IN THE HIGH COURT OF JUDICATURE AT MADRAS

Reserved on :	**06.10.2025**
Pronounced on :	**16.10.2025**

C O R A M:

THE HONOURABLE MRS.JUSTICE J.NISHA BANU
AND
THE HONOURABLE MR.JUSTICE S.SOUNTHAR

W.P.No.18308 of 2025

1. C.Sivasankaran
2. C.Santhabooshnam
3. P.Suthanthira
4. C.Thenmozhi ... Petitioners

-vs-

1. The Deputy Director,
MBZO-I, Directorate of Enforcement,
Kaiser – I- Hind Building, 3rd Floor,
Currimbhoy Road, Ballard Estate,
Mumbai 400 001

2. Directorate of Enforcement,
Government of India, through
The Assistant Director, (PMLA)
Mumbai Zone – I, Kaiser – I Hind Building,
4th Floor, Currimbhoy Road, Ballard Estate,

Mumbai 400 001

3. IL & FS Financial Services Ltd., (IFIN),
The IL & FS Financial Centre, 3rd Floor,
Plot C-22, G- Block,
Bandra Kurla Complex ,
Bandra (E), Mumbai 400 051 ... Respondents

PRAYER: Writ Petition filed under Article 226 of the Constitution of India, praying this Court to issue a Writ of Mandamus, directing the Special Court, Mumbai to restore/ refund the deposited amount of Rs.50 Crores directly to the third respondent towards One time Settlement approved vide In-Principal Approval dated 03.10.2024.

For Petitioners	:	Mr.Nithyesh Nataraj For Mr.S.Ravi
For RR 1 & 2	:	Mr.N.Ramesh, Spl.Public Prosecutor
For R-3	:	Mr.V.V.Sivakumar

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ORDER

*(Order of the Court was made by **J.NISHA BANU, J.**)*

Seeking for the refund of the amount deposited before the Special Court, Mumbai by the petitioners's father late Vallal RCK, the petitioners have filed the present writ petition before this Court.

2. The brief facts that are necessary for the disposal of the case are as under:-

2.1. The petitioners herein are the legal heirs of late Vallal RCK alias Chinnakannan. Initially, the said late Vallal RCK purchased a property measuring 10.66 acres of vacant land in Koluthuvancheri Village, Kanchipuram District (Sl.No.1 property) for a sale consideration of Rs.32.34 crores vide four sale deeds dated 10.04.2013. He also purchased 17.48 acres of vacant land in Koluthuvancheri Village, Kanchipuram District (Sl.No.3 property) vide nine sale deeds that were registered on 14.08.2013 and 04.09.2013. Thereafter, M/s Hi Tech Housing Projects Pvt.Ltd. obtained a mortgage loan of Rs.50 crores from M/s. Industrial Finance Corporation of India (hereinafter referred to as 'IFCI'), for which the said late Vallal RCK mortgaged the aforesaid Sl.No.3 property as collateral security.

2.2. The third respondent herein, is a non-banking financial company. On 20.02.2018, the third respondent sanctioned a loan of Rs.175 crores for

M/s.Siva Sheltors & Constructions Pvt.Ltd (hereinafter referred to as 'SSCPL'), in which late Vallal RCK is a joint venture partner to it. Out of the sanctioned amount of Rs.175 crores, only a sum of Rs.50 crores was disbursed to SSCPL, wherein Rs.33.70 crores was directly transferred by the third respondent to IFCI for releasing the mortgage of Sl.No.3 property of late Valla RCK and the balance sum of Rs.16.30 crores was disbursed to SSCPL by the third respondent. At this stage, an F.I.R came to registered on 06.02.2018 by the Economic Offences Wing, New Delhi in Crime No.253 of 2018. Subsequently, the respondents 1 & 2 registered a ECIR on 19.02.2019 in ECIR/MBZO-I/2019 before the Special Court, PMLA, Mumbai wherein late Vallal RCK was made as an accused in the same.

