, 1988 is modified to one year. The sentence of two years imposed on A5 for offence under Sections 420 & 471 of IPC and Section 13(2) r/w 13(1)(d) of Prevention of Corruption Act, 1988 is modified to one year.

(iii)The sentence of two years each imposed on A2, A3 and A6 to A10 for offence under Sections 120-B r/w 420, 467, 468, 471 & 472 IPC and Section 13(2) r/w 13(1)(d) of Prevention of Corruption Act, 1988 is modified to one year. The sentence of two years each imposed on A2, A3 and A6 to A10 for offence under Sections 420, 467, 468, 471 & 472 IPC is modified to one year. All the sentences are ordered to run concurrently.

23.With the above modifications, Criminal Appeals are Allowed in Part.

9.06.2026

Speaking order/Non-speaking order
Index: Yes/No
Internet: Yes/No
vv2

To

1.The II Additional District Judge (CBI Cases),
Chennai.

2.The Inspector of Police,
CBI/SCB/Chennai.

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

M.NIRMAL KUMAR, J.

vv2

PRE-DELIVERY JUDGMENT IN
Crl.A.Nos.633, 650 & 652 of 2019

9.06.2026