IN THE HIGH COURT FOR THE STATE OF TELANGANA
AT HYDERABAD

THE HONOURABLE SRI JUSTICE VAKITI RAMAKRISHNA REDDY

CRIMINAL PETITION Nos.18801 and 18824 of 2026

DATED: 25.11.2026

BETWEEN:

CRIMINAL PETITION No.18801 of 2026
(CNR No.HBHC010787172026)

Vulligaddala Sangappa and another ….Petitioners/Accused Nos.5 & 6

AND

The State of Telangana,
Through S.H.O., Karimnagar-II Town
Police Station, Karimnagar District,
Rep. by its Public Prosecutor,
High Court at Hyderabad …. Respondent/Complainant

CRIMINAL PETITION No.18824 of 2026
(CNR.No.HBHC010787472026)

Gudipati Gandhi …. Petitioner/Accused No.3

AND

The State of Telangana,
Through S.H.O., Karimnagar-II Town Police Station,
Karimnagar District, Rep. by its Public Prosecutor,
High Court at Hyderabad
…. Respondent/Complainant

ORDER:

These Criminal Petitions are filed under Sections 480 and 483 of Bharatiya Nagarik Suraksha Sanhita, 2023 (for short 'BNSS') seeking to enlarge the petitioners, who are arrayed as accused Nos.3, 5 and 6 in Crime No.212 of 2026 on the file of the Karimnagar – II Town Police Station, Karimnagar District, on bail. The said crime

was registered for the offences punishable under Sections 406, 420 of the Indian Penal Code, 1860 (for short, "IPC") and Section 5 of the Telangana Protection of Depositors of Financial Establishments Act, 1999 (for short, "TSPDFE Act")

2. The case of the prosecution in brief is that, the incident occurred prior to December, 2023 at Mankammathota, Karimnagar, and *de facto* complainant lodged a report on 16.04.2026 stating that the employees of Unique Mark Tile India Private Limited, Mankammathota, Karimnagar, approached and induced him to deposit Rs.1,00,000/- in their company, promising to repay double the amount (Rs.2,00,000/-) after six years. Believing their assurance, the complainant deposited Rs.1,00,000/- on 24.04.2017. Several others also deposited similar amounts under the same scheme. The maturity period was completed in December, 2023, however, the accused failed to repay the deposited amounts despite repeated demands and have been postponing repayment since 2023. So far, no amounts have been returned to the complainant or other depositors. Thus, the accused allegedly cheated the depositors and breached their trust by failing to honour their repayment commitments.

3. Heard Mr. K. Rajashekar, learned counsel for the petitioners and Mr. M. Vivekananda Reddy, learned Assistant Public Prosecutor appearing for the respondent-State.

4. Learned counsel for the petitioners submitted that the petitioners were arrested on 25.10.2026 and remanded to judicial custody on 05.11.2026 pursuant to the execution of a PT warrant in Crime No.244 of 2026 of C.C.S., D.D., Hyderabad. It is contended that the petitioners have been falsely implicated and there are no specific allegations that they personally approached or induced the complainant, received any amount or issued any bond. It is further submitted that the petitioners were merely commission-based agents of the Company, without any role in its management or financial decisions and in fact they themselves invested their savings in its schemes. It is further submitted that the complainant deposited Rs.1,00,000/- on 24.04.2017 and the maturity period expired in December 2023, and the complaint was lodged only on 16.04.2026, indicating that the dispute essentially concerns non-repayment of the matured amount, which, in the absence of dishonest intention from the inception or proof of entrustment and misappropriation, does not constitute cheating or criminal breach of trust and to that effect placed reliance on the decision of the Hon'ble Supreme Court in *Delhi Race Club (1940) Ltd. v. State of Uttar Pradesh*[1]. It is further submitted that the petitioners are implicated in four cases arising out of the same deposit schemes, namely Crime Nos.212, 244, 291 and 372 of 2026, and have no other criminal antecedents. As the

[1] 2024 INSC 626

investigation is primarily documentary in nature and no recovery or discovery is required from them, their further detention is unnecessary and thus, prayed to grant bail to the petitioner by allowing this criminal petition.