2.3. In the above said ECIR proceedings, the respondents 1 & 2 provisionally attached the Sl.Nos.1 & 3 properties of late Vallal RCK along with his bank account (hereinafter this bank account is referred as Sl.No.5 property) vide Provisional Attachment Order No.10 of 2019 dated 16.08.2019. The Adjudicating Authority, vide its order dated 07.02.2020 confirmed the order of provisional allotment. Aggrieved against the same, late Vallal RCK preferred an appeal on 29.02.2020 before the Tribunal for Prevention of Money Laundering at New Delhi and an order of status quo was passed on 09.03.2020.

2.4. Meanwhile, late Vallal RCK had filed W.P.No.2665 of 2021 before this Court to direct the Tribunal to hear and dispose of the application. This Court, vide its order dated 22.02.2021, directed the Tribunal to dispose of the main appeal within a period of two months from the date of receipt of the order. However, due to lack of coram, the Tribunal was not able to hear the appeal. In view of the same, late Vallal RCK had filed another writ petition in W.P.No.13830 of 2021 for release of his properties provisionally attached vide PAO order dated 16.08.2019 by the first respondent. In the said writ petition, late Vallal RCK putforth a proposal vide additional affidavit dated 29.07.2021 and this Court, on 10.12.2021 inter-alia passed the following order in W.P.No.13830 of 2021:

> *"(a) Chinnakannan shall deposit Rs.8.08 crores in the Special Court, PMLA, Mumbai in PMLA Spl. Case No.6 of 2019 within four weeks from today. The learned Special Judge, may, in his discretion, redeposit the amount in an*

interest bearing account;

(b) On such deposit, the 2nd respondent shall release the attachment order qua Sl.No.1 property viz., 10.66 acres of vacant land in Koluthuvancheri village, Kanchipuram District."

2.5. Continuance to the above order, late Vallal RCK complied with the aforesaid order dated 10.12.2021 by depositing the said amount of Rs.8.08 crores before the Special Court, PMLA, Mumbai and the respondents 1 & 2, vide letter dated 15.03.2022 requested the Joint Sub-Registrar – I, Chennai South Joint – I to release the attachment over Sl.No.1 property. Further this Court vide its order dated 22.04.2022, recorded the above compliance by the said late Vallal RCK and passed the following order:-

"When the matter was taken up for hearing, learned counsel for both sides submitted that the Enforcement Directorate released Sl.No.1 property [10.66 acres] on 15.03.2022 and thereafter, the petitioner has time of three months upto 15.06.2022 for complying with Step Nos.3 and 4 enumerated in paragraph No.9 of the order of this Court dated 10.12.2021. On the petitioner's complying with Step

Nos.3 and 4, the second respondent shall comply with Step No.5 by releasing the immovable property (17.48 acres) in Sl.No.3 of the Schedule as set out in the order dated 10.12.2021. Call on 20.06.2022. "

2.6. Subsequently, late Vallal RCK complied with the above order dated 22.04.2022 by depositing Rs.50 Crores before the Special Court, PMLA Mumbai and the respondents 1 & 2, vide letter dated 22.07.2022 requested the Joint Sub-Registrar – I, Chennai South Joint – I to release the attachment over Sl.No.3 property. Thereafter, this Court, vide its order dated 26.07.2022 recorded compliance of the above said orders dated 10.12.2021 and 22.07.2022 and lifted the attachment over the properties mentioned as Sl.Nos.1 & 3. At the time of passing order, the learned counsel representing IFIN represented that, despite lifting of attachment over the said Sr.No.3 Property, since the mortgage is in favor of the 3rd respondent and the same is subsisting, then the 3rd respondent reserves its right over the deposit of Rs.50.00 crores. This Court observed that since the 3rd respondent was not party to the proceedings, this Court provided liberty to the 3rd respondent to work out its remedy as regards the mortgage over the said Sr. No. 3 Property and the deposit of Rs. 50.00 crores made before the Hon'ble Special Court, PMLA, at Mumbai.

