



IN THE HIGH COURT OF ORISSA AT CUTTACK

A.F.R.

CRLMC No. 4465 of 2024

(In the matter of an application under Section 528 of B.N.S.S., 2023 read with Section 482 of the Code of Criminal Procedure, 1973.)

Darsansingh Saini *Petitioner(s)*

-versus-

State of Odisha and Orissa Khadi and Village Industries Board *Opposite Party (s)*

Advocates appeared in the case through Hybrid Mode:

For Petitioner(s) : *Mr. Sailaza Nandan Das, Adv.*

For Opposite Party (s) : *Mr. Tej Kumar, ASC*
Mr. Sashi Bhusan Jena, Adv.
Mr. Abhinash Swain, Adv.

CORAM:

DR. JUSTICE SANJEEB K PANIGRAHI

DATE OF HEARING:-15.05.2026

DATE OF JUDGMENT:-25.06.2026

Dr. Sanjeeb K Panigrahi, J.

1. The petitioner has filed the present CRLMC seeking quashing of the order of cognizance dated 06.05.2010 passed by the learned S.D.J.M., Bhubaneswar in G.R. Case No. 1723 of 2003 arising out of Kharavela Nagar P.S. Case No. 123 dated 21.05.2003. By the said order, cognizance



was taken for offences under Sections 406, 409, 468, 471, 418, 120-B read with Section 34 IPC against the petitioner and other accused persons.

I. FACTUAL MATRIX OF THE CASE:

2. The brief facts of the case are as follows:

- (i) The criminal case originates from a written report lodged by the Secretary, Orissa Khadi and Village Industries Board, alleging cheating, fraud and criminal misappropriation in relation to loans sanctioned under the Consortium Bank Credit Loan Scheme.
- (ii) The prosecution case is that funds under the scheme were routed through the Odisha Khadi and Village Industries Board for promotion of village industries, and loans amounting to ₹1,69,00,000 were sanctioned to 26 beneficiaries through Khurda Central Co-operative Bank. The amounts were allegedly disbursed in favour of suppliers of plant and machinery, but investigation revealed that machinery was not actually supplied, the demand drafts and cheques were encashed, and the loan amounts were allegedly misappropriated without establishment of the proposed industrial units.
- (iii) So far as the present petitioner is concerned, the allegation is that he availed a loan of ₹6,50,000 for installation of a Voltage Stabiliser Unit over Plot No. MIG-68, Patrapada, Bhubaneswar, under a project with estimated cost of ₹10,00,000. The loan was sanctioned by OKVIB and released through Khurda Central Co-operative Bank, whereafter a demand draft of ₹6,49,712 was issued in favour of Reliance Enterprisers, Bangalisahi, Cuttack, towards supply of plant and machinery.



- (iv) During investigation, it was allegedly found that no such industrial unit was established at the proposed site and no machinery was supplied. Though one communication from Khurda Central Co-operative Bank indicated that the petitioner had installed the unit, the physical verification report of the Deputy Secretary, OKVIB dated 21.10.2000 allegedly recorded that no unit existed at the site. It was also alleged that no account existed in the name of Reliance Enterprisers, Bangalisahi, Cuttack, thereby suggesting use of fabricated documents and false declarations for securing disbursement.
- (v) The investigating agency examined several witnesses, including officials connected with OKVIB and the loan process, whose statements allegedly supported the prosecution version regarding non-establishment of the unit, fabrication of documents and fraudulent withdrawal of loan amounts. Upon completion of investigation, Charge-sheet No. 079 dated 13.04.2010 was submitted against about 40 accused persons, including the petitioner, and the learned S.D.J.M., Bhubaneswar took cognizance on 06.05.2010.
- (vi) It is also an admitted circumstance from the opposite parties' materials that a certificate proceeding, namely Certificate Case No. 101 of 2001, had been initiated for recovery of dues from the petitioner. The petitioner subsequently deposited ₹29,90,351 on 06.09.2024 towards the loan dues. The present CRLMC has thereafter been filed seeking quashing of the FIR, charge-sheet, cognizance order and consequential criminal proceeding.