5. On the other hand, the learned Assistant Public Prosecutor, on instructions, opposed the grant of bail, contending that the petitioners are involved in more than five criminal cases and that more than 20 cases have been registered across the State against A-1 Company and its representatives. It is further contended that the petitioners were involved in huge financial transactions, wherein several innocent public had invested their money with the fond hope of obtaining good returns, however, the petitioners cheated the investors by failing to honour their promises. It is submitted that the investigation is still pending and if released on bail, the petitioners may threaten or influence the victims and tamper with the documentary evidence and thus, prayed for dismissal of the criminal petition.

6. Having considered the rival submissions and the material available on record, it appears that the petitioners are alleged to have worked as employees/commission-based agents of the Company. The principal allegation relates to the failure of the A1-Company to repay the amounts deposited by various investors. It is not specifically

alleged in the complaint or the remand report that the petitioners personally approached the complainant, induced him to invest money in the Company, collected the deposits or were involved in the financial and managerial affairs of the Company. It is the specific contention of the petitioners that they along with their family members had also invested their savings in the alleged schemes and were awaiting for returns.

7. It is pertinent to note that Section 5 of the TSPDFE Act, fastens criminal liability upon persons, who are responsible for the management of the affairs of the financial establishment in the event of default in repayment of deposits or agreed interest. Therefore, mere employment in the Company or inclusion of one's name in a general list of employees, without *prima facie* material indicating responsibility for the management of its affairs, may not, by itself, attract the penal provision. In *Gudimalla Umavathi v. State of Telangana*[2], this Court explained the requirements for attracting Section 5 of the TSPDFE Act and emphasised the necessity of establishing the accused's connection with the management of the financial establishment and the acceptance of deposits.

8. In the present case, the petitioners' specific contention that subsequent complaints were registered against them mechanically on

[2] TSHC: Criminal Appeal No.38 of 2019, dated 01.11.2022

the basis of the complaint lodged at Karimnagar also requires consideration during investigation. Further, the contention that the petitioners themselves had invested money in the Company's schemes cannot be altogether ignored at this stage, though the same would require verification during investigation. However, the mere pendency of investigation or the abscondence of the principal accused cannot, by itself, be a ground to deny bail to the petitioners, particularly when the investigation is primarily based on documentary evidence. No specific requirement of custodial interrogation or recovery from the petitioners has been demonstrated. Further, the petitioners have been in judicial custody since 25.10.2026 and their continued detention, in the circumstances of the case, does not appear necessary.

9. Having regard to the nature of the allegations, the specific role attributed to the petitioners, the absence of specific material *prima facie* demonstrating their responsibility for the management of the Company's affairs and the stage of investigation that fourteen (14) prosecution witnesses have been examined, this Court is of the considered view that further detention of the petitioner may not be necessary. Further the petitioner stated to have no criminal antecedents. Thus, this Court is inclined to grant bail to the petitioners- A3, A5 & A6, subject to his complying with following conditions:

i. The petitioners-A3, A5 & A6 shall execute a personal bond for a sum of Rs.25,000/- (Rupees Twenty Five Thousand only) each, with two sureties for a like sum each to the satisfaction of the learned Judicial Magistrate of First Class (Special Mobile) PCR at Karimnagar.

ii. The petitioners-A3, A5 & A6 shall appear before the concerned SHO between 10:00 a.m. and 5:00 p.m., on every Sunday for a period of eight (8) weeks or till filing of charge sheet whichever is earlier, for the purpose of investigation and thereafter, as and when required.

iii. The petitioners-A3, A5 & A6 shall abide by the conditions stipulated in Section 437(3) of Cr.P.C. (presently, Section 480(3) of the BNSS).

iv. The petitioners-A3, A5 & A6 shall not directly or indirectly influence, threaten, or induce any of the prosecution witnesses.

v. In the event of violation of any of the above conditions, the prosecution is at liberty to file an application for cancellation of bail.

10. Accordingly, the Criminal petitions are allowed.

Miscellaneous applications, if any pending, shall stand closed.

VAKITI RAMAKRISHNA REDDY, J

Date: 25.11.2026
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THE HONOURABLE SRI JUSTICE VAKITI RAMAKRISHNA REDDY

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