

**IN THE HIGH COURT FOR THE STATE OF TELANGANA
AT HYDERABAD**

THE HONOURABLE SRI JUSTICE N.TUKARAMJI

CRIMINAL PETITION Nos. 9072 AND 9073 OF 2026

DATE: 09.07.2026

Crl. P. No. 9072 of 2026:

Between :

Konda Venkanna and another.

... Petitioners/Accused

AND

The State of Telangana, Represented by its Public Prosecutor,
High Court for the State of Telangana at Hyderabad, through
SHO, Nalgonda II Town P.S., Nalgonda District.

... Respondent.

Crl. P. No. 9073 of 2026:

Between :

Gattu Sravan and three others.

... Petitioners/Accused

AND

The State of Telangana, Represented by its Public Prosecutor,
High Court for the State of Telangana at Hyderabad, and
another.

... Respondents.

COMMON ORDER

These Criminal Petitions are filed under Section 482 of the *Bharatiya Nagarik Suraksha Sanhita*, 2023 (for short, "BNSS"), seeking the relief of anticipatory bail.

2. The petitioners in Crl.P. No.9072 of 2026 are arrayed as accused Nos.1 and 2 in Crime No.76 of 2026 registered at Nalgonda II Town Police Station, whereas the petitioners in Crl.P. No.9073 of 2026 are arrayed as accused Nos.1 to 4 in Crime No.37 of 2026 registered at Nalgonda Rural Police Station, Nalgonda District. Both the crimes are registered for the offences punishable under Sections 316(2), 316(5) and 318(3) of the *Bharatiya Nyaya Sanhita*, 2023 (for short, "BNS"), and Section 7 of the Essential Commodities Act, 1955.

3. Although the factual circumstances involved in these petitions are distinct, having regard to the analogous nature of the issues raised, the submissions advanced, and the relief sought, both the petitions were heard together and are being disposed of by this common order.

4. Heard Mr. R. N. Hemendranath Reddy, learned Senior Counsel, argued on behalf of Mr. Venkataramanaiah K, learned counsel for the petitioners in Crl.P. No. 9072 of 2026; Mr. Vinod Kumar Deshpande, learned Senior Counsel, argued on behalf of Mr. Venkataramanaiah K, learned

counsel for the petitioners in Crl.P. No. 9073 of 2026 and Mr. Palle Nageswar Rao, learned Public Prosecutor, appearing for the respondent-State.

5. In Crl.P. No. 9073 of 2026 the petition of petitioner No.2/accused No.2 is dismissed as not pressed, as he was arrested on 18.06.2026.

6.1. The brief facts of the prosecution case in *Crl.P. No.9072 of 2026* are that, petitioner Nos.1 and 2/accused Nos.1 and 2 are the Managing Partner and Partner, respectively, of *Kanaka Mahalaxmi Para Boiled Rice Private Limited, Nalgonda*. The said mill was entrusted with 12,856.200 Metric Tonnes of Government paddy under the Custom Milling Agreement for the Rabi Season 2022-23. Similarly, in *Crl.P. No.9073 of 2026*, petitioner No.1/accused No.1 is the Managing Partner and petitioner Nos.3 and 4 /accused Nos.3 and 4 are the partners of *Gouthami Para Boiled Rice Mill Private Limited, Nalgonda*, which was entrusted with 21,724.480 Metric Tonnes of paddy under the Custom Milling Agreement for the Rabi Season 2022-23.

6.2. The paddy was entrusted for the purpose of conversion into Custom Milled Rice (CMR) and delivery of the same to the Telangana State Civil Supplies Corporation Limited (TGSCSCL) within the stipulated period. It is alleged that the petitioners delivered only a part of the Custom Milled Rice, resulting in shortages equivalent to 8,026.059 Metric Tonnes (MT) and

15,980.392 MT of paddy, respectively, in the said crimes, causing alleged losses running into crores of rupees, which led to registration of the crimes for the offences of criminal breach of trust and cheating.

7.1. Learned Senior Counsel appearing for the petitioners respectfully submits that the entire prosecution case, even if accepted at its face value, arises out of purely contractual transactions flowing from the Custom Milling Agreements entered into between the respective rice milling firms and the Telangana State Civil Supplies Corporation Limited (TGSCSCL) for milling of Government paddy and delivery of Custom Milled Rice (CMR). The allegations essentially pertain to alleged non-delivery of certain quantities of CMR and shortage of paddy stocks, which are matters relating to contractual obligations, reconciliation of accounts, stock verification, quality assessment and determination of civil liability.

