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Crl.A.Nos.212 of 2022 and 709 of 2021

IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED : 06.08.2025

CORAM :

THE HON'BLE MR.JUSTICE D.BHARATHA CHAKRAVARTHY

Crl.A.Nos.212 of 2022 and 709 of 2021
and Crl.M.P.Nos.5044, 5033 and 3814 of 2022

In Crl.A.No.212 of 2022:-

S.Prabhu

.. Appellant

Versus

The State Rep. by
The Inspector of Police,
Economic Offences Wing-II,
Erode.

Crime No.344 of 2012

.. Respondent

In Crl.A.No.709 of 2021:-

1. M/s.Healthy Poultry & Farms,
2. M/s.Healthy Poultry & Farms Indian Pvt. Ltd.,

Both at No.3, Bank of Baroda upstairs,
Kovai Main Road, Nambiyur,
Gopi Taluk, Erode District - 638 458.
Rep. by A3 R. Karthika Managing Director



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3. Karthika

.. Appellants

Versus

State Represented by Inspector of Police,
Economic Offence Wing-II,
Erode.

.. Respondent



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Prayer in Crl.A.No.212 of 2022 : Criminal Appeal filed under Section 11 of TNPID Act, 1997 r/w Section 374(2) of Cr.P.C., to set aside the conviction and sentence imposed in judgment, dated 23.11.2021 made in C.C.No.3 of 2014 on the file of the Special Judge, Special Court under TNPID Act, Coimbatore, by allowing this Criminal Appeal.

Prayer in Crl.A.No.709 of 2021 : Criminal Appeal filed under Section 374 of Cr.P.C., to set aside the order of the judgment in C.C.No.3 of 2014, dated 23.11.2021 on the file of the learned Special Judge, Special Court under TNPID (in Financial Establishment) Act, 1997 at Coimbatore and allow the appeal.

For Appellant : Mr.S.Sathiaselan
(in Crl.A.No.212 of 2022)

For Appellant : Mr.N.Vignesh
(in Crl.A.No.709 of 2021)

For Respondent : Ms.J.R.Archana,
(in both the appeals) Government Advocate (Crl. Side)

COMMON JUDGMENT

These two appeals challenge the judgment in C.C.No.3 of 2014, dated



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23.11.2021 passed by the learned Special Judge of the Special Court under the TNPID Act, Coimbatore. By the said judgment, the appellants, who were arraigned and prosecuted as accused Nos.1, 2, 3, and 6, were convicted of offences under Section 120B read with Section 420, Section 420 of the Indian Penal Code and Section 5 of the Tamil Nadu Protection of Interests of Depositors (In Financial Establishments) Act, 1997 (hereinafter referred to as 'TNPID Act'), and sentenced as follows:-

S.No	Name and Rank of Accused/Appellant	Convicted under Section	Sentence of Imprisonment	Sentence of Fine
1.	A1, M/s.Healthy Poultry & Farms and A2, M/s.Healthy Poultry & Farms India Pvt. Ltd.	Sec.420 of I.P.C. and Sec.5 of TNPID Act	-	Rs.30,000/- for each counts (Fine of Rs.30,000 x 69 counts x 2 offences), in total Rs.41,40,000/-, under Sec.420 of I.P.C. and Sec.5 of TNPID Act
2.	A3, Karthika and A6, Prabhu	Sec.420 of I.P.C. and Sec.5 of TNPID Act	in default of payment of fine to undergo further one year rigorous imprisonment for each counts	Pay the said fine amount equally on behalf of A1 and A2, namely each Rs.20,70,000/-
3.	A3, Karthika and A6, Prabhu	Sec.120B r/w 420 of I.P.C.	seven years rigorous	Pay fine of Rs.30,000/- for each



