



Crl.O.P.Nos.22369, 23674, 23681, 23694,
23682, 23692 and 24560 of 2023

IN THE HIGH COURT OF JUDICATURE AT MADRAS

Orders Reserved on : 03 / 07 / 2025

Orders Pronounced on : 12 / 09 / 2025

Coram:

THE HONOURABLE MR.JUSTICE P.VELMURUGAN

Crl.O.P.Nos.22369, 23674, 23681, 23694, 23682, 23692 and 24560 of 2023
and

Crl.M.P.Nos.16469,16473, 17068, 15536, 16478,16483, 16484 & 17066 of 2023

Cheran Properties Limited,
Rep. by its Director,
Cheran Towers,
No.78, Arts College Road,
Coimbatore-641 018.

.. Petitioner in Crl.O.P.No.22369 of 2023

Vasantha Mills Limited,
Rep. by its Directors,
Cheran Towers,
No.78, Arts College Road,
Coimbatore-641 018.

.. Petitioner in Crl.O.P.No.23674 of 2023

Cheran Constructions Limited,
Rep. by its Directors,
Cheran Towers,
No.78, Arts College Road,
Coimbatore-641 018.

.. Petitioner in Crl.O.P.No.23681 of 2023

Cheran Foundation Trust,
Rep. by its Trustee,

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Siruvani Main Road,
Thelugupalayam,
Pirivu, Tamil Nadu-641 039.

.. Petitioner in Crl.O.P.No.23694 of 2023

C.G.Holdings (P) Limited,
Rep. by its Directors,
No.19, Raja Annamalai Buildings,
Marshalls Road, Chennai-600 008.

.. Petitioner in Crl.O.P.No.23682 of 2023

Cheran Holdings (P) Ltd.,
Rep. by its Directors,
Cheran Towers,
No.78, Arts College Road,
Coimbatore-641 018.

.. Petitioner in Crl.O.P.No.23692 of 2023

Y.Vijayan

.. Petitioner in Crl.O.P.No.24560 of 2023

Vs.

1. The State,
Rep. by the Inspector of Police,
Central Crime Branch,
EDF-1, Team-II, Vepery,
Chennai-600 007.

2. Cheran Enterprises Private Limited,
Rep. by its Power of Attorney,
Mr.Ravichandran,
503, Raheja Towers,
177, Anna Salai, Chennai-600 002.

3. Ramaswamy Athappan (Deceased),
Rep. by R.Ravichandran,
PoA office at No.503, Sigma Wing,
Raheja Towers, Anna Salai, Chennai-600 002.

(R-3 impleaded as per order of Court, dated 16.04.2024
in Crl.M.P.Nos.19891 of 2023
in Crl.O.P.No.22369 of 2023)



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4. ORE Holdings Ltd., IFA Court, 28, Cyber
City, Ebene, Mauritius,
Rep. by R.Ravichandran,
PoA office at No.503, Sigma Wing,
Ralheja Towers, Anna Salai, Chennai-600 002.
(R-4 impleaded as per order dated 06.12.2024
in Crl.M.P.No.10595 of 2024 in
in Crl.O.P.No.22369 of 2023)

5. Nandakumar Athappan,
Rep. by R.Ravichandran, PoA Office
at No.203, Sigma Wing, Raheja Towers,
Anna Salai, Chennai-600 002.
(R-5 impleaded as per order dated 06.12.2024
in Crl.M.P.No.17443 of 2024 in
Crl.O.P.No.22369 of 2023)

.. Respondents in Crl.O.P.No.22369 of 2023

1. The State,
Rep. by the Inspector of Police,
Central Crime Branch, EDF-1, Team-II, Vepery,
Chennai-600 007.
2. Cheran Enterprises Private Limited,
Rep. by its Power of Attorney,
Mr.Ravichandran,
503, Raheja Towers,
177, Anna Salai, Chennai-600 002.
3. Ramaswamy Athappan (deceased)
Rep. by R.Ravichandran,
Power of Attorney,
Office at 503, Sigma Wing,
Raheja Towers, Anna Salai,
Chennai - 600 002.
(R-3 impleaded as per the order
of this Court dated 16.04.2024 made
in Crl.M.P.No.19883 of 2023 in
C.rl.O.P.No.23674 of 2023)



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4. ORE Holdings Ltd.,
IFA Court,
28, Cyber City, Ebene,
Mauritius,
Rep. by R.Ravichandran,
PoA office at No.503, Sigma Wing,
Raheja Towers, Anna Salai,
Chennai-600 002

(R-4 impleaded as per order
dated 06.12.2024 in
Crl.M.P.No.10597 of 2024
in Crl.O.P.No.23674 of 2023)

5. Nanda Kumar Athappan,
S/o Ramaswamy Athappan,
No.19, Meyer Road,
Singapore-431 917
Rep. by R.Ravichandran, PoA office
at No.503, Sigma Wing,
Raheja Towers, Anna Salai,
Chennai-600 002.

(R-5 impleaded as per order
dated 06.12.2024 in
Crl.M.P.No.17444 of 2024
in Crl.O.P.No.23674 of 2023)

.. Respondents in Crl.O.P.No.23674 of 2023

1. The State,
Rep. by the Inspector of Police,
Central Crime Branch,
EDF-1, Team-II, Vepery,
Chennai-600 007.

2. Cheran Enterprises Private Limited,
Rep. by its Power of Attorney,

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Mr.Ravichandran,
503, Raheja Towers, 177, Anna Salai,
Chennai-600 002.

3. Ramaswamy Athappan (deceased)
No.19, Meyer Road, Singapore-431 917,
Rep. by R.Ravichandran, PoA,
Office at No.503, Sigma Wing,
Raheja Towers, Anna Salai, Chennai-600 002.
(R-3 impleaded as per order dated 16.04.2024
in Crl.M.P.No.19883 of 2023 in Crl.O.P.No.23674 of 2023)

4. ORE Holdings Ltd., IFA Court,
28, Cyber City, Ebene Mauritius,
Rep. by R.Ravichandran,
PoA Office at No.503, Sigma Wing,
Raheja Towers, Anna Salai, Chennai-600 002.
(R-4 impleaded as per order dated 6.12.2024
in Crl.M.P.No.10596 of 2024
in Crl.O.P.No.23681 of 2023)

5. Nandakumar Athappan,
S/o Ramaswamy Athappan,
No.19, Meyer Road,
Singapore 431 917,
Rep. by R.Ravichandran,
Rep. by R.Ravichandran,
PoA, office at No.503, Sigma Wing,
Raheja Towers, Anna Salai,
Chennai-600 002.
(R-5 impleaded as per order
dated 06.12.2024 in
Crl.M.P.No.17445 of 2024
in Crl.O.P.No.23681 of 2023)

.. Respondents in Crl.O.P.No.23681 of 2023



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1. The State,
Rep. by the Inspector of Police
Central Crime Branch,
EDF-1, Team-II, Vepery,
Chennai-600 007.
2. Cheran Enterprises Private Limited,
Rep. by its Power of Attorney,
Mr.Ravichandran,
No.503, Raheja Towers,
177, Anna Salai, Chennai-600 002.
3. Ramaswamy Athappan (deceased),
No.19, Meyer Road, Singapore-431 917
Rep. by R.Ravichandran, PoA,
Office at No.503, Sigma Wing,
Raheja Towers, Anna Salai, Chennai-600 002
(R-3 impleaded as per order dated 16.04.2024,
in Crl.M.P.No.19888 of 2023
in Crl.O.P.No.23694 of 2023)
4. Nandakumar Athappan,
S/o Ramaswamy Athappan,
Singapore-431 917
Rep. by R.Ravichandran, PoA,
Office at No.503, Sigma Wing,
Raheja Towers, Anna Salai,
Chennai-600 002.
(R.4 impleaded as per order dated 06.12.2024
in Crl.M.P.No.17448 of 2024
in Crl.O.P.No.23694 of 2023)
5. Ore Holdings Ltd.,
IFA Court, 28, Cyber City,
Ebene, Mauritius,
Rep. by R.Ravichandran,
PoA, Office at No.503,
Sigma Wing, Raheja Towers,
Anna Salai, Chennai-600 002.



