



CNR: KAHC010066552024

NC: 2026:KHC:52458
CRL.P No. 1120 of 2024

IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 23RD DAY OF SEPTEMBER, 2026

BEFORE

THE HON'BLE MR. JUSTICE RAJESH RAI K

CRIMINAL PETITION NO. 1120 OF 2024

BETWEEN:

1. SRI.YERRAGUNTA NARAPPA REDDY,
S/O. YARRAGUNTA NAGI REDDY,
AGED ABOUT 70 YEARS,
R/AT NO.12-2-415A,
HARIHARNAGAR,
ANANTAPUR,
ANDHRA PRADESH-515 001.
2. SRI. YERRAGUNTA BHARATH KUMAR REDDY
S/O. YARRAGUNTA NARAPPA REDDY,
AGED ABOUT 33 YEASR,
R/AT NO.12-2-415A,
HARIHARNAGAR,
ANANTHAPUR,
ANDHRA PRADESH-515 001.
3. SMT. PRAMODA KULURU,
D/O. K. RAMACHANDRA REDDY,
AGED ABOUT 33 YEARS,
RESIDING AT NO.41,
LEVELLE ROAD,



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CRISTU COMPLEX,
BANGALORE-560 001.

...PETITIONERS

(BY SRI. PRATEEK CHANDRAMOULI, ADVOCATE)

AND:

MEDI WORLD PHARMA PVT. LTD.,
REPRESENTED BY ITS DIRECTOR,
SRI. SACHIN ACHARYA,
RESIDING AT NO.4240/1,
SRI DATTA KUTEERA,
7TH CROSS, KUVEMPUNAGAR,
MCC "B" BLOCK,
DAVANAGERE-577 001.

...RESPONDENT

(BY SMT. POOJA KATTIMANI, ADVOCATE FOR
SRI. DINESHKUMAR RAO K., ADVOCATE)

THIS CRL.P IS FILED U/S.482 CR.P.C PRAYING TO
QUASH THE PROCEEDINGS PASSED BY THE LEARNED I
ADDITIONAL SENIOR CIVIL JUDGE AND J.M.F.C. COURT AT
DAVANAGERE IN C.C.NO.4182/2023 VIDE ANNEXURE-A FOR
THE OFFENCE P/U/S.138 OF N.I. ACT.

THIS PETITION, COMING ON FOR FURTHER HEARING,
THIS DAY, ORDER WAS MADE THEREIN AS UNDER:



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CORAM: HON'BLE MR. JUSTICE RAJESH RAI K

ORAL ORDER

This petition is filed under Section 482 of Cr.P.C. to quash the proceedings against the petitioners/accused Nos.2 to 4, in CC No.4182/2023 (arising out of P.C.R.No.205/2023) pending on the I Additional Senior Civil Judge and JMFC Court, Davanagere.

2. Respondent-company represented by its director lodged a private complaint against accused No.1-Jyotsnareddy Hospital Pvt. Ltd. and its Directors, under Section 200 of the Cr.P.C., alleging commission of the offence punishable under Section 138 of the N.I. Act.

3. It is the case of the complainant-respondent that the complainant-Medi World Pharma Pvt. Ltd. is a registered company engaged in the sale of prescription-based medicines and medical-related products. For the purpose of supplying such products to accused No.1-hospital, a Memorandum of Understanding was entered into between the complainant and



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accused No.1 represented by its director Dr. Yerragunta Raghavendra Reddy. Accordingly, the complainant supplied medical-related products to accused No.1. However, the hospital failed to repay the outstanding amount of Rs.3 crores, which was allegedly paid as a deposit to the hospital for opening a pharmaceutical factory. Thereafter, director of the hospital, accused No.1, issued a signed cheque, on behalf of the hospital, towards repayment of the said amount. However, the said cheque was dishonoured with the endorsement "Funds Insufficient". Hence, respondent filed a private complaint against the hospital and the accused, as stated *supra*. The learned Magistrate took cognizance of the offence and issued summons to the petitioners. Aggrieved by the same, the petitioners have preferred the present petition.