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S.No	Name and Rank of Accused/Appellant	Convicted under Section	Sentence of Imprisonment	Sentence of Fine
			imprisonment in default of payment of fine to undergo further one and half years rigorous imprisonment for each counts	counts (Fine of Rs.30,000 x 69 counts x 2 accused), in total Rs.41,40,000/-
4.	A3, Karthika and A6, Prabhu	Sec.420 of I.P.C.	seven years rigorous imprisonment in default of payment of fine to undergo further one and half years rigorous imprisonment for each counts	Pay fine of Rs.30,000/- for each counts (Fine of Rs.30,000 x 69 counts x 2 accused), in total Rs.41,40,000/-
5.	A3, Karthika and A6, Prabhu	under Sec.5 of T.N.P.I.D. Act, 1997	ten years rigorous imprisonment, in default of payment of fine, to undergo further two years rigorous imprisonment for each counts	Pay fine of Rs.30,000/- for each counts (Fine of Rs.30,000 x 69 counts x 2 accused), in total Rs.41,40,000/-



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S.No	Name and Rank of Accused/Appellant	Convicted under Section	Sentence of Imprisonment	Sentence of Fine
Note:- 1. The sentences shall run concurrently. 2. Total fine amount Rs.1,65,60,000/-. A3 and A6 each has to pay fine Rs.82,80,000/- each.				

2. On 12.12.2012, *N.Ponnusamy* was on duty at the Nambiyur Police Station. *P.W.1, Palanisamy*, appeared before him and filed a complaint (*Ex.P-1*), stating that he was lured by an advertisement from the Company, M/s.Healthy Poultry & Farms India Pvt. Ltd., which claimed that his investments would multiply. He invested Rs.1,00,000/- and entered into an agreement. The agreement was for a scheme involving raising country chickens, and a receipt for his deposit was issued by the owner, *R.Karthika*. According to the agreement, the company was to provide chicks, feed, and medical care, and in return, he would receive a monthly salary of Rs.8,500/-. Believing this, he invested the amount on 03.05.2012, and received Rs.25,000/-, representing three months' income. However, thereafter, he



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was not paid any further amounts. On 27.08.2012, the owner called a meeting at Nambiyur Arun Kalyana Mandapam and promised to keep the company running. Again, on 08.09.2012, she held another meeting and assured him that the outstanding amount would be paid within 15 days. Despite completing his work, the Rs.25,000/- unit income owed to him was not paid, and the owner and others have since absconded. The owner, *R.Karthika*; manager *Murugan*; and *Prabhu* and *Satheesh* are all missing, and therefore the complaint.

3. On the strength of the complaint, a case in Crime No.344 of 2012 was registered for the alleged offences under Sections 120B, 406, and 420 of the Indian Penal Code and was taken up for investigation. Thereafter, the investigation was further conducted by *P.W.84, Elangovan*, and ultimately, *P.W.85, Murugan*, completed the investigation and filed the Final Report, which was taken on file as C.C.No.3 of 2014. A total of 10 persons, connected to the proprietorship firm Healthy Poultry and Farms and the



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corporate entity M/s.Healthy Poultry and Farms India Pvt. Ltd., were arrayed as accused. It is reported that during the course of investigation, the eighth accused, *Ramasamy*, had died. Therefore, in respect of the other accused, three charges under Sections 120B, 420 of the Indian Penal Code, and Section 5 of the TNPID Act, were framed on 13.10.2015.

4. Upon being questioned, the accused denied the charges and stood trial. To establish the charges, the prosecution examined the *de facto* complainant, the first informant, as *P.W.1*. There were a total of 69 victims, who were examined as *P.W.2* to *P.W.68* and *P.W.79*. Besides the victims, the General Manager of District Industries Limited was examined as *P.W.69* to prove the composition and persons in charge of accused Nos.1 and 2 Concerns. The printing press owner, who printed various materials and advertising posters for accused Nos.1 and 2 Companies, was examined as *P.W.70*. To prove the advertisements issued by accused Nos.1 and 2, a reporter from a daily newspaper, who spoke about the advertisements by



