



CRM-M-39050-2023(O&M)

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**IN THE HIGH COURT OF PUNJAB AND HARYANA
AT CHANDIGARH**

(140)

CRM-M-39050-2023(O&M)

Reserved on: 17.07.2026

Pronounced on: 29.07.2026

Uploaded on: 29.07.2026

Gurbir Singh and Others

...Petitioners

Versus

State of Punjab and Another

...Respondents

CORAM: HON'BLE MR. JUSTICE VIRINDER AGGARWAL

Present : Mr. Manuj Nagrath, Advocate
for the petitioner.

Mr. Baljinder Singh Sra, Addl.AG, Punjab.

Mr.Abhishek Sharma, Advocate
for the complaint.

VIRINDER AGGARWAL, J.

1. The present petition has been filed under Section 482 of the Code of Criminal Procedure seeking quashing of FIR No.36 dated 06.03.2020 registered under Sections 406, 420, 465, 468, 471, 120-B, 201 IPC at Police Station Amargarh, District Sangrur, which came to be registered on the complaint lodged by the Respondent no.1-Amandeep Singh, along with all other consequential proceedings arising therefrom including the final report dated 04.06.2022 under Section 173 Cr.P.C.

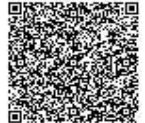
BRIEF FACTS

2. Briefly stated, respondent No.2-complainant is sales Manager of Dashmesh Mechanical works, Amargarh-a manufacturer of agricultural implements and machinery. During the year 2019-20, the Government of India launched a "In-Situ" scheme for promotion of mechanised agriculture, whereby



eligible farmers were entitled to subsidy to the extent of 80% on purchase of specified agricultural implements, while the remaining 20% of the cost was to be borne by the beneficiaries. The petitioner no.3's firm, which was an authorised dealer of the complainant-company, entered into an arrangement dated 31.08.2019 with complainant-company for supply of agricultural implements to various farmers and farmer societies under the said subsidy scheme. Under the agreement executed between the parties, the petitioner no.1 was required to collect only the non-subsidy component from the beneficiaries and ensure that the subsidy amount, upon its release under the Government Scheme, ultimately reached the complainant-company's account, being the manufacturer of the machinery.

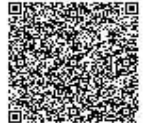
3. It is the case of the complainant that pursuant to the aforesaid arrangement, agricultural machinery worth substantial amounts was supplied to various beneficiaries through the petitioner. The petitioners in pursuance of their agreement, purchased equipments and machinery worth Rs.1,56,32,956/- from complainant and out of which agricultural equipments under In situ Scheme were amounting to Rs. 1,35,17,275/- and petitioners made payment of the 20% non-subsidy component. According to the complainant, while the remaining 80% subsidy amounts pertaining to supplies effected through other dealers were duly credited, the subsidy relating to the supplies made through the petitioners' firm was not received (Rs.1,03,17,275/-). Upon enquiry, the complainant allegedly discovered that the subsidy amounts had already been released by the Government in favour of the beneficiaries-farmers and that as many as 41 farmers had transferred an aggregate amount of Rs.81,78,300/- into the bank account of the petitioners, instead of the said amount being remitted to the complainant-company. Despite repeated requests and demands, the



petitioner allegedly retained the said amount, continued to evade payment on one pretext or another and eventually stopped responding to the complainant altogether. On the basis of the complaint and the material collected during investigation, the investigating agency found prima facie substance in the allegations and presented the final report under Section 173 Cr.P.C. before the competent Court. The matter is presently pending before the learned trial Court at the stage of consideration of charge.

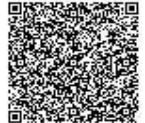
CONTENTIONS

4. Learned counsel appearing for the petitioner vehemently contends that the entire dispute emanates from a commercial contract executed between the parties and, therefore, at its highest, gives rise to a civil claim for recovery of money. It is argued that the complainant has deliberately given a criminal colour to a purely contractual dispute by invoking Clauses 7 and 8 of the agreement, although the rights and liabilities flowing therefrom are enforceable only through civil proceedings. According to the petitioner, mere non-payment or breach of contractual obligations cannot ipso facto constitute offences punishable under Sections 406 or 420 IPC. Learned counsel further submits that the essential ingredients of cheating under Sections 415 and 420 IPC are conspicuously absent. It is contended that dishonest intention must exist at the very inception of the transaction, whereas the material placed on record itself demonstrates the contrary. Learned counsel further argues that even if the allegations contained in the FIR are accepted in their entirety, the same would at best constitute breach of contractual obligations, giving rise to a civil remedy for recovery of money. Such a dispute, it is submitted, cannot form the basis of criminal prosecution. It is, therefore, prayed that the FIR and all consequential proceedings be quashed.



