



* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

% ***Pronounced on: 28th August, 2025***

+ **CRL.M.C. 1540/2025, CRL.M.A. 6908/2025**

CHAHAT JAIN

D/o Mr. Neeraj Jain
R/o Link Road, Khasra No. 1038/2
DLF Chattarpur Farms, South Delhi
Delhi – 110074

.....Petitioner

Through: Mr. Tanveer Ahmed Mir, Sr.
Advocate with Ms. Nattasha Garg,
Mr. Thakur Ankit Singh and Ms.
Yashodhara, Advocates.

versus

1. M/S INNOCEPT GLOBAL

Through Partner Akshay Aggarwal
Office - B-172, Lok Vihar
Pitampura, New Delhi – 110034

.....Respondent No. 1

2. M/S WHITEFOX INDIA

Through Partner
Office: 255, Okhla Industrial Estate
Phase III, New Delhi – 110030

.....Respondent No. 2

3. ARJUN JAIN

Partner M/s Whiteox India
R/o F- 99 L, Radhey Mohan Drive,
Chattarpur, Fateh Pur Beri,
South Delhi, New Delhi-110074

.....Respondent No. 3

Through: Mr. Nishant Nain and Ms. Charu
Sharma, Advocates for R-1.

CORAM:

HON'BLE MS. JUSTICE NEENA BANSAL KRISHNA

J U D G M E N T

NEENA BANSAL KRISHNA, J.



1. Petition Under Section 482 of the Criminal Procedure Code, 1973, (*hereinafter referred to as CRPC*), read with Section 528 BNSS, 2023, seeking quashing of Complaint Case No. 3597/2019, under Section 138 of the Negotiable Instruments Act, 1881, (*'NI Act'*) and consequent proceedings, pending trial before the Learned MM Delhi.
2. Respondent No.2/M/s *Whitefox India* is engaged in the business of events marketing, celebrity management, and other related activities. Respondent No.2/M/s *Whitefox India* planned a music concert of a famous International musician Audrey Drake Graham to be held in November 2018, for which Respondent No.2/M/s *Whitefox India*, through its partner Respondent No. 3/Arun Jain, entered into an Investment Agreement dated 26.06.2018 (*"Investment Agreement"*) with Respondent No.1/M/s *Innocept Global* for raising the funds required for the event.
3. Respondent No.1 was required to invest Rs. 4,00,00,000/- of which only Rs. 3,00,00,000/- were invested, and the same were given in the following manner:
 - i. Rs. 1,00,00,000/- paid on 17.05.2018 by way of RTGS.
 - ii. Rs. 50,00,000/- paid on 14.06.2018 by way of RTGS.
 - iii. Rs. 37,50,000/- paid on 10.08.2018 through NEFT.
 - iv. Rs. 62,50,000/- in cash.
4. Respondent No. 2 made all the necessary arrangements for the *Music Concert*. While discussions and negotiations were underway with Audrey Drake Graham, he withdrew from the Concert at the last moment.
5. Respondent No.1/Complainant invoked *Clause 10.1 of the Investment Agreement vide* email dated 06.02.2019, and requested for cancellation and refund of the investment amount of INR 3,00,00,000/- along with a 12% interest.



6. Accordingly, Respondent No.1 and Respondent No.2 (through Respondent No.3) entered into an *Addendum dated 19.03.2019* (“the *addendum*”) to the *Investment Agreement*. The Respondent No.2 in terms of the *Addendum*, issued two *impugned Cheques* bearing No. 000429 dated 20.03.2019 for Rs. 2,00,00,000/- and No. 000527 dated 15.05.2019 for Rs. 1,00,00,000/- for the refund of investment made by Respondent No.1.

7. These two Cheques on presentation were returned dishonored on 19.06.2019 with remarks “*Funds Insufficient*”. Consequently, the Respondent No.1 issued legal Demand Notice dated 02.07.2019. Thereafter, he filed the present Complaint Case arraying Respondent No.2 as Accused No.1, Respondent No.3 and ***Petitioner as Accused No.2&3 respectively***.

8. The *Ld. Trial Court vide Order dated 01.08.2019 issued summons against the Respondents including the Petitioner*.

9. During the pendency of the Complaint Case, Respondent Nos. 1 and Respondent No. 2, through its partner Arjun Jain/ Respondent No. 3, entered into a ***Settlement dated 02.07.2021*** whereby the Respondent No.2 was obligated to comply with the terms of the Settlement Agreement, in satisfaction of all the liabilities and obligations.