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(R-5 impleaded as per order dated 06.12.2024
in Crl.M.P.No.10594 of 2024
in Crl.O.P.No.23694 of 2023)

.. Respondents in Crl.O.P.No.23694 of 2023

1. The State, Rep. by the Inspector of Police,
Central Crime Branch,
EDF-1, Team-II, Vepery,
Chennai-600 007.
2. Cheran Enterprises Private Limited,
Rep. by its Power of Attorney,
Mr.Ravichandran,
503, Raheja Towers,
177, Anna Salai,
Chennai-600 002.
3. Ramasamy Athappan (deceased)
No.19, Meyer Road,
Singapore-481 917,
Rep. by R.Ravichandran,
PoA, office at No.503,
Sigma Wing, Raheja Towers,
Anna Salai, Chennai-600 002.
(R-3 impleaded as per order
dated 16.04.2024 in
Crl.M.P.No.19885 of 2023
in Crl.O.P.No.23682 of 2023)
4. ORE Holdings, IFA Court,
28, Cybercity, Ebene, Mauritius
rep. by Ravichandran,
PoA office at No.503, Sigma Wing,
Raheja Towers, Anna Salai,
Chennai-600 002
(R-4 impleaded as per order
dated 06.12.2024 in
Crl.M.P.No.10592 of 2024 in
Crl.O.P.No.23682 of 2023)



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5. Nandakumar Athappan,
S/o Ramaswamy Athappan,
No.19, Meyer Road,
Singapore-431 917
Rep. by R.Ravichandran
PoA Office at No.503,
Sigma Wing, Raheja Towers,
Anna Salai, Chennai-600 002.
(R-5 impleaded as per
order dated 06.12.2024
in Crl.M.P.No.17446 of 2024
in Crl.O.P.No.23682 of 2023)

.. Respondents in Crl.O.P.No.23682 of 2023

1. The State,
Rep. by the Inspector of Police,
Central Crime Branch, EDF-1, Team-II, Vepery,
Chennai-600 007.
2. Cheran Enterprises Private Limited,
Rep. by its Power of Attorney,
Mr.Ravichandran,
No.503, Raheja Towers, 177, Anna Salai,
Chennai-600 002.
3. Ramasamy Athappan (deceased),
No.19, Meyer Road,
Singapore-431 917,
Rep. by R.Ravichandraan, PoA,
Office at No.503, Sigma Wing,
Raheja Towers, Anna Salai,
Chennai-600 002.
(R.3 impleaded as per order
dated 16.04.2024 in
Crl.M.P.No.19887 of 2023
in Crl.O.P.No.23692 of 2023)



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4. ORE Holdings Ltd., IFA Court,
No.28, Cyber City, Ebene, Mauritius,
Rep. by R.Ravichandran,
PoA, Office at No.503, Sigma Wing,
Raheja Towers, Anna Salai, Chennai-600 002.
(R.4 impleaded as per order dated 06.12.2024
in Crl.M.P.No.10593 of 2024
in Crl.O.P.No.23692 of 2023)

5. Nandakumar Athappan,
S/O. Ramaswamy Athappan
Rep. by R.Ravichandran,
PoA, Office at No.503, Sigma Wing,
Raheja Towers, Anna Salai,
Chennai-600 002.
(R.5 impleaded as per order
dated 06.12.2024 in Crl.M.P.No.17447 of 2024
in Crl.O.P.No.23692 of 2023)

.. Respondents in Crl.O.P.No.23692 of 2023

1. State, Rep. by The Inspector of Police,
Central Crime Branch,
EDF-1, Team-II,
Vepery, Chennai-600 007
Crime No.87 of 2008

2. M/s.Cheran Enterprises Pvt. Ltd.,
Rep. by its Managing Director,
503, Raheja Towers,
No.177, Anna Salai,
Chennai-600 002.



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3. Ramaswamy Athappan,
No.19, Meyer Road, Singapore-431 917
Rep. by R.Ravichandran,
PoA, office at No.503, Sigma Wing,
Raheja Towers, Anna Salai,
Chennai-600 002.

.. Respondents in Crl.O.P.No.24560 of 2023

Criminal Original Petitions filed under Section 482 of the Criminal Procedure Code, praying to call for the records in C.C.No.20 of 2020 pending on the file of the Additional Judge for trial of cases related to Members of Parliament and Members of Legislative Assembly of Tamil Nadu and quash the same as the said proceedings against the petitioners.

For petitioners in Crl.O.P.Nos.22369, 23674, 23681, 23694, 23682 and 23692 of 2023: Mr.N.Ramakrishnan for M/s.ARK Law Associates

For petitioner in Crl.O.P.No.24560 of 2023: Mr.K.Kannan

For first respondent in all cases:

Mr.S.Vinoth Kumar, Govt. Advocate (Crl. Side)

For second respondent in Crl.O.P.Nos.22369, 23674, 23681, 23694, 23682 and 23692 of 2023 : Mr.T.Thiageswaran for M/s.Waraon & Sairams



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For respondents 3 and 5 in Crl.O.P.Nos.22369, 23674, 23681, 23694, 23682 and 23692 of 2023 :

Mr.J.Sivanandaraj, Senior Counsel for M/s.Ridhima Sharma

For respondent No.4 in Crl.O.P.Nos.22369, 23674, 23681, 23694, 23682 and 23692 of 2023: Mr.J.Sivanandaraj, Senior Counsel for

Mr.Gowtham Kumar and

Mr.Aditya Vikram Bhat and Mr.Anind Thomas and

Mr.A.P.Balaji and Mrs.Radhika Vijayaraghavan and

Mrs.Aadith Sridhar

COMMON ORDER

The petitioners, arrayed as A-7, A-8, A-14, A-12, A-13, A-9, and A-3 respectively, have filed these Criminal Original Petitions seeking to quash the final report filed in C.C.No.20 of 2020, which is now pending on the file of the learned Additional Judge for the trial of cases relating to Members of Parliament and Members of Legislative Assembly of Tamil Nadu, in so far as it pertains to the petitioners.

2. Short facts in Crl.O.P.No.22369, 23674, 23681, 23694 and 23682, 23692 of 2023:

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2.1. The final report in C.C.No.20 of 2020 has been filed by the respondent police for offences under Sections 403, 406, 418, 420, 465, 468, 471, 477-A, read with 120-B, and 423 read with 511 of the Indian Penal Code, on a complaint given by the de-facto complainant company through its alleged Power of Attorney holder, Mr.R.Ravichandran.

2.2. The prosecution case, in brief, is that the first accused, Mr.K.C.Palanisamy, who was then the Managing Director of the de-facto complainant company, in alleged connivance with the petitioners and other accused persons, misappropriated the funds of the company and defrauded its foreign investors. It is alleged that during 2004-2005, funds of about Rs.79 crores were transferred and misused, thereby causing wrongful loss to the company and its shareholders.

2.3. The petitioners submit that the entire dispute arises out of a Joint Venture Agreement between two groups of shareholders one comprising the Indian promoters and the other consisting of foreign shareholders incorporated under the laws of Mauritius. Disputes subsequently arose between the said groups, resulting in cross-litigation before the Company Law Board, Chennai, on allegations of oppression and mismanagement.

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2.4. The Company Law Board passed a detailed common order dated 13.08.2008, later clarified and confirmed by the Division Bench of this Court. Both shareholder groups were pursuing civil remedies before competent forums for alleged breaches of the Joint Venture Agreement.

2.5. During the pendency of the said company proceedings, both shareholder groups also lodged multiple criminal complaints and counter-complaints before various investigating agencies. The present charge-sheet in C.C.No.20 of 2020 is only an offshoot of one such complaint filed by the foreign shareholder group against the Indian promoters, alleging misappropriation and diversion of funds.