II. SUBMISSIONS ON BEHALF OF THE PETITIONER:

3. The Learned Counsel for the Petitioner earnestly made the following submissions in support of his contentions:
- (i) The petitioner appears to contend that the dispute essentially arises out of a loan transaction under the Consortium Bank Credit Loan Scheme and that the matter has substantially lost its criminal character after repayment of the dues. The petitioner relies upon the fact that the outstanding amount was deposited in the certificate proceeding and seeks to project that once the loan liability has been cleared with interest, continuation of the criminal proceeding would serve no useful purpose.
 - (ii) The petitioner's principal attempt is to characterize the case as one of civil liability or loan recovery rather than criminal prosecution. On this footing, the petitioner appears to argue that the allegation, at its highest, concerns non-payment or irregular utilization of a loan amount, for which recovery proceedings had already been initiated and concluded by payment, and therefore the criminal proceeding should not be permitted to continue merely as a punitive extension of a financial dispute.
 - (iii) The petitioner also appears to rely upon the long passage of time. The FIR was lodged in 2003, the charge-sheet was submitted in 2010, cognizance was taken on 06.05.2010, and the quashing petition has been pursued much later. The petitioner would therefore contend that the prosecution suffers from serious delay, that continuation of the



proceeding after such lapse of time would be oppressive, and that the delay in investigation and prosecution causes prejudice to the accused.

- (iv) The petitioner further appears to dispute the existence of dishonest intention at the inception. Since the offence of cheating or criminal misappropriation requires criminal intent and not merely breach of contractual obligation, the petitioner's implied stand is that the material does not conclusively show that he entered into the transaction with a fraudulent design from the beginning, and that issues regarding establishment of unit, utilization of loan, release of funds and repayment are matters arising out of implementation of the scheme.
- (v) The petitioner also seeks to invoke the inherent jurisdiction of the High Court under Section 482 Cr.P.C. on the ground that allowing the proceeding to continue would amount to abuse of process of court. The broad submission is that where the loan has been repaid, recovery has been effected, and the proceeding is pending for an inordinate period, the High Court should exercise its inherent power to secure the ends of justice by quashing the criminal proceeding.

III. SUBMISSIONS ON BEHALF OF THE OPPOSITE PARTIES:

4. The Learned Counsel for the Opposite Parties earnestly made the following submissions in support of his contentions:
- (i) The State and the Odisha Khadi and Village Industries Board oppose the CRLMC by contending that the case is not a simple loan default or civil dispute, but a case of planned fraud involving public funds under a Government-sponsored self-employment scheme. According to them, the petitioner and other accused persons allegedly acted in conspiracy



with suppliers and bank officials, obtained sanctioned loans on the basis of false representations, and misappropriated funds without establishing the industrial units for which the loans were granted.

- (ii) The opposite parties specifically contend that the petitioner was not merely an isolated borrower, but one of the beneficiaries of a fraudulent mechanism. A loan of ₹6,50,000/- was sanctioned in his favour for setting up a Voltage Stabiliser Unit, but investigation allegedly revealed that no such unit was ever established and no machinery was supplied. They further allege that the petitioner introduced 18 other similarly placed beneficiaries who also availed loans and failed to establish industrial units, thereby showing a wider pattern of conspiracy and misuse of the scheme.
- (iii) The opposite parties rely heavily upon documentary material collected during investigation, including the sanction order, release letter, seizure lists, demand draft details, correspondence of Khurda Central Co-operative Bank, physical verification report dated 21.10.2000, and communications showing that no account existed in the name of Reliance Enterprisers. According to them, these materials prima facie establish that fabricated documents and false declarations were used to secure disbursement of the amount.
- (iv) The State contends that repayment of the amount in 2024 does not erase criminal liability. According to the opposite parties, the offence, if made out, was complete at the stage when public money was allegedly obtained through deception and misappropriated. Subsequent repayment may be relevant for recovery, mitigation or sentencing, but



cannot be treated as a ground to quash prosecution for cheating, forgery, criminal breach of trust and conspiracy, particularly when the allegation concerns public money and a welfare scheme.