10. Aggrieved by the pendency of the Complaint Case, the Petitioner has sought its quashing on the **grounds that the Petitioner was merely a Sleeping partner** in Respondent No.2/M/s *Whitefox India*, having no role in managing any affairs of the Partnership Firm and was in no way responsible for any affairs, day-to-day functioning and management of the Respondent No.2 Firm including the transactions done between the Respondents herein. The Petitioner has been dragged into the present Complaint without considering the fact that the Petitioner has not been a Party/Signatory to any



of the transactions between the Respondents including the Investment Agreement dated 26.06.2018, Addendum dated 19.03.2019, Cheques issued pursuant thereto, *Settlement Agreement dated 29.07.2021*, and any communication, etc. It has also been acknowledged by the Complainant that the Petitioner has no role in the subject transactions as the Petitioner has not been made a party or signatory in the Settlement Agreement and that the Petitioner is a ***sleeping partner*** and has no role in the affairs of the Partnership Firm/Respondent No.2.

11. *Section 141 NI Act* requires the persons who are sought to be made vicariously liable, should be in charge of and responsible to the Company/Firm for the conduct of the business of the Company/Firm.

12. It is further submitted that the Petitioner has been summoned without considering the pertinent fact that the Respondent No.1 had made no specific allegations against the Petitioner herein and not filed this Case under Section 141 NI Act. In order to hold the Petitioner liable, the Respondent No.1 is obligated to make specific averments/allegations against the Petitioner. Therefore, the Case is illegal and untenable qua the Petitioner.

13. Respondent No.1 has dragged the Petitioner in the Criminal Complaint only to put pressure on the other Respondents and to extort more monies. In this regard, reliance is placed on *Monaben Ketanbhai Shah v. State of Gujarat*, (2004) 7 SCC 15.

14. Reliance in this regard has been placed on *National Small Industries vs. Harmeet Singh Paintal & Anr*, 2010 (3) SCC 330, *Dilip Hariramani vs. Bank of Baroda*, Criminal Appeal No. 767 of 2022 dated 09.05.2022, *Jawala Devi Enterprises vs. Fadi El Jaouni*, 2018 SCC Online Del 10030 and *Fadi El Jaouni vs Gian Chand Garg*, (Crl. M.C No. 334 of 2016).



15. In any case, the Respondent No. 1 and Respondent No. 2 (through its partner Respondent No. 3) ***have already entered into a Settlement Agreement*** dated 29.07.2021 in this Case.

16. *Respondents No. 2 and 3* have diligently fulfilled their respective obligations in accordance with the terms of the aforementioned Settlement Agreement. Notably, they have complied with five out of the six obligations outlined in Clause 4, specifically Clauses 4(a) to 4(d) and 4(f). It is submitted that the noncompliance with Clause 4(e), which pertains to the execution of the Loan Agreement, has occurred solely due to hindrances and intentional delays caused by Respondent No. 1, as well as Mr. Akshay Aggarwal and Mr. Anil Aggarwal.

17. It is submitted that Respondent No.1, with an oblique motive to cause mental agony to the Petitioner, has been avoiding the compliance of the Settlement Agreement.

18. Relying on *Gimpex Private Limited vs. Manoj Goel*, (2022) 11 SCC 705, it is submitted that the Settlement Agreement subsumes the Criminal Complaint and the Complaint must be quashed. Further reliance is placed on *Dayawati vs. Yogesh Kumar Gossain*, 2017 SCC Online Del 11032.

19. *Thus, it is prayed that the Complaint Case No. 3597 of 2019 be quashed along with the consequential proceedings qua the Petitioner.*

20. The ***Ld. Counsel for Respondent No. 1/Complainant*** has vehemently opposed the Petition and argued that the contention regarding role of the Petitioner in the Firm, can be agitated at the stage of Trial, as *prima facie* the case under S. 138 r/w 142 NI Act is made out.

21. Thus, the Petition is liable to be dismissed.

Submissions Heard and Record Perused.



22. Present is a case where the Petitioner is seeking a discharge on two grounds: *firstly*, on the basis of there being a **Settlement** between the Parties; and *secondly*, that the Petitioner was merely a **Sleeping Partner** in the Firm and had no role in the conduct of day-to-day affairs of the Firm.