5. Per contra, learned State counsel, assisted by learned counsel appearing for respondent No.2, opposes the petition and submits that the allegations are not confined to breach of contractual obligations but disclose a systematic misuse of the Government subsidy mechanism. It is argued that the petitioner had been associated with respondent No.2 since the year 2013 and was fully aware of the procedure governing release and utilisation of subsidy under the applicable Government Scheme. Referring to the written reply filed by respondent No.2, learned counsel submits that the petitioner deliberately issued invoices for the entire value of the machinery, resulting in release of subsidy in favour of the beneficiaries. It is contended that the beneficiaries thereafter transferred the subsidy amounts into the petitioner's account instead of the account of respondent No.2. The investigation has revealed that 41 beneficiaries transferred approximately ₹81 lakhs to the petitioner, who allegedly retained the said amount instead of remitting it to the complainant.

6. Learned counsel further submits that the prosecution case is supported not merely by the contractual agreement but also by independent material collected during investigation, including statements of beneficiaries and banking records. It is argued that such material prima facie discloses the commission of cognizable offences and raises disputed questions of fact which cannot be adjudicated in proceedings under Section 482 Cr.P.C. It is further submitted that the petitioner seeks an adjudication on the correctness of the prosecution allegations and his defence, which would necessarily require appreciation of evidence. Such an exercise, according to the respondents, falls exclusively within the domain of the trial Court. Consequently, it is prayed that the present petition be dismissed.



OBSERVATIONS AND FINDINGS

7. I have heard learned counsel for the parties at considerable length and have carefully perused the pleadings, the material placed on record and the paper-book with their able assistance..

8. The issue which arises for consideration is whether the allegations levelled in the FIR and the material collected during investigation disclose merely a breach of contractual obligations giving rise to a civil dispute or whether they prima facie constitute the commission of cognizable offences so as to warrant continuation of the criminal proceedings.

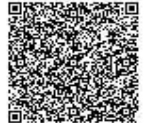
9. The contours of the power to quash FIRs/complaints under Section 482 Cr.P.C (Now Section 528 of BNSS) are well defined. The disputed questions of fact can only be adjudicated after the parties have duly adduced their evidence. The High Court, in exercise of its inherent powers under Section 482 Cr.P.C is obliged to make a just and equitable choice and cannot go beyond its ambit to evaluate the truthfulness of the allegations or the veracity of the defence, however, convincing it might seem. The Court is not required to examine the defence of the accused or conduct a mini-trial at this stage. Any such attempt would be impermissible in law as it would amount to giving finality to the accusations even before the prosecution is allowed to adduce evidence to substantiate the same. The Hon'ble Supreme Court in the landmark judgment of ***State of Haryana & Ors. v. Ch. Bhajan Lal & Ors., 1991 (1) RCR(Criminal) 383*** has laid down as following:

“107. In the backdrop of the interpretation of the various relevant provisions of the Code under Chapter XIV and of the principles of law enunciated by this Court in a series of decisions relating to the exercise of the extraordinary power under Article 226 or the



inherent powers under section 482 of the Code which we have extracted and reproduced above, we give the following categories of cases by way of illustration wherein such power could be exercised either to prevent abuse of the process of any Court or otherwise to secure the ends of justice, though it may not be possible to lay down any precise, clearly defined and sufficiently channelised and inflexible guidelines or rigid formulae and to give an exhaustive list of myriad kinds of cases wherein such power should be exercised.

- 1. Where the allegations made in the First Information Report or the complaint, even if they are taken at their face value and accepted in their entirety do not prima facie constitute any offence or make out a case against the accused.*
- 2. Where the allegations in the First Information Report and other materials, if any, accompanying the F.I.R. do not disclose a cognizable offence, justifying an investigation by police officers under Section 156 (1) of the Code except under an order of a Magistrate within the purview of Section 155(2) of the Code.*
- 3. Where the uncontroverted allegations made in the FIR or complaint and the evidence collected in support of the same do not disclose the commission of any offence and make out a case against the accused.*
- 4. Where, the allegations in the F.I.R. do not constitute a cognizable offence but constitute only a non-cognizable offence, no investigation is permitted by a police officer without an order*



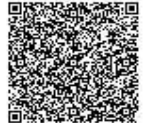
of a Magistrate as contemplated under Section 155(2) of the Code.

5. Where the allegations made in the F.I.R. or complaint are so absurd and inherently improbable on the basis of which no prudent person can ever reach a just conclusion that there is sufficient ground for proceeding against the accused.

6. Where there is an express legal bar engrafted in any of the provisions of the Code or the concerned Act (under which a criminal proceeding is instituted) to the institution and continuance of the proceedings and/or where there is a specific provision in the Code or the concerned Act, providing efficacious redress for the grievance of the aggrieved party.