2.6. The petitioners further contend that similar criminal complaints had earlier been filed by the first accused, Mr.K.C.Palanisamy, against the representatives and directors of the foreign shareholder group, which culminated in a batch of civil and criminal appeals before the Hon'ble Supreme Court. The Hon'ble Supreme Court, by a common judgment reported in ***K.C.Palanisamy v. Paramount Ltd.*** [(2013) 6 SCC 740] , was pleased to quash those proceedings, holding that it would be wholly unjust to permit criminal prosecution to continue



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in respect of disputes arising out of the same Joint Venture Agreement which had already been adjudicated by competent forums exercising civil jurisdiction.

The Apex Court further observed that continuation of such proceedings, when the parties had already invoked civil remedies for alleged breach of the Joint Venture Agreement, would amount to an abuse of process of law.

2.7. It is further submitted that the ratio of the aforesaid judgment squarely applies to the present case since the allegations in C.C.No.20 of 2020 are identical, arising from the same transaction and the same Joint Venture Agreement. The de-facto complainant's Power of Attorney holder, who lodged the present complaint, was not even a director of the company at the relevant time and therefore lacked authority to institute criminal proceedings.

2.8. Subsequently, pursuant to the orders passed by the Company Law Board, the foreign shareholders received the monetary settlement due to them and resigned from the Board of Directors, thereby ending their interest in the affairs of the company. The control of the de-facto complainant company has since passed entirely to the Indian shareholders headed by the first accused.



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2.9. It is also pointed out that this Court, by order dated 22.09.2022 in Crl.O.P.Nos.4213 of 2017 and 17089 of 2021, has already quashed the proceedings in C.C.No.20 of 2020 as against the first and fifth accused on identical facts. Likewise, by order dated 06.07.2023 passed in Crl.O.P.No.2913 of 2019, and by order dated 27.07.2023 in Crl.O.P.No.30437 of 2022, this Court has also quashed the criminal proceedings in C.C.Nos.1972 of 2014 and 20 of 2020 as against the fourth and second accused respectively. The petitioners herein, being similarly placed and standing on the same factual footing as those co-accused, are therefore entitled to parity of treatment and the same relief of quashment.

2.10. The petitioners finally contend that the charge-sheet has been filed mechanically and without proper investigation; that it merely repeats bald and omnibus allegations; and that continuation of prosecution would amount to gross abuse of the process of law, especially when the underlying commercial dispute stands resolved between the parties.

2.11. Hence, for the reasons stated above, A-7, A-8, A-14, A-12. A-13 and A-9 had filed the present quash-petitions before this Court in respect of C.C.No.20 of 2020.

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3. Short facts in Crl.O.P.No.24560 of 2023:

3.1. The case of the prosecution is that, on the complaint of the second respondent/defacto complainant, a case in Crime No.87 of 2008 was registered by the Central Crime Branch, EDF-I Team-II, Chennai, for alleged offences under Sections 403, 406, 418, 420, 465, 468, 471, 477-A IPC read with Section 120-B IPC and Section 423 read with 511 IPC.

3.2. It was alleged that Accused Nos.1 to 14 had misappropriated the properties of the company and cheated certain foreign investors. The complaint further stated that the company was entrusted with dominion over funds maintained in a current account with ABN Amro Bank, Chennai, and that such funds were dishonestly transferred to the accounts of the accused, thereby causing wrongful loss to the company.

3.3. It was further alleged that Accused No.1, in conspiracy with other accused persons, forged documents, made false entries in the books of account and statutory records, and falsified the accounts of the company with an intention to enrich himself unlawfully.



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3.4. Based on the said allegations, a complaint was forwarded by the learned Additional Chief Metropolitan Magistrate, Chennai, under Section 156(3) Cr.P.C., for registration and investigation.

3.5. Upon completion of investigation, a Final Report under Section 173(2) Cr.P.C. was filed in C.C.No.1972 of 2014 before the learned Chief Metropolitan Magistrate, Egmore, Chennai. Consequent to the establishment of a Special Court for trial of cases relating to Members of Parliament and Members of Legislative Assembly, the case was transferred to the said Special Court and renumbered as C.C.No.20 of 2020.

3.6. The petitioner is arrayed as Accused No.3 in the said case. He is employed as an Office Assistant in Cherraan's Arts and Science College, Cherraan Nagar, Kangayam, which institution belongs to the first accused, Mr.K.C.Palanisamy.

3.7. The petitioner submits that there are no specific allegations or overt acts attributed to him in the final report. His name has been included only by virtue of his employment under the first accused, without any direct role in the alleged transactions.

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3.8. It is further stated that the charge sheets filed against several co-accused in the same case have already been quashed by this Court. The 1st accused and the 5th accused had filed separate petitions to quash the charge sheet, and the same were quashed by this Court by order dated 22.09.2022 in Crl.O.P.Nos.4213 of 2017 and 17089 of 2021. The 2nd accused also filed a petition seeking to quash the final report, and the same was quashed by order dated 27.07.2023 in Crl.O.P.No.30437 of 2022. Likewise, the 4th accused filed a similar petition, and the proceedings against him were quashed by order dated 06.07.2023 in Crl.O.P.No.2913 of 2019.

3.9. In light of the said orders and in the absence of any specific material against the petitioner, continuation of the proceedings in C.C.No.20 of 2020 would amount to abuse of process of law and cause undue hardship to him.

3.10. The petitioner, therefore, prays that this Court may be pleased to quash the proceedings against him in C.C.No.20 of 2020 and grant such further reliefs as may be deemed fit in the interests of justice.



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4.1. Mr.N.Ramakrishnan, learned counsel appearing for the petitioners / accused Nos.7,8,14,12,13 and 9 would submit that the present prosecution is misconceived and amounts to a misuse of the criminal process. The dispute underlying C.C.No.20 of 2020 is essentially civil in nature, arising out of a Joint Venture Agreement between two groups of shareholders one Indian and the other foreign. The issues relating to the management of the company, its finances, and shareholder rights have already been fully examined and decided by the Company Law Board, whose findings were later confirmed by the Division Bench of this Court. Once those civil proceedings resulted in monetary settlements between the parties, and the foreign shareholders had exited the company, there remained no basis for pursuing a criminal case on the same set of facts. The present complaint is therefore only an attempt to reopen matters already settled under civil law and to give a criminal colour to a commercial dispute.

4.2. The learned counsel further submits that there are no specific allegations or materials to show that any of the petitioners were personally involved in the alleged misappropriation or that they derived any wrongful gain. The final report contains only broad and general statements without identifying



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any act or role of these petitioners. Even taken at face value, the allegations do not satisfy the basic ingredients of offences under Sections 403, 406, 418, 420, 465, 468, 471 and 477-A of the Indian Penal Code. It is also pointed out that the complaint was filed through a Power of Attorney holder who was not a director or authorised representative of the de-facto complainant company at the relevant time. Hence, the very initiation of the prosecution suffers from lack of authority and is liable to be set aside on that ground alone.

4.3. The learned counsel relies on the decision of the Hon'ble Supreme Court in ***K.C. Palanisamy v. Paramount Ltd., [(2013) 6 SCC 740]***, which arose from the same Joint Venture Agreement. In that case, the Hon'ble Supreme Court held that continuation of criminal proceedings over issues already adjudicated in civil forums amounts to an abuse of process and is wholly unjust. The same reasoning applies here without exception. The learned counsel also draws attention to the fact that this Court has already quashed the proceedings in respect of several co-accused in the same case. When the principal accused, against whom specific allegations were made, have already been discharged, continuing the proceedings against these petitioners, who had no active or direct role would be wholly unwarranted. It would amount to selective prosecution and serve no purpose other than harassment.

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4.4. In view of the foregoing circumstances and the settled position of law, it is submitted that the continuation of proceedings in C.C.No.20 of 2020 against the petitioners serves no purpose and amounts to a clear abuse of the process of law. Hence, it is prayed that this Court may be pleased to exercise its inherent powers under Section 482 Cr.P.C. to quash the proceedings in C.C.No.20 of 2020 as against the petitioners, as the continuation of the same would amount to an abuse of process of law, and thus render justice.