7.2. It is submitted that the allegations do not satisfy the essential ingredients of the offences alleged. To constitute criminal breach of trust, the prosecution must establish not merely entrustment of property but also dishonest misappropriation, conversion, use or disposal thereof in violation of law or contract. Mere failure to fulfill a contractual obligation, in the absence of dishonest intention from inception or criminal intent, cannot be converted into a criminal offence.

7.3. It is further submitted that the petitioners have substantially performed their obligations under the Custom Milling Agreements by milling and delivering considerable quantities of CMR, which were duly received and accepted by TGSCSCL without objection. The alleged balance quantity is a matter of accounting, assessment of loss and contractual adjustment and does not, by itself, establish dishonest misappropriation or fraudulent conduct. The remaining paddy could not be processed due to deterioration caused by natural factors and circumstances beyond the control of the petitioners. This position was recognised by the Government itself while taking a policy decision for disposal of damaged/unmilled Rabi 2022-23 paddy on an “as is where is” basis through e-auction/e-Global Tender process. Such recognition and creation of a separate mechanism for disposal of damaged paddy clearly demonstrates that the alleged shortage cannot automatically be presumed to be criminal misappropriation.

7.4. It is further submitted that the quantity of paddy allotted to various millers was far beyond the prescribed operational and storage capacities contemplated under applicable Government Orders and guidelines. Despite being aware of the milling capacity and available storage infrastructure, the Corporation entrusted huge quantities without ensuring corresponding logistical arrangements. Further, the designated authorities under the scheme were also responsible for supervision and monitoring of stocks.

Therefore, the entire responsibility for alleged shortage cannot be fastened exclusively upon the petitioners without proper adjudication of facts.

7.5. It is submitted that the prosecution has erroneously sought to describe the petitioners/millers as “agents” of the Corporation to create an alleged fiduciary or juridical relationship for attracting criminal breach of trust. Such characterisation is contrary to the express terms of the Custom Milling Agreements. The agreements were entered into with the respective partnership firms as Custom Millers/Millers, creating contractual obligations between independent contracting parties governed by agreed terms and conditions. Mere use of the expression “entrustment” or subsequent description of the millers as “agents” cannot alter the legal character of the transaction unless the agreement itself creates such an agency relationship.

7.6. It is further respectfully submitted that the prosecution suffers from a fundamental defect as the partnership firms, which are the actual contracting entities under the Custom Milling Agreements, have not been arrayed as accused. Instead, individual partners are sought to be prosecuted merely on account of their association with the firms. Criminal liability of partners cannot be presumed from their status alone and requires specific allegations showing active participation, knowledge, dishonest intention or individual overt acts. Some petitioners are not even named in the FIR, while others are merely sleeping partners having no role in day-to-day management or

operational decisions of the respective rice mills and continue as partners only due to family business arrangements. In the absence of specific allegations of personal involvement and in the absence of statutory vicarious liability under the alleged IPC offences, prosecution cannot be sustained merely on the basis of partnership status.

7.7. It is also submitted that TGSCSCL has withheld custom milling charges payable to the petitioners and effected unilateral adjustments/set-off without final determination of mutual claims and liabilities. Such disputed financial adjustments further establish the civil and contractual nature of the controversy rather than any criminal culpability. Moreover, despite the present allegations, the Custom Milling Agreements with the petitioners' firms have not been terminated, and the petitioners continue to undertake milling operations for Government paddy in subsequent seasons, which itself negatives the allegation of fraudulent intention or breach of trust.

7.8. It is finally submitted that the prosecution case is entirely founded upon official records, stock registers, agreements, correspondence and documentary material, all of which are already in the possession of the investigating agency. There is no allegation that the petitioners have attempted to destroy evidence or influence witnesses. Custodial interrogation is therefore unnecessary. The petitioners are permanent residents carrying on established business activities, have no likelihood of

absconding or interfering with investigation, and undertake to fully cooperate with the investigating agency and comply with any conditions imposed. Hence, the petitioners pray that they may be granted anticipatory bail.

8.1. The learned Public Prosecutor opposed the petitions, contending that the allegations levelled against the petitioners are grave in nature and disclose the commission of cognizable offences involving misappropriation of Government paddy entrusted under custom milling agreements. It is submitted that the TSCSCL had entrusted substantial quantities of Government paddy to the respective rice mills for the Rabi season 2022-23, and that the petitioners, being the partners responsible for managing the affairs of the said rice mills, were custodians of the entrusted stock and were under a statutory and contractual obligation to mill the paddy and deliver the prescribed quantity of custom milled rice (CMR) to the Corporation.