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accused Nos.1 and 2, was examined as *P.W.71*. *Senthil Kumar*, the landlord who rented out the premises to accused Nos.1 and 2, was examined as *P.W.72*. *Bharanitharan*, who arranged a different business location, was examined as *P.W.73*. *Kittusamy*, employed by *R.Karthika*, accused No.3, and the companies for civil works, was examined as *P.W.74*. *Padmanabhan*, the Manager of the digital printing concern, was examined as *P.W.75* to verify the printing of materials and advertisements by the company. *Shanmugam*, who supplied materials for shed construction for rearing country chickens, was examined as *P.W.76*. *Periyasamy*, who supplied tea and cared for the chickens and was employed by the accused, was examined as *P.W.77*. The bank manager, where the accused company's account was maintained, was examined as *P.W.78*. *Dhanasekar*, who printed handbills, notices, etc., was examined as *P.W.80*. *Jothimurugan*, who printed invitations for the accused company's programs, was examined as *P.W.81*. *Subramani*, who rented out his shop in Hanumanpalli, was examined as *P.W.82*. The Registrar of Companies, Coimbatore, who provided details



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about the second accused company, was examined as *P.W.83*. Investigating officers *Elangovan* and *Murugan* were examined as *P.W.84* and *P.W.85*. In addition to this oral evidence, ***Ex.P-1*** to ***Ex.P-255*** were also marked. These documents primarily contained agreements with victims, complaints, receipts, company details, seizure mahazar, confession statements, and the First Information Report.

5. Upon being questioned about the incriminating evidence and the materials on record, the accused denied them as false. Thereafter, the fourth accused examined himself as *D.W.1*. The accused No.10 examined himself as *D.W.2*. The accused No.9 examined herself as *D.W.3*. On behalf of the defence, ***Ex.D-1*** to ***Ex.D-24*** were marked. The Trial Court thereafter proceeded to consider the case of the parties and held that the case against the accused Nos.4, 5, 7, 9, and 10 was not proved and acquitted them of all charges. The Trial Court held that through various advertisements and schemes floated by the first accused's concern, of which the third accused,



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Karthika, is the owner, and the second accused's company, of which accused Nos.3 and 6 were directors, they lured the public to invest in the scheme with dishonest intent. After initially paying some amounts, providing sheds, and giving chickens, they subsequently closed the shops, absconded, and defaulted on the payment of benefits and the principal sum invested by the victims. Therefore, they cheated a total of 69 victims of Rs.1,55,50,500/-, and the court convicted the four accused including the two companies, accused Nos.1 and 2, and sentenced them as aforesaid. Against this, the sixth accused, *Prabhu*, has filed Crl.A.No.212 of 2022, whereas accused Nos.1, 2 and 3 have filed Crl.A.No.709 of 2021.

6. Heard *Mr.S.Sathiaseelan*, learned Counsel for the sixth accused and the appellant in Crl.A.No.212 of 2022; *Mr.N.Vignesh*, learned Counsel for accused Nos.1, 2, and 3 and the appellants in Crl.A.No.709 of 2021; and *Ms.J.R.Archana*, learned Government Advocate (Crl. Side) for the respondent.



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7. *Mr.N.Vignesh*, learned Counsel first explained to this Court the common form of agreements, which were marked as various exhibits, entered into with reference to each and every victim. Pointing out the various clauses of the agreement, he argued that it clearly constitutes an employment agreement. There was no intention to deceive at the start of the transaction. The business of the third accused was to employ people at their own locations, allowing them, in addition to their regular work, to rear country chickens. These chickens were then supplied to the third accused, who handled them profitably, thereby earning profits for the company and paying substantial dividends to depositors. The agreement also promised interest to depositors and specified monthly wages for the work done. Therefore, his primary argument is that there was no deposit scheme involved; it was solely an employment agreement. The company provided sheds which were worth more than half of the deposited amount and only as security the amount was collected. There is no scheme to suggest that the



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petitioner company qualifies as a financial establishment under Section 2(3) of the TPID Act, 1997.