5.1. Mr.K.Kannan, learned counsel for the petitioner in Crl.O.P.No.24560 of 2023 submitted that the petitioner, arrayed as Accused No.3 in C.C.No.20 of 2020, has been falsely implicated in the present case without any material or substantive allegation to connect him with the alleged offences. It was contended that the petitioner is merely an Office Assistant employed in Cherraan's Arts and Science College, Kangayam, which is an institution owned by the first accused, Mr.K.C.Palanisamy, and that his inclusion in the charge sheet is solely on account of such employment and not due to any act or participation in the alleged transactions. He further submitted that a perusal of the final report filed under Section 173(2) Cr.P.C. would reveal that there are no specific averments, overt acts, or documentary evidence pointing to any role played by



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the petitioner in the alleged misappropriation or conspiracy. The entire allegations pertain to decisions and actions taken at the level of the management of the company, and the petitioner, being a low-level employee, had neither access to nor control over the company's financial or statutory affairs.

5.2. The learned counsel emphasized that the continuation of the prosecution against the petitioner would amount to an abuse of the process of law, particularly when the same set of allegations and materials have already been judicially examined in respect of similarly placed co-accused, and the proceedings against them have been quashed. The learned counsel pointed out that this Court quashed the proceedings against the connected accused and as the allegations against the petitioner are identical in nature and arise from the same set of transactions already held to be unsustainable by this Court.

5.3. The learned counsel also submitted that the petitioner has been dutifully attending the proceedings before the trial court at Chennai, though he is a resident and employee in Erode District, causing him severe hardship and inconvenience. Since the principal accused and other co-accused have already obtained relief by way of quashment, the continuance of proceedings against the petitioner alone would serve no purpose and would cause undue harassment.



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The learned counsel further contended that the petitioner's case squarely falls within the parameters laid down by the Hon'ble Supreme Court in State of **Haryana v. Bhajan Lal** [(1992) Supp (1) SCC 335], wherein the Court held that when the allegations in the FIR and the materials collected do not disclose any offence or involvement of the accused, the proceedings are liable to be quashed under Section 482 Cr.P.C. It was, therefore, urged that in the absence of any independent or incriminating material against the petitioner, and in view of the quashment of proceedings against the principal and other co-accused, the continuance of the prosecution would be a futile exercise. Hence, the learned counsel prays to quash the proceedings in C.C.No.20 of 2020.

6.1. Mr.S.Vinoth Kumar, learned Government Advocate appearing for the respondent State would submit that genesis of the case lies in a detailed complaint lodged by the defacto complainant, M/s.Cheran Enterprises Private Limited, represented by its Power of Attorney, alleging that its Managing Director, one K.C.Palanisamy (A-1), in conspiracy with others, dishonestly misappropriated the company's funds to the tune of about Rs.78 crores. It was alleged that A-1, having been entrusted with dominion over the company's accounts, diverted the monies for his personal use and that of several entities controlled by him.

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6.2. The learned Government Advocate would point out that, based on the said complaint, a case in Crime No.87 of 2008 was registered by the Central Crime Branch, EDF-I, Team-II, Vepery, Chennai, for offences under Sections 403, 406, 418, 420, 465, 468, 477-A read with 120-B IPC and Sections 423 and 511 IPC. Upon registration, the investigation was taken up in earnest, several witnesses were examined, relevant records were collected, and the statements of the company officials and auditors were recorded.

6.3. The learned Government Advocate would further submit that the investigation revealed that A-1, acting as the Managing Director of M/s.Cheran Enterprises Private Limited, induced foreign investors from a Mauritius-based company, namely ORE Holdings (P) Ltd., represented by one R.Athappan, to invest a substantial sum of Rs.79 crores in the said company on the pretext of developing large tracts of land in Coimbatore into a hotel and IT park. However, after securing the funds, A-1, in conspiracy with A-2 to A-6, diverted the monies to several associated entities and shell companies, including the petitioner in Crl.O.P.No.23694 of 2023 / Cheran Foundation Trust, which was then under the control and management of A-1 and his son A-5.

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6.4. It is further submitted that the investigation unearthed that the petitioner in Crl.O.P.No.23694 of 2023 was one among the entities to which funds from the defacto complainant company were dishonestly transferred from its current account maintained with ABN Amro Bank, Chennai. These transfers were made without any authorization or business justification, in total violation of the Joint Venture Agreement dated 30.01.2004. The entries in the company's books of accounts, as well as the bank records, corroborate these diversions. The learned Government Advocate would submit that such acts squarely attract the ingredients of criminal breach of trust, cheating, and forgery. He would also draw attention to the fact that the petitioner Trust was not an independent charitable body, but was effectively a vehicle used by A-1 and his associates to channel and hold the proceeds of misappropriation. The investigation disclosed that during the relevant period, the said Trust was being managed and controlled by A-1 and A-5, and that funds belonging to the complainant company were utilized for the benefit of the Trust. This was further substantiated by the findings in the orders of the Company Law Board dated 18.08.2008 and 03.09.2009, which recorded that the complainant company had neither conducted business nor authorized any such transfers. It was also contended that the petitioners in Crl.O.P.Nos.22369, 23674, 23681, 23682, 23692, and



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24560 of 2023 are all part of the same larger design of fraudulent diversion of company funds under the control and direction of A-1 and his associates. The learned Government Advocate submitted that the quashment of proceedings in respect of certain co-accused does not automatically exonerate the remaining accused, especially when the investigation materials independently disclose their involvement in the offence.

6.5. The learned Government Advocate would submit that the prosecution, after thorough investigation, has filed a comprehensive charge sheet before the learned Chief Metropolitan Magistrate, Egmore, Chennai, which was taken on file as C.C.No.1972 of 2014 and subsequently committed to the Special Court for MP & MLA cases as C.C.No.20 of 2020. The presence of voluminous documentary evidence, including bank statements, forged company records, and the confessional statements of co-accused, clearly establish the involvement of the petitioner Trust in the overall conspiracy.

6.6. The learned Government Advocate would further contend that the present petitions seeking quashment is a clear attempt to stall the progress of the trial and to delay the due course of justice. The learned Government Advocate would emphasize that the power under Section 482 Cr.P.C. is to be



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exercised sparingly, and only in cases where the complaint or charge sheet does not disclose any offence. In the present case, the allegations are specific, supported by records, and disclose a prima facie case. Hence, the petitioners cannot seek to quash the proceedings on the ground of being a Trust or claiming non-involvement when the materials on record clearly establish the contrary.

6.7. The learned Government Advocate would therefore submit that the investigating agency has conducted the probe in a fair and transparent manner and that all procedural formalities have been duly followed. The offences alleged are grave, involving large-scale financial fraud and criminal misappropriation of public funds. The role of each accused has been clearly brought out in the charge sheet.

6.8. In conclusion, the learned Government Advocate would submit that there is no merit in the contention raised by the petitioners, and that the petitions under Section 482 Cr.P.C. deserve to be dismissed in limine.

7.1. Mr.J.Sivanandaraj, learned Senior Counsel appearing for the respondents 3 and 5 in Crl.O.P.Nos.22369, 23674, 23681, 23694, 23682 and 2369 of 2023 submitted that the present case arises out of a large-scale act of



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cheating and misappropriation committed by K.C.Palanisamy, and the companies under his control. The respondents 3 to 5 are foreign investors who had jointly invested a total of Rs.79 crores in a business venture promoted by K.C.Palanisamy and his group companies under a Joint Venture Agreement dated 30.01.2004. Under the terms of this agreement, the foreign investors were to participate in the development of properties owned by Vasantha Mills Limited and Cheran Properties Limited, both of which were controlled by K.C.Palanisamy. The investment was made through a joint-venture company named Cheran Enterprises Private Limited. Out of the total investment, Rs.75 crores was contributed by ORE Holdings Limited, a company incorporated in Mauritius, and Rs.4 crores was contributed by Mr.Nandakumar Athappan, a resident of Singapore. They thus held 45 per cent and 10 per cent shareholding respectively. The said K.C.Palanisamy was made the Managing Director of the joint-venture company, as he was the only resident director in India.