2.7. In the meantime, M/s.Siva Sheltors & Constructions Pvt.Ltd (SSCPL) has approached the third respondent for one-time settlement of its dues and the third respondent, vide its letter dated 07.10.2021, has accepted for an amount of Rs.50 Crores as full and final settlement. Pursuant to the payment of the settlement amount, the third respondent issued no due certificate dated 05.01.2023 and the mortgage over Sl.no.3 property was released by the third respondent.

2.8. That being so, in the year 2015, the third respondent had also provided financial assistance to a group entity of SSCPL, namely, M/s, Siva Green Power Projects India Private Limited (hereinafter referred t as "SGPPIL") by subscribing to Optionally Convertible Debentures ("OCDs") issued by the SGPPIL amounting to Rs. 190.00 crores, to be utilized towards development of 100 MV wind power project, loan, advances to group companies, and investments in associate companies. The said facility also defaulted in payment. Therefore, SGPPIL and late Vallal RCK have approached the third respondent vide letters dated 3.01.2023, 05.01.2023, 13.06.2024 & 01.07.2024 requesting for sanction of One Time Settlement(OTS) proposal of Rs.60 crores and transfer of two bungalows to the third respondent towards settlement of total outstanding dues of Rs.190.50 Crores

2.9. The 3rd respondent herein also has provided in-principle approval accepting the afore-said OTS proposal vide its letter dated 03.10.2024. The said in-principle approval dated 03.10.2024 was issued subject to final approval of Hon'ble Justice (Retd.) D.K. Jain (Retired Judge of the Hon'ble Supreme Court appointed by the NCLAT to supervise the resolution process of the 3rd respondent and its group companies) and the NCLT at Mumbai. Meanwhile, late Vallal RCK expired on 09.02.2023, leaving behind the petitioners herein as surviving legal heirs. Against this background, the petitioners have sought for the release of the aforesaid deposit of Rs.50 crores to the third respondent by way of filing this writ petition.

3. Mr.G.Suresh Babu, learned Counsel appearing for the petitioners made the following submissions:-

3.1. The contention of the learned counsel for the petitioner is that the outstanding loan of Rs.50 Crores has been settled by the Siva Group entities to the third respondent and "No Due Certificate" was also given to that effect. That being so, considering the present financial status of the petitioners, who are in need of funds for various redressal, withholding of the deposited amount of Rs.50 Crores under the custody of the Special Court, Mumbai would cause severe financial turmoil leading to insolvency proceedings and subsequent restructuring.

3.2. It is further submitted that out of the sanctioned amount of Rs.175 Crores, Rs.50 Crores has been disbursed by the third respondent. The tenure for repayment of loan is 60 months from the initial date of disbursement, i.e. 01.03.2018 and the entire repayment of the said amount was due till 28.02.2023. According to the learned counsel,the amount in question, i.e. Rs.50 Crores was not remaining as outstanding amount, at the time of filing of prosecution complaint. Moreover, prior to the loan tenure period, SSCPL has settled the entire loan amount of Rs.50 Crores to the third respondent along with interest and other charges, after which a "No due Certificate" dated 05.01.2023 was also issued by the third respondent. Despite the same, the respondents 1 & 2 project the above said loan amount as proceeds of crime which contra to the powers conferred under Section 2(1)(u) of PMLA.

3.3. The learned counsel drew reference to the judgment of the Hon'ble Supreme Court made in ***State Trading Corporation of India Limited vs. Global Steel Holding Limited and other*** reported in **(2019) 4 SCC 639**, wherein the Apex Court while exercising its powers under Article 142 of the Constitution, quashed all the proceedings initiated by the CBI, ED, and other investigative agencies against the respondent pursuant to the settlement reached between the parties. The relevant portions of the said judgment is extracted hereunder:-