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8. The learned Counsel would further argue that a thorough examination and reading of the entire evidence in this case, including the evidence of the Investigating Officer, makes it clear that the third accused, *Karthika*, never intended to defraud any investors, and not even a single penny was diverted or siphoned by her. Every amount was invested solely in the business. The business was progressing well. Chicks were supplied, customers reared the chicks, and handed them over to the Company. The Company was also receiving and selling the same. In fact, the salary promised as per the agreement was paid for the initial two to three months. While the accused utilized all the deposits for the further development of the Company, such as procuring materials for the shed, employing staff, preparing the godown, and making export arrangements, suddenly, in an unrelated move away from business, when the bubble burst and complaints



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surfaced, without any warning, every depositor abruptly disrupted the business in breach of the agreement before the three-year period expired, demanding the return of their funds all at once. At that critical moment, the accused was only thwarted due to the actions of some depositors, local busybodies, and politicians involved in the matter. Consequently, the accused was compelled to shut down the business and was wrongly charged as an accused and further prosecuted.

9. There is absolutely no intention to cheat. From the evidence of the victims examined as *P.W.1* to *P.W.68*, it is very clear that the amount was obtained only after entering into the agreement. According to the agreement, the shed was constructed at their respective locations, chicks were supplied, and the grown chicks were collected back by the accused. Before this process could cycle again, the entire dispute was created by third-party individuals and disinterested persons, causing the business to come to a halt. This is nothing but a failed business model, and the accused was unable to



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repay the amount. There is no evidence of cheating, much less under Section 5 of the TNPID Act. The learned counsel also pointed out that all the witnesses are aware of the genuineness of the third accused. In fact, even after the trial, they recognized the effort made by the accused and were willing to acknowledge the circumstances, without pressing for the claim. Unfortunately, most of the facts were not recorded, and the Trial Court erroneously convicted the accused.

10. *Mr.Sathiyaseelan*, learned Counsel for the sixth accused/appellant in Crl.A.No.212 of 2022 submits that the sixth accused is a poor employee of the third accused. When the first accused operated as a sole proprietorship, the sixth accused was employed with a monthly salary. Subsequently, when a corporate entity was established by the third accused, the sixth accused was nominally inducted as a Director. He has no stake in the company and no control over it except for lending his name as Director. It is evident that none of the 69 victims gave any money to the sixth accused.



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None of the receipts produced by the victims bear the sixth accused's signature. None of the agreements produced by the victims are signed by him. Everything was done by the third accused. Cross-examination of the witnesses reveals that the third accused owns the entire business and that the sixth accused has no financial stake whatsoever. The Trial Court failed to consider that, of the 69 counts, almost all the agreements were entered only with the proprietary concern. The sixth accused has no connection with the proprietary concern. The second accused Company did not enter into any agreement. Therefore, as the sixth accused is neither controlling nor responsible for the affairs of the second accused Company, the Company itself did not enter any agreement or receive deposits. This was not considered by the Trial Court. Moreover, it is clear that the prosecution did not claim the sixth accused received any pecuniary benefit. He simply lent his name as a Director, which was a reason for differentiating him from the other accused who were acquitted. The Trial Court should have recognized that, although he only lent his name, other witnesses mentioned similar



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conduct regarding the other acquitted accused and the sixth accused. Hence, the Trial Court should have granted him the same benefit as accused Nos.4, 5, 7, 9 & 10.

11. He would further point out that the finding of the Trial Court, as if the sixth accused collected deposit, is perverse and there is no material evidence to support it. The Trial Court should have recognized that every amount and financial transaction was in the current account of the first accused. Therefore, the sixth accused had absolutely no control over it. The Bank Manager's testimony would also support this. In the absence of any evidence of pecuniary benefit or clear proof of the sixth accused's responsibility, such as actively signing agreements, issuing receipts, or collecting money, the sixth accused should not have been convicted by the Trial Court.