7.2. The learned Senior Counsel submitted that after receiving the entire investment, K.C.Palanisamy completely diverted and misused the funds, acting in violation of the agreement. He not only failed to utilise the money for the intended project but also took back the properties that had been transferred into the joint-venture company. His conduct amounted to deliberate fraud and



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criminal misappropriation of the investors' money. As a result, the foreign investors were compelled to approach the Company Law Board, Additional Principal Bench, Chennai, by filing company petitions complaining of oppression, mismanagement, and misappropriation. After a detailed hearing, the Company Law Board, by its order dated 13.08.2008, held that Palanisamy had misappropriated the investors' money and directed that Rs.75 crores and Rs.4 crores, representing the investments of ORE Holdings and Mr.Athappan respectively, be returned to them with 8% simple interest from the date of investment. It was also ordered that, if the payment was not made, the immovable properties of Vasantha Mills Limited should be conveyed to the investors in part satisfaction of their claim. This order was later sought to be modified, but the essential directions to repay the foreign investors were never altered. The foreign investors challenged certain aspects of the modification before a Division Bench of this Court, and by judgment dated 05.08.2011, the Division Bench restored and confirmed the original order dated 13.08.2008. The Division Bench observed that if control of the company was returned to Palanisamy, he would once again divert the funds and defeat the investors' rights. Thus, the order dated 13.08.2008 became final and was executed through Execution Petitions Nos.35 and 36 of 2011. By a final order dated 31.12.2015, the Company Law Board declared the foreign investors as the beneficial owners



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of the Vasantha Mills properties and directed that the lands be conveyed and registered in their names. The directions were complied with, possession was handed over, and the revenue records were mutated accordingly. Even after this, the said Palanisamy once again tried to obstruct the implementation of the orders by filing Writ Petition No.17443 of 2021 before this Court, questioning the permission granted by the Reserve Bank of India for the sale of the said properties. The writ petition was dismissed on 07.01.2025, and this Court clearly held that K.C.Palanisamy and his companies had been litigating only to avoid repayment of the investors' funds. The Court observed that the order of the Company Law Board merely directed repayment of the investors' money with interest and did not involve any buy-back of shares.

7.3. The learned senior counsel emphasised that despite all these orders, the investors have not been repaid the amounts they invested. Instead, the petitioners have filed the present petitions seeking to quash the criminal case on the basis of a so-called settlement or Joint Memo of Compromise. The said memo, it is submitted, is a false and collusive document filed to mislead this Court. It does not show that any amount has been paid back, nor does it address the serious offences of forgery and falsification of company records. Most importantly, the real victims the foreign investors, namely the respondents 3 and 5 were never made parties to this alleged compromise.

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7.4. The learned senior counsel further submitted that the charge sheet in this case contains serious offences under Sections 403, 406, 418, 420, 423, 465, 468, 471, 477-A read with Section 120-B and Section 511 of the Indian Penal Code. Many of these are non-compoundable, and even those that are compoundable can be settled only with the permission of the Court and the consent of the person directly affected. Hence, a compromise entered into without the knowledge or consent of the victims has no legal effect.

7.5. Relying on the judgment of the Hon'ble Supreme Court in **Gian Singh v. State of Punjab** [(2012) 10 SCC 303] and **Baljit Singh v. State** (2022 SCC OnLine Del 1782), the learned counsel submitted that a compromise must be genuine, voluntary, and must resolve the entire dispute. The alleged compromise in the present case does not deal with the misappropriation of Rs.79 crores or the forged documents and therefore cannot be accepted by this Court.

7.6. The learned counsel also referred to **Anil Mishra v. State of U.P.** (Criminal Appeal No. 1335 of 2024), **Jagjeet Singh v. Ashish Mishra** [(2022) 9 SCC 321], **Daxaben v. State of Gujarat** (2022 SCC OnLine SC 936), and **P. Dharmaraj v. Shanmugam** (2022 SCC OnLine SC 1186), where it has been



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held that the victims must be heard at all stages of criminal proceedings and that any settlement arrived at without their participation is invalid. In the present case, since the victims the foreign investors were neither consulted nor gave consent, the so-called settlement is without any legal value.

7.7. The learned senior counsel therefore submitted that the present petitions are a clear misuse of the judicial process. The petitioners are once again attempting to avoid criminal prosecution for serious economic offences involving criminal breach of trust, cheating, forgery, and conspiracy. Since the victims have not been compensated and the offences include non-compoundable ones, the petitions deserve to be dismissed.

7.8. Finally, the learned senior counsel submitted that this case involves deliberate fraud on foreign investors, resulting in loss of crores of rupees, and it raises issues of public importance concerning the integrity of investment in India. The so-called compromise is neither genuine nor lawful, and therefore the petitions filed by the accused are liable to be dismissed in the interest of justice.

8.1. Mr.J.Sivanandaraj, learned senior counsel appearing for the ORE Holdings Ltd., / foreign investor, which is a company incorporated under the



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Laws of Mauritius, would submit that the charge sheet in C.C.No.20 of 2020 discloses grave and specific offences of cheating, criminal breach of trust, forgery, falsification of accounts, and criminal conspiracy. The materials collected during investigation clearly reveal that large amounts of money entrusted to the first accused were dishonestly misappropriated and diverted for purposes other than those intended, thereby causing wrongful loss to the genuine investors. The learned counsel would further submit that the funds invested were withdrawn from the company's bank account by the principal accused, misusing his cheque signing authority, despite the existence of a duly modified authority under the joint venture arrangement. He would point out that the accused failed to inform the bank of the revised signing authority and continued to exercise exclusive control over the account, thereby enabling unauthorized withdrawals and diversions to connected entities. He would also submit that false and fabricated board resolutions dated 02.07.2004 and 26.11.2004 were created to justify these illegal transfers and to mislead the financial institutions. The said forged resolutions purported to authorize payments and fixed deposits which the Board never approved. Such acts squarely attract the offences of forgery and falsification of accounts under the Indian Penal Code.



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8.2. The learned senior counsel would further submit that the materials also disclose that the intent to cheat existed from the inception of the transaction, as the investment was induced on false representations. The accused promised that the funds would be utilized for specific development projects, whereas from inception the intention was to divert the funds for personal and associated business benefit. He would submit that the complaint and the charge sheet were properly instituted based on a Board Resolution dated 15.05.2006, wherein Mr.Chandran Ratnaswami was duly authorized to represent the company in legal proceedings, and on a Power of Attorney executed by Mr.R. Athappan and Mr.Nandakumar Athappan, who were nominee directors of the investor. Hence, there is no infirmity in the institution of the complaint.

8.3. With regard to the offences, the learned senior counsel would submit that they are serious and non-compoundable in nature. The offences of forgery, criminal breach of trust, and falsification of accounts cannot be compromised or settled privately, and any purported settlement cannot obliterate the criminal liability arising out of such offences. It is further submitted that even with respect to the offence of cheating under Sections 417 and 420 IPC, the person who has been cheated alone can compound the same. In the present case, the



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foreign investor being the real victim, no such consent has ever been given, and therefore, the question of compounding or quashing on the ground of settlement does not arise.

8.4. The learned senior counsel would also draw attention to the order of the Company Law Board dated 13.08.2008, which found that the principal accused had diverted the investors' funds contrary to the terms of the Joint Venture Agreement. The CLB directed that the investment made by the foreign investor be repaid within one year, failing which the properties of the group companies were to be conveyed to the investors. The said order was never challenged and has attained finality, and has since been reaffirmed by this Court and the Hon'ble Supreme Court. The findings therein lend further weight to the conclusion that misappropriation of funds did occur, though civil relief was separately granted. He would further submit that the civil orders and settlements in no way extinguish the criminal liability. It is settled law that the existence of civil proceedings or monetary restitution does not bar or nullify the prosecution for serious economic offences involving fraud and breach of trust.