4. Heard the learned counsel for the petitioners and learned counsel for respondent.

5. It is the primary contention of the learned counsel for the petitioners that the petitioners are in no way connected with the alleged transaction between accused No.1-hospital and the



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respondent. According to him, the petitioners are not responsible for the day-to-day affairs of the hospital and, therefore, cannot be held responsible for the alleged offence. Additionally, he contends that, at the relevant point of time, i.e., when the cheque was issued, the petitioners were no longer Directors of the hospital, as they had already resigned from the hospital. In such circumstances, proceedings cannot be continued against them and the same would amount to abuse of process of Court.

6. *Per contra*, learned counsel for the respondent opposed the prayer on the ground that the petitioners, along with accused No.1, who is the signatory to the cheque, had entered into a Memorandum of Understanding with the complainant for the supply of medicinal products to accused No.1- hospital. It is further contended that the petitioners were also involved in obtaining the deposit amount of Rs.3 crores and, accordingly, the company issued the cheque towards repayment of the said amount. As such, the petitioners are also responsible for the affairs of accused No.1-hospital. Hence, the proceedings cannot



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be quashed at this stage. Accordingly, he prays to dismiss the petition.

7. I have given my anxious consideration both on the submission and perused the entire materials placed on record.

8. As could be gathered from the records, undisputedly, the petitioners are not signatories to the cheque in question. Moreover, on perusal of the said cheque, it is evident that the same was issued by Dr. Yerragunta Raghavendra Reddy on behalf of Jyotsnareddy Hospital Pvt. Ltd., i.e., accused No.1. The only allegation against the petitioners is that they were Directors of the said hospital at an earlier point of time. It is the submission of the learned counsel for the petitioners that, at the time of issuance of the cheque, they had already resigned from the hospital. Further, the agreement entered into between accused No.1 and the respondent was signed by accused No.1, and the petitioners are not signatories to the said agreement. In such circumstances, the petitioners cannot be held vicariously liable for the acts committed by accused No.1, particularly when vicarious liability is generally alien to criminal law. Moreover, the Hon'ble Apex Court in the case of



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S.M.S. Pharmaceuticals Ltd vs. Neeta Bhalla and Anr.

reported in **(2005) 8 SCC 89** at paragraph No.10 held as under:

"10. While analysing Section 141 of the Act, it will be seen that it operates in cases where an offence under Section 138 is committed by a company. The key words which occur in the section are "every person". These are general words and take every person connected with a company within their sweep. Therefore, these words have been rightly qualified by use of the words:

"Who, at the time the offence was committed, was in charge of, and was responsible to the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the offence, etc."

What is required is that the persons who are sought to be made criminally liable under Section 141 should be, at the time the offence was committed, in charge of and responsible to the company for the conduct of the business of the company. Every person connected with the company shall not fall within the ambit of the provision. It is only those persons who were in charge of and responsible for the conduct of business of the company at the time of commission of an offence, who will be liable for criminal action. It follows from this that if a director of a company who was not in charge of and was not responsible for the conduct of the business of the company at the relevant time, will not be liable under the provision. The liability arises from being in charge of and responsible for the conduct of business of the company at the relevant time when the offence was committed and not on the basis of merely holding a designation or office in a company. Conversely, a person not holding any office or designation in a company may be liable if he satisfies the main requirement of being in charge of and responsible for the conduct of business of a company at the relevant time. Liability depends on the role one plays in the affairs of a company and not on designation or



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status. If being a director or manager or secretary was enough to cast criminal liability, the section would have said so. Instead of "every person" the section would have said "every director, manager or secretary in a company is liable"..., etc. The legislature is aware that it is a case of criminal liability which means serious consequences so far as the person sought to be made liable is concerned. Therefore, only persons who can be said to be connected with the commission of a crime at the relevant time have been subjected to action."

9. On collocating the aforesaid findings of the Hon'ble Apex Court with the facts and circumstances of the present case, I am of the considered view that the above findings are squarely applicable to the facts and circumstances of this case. Accordingly, continuation of proceedings against these petitioners/accused Nos.2 to 4, is nothing but abuse of process of Court. Hence, I proceed to pass the following:

ORDER

- i. The criminal petition is ***allowed***.
- ii. The proceedings against accused Nos.2 to 4, in CC No.4182/2023 (arising out of P.C.R.No.205/2023) passed by the I Additional Senior Civil Judge and JMFC Court, Davanagere, is hereby quashed.



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iii. However, it is made clear that proceedings against accused No.1 shall continue.

**SD/-
(RAJESH RAI K)
JUDGE**

GPG
List No.: 1 Sl No.: 2