12. In support of his submission, the learned Counsel would rely on



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the judgment of the Hon'ble Supreme Court of India in ***Monaben Ketanbhai Shah and Anr. Vs. State of Gujarat and Ors.***¹ for the proposition that it is the prosecution's responsibility to bring such facts on record to establish criminal liability on the sixth accused. The learned Counsel would also cite the judgment of the Hon'ble Supreme Court of India in ***K.Srikanth Singh Vs. North East Securities Ltd.***² which states that even to establish liability under Section 5 of the TNPID Act, such allegations must be made and proved by the prosecution. The fact that the petitioner's name appears only as a Director is not sufficient.

13. *Mr.Sathiyaseelan*, the learned Counsel would rely on the judgment of the Hon'ble Supreme Court of India in ***K.K. Ahuja Vs. V.K. Vora***³ to argue that, in the absence of specific allegations regarding how the sixth accused controlled the business through any of the victims, the prosecution of the sixth accused was incorrect. The learned Counsel would also cite the

¹ (2004) 7 SCC 15

² (2007) 12 SCC 788

³ (2009) 10 SCC 48



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judgment of the Hon'ble Supreme Court of India in ***Hira Lal Hari Lal***

Bhagwati Vs. CBI⁴ to assert that, to establish the offence of cheating, the prosecution needed to show that the accused possessed fraudulent or dishonest intent, and that such intent must have existed at the time of making the promise or representation. Subsequent failure to fulfill the promise, especially because the business model failed, would not constitute an offence under Section 420 of the Indian Penal Code. Furthermore, the learned Counsel would rely on the judgment of the Hon'ble Supreme Court of India in ***Sham Sunder Vs. State of Haryana***⁵, particularly paragraph Nos.9 and 10, to argue that vicarious liability cannot be assigned unless provided by statute, and even then, proper allegations must be made. The Counsel would also cite the judgment of the Hon'ble Supreme Court of India in ***K. Srikanth Singh***'s case (cited *supra*), specifically paragraph Nos.4 and 5, to emphasize that the prosecution must establish the elements required for vicarious liability, and in the absence of such proof, the conviction of the

⁴ (2003) 5 SCC 257

⁵ (1989) 4 SCC 630



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sixth accused is legally incorrect. Additionally, the Counsel would rely on the judgment of the Hon'ble Supreme Court of India in ***Kashiram and Others Vs. State of M.P.***⁶, especially paragraph No.24, to argue that no adverse inference can be drawn against the sixth accused merely because he chose not to enter the witness box. The Trial Court acquitted some other accused solely on the ground that they entered the witness box, while convicting the sixth accused only for choosing not to do so.

14. It is also the contention of the learned Counsel that even as on 10.09.2012, upon observing that all was not well with the Company, the sixth accused had tendered his resignation as Director of the second accused Company. This resignation is also evidenced by the extract of the resolution passed by the board on the same date, and *Karthika* also executed an undertaking on a 20 rupee stamp paper to release the sixth accused from all liabilities. The learned Counsel submits that, although these documents were not marked, they are undisputed facts. Therefore, it can be brought to

⁶ (2002) 1 SCC 71



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the notice of this Court at the appellate stage for consideration. The learned Counsel prays that the application to admit these additional documents should be granted, and these documents should be taken into account. Based on all the facts pleaded, the learned Counsel requests that the sixth accused be acquitted.