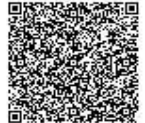
7. Where a criminal proceeding is manifestly attended with mala fide and/or where the proceeding is maliciously instituted with an ulterior motive for wreaking vengeance on the accused and with a view to spite him due to private and personal grudge.

108. We also give a note of caution to the effect that the power of quashing a criminal proceeding should be exercised very sparingly and with circumspection and that too in the rarest of rare cases; that the Court will not be justified in embarking upon an enquiry as to the reliability or genuineness or otherwise of the allegations made in the F.I.R. or the complaint and that the extraordinary or inherent powers do not confer an arbitrary jurisdiction on the Court to act according to its whim or caprice.”



10. In *M/s. Neeharika Infrastructure Pvt. Ltd. v. State of Maharashtra, 2021 (19) SCC 401*, the 3-Judge Bench of Hon'ble Supreme Court reiterated the above principles and elaborately considered the scope and extent of the power under Section 482 Cr.P.C., 1973. It was observed that the power of quashing should be exercised sparingly, with circumspection and in the rarest of rare cases, such standard not being confused with the norm formulated in the context of the death penalty. It was further observed that while examining the FIR/complaint, quashing of which is sought, the Court cannot embark upon an enquiry as to the reliability or genuineness or otherwise of the allegations made therein, but if the Court thinks fit, regard being had to the parameters of quashing and the self-restraint imposed by law, and more particularly, the parameters laid down by Apex Court in *R.P. Kapur v. State of Punjab AIR 1960 SC 866* and *State of Haryana and others v. Bhajan Lal (supra)*, the Court would have jurisdiction to quash the FIR/complaint. Thus, at this stage, the Court is only required to examine whether the allegations contained in the FIR and the material collected during investigation, if accepted at their face value, disclose the commission of a cognizable offence. Any deeper scrutiny would amount to conducting a mini-trial, which is impermissible in exercise of inherent jurisdiction.

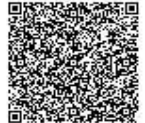
11. There can be no quarrel with the proposition that every breach of contract does not amount to cheating and that criminal law cannot be permitted to be used as an instrument for recovery of money. Equally well settled, however, is the converse proposition that merely because the transaction has a commercial or contractual flavour, criminal liability does not stand excluded if the factual allegations disclose the commission of an offence under the Penal Code. In *Indian Oil Corporation v. NEPC India Ltd., 2006 (6) SCC 736*, the



Hon'ble Supreme Court categorically held that the existence of a civil remedy is not by itself a ground to quash criminal proceedings. The Court observed that several disputes may simultaneously involve civil consequences as well as criminal liability and the criminal law cannot be rendered inoperative merely because civil proceedings are also maintainable. Likewise, in *Hridaya Ranjan Prasad Verma v. State of Bihar, 2000 (4) SCC 168*, it was observed that while every breach of contract does not amount to cheating, the existence or absence of dishonest intention is ordinarily to be gathered from the attending circumstances and the subsequent conduct of the parties, which are essentially matters to be examined during trial.

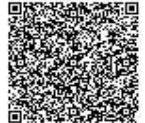
12. Examining the present case in the light of the aforesaid principles, this Court finds that the allegations are not confined merely to non-payment of contractual dues. Undoubtedly, the relationship between the parties originated from a commercial agreement executed for supply of agricultural machinery. However, the prosecution case extends beyond a mere breach of contractual obligations. According to the complainant, the agreement was executed in the backdrop of a Central Government Scheme intended to promote mechanisation of agriculture, under which eligible farmers were granted subsidy for purchase of agricultural implements. The subsidy mechanism, therefore, constituted an integral part of the transaction and not merely an incidental feature of the agreement.

13. The respondents have specifically relied upon Clause 6(3) of the Government Scheme to contend that the subsidy was required to be dealt with in the prescribed manner. It is their case that instead of following the agreed procedure, the petitioner issued invoices for the entire value of the machinery, resulting in the subsidy being credited to the beneficiaries. The further



allegation is that the beneficiaries, acting on the petitioner's instructions, transferred the subsidy amounts into his account instead of the account of respondent No.2. Whether the procedure adopted by the petitioner was consistent with the Government Scheme and the contractual arrangement or otherwise is undoubtedly a matter requiring evidence. Nevertheless, these allegations cannot be ignored at this stage. The investigation carried out by the police has culminated in presentation of the report under Section 173 Cr.P.C. The prosecution asserts that during investigation it has been found that 41 beneficiaries transferred an aggregate amount of approximately ₹81 lakhs into the account of the petitioner. The investigating agency has also collected the relevant banking records and statements of the beneficiaries. Thus, the prosecution case is not founded merely upon the contractual terms but is also sought to be substantiated by independent material collected during investigation. The correctness and evidentiary value of such material are matters to be examined by the learned trial Court and not by this Court in proceedings under Section 482 Cr.P.C.

