



ORAL ORDER ON "PRAYER IN THE STATUS REPORT"

Heard the learned counsel Sri Venkatesh P. Dalwai appearing for petitioners and the learned Special Public Prosecutor Sri P Prasanna Kumar, appearing for respondent/CBI, who has sought for a prayer in the status report filed by him dated 20-06-2025.

2. The petitioners, sitting Members of the Legislative Assembly, are at the doors of this Court seeking the following prayer:

(a) "Direct the Respondent to investigate the First Information Report dated 3-06-2024 in RC0782024E0001/2024 produced at Annexure-C, at the earliest and consequently file appropriate final report in the jurisdictional Court in the interest of justice and equity.

(b) Direct the learned District and Sessions Judge and Special Judge for CBI, Bangalore (CCH-4) to expedite the proceedings upon filing of final report in First Information Report dated 3-06-2024 in RC0782024E0001/2024 – Annexure-C by the Respondent in the interest of justice."

3. Facts, in brief, germane are as follows:

A complaint comes to be registered in Crime No.118 of 2024 for offences punishable under Sections 149, 409, 420, 467, 468 and 471 of the IPC against several accused. Government of Karnataka constitutes a Special Investigation Team to investigate into the aforesaid crime which alleges huge misappropriation of funds. The Special Investigation Team files its final report implicating certain persons. The Enforcement Directorate investigating the angle of money laundering had issued certain press statements with regard to misappropriated money being used during parliamentary elections. The Special Investigation Team, in its final report, gives up certain high-ranking officials and also Ministers of the present regime.

4. All these accounts of Karnataka Maharshi Valmiki Scheduled Tribes Development Corporation ('the Corporation' for short) were operated through the Union Bank of India. Therefore, the Union Bank of India was before this Court in Writ Petition No.17274 of 2024, wherein the demand of the Bank was for entrustment of crime in Crime No.118 of 2024 to the hands of the Central Bureau of Investigation ('CBI'). This Court, by its detailed order dated 13-11-2024, declined to accede to the demand of the Union Bank of India, on interpretation of the Reserve Bank of India Act. After the judgment was rendered, the present petition is preferred by the petitioners seeking the prayers as afore-quoted. The prayer is for a direction to the respondent/CBI to investigate into the crime so registered before it and file a final report before the concerned Court. A further direction to the concerned Court to expedite the proceedings upon filing of the final report is sought.

5. In furtherance of the aforesaid prayer, the learned counsel for the petitioners' Sri Venkatesh P. Dalwai seeks a direction at the hands of this Court to the CBI, to place on record, the status report of investigation that it has conducted in Crime No.RC0782024E0001/2024, which was registered on 03-06-2024. Accordingly, this Court from time to time secured status report from the hands CBI. The latest status report of investigation is placed before Court on 20-06-2025. The said status report while narrating what has happened prior to filing of the status report observes as follows:

"MOST RESPECTFULLY SHOWETH:

1. The respondent CBI most respectfully submits this Status Report in compliance with the directions of this Hon'ble Court and in continuation of the Third Status Report dated 20-02-2025. The present Status Report is filed to apprise this Hon'ble Court of the progress made in the investigation subsequent to the said date.

2. During investigation, the involvement of public servants, in collusion with other accused persons has been prima facie established. It is further established in the investigation that an amount of ₹89.63 crores was diverted from the accounts of M/s Karnataka Maharshi Valmiki Scheduled Tribes Development Corporation Limited (KMVSTDCL) to a large number of beneficiary accounts. The diverted funds were subsequently laundered into hard cash, bullion, and luxury vehicles.

3. The instant case involves large-scale financial irregularities, encompassing diversion of government funds amounting to ₹89.63 crores through over 700 bank accounts, manipulation and forgery of financial instruments, and a broader criminal conspiracy. These facts further necessitate a comprehensive investigation into the underlying fund trail and conspiracy.

4. It is respectfully submitted that the requisitions forwarded to the Crime Investigation Department (CID), Karnataka Police and the Enforcement Directorate (ED) on 20-03-2025 seeking forensic images of digital devices remain pending. The documents and digital evidence collected by the CID and ED in the related investigations are crucial for unearthing the broader conspiracy in the present matter.

5. In the light of the above, it is humbly prayed that this Hon'ble Court may be pleased to issue necessary directions to the CID, ED, CFSL, SFSL and the concerned Courts to expedite the furnishing of certified copies of documents and forensic images of all relevant digital devices seized in the case.

6. Further, the investigation has revealed additional instances of fund diversion involving other Government departments, as under: -

- A sum of ₹95.00 Lakhs was siphoned off from the account of Karnataka German Technical Training Institute (KGTTI) maintained at Canara Bank, Bangalore, and transferred to the account of accused Shri Nekkanti Nagaraj through intermediary accounts.

• An amount of ₹2.17 crores, belonging to the Scheduled Tribes Welfare Department, was diverted from another account of the KMVSTDCL (Valmiki Corporation) maintained with Bank of Baroda, Siddayya Road Branch, Bangalore, and routed to accused Shri Nekkanti Nagaraj.

7. In view of the emergence of the above facts, the leave of this Hon'ble Court is sought to investigate the role of the officials and private individuals involved in the diversion of funds from KGTTI and the ST Welfare Department, as part of the present investigation.

8. It is further submitted that the investigation is presently at an advanced stage, and the Final Report under Section 173 Cr.P.C. shall be filed in due course against the public servants and other accused persons whose role has been established."

In furtherance of what is said, the prayer that is sought is as follows:

"In view of the foregoing, it is most respectfully prayed that this Hon'ble Court may be pleased to (i) issue directions to the CID, ED, CFSL, SFSL and the concerned Courts to furnish copies of documents and forensic images of digital devices seized during investigation in the case and (ii) grant permission to the Respondent to investigate the newly surfaced instances of fund diversion from KGTTI and the Scheduled Tribes Welfare Department, which are intricately connected to the subject matter of the present case, in the interest of justice and to ensure a fair and comprehensive investigation."

(Emphasis added)

The CBI has sought a direction to the CID, ED, CFSL, SFSL and the concerned Court where Crime No.118 of 2024 is being considered to furnish copies of documents and forensic images of digital devices seized during investigation. Further permission is sought by the CBI to investigate newly surfaced fund diversion in Karnataka German Technical Training Institute maintained at Canara Bank, as funds are transferred from Corporation to the said training institute.

6. In the light of the status report being sought at the hands of this Court from time to time, what the CBI has sought is only to further the investigation that is entrusted to it by the Bank. Horizons of investigation is sought to be expanded in view of what is gathered during the investigation, as narrated in the status report. Since the prayer is for completion of investigation or taking the investigation to its logical conclusion by filing a final report before the concerned Court, I deem it appropriate to grant the prayers that are sought by the CBI in the status report. Therefore, I direct the CID, Enforcement Directorate, Central Forensic Science Laboratory and the concerned Court to furnish the documents and forensic images as sought for (more specifically explained in the prayer quoted supra), for the purpose of conduct of

investigation and filing of a final report before the concerned Court. Ordered accordingly.