8.2. It is further submitted that, after giving due credit to the quantities of CMR delivered and making other permissible adjustments, substantial quantities of paddy ought to have been available with the respective rice mills. However, during the physical verification conducted by the Joint Inspection Teams, huge shortages of Government paddy were detected. Further, the petitioners failed to furnish any satisfactory explanation for the missing stock and had dishonestly disposed of or misappropriated the

Government paddy entrusted to them, thereby causing wrongful loss to the TGSCSCL.

8.3. The learned Public Prosecutor further submits that the shortages detected during the inspection have resulted in substantial financial loss, running into several crores of rupees, to the Government/Corporation. It is contended that, despite issuance of notices calling upon the petitioners to account for the deficient stock and discharge their corresponding liability, they failed to comply with the same, which ultimately led to the registration of the present crimes.

8.4. According to the prosecution, the allegations do not constitute a mere contractual dispute, but disclose the commission of offences involving criminal breach of trust, cheating, and dishonest misappropriation of public stock entrusted to the petitioners. Having regard to the magnitude of the alleged misappropriation, the extent of loss caused to the public exchequer, the gravity of the accusations, and the necessity of ensuring a fair and effective investigation, the custodial interrogation of the petitioners is required.

8.5. It is further contended that, in the event anticipatory bail is granted, there is a likelihood that the petitioners may not cooperate with the investigation, which may adversely affect the recovery of the

misappropriated dues and impede the effective progress of the investigation. Therefore, it is submitted that the petitioners are not entitled to the discretionary relief and accordingly seeks dismissal of the petitions.

9. I have carefully considered the rival submissions and perused the material available on record.

10. It is a settled principle of law that the existence of a civil or contractual relationship between parties does not, by itself, bar criminal prosecution where the allegations disclose the essential ingredients of a penal offence, such as entrustment, dishonest intention, deception or misappropriation. At the same time, a mere breach of contract cannot be transformed into a criminal offence unless the requisite *mens rea* and statutory ingredients of the alleged offences are established.

11. In *Indian Oil Corporation v. NEPC India Limited*, (2006) 6 SCC 736, the Hon'ble Supreme Court held that a transaction may simultaneously give rise to civil liability and criminal prosecution and that availability of a civil remedy is not a ground to quash criminal proceedings where criminality is prima facie disclosed. However, the Court cautioned that criminal process should not be permitted to be used as a weapon of pressure in disputes which are essentially civil in nature. Similarly, in *S.W. Palanitkar v. State of Bihar*, (2002) 1 SCC 241, it was held that mere failure to honour contractual obligations would not constitute cheating or criminal breach of trust unless

dishonest or fraudulent intention exists and the necessary ingredients of the offence are satisfied.

12. In the instant matters, the allegations revolve around entrustment of Government paddy, performance of obligations under custom milling arrangements and the alleged failure to account for entrusted stock. Whether the shortage was attributable to deterioration of stock, storage conditions, delay in disposal/lifting of damaged paddy and other operational factors, or whether it was the result of dishonest diversion and misappropriation of Government property, are matters requiring investigation, examination of records and appreciation of evidence. Such disputed factual issues cannot be finally determined while considering an application seeking anticipatory bail.

13. The parameters governing exercise of jurisdiction under Section 482 BNSS/438 Cr.P.C. require the Court to consider the nature and gravity of accusation, role attributed to the accused, possibility of fleeing from justice, likelihood of tampering with evidence, necessity of custodial interrogation and the requirement of a fair investigation, while simultaneously protecting the fundamental right to personal liberty.

14.1. In *Gurbaksh Singh Sibbia v. State of Punjab*, (1980) 2 SCC 565, the Constitution Bench of the Hon'ble Supreme Court held that anticipatory bail

is an important safeguard of personal liberty and that discretion under Section 438 Cr.P.C. must be exercised on the facts of each case without applying rigid or mechanical formulas. The Court emphasized the need to maintain a balance between individual liberty and legitimate investigative requirements.

14.2. In *Sushila Aggarwal v. State (NCT of Delhi)*, (2020) 5 SCC 1, the Constitution Bench further clarified that anticipatory bail cannot be refused merely on the seriousness of allegations and that the Court must examine whether custodial detention is actually warranted.