- (v) The opposite parties further argue that delay is not a valid ground for quashing in the facts of the present case. The CID Crime Branch explains that the delay in filing the charge-sheet was neither intentional nor deliberate, but occurred because the case involved 40 accused persons, multiple beneficiaries, bank officials, suppliers, voluminous loan records, banking transactions, institutional documents and field verification across different offices. Therefore, according to the State, the complexity and magnitude of the investigation sufficiently explain the time taken.
- (vi) It is also contended that the petitioner remained silent for nearly fourteen years after cognizance was taken and approached the High Court only after being compelled by the court process and related recovery proceedings. The opposite parties submit that such conduct shows that the petition is not a bona fide challenge but an attempt to avoid trial after belatedly clearing the financial liability.
- (vii) The opposite parties finally submit that the High Court, while exercising jurisdiction under Section 482 Cr.P.C., cannot conduct a mini-trial or adjudicate disputed factual defences such as absence of intention, repayment, utilization of loan or evidentiary sufficiency. Since the FIR, charge-sheet, witness statements and documents disclose prima facie allegations of cheating, forgery, conspiracy, criminal breach



of trust and misappropriation of public funds, the proceeding should be allowed to continue and the CRLMC should be dismissed.

IV. JUDGMENT AND ANALYSIS:

5. Heard Learned Counsel for the parties and perused the documents placed before this Court.
6. The petitioner is prosecuted under Sections 406, 409, 468, 471, 418, 120-B read with 34 IPC for alleged large-scale fraud in loans disbursed under a State self-employment scheme. The scheme funds were routed through the Odisha Khadi Board and disbursed via a co-operative bank. The present petitioner obtained ₹6.50 lakh to install a Voltage Stabiliser Unit, but the investigating agency alleges that no unit was ever set up, the equipment was not supplied, and forged documents were used to withdraw the funds. The petitioner repaid the loan dues in September 2024 during a pending certificate recovery proceeding. He now seeks to quash the FIR, charge-sheet and cognizance order on the ground that the loan dispute has been resolved, the delay in prosecution is inordinate, and no dishonest intention was disclosed. In opposition, the State and Khadi Board emphasize that this is not a mere civil debt but a fraud on a government scheme involving conspirators and that repayment of the loan cannot negate the offence once it is committed.
7. The threshold question is whether this is a case where Section 482 CrPC should be exercised to foreclose the prosecution. It is well-settled that inherent power under Section 482 is sparingly exercised and only to prevent abuse of process or to secure justice. The Supreme Court has



cautioned that proceedings involving serious offences affecting public interest cannot be quashed merely because money has been repaid.

8. In *State of Maharashtra through CBI v. Vikram Doshi*¹ the Court held that financial frauds are social wrongs with grave impact and are not erased by repayment. It is not such a case where one can pay the amount and obtain a 'no due certificate' and enjoy the benefit of quashing of the criminal proceedings. The Court held as follows:

“It is an accepted principle of handling of finance that whenever there is manipulation and cleverly conceived contrivance to avail of these kinds of benefits it cannot be regarded as a case having overwhelmingly and predominanting of civil character. The ultimate victim is the collective. It creates a hazard in the financial interest of the society. The gravity of the offence creates a dent in the economic spine of the nation. The cleverness which has been skillfully contrived, if the allegations are true, has a serious consequence. A crime of this nature, in our view, would definitely fall in the category of offences which travel far ahead of personal or private wrong. It has the potentiality to usher in economic crisis. Its implications have its own seriousness, for it creates a concavity in the solemnity that is expected in financial transactions. It is not such a case where one can pay the amount and obtain a “no due certificate” and enjoy the benefit of quashing of the criminal proceeding on the hypostasis that nothing more remains to be done. The collective interest of which the Court is the guardian cannot be a silent or a mute spectator to allow the proceedings to be withdrawn, or for that matter yield to the ingenuous dexterity of the accused persons to invoke the jurisdiction under Article 226 of the Constitution or under Section 482 of the Code and quash the proceeding. It is not legally permissible. The Court is expected to be on guard to

¹ 2014 (15) SCC 29



these kinds of adroit moves. The High Court, we humbly remind, should have dealt with the matter keeping in mind that in these kinds of litigations the accused when perceives a tiny gleam of success, readily invokes the inherent jurisdiction for quashing of the criminal proceeding. The court's principal duty, at that juncture, should be to scan the entire facts to find out the thrust of allegations and the crux of the settlement. It is the experience of the Judge comes to his aid and the said experience should be used with care, caution, circumspection and courageous prudence."