8.5. The learned counsel would further emphasize that this Court, in exercise of powers under Section 482 Cr.P.C., does not conduct a mini-trial or



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examine disputed questions of fact. The charge sheet discloses a prima facie case based on documentary evidence, and the matter ought to proceed to trial.

In view of the above submissions, it is urged that the petitions for quashing be dismissed, as entertaining such a plea would result in miscarriage of justice and allow serious offences of fraud and falsification to go unpunished. Accordingly, the learned senior counsel prays this court to dismiss the petitions and permit the trial to proceed in accordance with law.

9. This Court also heard Mr.T.Thiageswaran, learned counsel appearing for the second respondent in Crl.O.P. Nos. 22369, 23674, 23681, 23694, 23682, and 23692 of 2023, on the submissions made by the learned counsel for the petitioners and the other respondents.

10. Heard the learned counsel on either side and perused the materials available on record.

11. It is an admitted fact that the present case arises from Crime No.87 of 2008 registered by the Central Crime Branch, Chennai, which culminated in C.C.No.20 of 2020 on the file of the Special Court for the Trial of Cases relating to Members of Parliament and Members of Legislative Assembly, Chennai. The



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case has been registered for offences under Sections 403, 406, 418, 420, 465, 468, 471, 477-A, read with 120-B, and 423 read with 511 of the Indian Penal Code, alleging large-scale diversion of funds and falsification of company records. The petitioners are shown as Accused Nos.7, 8, 14, 12, 13, 9 and 3 in the said case.

12. A perusal of the charge sheet discloses that the investigation has brought out specific and detailed allegations indicating the active role and involvement of Accused Nos.7, 8, 9, 12, 13, 14 and 3 and the other accused in the commission of the offences alleged. The materials show that the defacto complainant company, Cheran Enterprises Private Limited, had received an investment of about Rs.79 crores from ORE Holdings (P) Ltd., Mauritius and R.Athappan, Singapore, for developing the immovable properties belonging to Cheran Properties Ltd. (A-7) and Vasantha Mills Ltd. (A-8) at Coimbatore. However, it is alleged that Accused Nos. 1 to 5 diverted the said funds for their personal benefit and for the benefit of the associated entities under their control.

13. The charge sheet further reveals that Cheran Properties Ltd. (A-7) and Vasantha Mills Ltd. (A-8), though subsidiaries created for development of the said properties, were used to facilitate the diversion and alienation of assets.

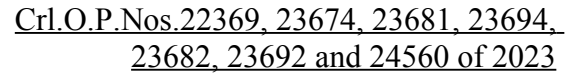


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These companies were "paper companies" holding about 26 acres of immovable property worth nearly Rs.100 crores, and the funds of the complainant company were channelled through them in violation of the Joint Venture Agreement.

14. It is also stated that Cheran Holdings (P) Ltd. (A-9), another concern controlled by Accused No.1, received part of the diverted funds from the complainant company's account without any corresponding business justification. Similarly, C.G. Holdings (P) Ltd. (A-13) and Cheran Foundation Trust (A-12), both managed by Accused Nos.1 and 5, were direct beneficiaries of such diversion, inasmuch as the complainant company's funds were used to discharge the income-tax liabilities of A-13 and to make gratuitous transfers amounting to about Rs.3.14 crores to A-12, though no liability was due to either of them.

15. The materials further disclose that Cheran Constructions Ltd. (A-14), another group company promoted and managed by Accused Nos. 1, 2, 3 and 6, became the recipient of the immovable properties belonging to A-7 and A-8 through sale-cum-development agreements executed for a grossly inadequate consideration of about Rs.65 crores as against the market value of Rs.110 crores, thereby causing wrongful loss to the complainant company. It is specifically alleged that Accused No.3 , who was a Director of A-7 and A-8, executed the



16. Thus, on the face of the charge sheet, there are clear, specific and
ed allegations bringing out the nexus and involvement of Accused Nos.7, 8,
13, 14 and 3 in the diversion of funds and alienation of assets, attracting
es punishable under Sections 403, 406, 418, 420, 465, 468, 471, 477-A
with 120-B IPC and Section 423 read with 511 IPC.

17. The main contention of the petitioners is that the dispute is purely civil in nature, arising out of a commercial transaction, and that the Company Law Board as well as the Division Bench of this Court have already directed repayment of the investors' funds. They further contend that a Joint Memo of Compromise has been filed and that the principal accused have been granted certain reliefs, claiming parity with them.

18. This Court is unable to accept the said contentions. The orders passed by the Company Law Board, the Division Bench of this Court, and the subsequent writ proceedings clearly show that the matter was not a mere civil dispute, but involved clear acts of diversion and misuse of the investors' funds.



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The Company Law Board, after detailed enquiry, found that K.C.Palanisamy had misappropriated the investments made by ORE Holdings and Mr.Athappan, and directed repayment of Rs.75 crores and Rs.4 crores respectively, with 8% simple interest from the date of investment. The operative portion of the order is extracted hereunder:-

17. In view of the foregoing conclusions and I exercise of the powers under sections 397 & 398 read with Section 402 and with a view to bringing to an end the grievances of CG Holdings, KCP, ORE and Athappan, the following order is passed:

CEPL shall return a sum of Rs.75 crores and Rs.4 crores invested by ORE and Athappan respectively, together with simple interest at the rate of 8% per annum from the date of investment till the date of repayment within a period of 12 months in one or more instalments, commencing from 01.11.2008. While making the payment CEPL, CG Holdings and KCP shall ensure that at least 25% of the amount due is paid in every quarter. CEPL, C.G.Holding and KCP are at liberty to make use of the fixed deposit held by CEPL with SBI, Erode Main Branch, free of any liens or encumbrances towards refund of the investments of ORE and Athappan. VML shall not alienate or sell any of its immovable properties till full payment is made to ORE, in terms of this order. In the event of any failure to make the repayment within the specified time, CEPL, CG Holding, KCP and VML will duly convey the immovable properties of VML, namely 17.15 acres of land in favour of ORE and 7.80 acres of land in favour of Athappan by executing and registering necessary deeds of conveyance in strict compliance with all applicable laws, as consideration for reduction of capital and surrender of the shares of ORE and Athappan, upon which ORE as well as Athappan will deliver the share certificates and blank transferforms in respect of their holdings in CEPL and the subsidiaries, if any, in favour of CG Holdings and KCP. CEPL is consequently authorized to reduce its share capital and in the meantime, operation of the impugned agreements is suspended, to expedite and ensure



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due completion of the modalities of exit by ORE and Athappan, thereby, bringing to an end the acts complained of in the present proceedings. CEPL shall ensure necessary statutory compliances till the whole process, in accordance with the aforesaid directions, is properly completed. The parties are at liberty to apply in the event of any difficulty in implementation of the smooth exist of ORE and Athappan from CEPL.”

The Division Bench, by judgment dated 05.08.2011, confirmed those findings and observed that if control of the company was restored to K.C.Palanisamy, he would again divert the funds and defeat the investors’ rights. The relevant findings of the order passed by the Division Bench of this Court are extracted hereunder:-

"134. When Company law Board has recorded categorical findings that CEPL neither carried out nor could accomplish its business plans in accordance with the terms of the JVA and the Company Law Board directed return of sum of Rs.75 crores and Rs.4 crores, Company law Board was not justified in modifying its earlier order.

135. Given the sequence of events if KCP is placed in position to manage CEPL, KCP would again try to divert the amount to innumerable subsidiary companies floated by him.

136. The direction of the Company Law Board directing that ORE and Athappan Nominees shall not intervene in the business of CEPL contradicts in its own order dated 13.08.2008, wherein CLB clearly stated that ORE and Athappan would exit after receiving return of their investment or transfer of VM Lproperty If the control of CEPL is given back to KCP certainly KCP would divert the money and properties and certainly ORE and Athappan would never be paid back their investments ”

The said order became final and was executed through Execution Petitions



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Nos.35 and 36 of 2011, and by final order dated 31.12.2015, the investors were declared as the beneficial owners of the Vasantha Mills properties. The lands were conveyed and possession handed over in compliance with those directions.