15. Per *contra*, *Ms.J.R.Archana*, learned Government Advocate (Crl. Side) for the respondent, pointed out that in this case, a total of 69 victims were cheated by the accused. They had deposited Rs.1,55,50,000/-, with most of the accused depositing amounts starting from Rs.1,00,000/- for one unit, and some even exceeding Rs.2,00,000/-. As for the third accused, it is admitted that she is the proprietor of the first accused firm. This is evident from the document submitted to the District Industries Centre, which is ***Ex.P-225***, an application clearly signed by the third accused herself, where she identified as the proprietor of the first accused company. Additionally, the particulars of the company, including the Memorandum of Articles of



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Association, are marked as ***Ex.P-237*** and ***Ex.P-238***, showing the third accused as the Director of the second accused company. All the victims have explicitly stated that the third accused is the owner of the company and in charge of the business. They also confirmed that it was the third accused who received the money and signed the receipts. All the agreements were entered into by the third accused on behalf of the first accused proprietorship concern, and these are marked as various exhibits. The receipts issued on behalf of the second accused company were also signed by the third accused and marked as exhibits.

16. Regarding the role of the sixth accused, all the witnesses namely, *P.W.6* to *P.W.10*, *P.W.11*, *P.W.14*, *P.W.16*, *P.W.18*, *P.W.37*, *P.W.47*, *P.W.60*, *P.W.61*, *P.W.62*, *P.W.64* to *P.W.66*, and *P.W.68*, categorically stated that the sixth accused was present in Company Nos.1 and 2 and participated in its daily activities. They acted as if they were managers and were spoken to by these witnesses. Even during cross-examination, the accused provided



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specific answers. Additionally, **Ex.P-237** and **Ex.P-238** clearly establish that the sixth accused is also a Director of the Company. Since Section 5 of the TNPID Act holds responsible anyone involved in the affairs of the financial establishment, the sixth accused is liable for prosecution. At the outset, all the accused knew they were not investing any money but merely collecting deposits from the public through attractive schemes. Their actions collecting deposits, siphoning funds for personal use, and covering daily expenses indicate that the fraudulent intent was present from the beginning. Ultimately, they failed to return the deposits, shut down the operation, and absconded. The prosecution convincingly proved this through the testimonies of victims and supporting witnesses, such as the District Industrial Centre Manager, the Bank Manager, the Company Secretary, and witnesses who testified about the printed advertisements, invitations, and brochures related to the schemes used to deceive the public. Accordingly, the Trial Court rightly convicted the appellants of the charges, and there is no reason for this Court to interfere.



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17. I have considered the rival submissions made on either side and perused the material records of the case.

18. It can be seen that the first accused is only a proprietary concern, and the third accused is the proprietor of the first accused. In that scenario, showing the proprietorship concern apart from the third accused is superfluous. Be that as it may, the allegation against *Karthika*, individually as the proprietor of M/s.Healthy, Poultry and Farms, and against the second accused company, namely M/s.Healthy, Poultry and Farms Pvt. Ltd., along with its directors, *Karthika* and *Prabhu*, is that they promoted certain attractive schemes and solicited investments from the public. In this regard, the relevant witnesses, who printed the brochures and handbills, were examined, and the printed schemes and advertisements were marked through these witnesses. For example, the advertisement in ***Ex.P-227*** reads as "ஒரு முறை முதலீடு ஒளிமயமான எதிர்காலம்" "முதலீட்டிலிருந்து 6%



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வட்டியும் வழங்கப்படும்", "முதலீட்டிற்கு முழு உத்தரவாதம் தரும் நம்பகமான நிறுவனம்". Therefore, the prosecution has proved that an attractive scheme was created to lure the public, even though an agreement was made with the victim, the agreement is labeled as an employment agreement.

19. The agreement states that it was for a period of 3 years from 2012 to 2015. Clause 7 of each agreement specifically mentions that at the end of the three-year period, the deposit amount will be returned with interest at a rate of 6% per annum. Apart from this, one month's salary will be given as the yearly bonus. Monthly salaries were also promised at the rate of Rs.8,500/- per unit for rearing chicks. Further, as per clause 8, even if the agreement holder quits for any reason, the establishment will be entitled to six months' notice, and the persons putting in the investment will not be paid the annual bonus or the interest. Thus, it can be seen that the investment made is promised to be a risk-free return and is categorically termed as a



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'deposit'. It was in no way presented to the depositors that their money would be used for the day-to-day affairs of the accused.

