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2026 INSC 1133

Non-Reportable

IN THE SUPREME COURT OF INDIA
CRIMINAL APPELLATE JURISDICTION

Criminal Appeal No.4930 of 2026
(@Special Leave Petition (Crl.) No.13161 of 2026)

CHAVAN DHARMENDAR & ORS.
...APPELLANTS

Versus

THE STATE OF TELANGANA & ORS.
...RESPONDENTS

O R D E R

1. Leave granted.

2. A seemingly beleaguered enterprise, reeling under financial problems by reason of its loan accounts being declared as Non-Performing Assets (NPAs), in retaliation has levelled allegations under the Scheduled Caste and Scheduled Tribes (Prevention of Atrocities) Act, 1989[1]. The High Court noticing the allegations, found after referring to various decisions, from which copious references were made that the appellants herein, who are the

1 The SC&ST Act

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accused have to face trial.

3. We heard Mr. Rajiv Shakdher, learned Senior Counsel appearing for the appellants, Mr. Shadan Farasat, learned Senior Counsel appearing for the party respondent-company and its Director, and Ms. Disha Wadekar, learned Counsel, appearing for the State of Telangana.

4. Admittedly, the issue arose on the facilities granted by the Bank to the 3rd respondent, a small-scale industry, having turned sticky. The very contention of the Director of the enterprise was that they were having credit facilities from the State Bank of India from the year 2010 onwards and collateral security was also furnished for the same. In the year 2016, the accounts become NPA and the Company turned sick, having incurred a capital loss of Rs.2 crores in the year 2012-2013, despite which it had repaid a term loan of Rs.2.90 crores after which the company was declared NPA. Even then the promoters paid Rs.45 lakhs to the bank with a view to regularize the account and in spite of the debt being serviced

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from 2010 to 2017, it is alleged that they were subjected to caste-based discrimination by certain bank officials.

5. Allegations galore are made of documents forged and false and frivolous information submitted to higher authorities, causing the superior officers to use their lawful power to cause injury or annoyance to the promoters of the company. The contention is that it attracts Section 3(1)(q) of the SC&ST Act.

6. Allegations are also of economic boycott against small scale enterprises managed by members of the Scheduled Castes and Scheduled Tribes. The industries owned by higher caste influential entrepreneurs were extended rehabilitation packages twice over with substantial discounts which reliefs were denied to enterprises like the subject one. There are also complaints of violation of Reserve Bank of India's guidelines and circulars and the rehabilitation package having not been offered to the tottering enterprises like the 3rd respondent.

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7. The High Court specifically noticed that the allegations in the complaint were with respect to the non-implementation of circulars issued by the RBI, rehabilitation scheme having not been extended, as also forgery and fabrication of documents submitted as security for the loans obtained by the *de facto* complainant.

8. The response by the accused, who were the petitioners before the High Court is that the documents alleged to have been forged and fabricated, were those furnished by the directors of the enterprise who had stood as guarantors to the loan account. In spite of these compelling circumstance, the High Court refused to consider the case set up by the writ petitioners by referring to various decisions and eventually finding a duty on the accused, the appellants herein to follow the directions issued by the Central Government and the RBI with regard to the framework for revival and rehabilitation of the MSMEs. We are of the definite opinion that this does not justify the invocation of criminal proceedings

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against the officers of the bank.

9. Admittedly, the respondent enterprise was enjoying credit facilities from the bank which turned NPA in which circumstance, there would have been proceedings initiated. Non-compliance of the RBI's guidelines and circulars cannot result in a criminal prosecution, merely on the ground that the Directors of the enterprise are the members of scheduled castes and scheduled tribes. There is no specific allegation as to any of the officers having denigrated the directors merely on the basis of their caste. In fact, the very contention of the *de facto* complainant, as noticed in the order of the High Court is that it is a small-scale industry, predominantly managed by women belonging to the scheduled castes and scheduled tribes; but the Managing Director of the company, the second respondent is not a woman.

10. We are not convinced that the criminal prosecution should be continued on the allegations raised. However, we make it clear that the contentions of the respondent could be urged in the

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appropriate forum, obviously, the Debts Recovery Tribunal, where there would be proceedings initiated. Violation of the circulars and guidelines, refusal to grant rehabilitation package in accordance with the circulars, false information or misrepresentations being made to initiate coercive action against a borrower could all be agitated in a recovery proceedings, and it is for the adjudicating authority to decide as to whether such allegations are legally valid and could interfere with a valid recovery sought by the bank. Hence, leaving open such contentions, we interfere with the criminal prosecution initiated against the appellants as per FIR No.1 of 2019 dated 04.02.2019, registered at Police Station CID, P.S. Hyderabad, District Hyderabad, Telangana. The proceedings, pursuant to the said FIR shall stand quashed.

11. The appeal stands allowed.

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12. Pending application (s), if any, shall stand disposed of.

..... J.
(J. B. PARDIWALA)

..... J.
(K. VINOD CHANDRAN)

NEW DELHI
OCTOBER 12, 2026.