14. Another circumstance which cannot be overlooked is the specific stand taken by respondent No.2 in its written reply that the petitioner had been functioning as its authorised dealer since the year 2013 and was well acquainted with the procedure governing implementation of the subsidy scheme. The respondents have alleged that despite such knowledge, the petitioner retained the subsidy amount received from the beneficiaries instead of transmitting the same to the complainant. Whether such conduct ultimately establishes dishonest intention is a matter to be determined after appreciation of evidence. However, these allegations, read along with the material collected during investigation, cannot at this stage be characterised as inherently improbable or absurd. His



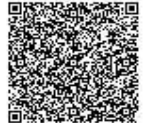
issuing bills of total amount instead of amount actually paid to him shows that he has dishonest intention from the inception.

15. The submission of the petitioner that the invoices themselves negate any dishonest intention also cannot be conclusively accepted while exercising jurisdiction under Section 482 Cr.P.C. The respondents dispute the very manner in which the invoices were prepared and contend that they were intentionally issued for the entire value of the machinery, thereby facilitating release of subsidy in favour of the beneficiaries, who thereafter transferred the amount to the petitioner. The correctness of these rival stands necessarily depends upon appreciation of documentary as well as oral evidence and cannot be adjudicated in the present proceedings.

16. Likewise, the contention that the ingredients of Sections 406 and 420 IPC are absent and the dispute is purely civil, also cannot be accepted at this stage. According to the prosecution, subsidy amounts, which were ultimately payable to respondent No.2 under the contractual arrangement, came into the dominion and control of the petitioner after being transferred by the beneficiaries and were thereafter retained instead of being remitted to the complainant. If these allegations are accepted at their face value, they prima facie disclose a factual foundation for the offences alleged. Whether the petitioner had any lawful authority to retain the said amount, whether any adjustment was permissible under the agreement or whether dishonest intention can ultimately be established are all matters which require appreciation of evidence during trial.

17. Moreover, the Court also cannot overlook that the allegations in the present case are not confined to a private commercial transaction simpliciter.

The transaction forms part of a Government subsidy scheme intended to



promote mechanisation of agriculture. Public funds were released under the Scheme in accordance with a prescribed procedure. The allegation that such subsidy amounts were diverted and retained contrary to the agreed mechanism, if ultimately established, carries consequences extending beyond an ordinary contractual dispute. This aspect also distinguishes the present case from cases involving a mere claim for recovery of money.

18. It also deserves notice that the case is presently pending before the learned trial Court at the stage of consideration of charge. At such stage, the Court is only required to examine whether the material collected during investigation raises a prima facie case warranting trial and that as if offence under Section 406 and 420 of IPC is made out. Acceptance of the petitioner's submissions would necessarily require this Court to adjudicate disputed questions relating to the interpretation of the agreement, the Government Scheme, the invoices, the banking transactions and the rival claims of the parties. Such an exercise would amount to conducting a mini-trial, which is clearly impermissible in proceedings under Section 482 Cr.P.C.

19. Having considered the allegations in the FIR, the material collected during investigation and the legal principles governing exercise of jurisdiction under Section 482 Cr.P.C., this Court is of the considered opinion that the present case does not fall within any of the exceptional categories enumerated in *State of Haryana v. Bhajan Lal (Supra) and Neeharika Infrastructure (Supra)* warranting interference by this Court. The material placed before this Court, if taken at its face value, cannot be said to disclose merely a civil dispute devoid of any criminal element. Rather, it raises issues which require a full-fledged trial. At this stage, it cannot be held that the allegations are inherently



absurd, patently improbable or so devoid of substance as to justify quashing of the FIR and the consequential proceedings.

20. Consequently, no case is made out for exercise of the inherent jurisdiction of this Court under Section 482 Cr.P.C. The present petition, being devoid of merit, is accordingly **dismissed**.

21. It is, however, clarified that the observations made herein are confined solely to adjudication of the present petition under Section 482 Cr.P.C. The learned trial Court shall consider the material placed before it independently at the stage of framing of charge as well as during trial, uninfluenced by any observation contained in this order, which shall be construed only for the purpose of deciding the present petition.

22. Pending miscellaneous application(s), if any, shall also stand disposed of.

(VIRINDER AGGARWAL)
JUDGE

29.07.2026

S. Pathania

Whether speaking/reasoned: Yes/No
Whether Reportable : Yes/No