> *"1.Pursuant to the order dated 6-12-2018 [State Trading Corpn. of India Ltd. v. Global Steel Holding Ltd., (2019) 2 SCC 387: (2019) 1 SCC (Civ) 722] passed by this Court,*

we are informed by Senior Counsel Mr D.A. Dave representing the State Trading Corporation of India, and Mr Kapil Sibal, Senior Advocate for the respondents, that the amount of Rs 600 crores payable by the respondents towards interest 8% p.a. by 28-2-2019 has been paid. As a consequence, all the liabilities under the Settlement Agreement dated 15-11-2011, and further Settlement Agreement dated 17-5-2012, stand fully satisfied. It is stated on behalf of STC that there is no further claim of the appellants against the respondents, arising out of the aforesaid agreements. [Ed.: Para 1 corrected vide Official Corrigendum No. F.3/Ed.B.J./147/2019 dated 13-8-2020]"

2. As a consequence, in exercise of our powers under Article 136 read with Article 142 of the Constitution of India, we hereby quash the following proceedings which have arisen from the agreements mentioned herein above:

(i) FIR lodged by CBI on complaint of State Trading Corporation bearing RC No. -217/2017/A0005/CBI//ACU-VI/AC-II/New Delhi.

ii) ECIR by Enforcement Directorate on the basis of the FIR lodged by CBI bearing ECIR No. ECIR/03/DZ-1/2017 dated 29-3-2017.

(iii) Show-cause notice dated 29-12-2017 issued by the High Commission of India, Passport & Consular Wing, India House, London.

(iv) Any look out notice issued against Mr Pramod Mittal or his wife, or their children, by the authorities and/or agencies arising from the aforesaid agreements,

(v) Eleven complaints under Sections 420 and 409 IPC pending before the Court of Shri Dharmendra Kumar, learned Metropolitan Magistrate, Patiala House Courts, New Delhi."

3.4. Therefore, following the precedent set by the above judgment of the Hon'ble Supreme Court, a similar settlement has been reached/proposed between SSCPL and IL & FS Group. The draft settlement/proposal was duly approved by the IFIN Board and IL & FS Board. Even the proposed settlement was duly approved by Justice (Retd.) D.K.Jain Committee and is currently in the process of seeking the approval from the NCLT Mumbai. Therefore, the learned counsel for the petitioners submitted that in terms of the above, nothing survives for further transaction between SSCPL and IL & FS Group and thus, any proceedings pending, pertaining to the petitioners with regard to the transaction with the third respondent are liable to be quashed.

3.5. The learned counsel for the petitioner vigorously argued by stating that when a party demonstrates a *bona fide* intent to settle the matter and has already made a payment in furtherance of the settlement, pursuing litigation in such circumstances serves no meaningful purpose. He further submitted that in cases involving economic offenses, the primary objective is the recovery of dues or restitution of any alleged loss caused by the transaction. With the repayment made as part of the settlement, the alleged proceeds of crime, if any, no longer exist. Consequently, there is no basis to continue with the proceedings as the economic harm has been remedied.

3.6. The learned counsel for the petitioner further submitted that as per the In-principal approval granted by IFIN, M/s Siva Green Power Project India Pvt Ltd (SGPPIPL) has to pay Rs.60 Crores to the 3rd respondent towards settlement amount. Out of Rs.60 Crores, SGPPIPL has already paid Rs. 12 Crores to the 3rd respondent and the balance amount of

Rs.48 Crores has to be paid to the 3rd respondent as per the condition. Therefore, for the above said reason, the petitioners are seeking for directions from this Court to direct the respondents 1 & 2 or the Special Court, Mumbai to refund the amount of Rs.50 Crores to the third respondent which shall be used towards the payment of One Time Settlement approved vide In-Principal Approval dated 03.10.2024.

3.7. Moreover, the learned counsel also submitted that the petitioners herein have filed an impleading petition before the Tribunal to implead themselves and substitute as an appellant in the appeal filed by the late Vallal RCK and the appeal is listed for final arguments on 22.05.2025 and the Tribunal has directed the petitioners to furnish the settlement documents with the 3rd respondent after the payment of balance settlement amount. That being the case, the petitioners are unable to pay the balance amount since the deposited amount is already lying under the custody of the Special Court, Mumbai.