20. From the evidence on record, it can be seen that even when considering the business model, the third accused did not consider other financial assistance such as a bank loan or venture capital from the very beginning. It is clear from the transaction that the accused believed that after collecting the money, they would continue establishing their business, and other expenses could be met from the same deposit. Therefore, I am of the view that the intention of the accused to use the deposited money for their purposes was present even at the start of the transaction.

21. The agreement cannot be termed as an employment agreement; it is merely an attractive scheme for investment disguised as employment. No doubt, it is true that some clauses of the agreement, such as the supply of chicken, taking back, and making of the shed were made, and those promises



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were kept. Merely because the accused were not complete fraudsters or because their scheme was not entirely false does not absolve them of liability. The entire evidence on record by the prosecution indicates that the accused had devised the scheme and had clearly planned to use the money collected from the public. The fact that, when all the depositors wanted their money, nothing was left with the accused, itself demonstrates that they had diverted and utilized the victims' money for their own purposes.

22. In fact, even after the conviction, only Rs.10,97,473/- was recovered during investigation, and no other property was found. The competent authority could realize only this amount. The accused has no other assets. These facts clearly establish the offence under Section 5 of the TNPID Act and Section 420 of the Indian Penal Code. The sixth accused argues that he should be treated the same as accused Nos.4, 5, 6, 7, 9, and 10, who were acquitted by the Trial Court. The key difference is that the sixth accused is the Director of the second accused Company. Documents



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Ex.P-237 and **Ex.P-238** confirm that he held the position of Director.
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Considering the additional documents filed, it appears that after the situation worsened in September 2012, the accused offered his resignation, which suggests that, upon realizing things were not going well, the sixth accused wanted to exit the Company.

23. Be that as it may, when the offence was committed, he was the Director of the Company. The argument of the learned Counsel for the sixth accused is that since he did not receive any pecuniary benefit, he should not be considered guilty. Second, since he was only a Director and the third accused was solely in control of the business, this should also be taken into account to conclude that he was not responsible for managing the affairs of the financial establishment. I am unable to accept these contentions. Factually, the witness testified about active participation in the day-to-day affairs, as they saw the appellant acting as if he were the Manager of the defaulting financial establishment. Additionally, he is a Director of the



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Company. Furthermore, both the prosecution and the accused agree that the collected money was used for the business of the Company. The second accused is also a Director. Therefore, it cannot be said that he received no financial benefit at all. However, it appears that the primary role was played by the third accused. The sixth accused initially joined as an employee when the first accused operated solely as a proprietary concern in February 2012. However, in May 2012, when the Corporate Entity was formed, he also joined the management. Therefore, he cannot now claim that he was only an employee. The role he played in misappropriating public money and benefiting from it is comparatively minor compared to the third accused. Consequently, the submissions made by the learned Counsel for all the appellants are liable to be rejected, and I have no option but to uphold the Trial Court's finding of guilt.

24. Regarding the question of the sentence, I have already found that, as far as the sixth accused is concerned, he initially joined as an employee



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and later willingly lent his name as the Director. However, his role is relatively minor compared to the other accused. Aside from being involved in the utilization of money for the business, there is no other allegation by the prosecution that he personally diverted any amounts collected from the victim. It also appears that the prosecution's case is that all the collected money was spent by the accused on daily expenses and within the course of their business. In such a scenario, I believe the sentence imposed on the sixth accused should be proportionate to the role he played.