For better appreciation, the relevant portions are extracted hereunder:-

"As enunciated herein above, this Bench is bound by the Judgement of the Hon'ble Supreme Court to show that all the decrees whether preliminary or final or susceptible to execution. The order of this Bench dated 13.08.2008 is a decree and is susceptible to execution by this Bench. For the aforesaid reasons and in exercise of powers conferred under Section 634A of the Companies Act, 1956, I hereby grant an order in execution of the common order 13.08.2008 passed in CPNos.76/2005 and 65/2005 as follows:-

1. I hereby declare that N.Athappan, the Petitioner herein is the beneficial owner of the land to an extent of 7.80 acres of VML land out of survey No.113, 124, 125, 123/3B located in the registration district in Coimbatore with immediate effect.

2. Further I hereby direct the Respondents to convey the aforesaid extent of land in the name of N.Athappan by executing a registered Sale Deed in his favour immediately failing which the Jurisdictional Registrar to register duly vesting the said land i.e. 7.80 acres of VML land in the name of N.Athappan and release the registered documents in favour of N.Athappan. The N.Athappan shall bear the Registration Costs and other incidental expenditure for this purpose.

3. I hereby permit the N.Athappan to take possession of the above described land and I hereby direct the respondents to ensure in smooth handing over the peaceful possession of the above land and cooperate with N.Athappan.

4. I hereby direct the concerned revenue authorities of that jurisdictional



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area to enter the name of the N.Athappan to an extent of 7.80 acres of land in its records as owner and Pattadar and issue the necessary documents to the N.Athappan.

5. The Respondents shall comply with the above directions of this Bench forthwith.

6. The order of this Bench dated 13.08.2008 in respect of not to alienate or sell of its immovable properties is stand vacated enabling the respondents to convey the land to N. Athappan in respect of 7.80 acres "

Even thereafter, the first accused again tried to obstruct the implementation of the said orders by filing Writ Petition No.17443 of 2021, questioning the permission granted by the Reserve Bank of India for the sale of the properties. The writ petition was dismissed on 07.01.2025, with a clear finding that K.C.Palanisamy and his companies were only indulging in repeated litigation to avoid repayment of the investors' funds. The Court also clarified that the order of the Company Law Board merely directed repayment with interest and did not contemplate any buy-back of shares, as held below:-

"14.2 It was very obvious from the strategy of KCP and his group companies who have been litigating since CLB took cognizance of the controversy, that they were keen to knock off the money invested by ORE and Athappan, but when KCP strategies were halted by the CLB vide its Order dated 13.08.2008, he appeared to have entertained a belief that by reading the exit-formula the way he and his group of companies had since chosen to read, they could deflect the focus from their need to abide by the directions of the CLB and bypass the exit-route prescribed for the self-preservation of both.

14.3 The amount which CLB had directed CEPL to pay its specific amount



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which its foreign investors had invested in it, plus the interest thereon. The Order of the CLB did not enable CEPL to buy-back the shares of its foreign investors. Indeed, the expression 'buy-back of shares' does not find any reference in the order of the CLB "

However, till date the amount has not been received by the foreign investors.

19. It is well settled that each case must be decided on its own facts and merits, and the relief granted to one or more accused cannot automatically enure to the benefit of others whose role and degree of participation are distinctly alleged in the charge sheet. The mere pendency of civil proceedings or existence of compromise terms cannot, by itself, obliterate the criminality alleged, particularly when the materials collected during investigation prima facie establish dishonest diversion and falsification of records. Therefore, the findings of the Company Law Board and the Division Bench, far from supporting the case of the accused, clearly strengthen the prosecution case by confirming that the investors' funds were diverted and misappropriated. It is also an admitted fact that, despite such directions, the investors have not yet been repaid, and restitution remains unfulfilled.

20. It is also apposite to note that while the third accused / petitioner in



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Crl.O.P.No.24560 of 2023 claimed that he was merely an office assistant with no role in the company's affairs, the records reveal that he was, in fact, shown as the Managing Director of one of the companies involved. This contradiction itself disproves the defence version and supports the prosecution's case of active participation by all accused, including these petitioners.

21. The petitioners have also relied on a so-called Joint Memo of Compromise. However, the record clearly shows that the actual investors, who are the real victims of the offence, were not parties to such compromise. The impleaded respondents, namely M/s.ORE Holdings Ltd. and Mr.Nandakumar Athappan, have consistently stated that they have not received any payment pursuant to the said compromise or the orders passed thereon, and that the entire arrangement was effected behind their back. Even assuming that the compromise memo was entered into between certain parties and accepted by the forum concerned, the contention of the impleaded respondents cannot be lost sight of, as they have consistently maintained that no payment was ever received by them and that the alleged settlement did not involve them in any manner. Even in the compromise memo, there is no indication as to how or when the amounts were settled to them.



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22. It is well settled that serious economic offences involving public or investor funds cannot be quashed merely on the basis of a private settlement between some of the parties. The Hon'ble Supreme Court in **Gian Singh v. State of Punjab** [(2012) 10 SCC 303] held that any compromise must comprehensively address the entire dispute and cannot exclude affected parties. For better appreciation, the relevant portion of the said judgment is extracted hereunder:-

"61. The position that emerges from the above discussion can be summarised thus : the power of the High Court in quashing a criminal proceeding or FIR or complaint in exercise of its inherent jurisdiction is distinct and different from the power given to a criminal court for compounding the offences under Section 320 of the Code. Inherent power is of wide plenitude with no statutory limitation but it has to be exercised in accord with the guideline engrafted in such power viz. : (i) to secure the ends of justice, or (ii) to prevent abuse of the process of any court. In what cases power to quash the criminal proceeding or complaint or FIR may be exercised where the offender and the victim have settled their dispute would depend on the facts and circumstances of each case and no category can be prescribed. However, before exercise of such power, the High Court must have due regard to the nature and gravity of the crime. Heinous and serious offences of mental depravity or offences like murder, rape, dacoity, etc. cannot be fittingly quashed even though the victim or victim's family and the offender have settled the dispute. Such offences are not private in nature and have a serious impact on society. Similarly, any compromise between the victim and the offender in relation to the offences under special statutes like the Prevention of Corruption Act or the offences committed by public servants while working in that capacity, etc.; cannot provide for any basis for quashing criminal proceedings involving such offences. But the criminal cases having overwhelmingly and predominatingly civil flavour stand on a different



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footing for the purposes of quashing, particularly the offences arising from commercial, financial, mercantile, civil, partnership or such like transactions or the offences arising out of matrimony relating to dowry, etc. or the family disputes where the wrong is basically private or personal in nature and the parties have resolved their entire dispute. In this category of cases, the High Court may quash the criminal proceedings if in its view, because of the compromise between the offender and the victim, the possibility of conviction is remote and bleak and continuation of the criminal case would put the accused to great oppression and prejudice and extreme injustice would be caused to him by not quashing the criminal case despite full and complete settlement and compromise with the victim. In other words, the High Court must consider whether it would be unfair or contrary to the interest of justice to continue with the criminal proceeding or continuation of the criminal proceeding would tantamount to abuse of process of law despite settlement and compromise between the victim and the wrongdoer and whether to secure the ends of justice, it is appropriate that the criminal case is put to an end and if the answer to the above question(s) is in the affirmative, the High Court shall be well within its jurisdiction to quash the criminal proceeding.