3.8. The main grievance of the petitioner is that due to the non-payment of the One Time Settlement to the third respondent, the same will nullify the settlement proceedings and cause irreparable damage to the petitioners. The learned counsel for the petitioner further submitted that since the petitioners do not have an available remedy before the Appellate Tribunal, they have filed an Application under Section 8(7) read with the second proviso to Section 8(8) of PMLA before the Special Court, Mumbai, to restore/refund the deposited amount of Rs.50 Crores, as they have already settled the outstanding dues with the 3rd respondent/ IFIN. This application was filed on 14.01.2025, and the Special Court has not taken up the matter for final arguments. Left with no other alternative remedy, the petitioners have approached this Court, by way of filing the present writ petition seeking for a direction to the Special Court, Mumbai to the release the deposited amount of Rs.50 Crores, which is much needed to prevent nullifying of the One Time Settlement arrived with the third respondent.

3.9. The learned counsel concluded his submissions by pointing out the present circumstances faced by the petitioners herein, who do not possess the requisite financial wherewithal to proceed further with the One-Time Settlement proposed with the 3rd respondent. He also stated that the non-availability of readily accessible funds has restrained the petitioners from approaching the NCLT, Mumbai, to obtain an early and final approval of the said settlement. Moreover, the funds deposited by the petitioners' father before the Special Court, Mumbai, have become *sine qua non* for the continuation of further proceedings. Therefore, the learned counsel submitted that the present writ petition was filed only on an emergent basis, seeking a direction to the Special Court, Mumbai, to refund the deposited amount of Rs.50 Crores directly to the 3rd respondent, failing which, the petitioners herein would suffer irreparable hardship and agony, thereby jeopardizing their ability to pursue further proceedings and to revive the business of the 1st petitioner and hence, prayed for allowing the writ petition.

4. Mr.N.Ramesh, learned Special Public Prosecutor appearing for the respondents 1 & 2 filed the counter affidavit before this Court and made the following submissions:-

4.1. The learned Special Public Prosecutor submitted that the in-principle approval for a One-Time Settlement (OTS) dated 03.10.2024 by the 3rd respondent (IFIN) pertains to an outstanding amount of Rs. 190.50 Crores under Optionally Convertible Debentures (OCDs) issued by Siva Green Power Projects India Pvt. Ltd. and the put option default of Rs.253.55 Crores by Shanmugha Real Estate & Promoters Pvt. Ltd. (SREPPL). The OTS proposes a payment of Rs. 60 Crores and transfer of two bungalows, with an initial payment of Rs. 12 Crores already made, but remains provisional, subject to final approval by the NCLT, Mumbai.

4.2. Moreover, the amount of Rs.50 Crores deposited in compliance with the order of this Court' in WP No. 13830 of 2021 is a condition for release of attached properties. Therefore, the deposited amount of Rs.50 Crores cannot be redirected to IFIN towards OTS as it is held by Special Court, Mumbai in connection with PMLA proceedings.

4.3. He further submitted that the petitioners' claim of financial hardship to complete the OTS does not justify bypassing the statutory process under PMLA. The application under Section 8(7) read with the second proviso to Section 8(8) of PMLA, filed on 14.01.2025, is the appropriate forum to seek release of the deposited amount, and the matter is pending before the Special Court, Mumbai, for hearing as on 18.06.2025. Therefore, the learned Special Public Prosecutor submitted that since adjudication of proceedings is pending before the Special Court, Mumbai, the prayer of the petitioners shall not be considered and hence, prayed for dismissing the writ petition.

5. Mr.V.V.Sivakumar, learned counsel for the third respondent submitted that though the interest of the 3rd respondent in the present petition appears in the nature of a 'sailing interest' with that of the petitioners, the said amount of Rs.50 crores lying deposited with the Special Court, PMLA, at Mumbai is not classified as 'proceed of crime'. Therefore, according to the learned counsel for the third respondent, no prejudice shall be caused to any party concerned in the event, if the said amount of Rs.50 crores is refunded to the 3rd respondent. He also submitted that the In-principle approval dated 03.10.2024 issued by the third respondent is pending for final approval before the NCLT, Mumbai.