9. This reflects the public policy that persons accused of cheating banks or misappropriating public funds cannot escape trial by merely returning money. It must be emphasized that offences like cheating, breach of trust and forgery are against society and cannot be brushed aside as purely private wrongs. Thus, repayment of dues, by itself, is not a ground for quashing economic offence proceedings involving deceit and public resources.
10. The offences alleged in the present case are cognizable, non-compoundable and serious in nature. They include criminal breach of trust, cheating, forgery, use of forged documents and criminal conspiracy. Such allegations, particularly when they concern public funds meant for a welfare and self-employment scheme, cannot be treated as a mere private loan dispute. Public policy requires that prosecutions of this nature should proceed to trial unless the materials on record are plainly insufficient to disclose any offence.
11. In the present case, the FIR, charge-sheet, witness statements, bank correspondence and physical verification reports disclose a prima facie pattern of fraud. The allegation is not confined to default in repayment.



The prosecution case is that loans were sanctioned, drafts were issued in favour of the purported supplier Reliance Enterprisers, the drafts were encashed, no machinery was supplied, no industrial unit was found at the proposed site, and documents were allegedly fabricated to secure disbursement of public money. In such circumstances, the petitioner's attempt to describe the matter as a simple loan transaction overlooks the substance of the allegations.

12. At the stage of a petition for quashing, this Court cannot weigh the evidence, compare rival documents, or test the probable defence of the accused. The Court is only required to see whether the prosecution materials, taken at their face value, disclose the ingredients of the alleged offences. Since the materials presently available disclose a prima facie case involving cheating, forgery, criminal breach of trust and conspiracy, this Court is not persuaded to interdict the prosecution at the threshold.
13. Even in *State of Haryana v. Bhajan Lal*², the Supreme Court has held that unless the allegations are frivolous, mala fide or legally untenable, Section 482 should not be used to stifle a bona fide prosecution. Here, the charge-sheet discloses a prima facie case of organized fraud on a welfare scheme. No provision of law bars the proceedings, nor is this a case of mistaken identity or trivial allegation. The petition does not fall into any category of cases where courts normally quash FIRs.
14. The petitioner's main plea is that the loan liability has been cleared and thus the criminal proceeding serves no purpose. He argues that

² AIR 1992 SC 604



repayment (through the certificate action) has extinguished any civil or criminal liability. This contention cannot prevail. The precedent set in *Vikram Doshi* (Supra) explicitly disallows treating repayment as vitiating the offence. Likewise, no compromise was struck with the complainant agency here that could invoke a bar to prosecution.

15. *The case of Nikhil Merchant v. CBI*³ held that quashing may be justified if parties agree to a full and final compromise (Clause 11 settlement) extinguishing all claims. The Supreme Court held as follows:

“On an overall view of the facts as indicated hereinabove and keeping in mind the decision of this Court in B.S. Joshi’s case (supra) and the compromise arrived at between the Company and the Bank as also clause 11 of the consent terms filed in the suit filed by the Bank, we are satisfied that this is a fit case where technicality should not be allowed to stand in the way in the quashing of the criminal proceedings, since, in our view, the continuance of the same after the compromise arrived at between the parties would be a futile exercise.”

16. But, as one can observe, in the abovementioned precedent, the bank was a willing party and both sides agreed that no further action was needed. By contrast, in this case the Khadi Board and State have not abjured prosecution. In fact, they have pressed for continuation of the prosecution. Hence it is evident that the petitioner did not enter an amicable settlement. Rather, he was compelled to pay under the certificate proceeding. Thus, no equitable “compromise” like in *Nikhil Merchant* (supra) exists. In absence of an express waiver by the

³ AIR 2009 SUPREME COURT 428



complainant, allegations of criminal intent/liability are not wiped out merely by repayment.