14.3. Likewise, in *Arnesh Kumar v. State of Bihar*, (2014) 8 SCC 273, it was held that arrest cannot be made mechanically and must be justified by legitimate considerations such as effective investigation, prevention of evidence tampering or securing the presence of the accused.

15. In the present cases, the transactions are predominantly founded upon written agreements, stock registers, inspection reports, official correspondence, notices, delivery records and other documentary material, substantial portions of which are already within the custody and control of the authorities. At this stage, the prosecution has not demonstrated that custodial interrogation of the petitioners is indispensable either for recovery of material evidence or for effective continuation of investigation. The

allegations primarily require scrutiny of documentary records, reconciliation of quantities entrusted, CMR delivered, remaining stock position and the circumstances resulting in the alleged shortage.

16. Further, insofar as certain petitioners are sought to be proceeded against on account of their association with the respective rice mills, the question whether they were actively responsible for conduct of business or whether liability is sought to be fastened merely by virtue of their status as partners/proprietary associates is a matter requiring examination on the basis of evidence collected during investigation. Criminal liability cannot be presumed solely from association with a business entity unless individual role, participation and requisite criminal intent are established.

17. It is equally settled that arrest or threat of arrest cannot be employed as a means of coercive recovery or enforcement of disputed contractual liabilities. Criminal law is intended to investigate and punish offences established in accordance with law and cannot be converted into a substitute mechanism for recovery of amounts arising from contractual disputes. Pre-trial deprivation of liberty must therefore be supported by genuine investigative necessity and not merely by the existence of monetary claims.

18. At the same time, this Court is conscious of the seriousness of the allegations involving alleged shortage of Government paddy and

consequential loss to the public exchequer. The petitioners are therefore bound to cooperate with the investigating agency, make themselves available whenever required, furnish relevant information and documents, and shall not interfere with or obstruct the course of investigation.

19. Having regard to the nature of accusations, the contractual origin of the dispute, the documentary character of the evidence, the issues relating to assessment of actual loss and respective obligations of the parties being matters for investigation/trial, and considering that the petitioners have established roots in society and have undertaken to cooperate with the investigation, this Court is of the considered view that a case is made out for favorably exercising the discretionary jurisdiction

20. Accordingly, without expressing any opinion on the merits of the allegations or the defences raised with regard to contractual liability, the responsibility of individual partners, the authority of the complainant to initiate prosecution, compliance with the mechanism prescribed under the agreement, the role of the Corporation as custodian, the assessment of loss, or the disposal of damaged stock through auction, all of which are left open for investigation and determination at the appropriate stage, this Court is of the considered view that the petitioners are entitled to be enlarged on anticipatory bail, subject to appropriate conditions to ensure their

cooperation with the investigation and to safeguard the interests of the prosecution.

21. Accordingly, the Criminal Petitions are allowed. The Petitioners in both Criminal Petitions, except petitioner No.2/Accused No. 2 in Crl. P. No.9073 of 2026, shall be enlarged on anticipatory bail, subject to the following conditions:

(A) Petitioners shall surrender before the Station House Officers of respective Police Stations, on or before 23.07.2026. Upon such surrender or in the event of arrest, the Station House Officers shall release petitioners on bail on execution of personal bonds for a sum of Rs.50,000/- (Rupees Fifty Thousand only) each with two sureties for a like sum each, to the satisfaction of the said Officers.

(B) Petitioners shall not leave India without obtaining prior permission from the jurisdictional Court concerned.

(C) Petitioners shall remain available for interrogation as and when required by the Investigating Officer during the course of investigation and shall extend full cooperation with the Investigating Officer(s).

(D) Petitioners shall strictly comply with all the conditions contemplated under Section 482(2) of the BNSS.

(E) Petitioners shall furnish their complete residential addresses, mobile numbers, and other contact particulars to the Investigating Officer(s) and shall promptly intimate any change(s) therein.

(F) Petitioners shall not, directly or indirectly, induce, threaten, influence, or make any promise to any person acquainted with the facts of the case(s), nor shall they tamper with, alter, destroy, or otherwise interfere with the prosecution evidence in any manner whatsoever.

(G) Any wilful breach or violation of any of the aforesaid conditions shall render the petitioners liable to appropriate proceedings before the Court concerned, including cancellation of bail, in accordance with the provisions of the BNSS and other applicable laws.

22. It is made clear that any observations made herein are confined solely to the adjudication of the present applications for anticipatory bail and shall not be construed as an expression on the merits of the case.

Pending miscellaneous applications, if any, shall stand closed.

N.TUKARAMJI, J

Date: 09.07.2026

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