6. Heard the learned counsel for the petitioners, learned Special Public Prosecutor for the respondents 1& 2 and the learned counsel appearing for the third respondent and perused the materials placed before this Court.

7. A perusal of the documents filed in the typed set of papers would indicate the main allegation against the petitioner's father Late Vallal RCK is that he utilized Rs.33.70 Crores out of Rs.50 Crores disbursed by 3rd respondent to discharge the mortgage liability of the property in serial No.3 in the provisional order of attachment passed by the competent authority. In other words, the amount released by 3rd respondent was utilized to discharge the mortgage debt in respect of property in serial No.3 of the attachment order and therefore it would amount to dealing with proceeds of the crime. Taking into consideration, the said fact, a Co-ordinate Bench of this Court, while ordering release of immovable property in serial No.3 directed said Late Vallal RCK to deposit Rs.50 Crores before the Special Court at Mumbai. The above said Vallal RCK entered into one time settlement with the 3rd respondent wherein, he agreed to pay Rs.50 Crores to

3rd respondent. It is also stated that the one time settlement agreement reached with the 3rd respondent was given in principle acceptance. In the mean time, the said Vallal RCK died. The petitioners are legal representatives of deceased Late Vallal RCK and they have no wherewithal to make the payment of Rs.50 crores to 3rd respondent as per the one time settlement. Therefore, they have come with the present petition seeking direction to Special Court Mumbai to refund the deposited amount of Rs.50 Crores directly to the 3rd respondent towards one time settlement approved in-principle as per the letter dated 03.10.2024 issued by 3rd respondent.

8. The main allegation against the Late Vallal RCK under whom the petitioners are claiming right, was he utilized the amount released by 3rd respondent to discharge the mortgage in respect of property described in serial No.3 and hence, it would amount to dealing with proceeds of the crime. The Competent Authority passed provisional attachment order against the said property and the same was also confirmed by the appellate authority. The said Late Vallal RCK moved this Court in W.P.No.13830 of 2021 and got an order for release of attached property on condition he deposits Rs.50 Crores before the Special Court. Now, he has come forward to pay the said deposited amount directly to the 3rd respondent, whose money was allegedly utilized for discharging the mortgage debt in respect of the said property. The 3rd respondent also has given it's in-principle acceptance for the terms of one time settlement. In such circumstances, justice will be met by directing the Special Court, Mumbai to refund deposit of Rs.50 Crores made by Late Vallal RCK, as per the earlier order passed by this Court, directly to the 3rd respondent. In such event, the 3rd respondent will get its outstanding money back. Therefore, in order to meet the ends of justice, this Court in exercise of its power under Article 226 of Constitution of India, directs the Special Court Mumbai to refund the money to the 3rd respondent directly so as to enable the parties to proceed with the one time settlement.

9. Following the ratio laid down by the Hon’ble Supreme Court in ***State Trading Corporation of India Limited vs. Global Steel Holding Limited and other*** reported in **(2019) 4 SCC 639**, this Court directs the Special Court, Mumbai to restore/refund the amount of Rs.50,00,00,000/-

(Rupees Fifty Crores only), deposited by the petitioners before the Special Court, Mumbai, directly to the third Respondent, towards the One-Time Settlement approved vide In-Principal Approval dated 03.10.2024. The aforesaid amount shall be transferred within a period of four (4) weeks from the date of receipt of a copy of this order. Accordingly, the Writ Petition stands allowed. No costs.

(J.N.B.J.,) (S.S.J.,)
16.10.2025

Index: Yes / No
Internet: Yes / No

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J.NISHA BANU, J.

AND

S.SOUNTHAR, J.

sts

Order made in

W.P.No.18308 of 2025

Dated:
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