25. As a matter of fact, the fact that he wanted to distance himself from the Company can also be seen from the additional documents sought to be produced before this Court, such as his resignation, although this came a bit too late. Therefore, for all the charges that are framed and with the sixth accused found guilty, I am of the view that the maximum imprisonment should be reduced to three years and the fine amount should be reduced for the sixth accused, as he initially appeared to be an enthusiastic employee



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who lent his name and participated in the business. In case of default in payment of the fine, the accused will undergo simple imprisonment for an additional 10 days. The total fine amount will be Rs.5,00,000/-, with the amount already paid to be adjusted, and the period of imprisonment already served can also be set off.

26. Regarding the sentence for the third accused, *Karthika*, in terms of the punishment to be served, considering that it was partly a misadventure on her part to have understood and secretly used other persons' money for her own business, and partly acknowledging the mitigating factor that immediately after starting the business, when everything was going smoothly for the first three months and several private schemes in the area were being busted and the establishments were cheating, suddenly all the depositors came and requested their deposits back, the maximum punishment of 10 years shall be reduced to 5 years.



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27. In the result, this Criminal Appeals are partly allowed on the following terms:-

(A) The accused No.1 is the proprietorship concern of the accused No.3 and no separate sentence need be passed against accused No.1;

(B) Accused No.2 Company is found guilty of an offence punishable (a) under Section 420 of Indian Penal Code and is ordered to pay a fine of Rs.30,000/- for each of the 69 counts, totalling to 20,70,000/-; (b) under Section 5 of the TNPID Act and is ordered to pay a fine of Rs.30,000/- for each of the 69 counts, totalling to Rs.20,70,000/- and in default, to undergo Rigorous Imprisonment for a period of one year;

(C) Accused No.3 is found guilty of an offence punishable (a) under Section 420 of the Indian Penal Code (69 Counts) and is sentenced to undergo Rigorous Imprisonment for 5 years and to pay a fine of Rs.30,000/- in respect of each count in all totalling to Rs,20,70,000/- and in default, to undergo Simple Imprisonment for another 3 months; (b) Under Section 5 of the TNPID Act (69 Counts) and to undergo Rigorous Imprisonment for a



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period of five years and to pay a fine of Rs.30,000/- in respect of each count in all totalling to Rs.20,70,000/-; (c) under Section 120B read with Section 420 the Indian Penal Code (69 Counts) and to undergo Rigorous Imprisonment for a period of five years and to pay a fine of Rs.30,000/- in respect of each count in all totalling to Rs.20,70,000/-;

(D) Accused No.6 is found guilty of an offence punishable (a) under Section 420 of the Indian Penal Code (69 Counts) and is sentenced to undergo Rigorous Imprisonment for 3 years and to pay a fine hereinafter mentioned; (b) Under Section 5 of the TNPID Act (69 Counts) and to undergo Rigorous Imprisonment for a period of 3 years and to pay a fine hereinafter mentioned; (c) under Section 120B read with Section 420 of the Indian Penal Code (69 Counts) and to undergo Rigorous Imprisonment for a period of three years and to pay a fine hereinafter mentioned; and (d) to pay a total fine of Rs.5,00,000/- for all the offences and counts mentioned above and in default of payment of the total fine of Rs.5,00,000/-, to undergo Simple Imprisonment of 10 days;



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(E) The amounts of fine paid so far/amount paid as condition while suspending the sentence by this Court, by the respective accused, shall be adjusted in the calculation of the balance fine amount to be paid;

(F) The period of imprisonment so far undergone shall be set off;

(G) The sentences to run concurrently and the default sentence for non-payment of fine shall start after the substantive sentence, but run concurrently thereafter.

06.08.2025

Neutral Citation : yes
grs

Note: Registry is directed to issue order copy on 22.08.2025
To

1. The Special Judge,
Special Court under TNPID Act, Coimbatore.
2. The Inspector of Police,
Economic Offence Wing-II,
Erode.
3. The Public Prosecutor,
High Court of Madras.



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D.BHARATHA CHAKRAVARTHY, J.

grs

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06.08.2025