17. The petitioner has also raised the ground of delay in investigation and continuation of the proceeding. It is true that, in an appropriate case, unexplained and oppressive delay may have a bearing on the fairness of the trial. However, delay by itself is not a sufficient ground to quash a criminal proceeding unless the accused is able to show that real and specific prejudice has been caused to his defence.
18. In the present case, no such prejudice has been demonstrated. The case involved nearly 40 accused persons, several beneficiaries, bank officials, suppliers, loan records, correspondence between different offices, and physical verification reports. The explanation offered by the investigating agency that the investigation took time because of the volume and complexity of the materials cannot be brushed aside at this stage.
19. It is also relevant that the petitioner did not approach this Court immediately after cognizance was taken on 06.05.2010. The present challenge has been brought after a long lapse of time. Such conduct weakens the plea that the continuation of the proceeding is, by itself, oppressive or unfair. There is also no material before this Court to show that any witness has become unavailable, any relevant document has been lost, or that the petitioner is otherwise unable to put forward his defence because of the delay.
20. In a case involving alleged misuse of public funds under a Government-sponsored scheme, the proceeding cannot be quashed



merely on the ground that the charge-sheet was submitted belatedly or that the matter has remained pending for a long period.

21. The petitioner's contention that no dishonest intention was proved at the inception of the loan is a factual defence that cannot be adjudicated on a quashing petition. The allegations have been made out prima facie; whether they stand scrutiny is a matter for trial. It is not this Court's function to resolve disputed facts or weigh evidence under Section 482. The FIR and statements on record at least raise a strong suspicion of deliberate fraud. That some documents initially indicated the unit was installed cannot outweigh the other contrary evidence at this stage. This Court cannot quash on the hypothesis that the petitioner might have entered the scheme in good faith. That goes to the merits of guilt, not to the jurisdiction to try.
22. Now, this Court must also examine whether continuing the prosecution would amount to an abuse of process. The Supreme Court has warned against quashing criminal cases involving public interest unless the ends of justice clearly require it. Here, given the serious allegations of misappropriation of government funds under a welfare scheme, it cannot be said that allowing trial to proceed would be "oppressive" in any unjust sense. On the contrary, denying trial might send a dangerous signal that borrowers can escape liability by belated repayment.
23. The opposite parties contend that because this was public money, prosecution should continue to uphold deterrence. I agree with this contention. The High Court must be cautious to avoid becoming a forum of exception where allegations of financial wrongdoing is



condoned by technicalities. In *Nikhil Merchant* (supra) itself, the Court observed that even after compromise, quashing is an exception and depends on facts, and that it would not quash prosecutions of “crime[s] against society” when a prima facie case exists. The victims or society cannot be silent spectators simply because the accused returned the money. These considerations go against the petitioner’s case.

24. In the end, the balance of convenience and public interest favours denying relief. The petitioner entered into the loan scheme on terms of setting up a project. It appears funds were diverted. The IR regularity investigation has been completed and charges framed. Unless the material on record fails to make out a prima facie offence, the court should allow the prosecution to proceed. The petitioner’s payment of dues occurred after the charges were set, not as part of any judicial compromise that extinguished claims. There is no jurisdictional bar (statutory or constitutional) to sustain this prosecution. In these circumstances, Section 482 should not be used to quash a pending case about public funds obtained by fraud.

V. CONCLUSION:

25. For the foregoing reasons, this Court is not satisfied that continuation of the criminal proceedings would amount to abuse of process or violate any settled principle of justice. The case at hand does not fall within any exception entitling summary quashing.
26. Accordingly, the petition under Section 482 CrPC must be **dismissed** and the FIR, charge-sheet and cognizance order sustained. The criminal trial shall be allowed to proceed on the charges and in accordance with



law. It is clarified that the observations are only for deciding this CRLMC and shall not influence the trial court.

27. Interim order, if any, passed earlier stands vacated.

(Dr. Sanjeeb K Panigrahi)
Judge

Orissa High Court, Cuttack,
Dated the 25th June, 2026/