23. Further, in ***Daxaben v. State of Gujarat*** [(2022) 7 SCC 366] and ***Jagjeet Singh & Ors. v. Ashish Mishra & Anr.*** [(2022) 9 SCC 321], the Hon'ble Apex Court categorically held that the victims are entitled to be heard at all stages of the proceedings and that a compromise, to be valid, must be voluntarily accepted by them. The relevant portions of the said judgments are extracted hereunder:-

(i) ***Daxaben v. State of Gujarat*** [(2022) SCC OnLine SC 936]

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21. *The High Court rightly found, in effect, that it had the inherent power to recall a judgment and/or order which was without jurisdiction or a judgment and/or order passed without hearing a person prejudicially affected by the judgment and/or order. The High Court, however, fell in error in not recalling the order dated 20-10-2020 [Karni Singh Bhavarsha Bargujar v. State of Gujarat, 2020 SCC OnLine Guj 3453] . The High Court did not address to itself, the question of whether it had jurisdiction to quash a criminal complaint under Section 306IPC, which is a grave non-compoundable offence, entailing imprisonment of ten years, on the basis of a settlement between the parties.*

22. *The High Court erred in declining the prayer of the appellant for recalling its order dated 20-10-2020 [Karni Singh Bhavarsha Bargujar v. State of Gujarat, 2020 SCC OnLine Guj 3453] , passed without hearing the wife of the deceased only because the original informant-complainant, a cousin brother and an employee of the deceased had been heard. Hearing a cousin-cum-employee of the deceased cannot and does not dispense with the requirement to give the wife of the deceased a hearing. The wife of the deceased would have greater interest than cousins and employees in prosecuting accused persons charged with the offence of abetting the suicide of her husband.*

23. *Be that as it may, since the initial order dated 20-10-2020 [Karni Singh Bhavarsha Bargujar v. State of Gujarat, 2020 SCC OnLine Guj 3453] is also under challenge in these appeals, it is really not necessary for this Court to delve deeper into the question of whether a final order passed under Section 482CrPC quashing an FIR could have, at all, been recalled by the High Court, in the absence of any specific provision in CrPC for recall and/or review of such order. The High Court has, in effect, held that in exceptional circumstances, such orders can be recalled, in exercise of the inherent power of the High Court, to prevent injustice.*

(ii) **Jagjeet Singh & Ors. v. Ashish Mishra & Anr.** [(2022) 9 SCC 321],



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23. A "victim" within the meaning of CrPC cannot be asked to await the commencement of trial for asserting his/her right to participate in the proceedings. He/She has a legally vested right to be heard at every step post the occurrence of an offence. Such a "victim" has unbridled participatory rights from the stage of investigation till the culmination of the proceedings in an appeal or revision. We may hasten to clarify that "victim" and "complainant/informant" are two distinct connotations in criminal jurisprudence. It is not always necessary that the complainant/informant is also a "victim", for even a stranger to the act of crime can be an "informant", and similarly, a "victim" need not be the complainant or informant of a felony.

24. The abovestated enunciations are not to be conflated with certain statutory provisions, such as those present in the Special Acts like the Scheduled Castes and Scheduled Tribes (Prevention of Atrocities) Act, 1989, where there is a legal obligation to hear the victim at the time of granting bail. Instead, what must be taken note of is that:

24.1.First, the Indian jurisprudence is constantly evolving, whereby, the right of victims to be heard, especially in cases involving heinous crimes, is increasingly being acknowledged.

24.2.Second, where the victims themselves have come forward to participate in a criminal proceeding, they must be accorded with an opportunity of a fair and effective hearing. If the right to file an appeal against acquittal, is not accompanied with the right to be heard at the time of deciding a bail application, the same may result in grave miscarriage of justice. Victims certainly cannot be expected to be sitting on the fence and watching the proceedings from afar, especially when they may have legitimate grievances. It is the solemn duty of a court to deliver justice before the memory of an injustice eclipses.

In the present case, the allegations disclose large-scale diversion and falsification of records involving foreign investment to the tune of Rs.79 crores, which



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constitutes an economic offence of serious magnitude. The funds have not been settled to the foreign investors, and they have consistently maintained that the alleged compromise was entered into behind their back and that the orders were obtained without their knowledge or participation. When the private respondents have taken a categorical stand that the compromise was effected without their knowledge or consent, and in view of the serious dispute regarding its very validity, this Court is not inclined to accept the contention of the petitioners. Only after a full-fledged trial, upon appreciation of the entire evidence, can the truth behind these transactions be ascertained.

24. The further case of the petitioners is that this Court, by order dated 22.09.2022 in Crl.O.P.Nos.4213 of 2017 and 17089 of 2021, has already quashed the proceedings in C.C.No.20 of 2020 as against the first and fifth accused on identical facts. Similarly, by orders dated 06.07.2023 in Crl.O.P.No.2913 of 2019 and 27.07.2023 in Crl.O.P.No.30437 of 2022, this Court quashed the criminal proceedings in C.C.Nos.1972 of 2014 and 20 of 2020 as against the fourth and second accused respectively. The petitioners, being similarly placed as those co-accused and having no distinct or independent role, claim that they are entitled to the same relief of quashment on the ground of parity. The petitioners have also placed reliance upon the decision reported in ***K.C.Palanisamy v. Paramount Ltd.***, [(2013) 6 SCC 740] , wherein the Hon'ble Supreme Court



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quashed criminal proceedings arising out of a breach of a joint venture agreement, holding that the entire amount due to the investors had been settled and the disputes stood resolved before the competent forum. In the present case, the complaint was registered in the year 2008, the charge sheet was filed in 2014, and the case was taken on file before the Special Court for MPs and MLAs in 2020. As held supra, the Company Law Board, after detailed enquiry, found that K.C. Palanisamy had misappropriated the investments of ORE Holdings and Mr. Athappan and directed repayment of Rs.75 crores and Rs.4 crores with interest. The Division Bench, by judgment dated 05.08.2011, confirmed those findings and cautioned that restoring control to K.C. Palanisamy would defeat the investors' rights. The said order attained finality and was executed, declaring the investors as beneficial owners of the Vasantha Mills properties. Even thereafter, the first accused attempted to obstruct execution by filing W.P.No.17443 of 2021, which was dismissed on 07.01.2025 with a finding that he was only prolonging litigation to evade repayment. In view of these findings, and as the earlier Crl.O.Ps.Nos.4213 of 2017, 17089 of 2021, 2913 of 2019, and 30437 of 2022 involved quashment of even non-compoundable offences on the basis of a disputed compromise, this Court is not inclined to extend the same benefit herein.



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25. Even in the so-called compromise memo, the foreign investors were not made parties, and the arrangement appears to have been effected behind their back. When such a plea is raised by the private respondents alleging that the compromise was obtained without their knowledge or participation, quashing the charge sheet at this stage would certainly cause serious prejudice to them. The veracity of these claims and the true nature of the transactions can be determined only after a full-fledged trial, on appreciation of the entire evidence.

26. It is a well-established principle that while exercising powers under Section 482 of the Cr.P.C., the Court cannot go into a detailed examination of the evidence or conduct a roving enquiry into disputed facts. The inherent power under this section must be used sparingly and with caution, only to prevent clear instances of injustice or misuse of the legal process. When the materials placed by the prosecution indicate a prima facie case showing the active involvement of the accused, the proceedings cannot be quashed at the initial stage. The truth or otherwise of the allegations, the genuineness of the transactions, and the extent of the petitioners' participation are all matters to be established only during trial, upon proper appreciation of oral and documentary evidence. At this stage, the Court is required only to examine whether the allegations, taken at their face value, disclose the commission of the offences alleged. Since the charge sheet



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and the accompanying records disclose specific acts of diversion and falsification attributable to these petitioners, this Court finds no reason to invoke its inherent powers to interdict the prosecution prematurely. The grounds raised by the petitioners are nothing but defences, which can appropriately be agitated only during the course of trial.

27. In view of the foregoing discussion, this Court finds no merit in these petitions. The Criminal Original Petitions are accordingly dismissed. The trial court is directed to proceed with the trial in accordance with law and dispose of the case expeditiously. Consequently, connected miscellaneous petitions stand closed.

12 / 09 / 2025

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To

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1. The Inspector of Police,
Central Crime Branch,
EDF-1, Team-II, Vepery,
Chennai-600 007.
2. The Public Prosecutor, High Court, Madras.



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P.VELMURUGAN, J

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Pre-delivery Order in
Crl.O.P.Nos.22369 of 2023 etc.

Order delivered
on 12.09.2025