Settlement Agreement dated 29.07.2021 between the Parties:

23. The Ld. M.M. had summoned the Accused Persons *vide* Order dated 01.08.2019. During the pendency of the instant case under Section 138 NI Act, the parties arrived at a Settlement on their own without the intervention of Court *vide* Settlement Agreement dated 29.07.2021. However, this Settlement was never brought on the record of the Trial Court. The parties also never gave a statement endorsing its terms before the Court nor was there any undertaking given that the parties shall remain bound by its terms or that the Complaint stands settled in its terms.

24. Pertinently, in the Order dated 11.03.2024 the Ld. Trial Court has directed both the parties to explore the possibility of Settlement and to remain present in the Court. It was further noted that the parties had shown an intent to compound the case and had requested that the matter be referred to Mediation Centre. Learned MM directed to explore the possibility of settlement *vide* Order dated 11.03.2024. Accordingly, they were directed to appear before the Mediation Centre on 20.04.2024. Even though the parties were referred to Mediation Centre, but there is nothing on record to show that the parties ever arrived at the Mediation Centre.

25. Thereafter, the Ld. M.M. has framed *Notice under S.251Cr.P.C. against Respondent No. 3/Arjun Jain, on 18.12.2024*. The learned MM taking note of the fact that a huge amount of Rs.3 crores was involved in the matter, directed that no further adjournment shall be given to the



Petitioner/Chahat Jain, who was directed to remain present for framing of Notice on the next date i.e. 05.03.2025.

26. Thereafter, the present Petition has been filed and the Petitioner was exempted from appearing before the Id. Trial Court vide Order dated 04.03.2025.

27. From the above narrative, it is evident that there was neither a concluded Settlement between the parties that was brought on record nor any statement of the parties was recorded of them having entered into the compromise. So being the case, the contention of the Petitioner that the Complaint got subsumed in the Settlement is not tenable.

28. It may also be observed that this alleged Settlement Agreement is dated 02.09.2021, while the aforementioned proceedings are of March, 2024. Had there been any concluded Settlement, there was nothing which prevented the parties to bring it on record when the Id. Trial Court directed them to explore settlement and referred them to Mediation Centre.

29. Therefore, it cannot be said that the present matter ever got settled through any Mutual Settlement Agreement or that the Complaint under S.138 NI Act is liable to be held to be subsumed in the Settlement.

30. In the case of Dayawati (supra) the Court in the context of *Mediated Settlement*, had noted that whenever there is a Settlement between the parties in Mediation, the Magistrate shall record the statement on oath of the parties affirming the terms of Settlement that they have entered into it voluntarily, out of their own free will and after understanding the contents and implications thereof, affirming the contents of the Agreement placed before the Court and confirming their signatures thereon. A clear undertaking to abide by the terms of the Settlement should also be recorded



as a matter of abundant precaution. Thereafter, the Magistrate should independently apply his judicial mind to satisfy himself that the Settlement Agreement is voluntary, genuine, equitable, lawful, and not opposed to public policy, and that there is no legal impediment in accepting the same. Further, while recording of the statements of the parties, the Magistrate should specifically accept the statement of the parties as well as their undertakings and hold them bound by the terms of this Settlement entered between them. This order should clearly stipulate that in the event of default by either party, the amount agreed to be paid in the Settlement Agreement shall be recoverable in terms of Section 431 read with 421 Cr.P.C. Upon receiving a request from the Complainant that on account of the compromise within the Settlement Agreement, it is withdrawing himself from prosecution, the matter has to be compounded.

31. In regard to the compounding of Complaint Cases under Section 138 of N.I. Act, reference be also made to the observations of the Apex Court in Gimpex Private Limited vs. Manoj Goel, (2022) 11 SCC 705 wherein it was observed that once parties have been voluntarily entered into an Agreement and agreed to abide by the consequences of non-compliance of the Settlement Agreement, they cannot be allowed to reverse the effects of the Agreement by pursuing both the original Complaint and the subsequent Complaint arising from such non-compliance. The Settlement Agreement subsumes the original Complaint.

32. It is, therefore, evident that for the Settlement to be binding between the parties to consequently result in disposal of the Complaint under Section 138 NI Act on account of compounding, there are specific requirements of statements to be recorded that they shall abide by the Settlement and the



corresponding order of the Court accepting the terms of Settlement and compounding the offence under Section 138 NI Act.

33. In the present case as has already been noted above, even if there was a full and final Settlement, it was out of Court and was never intended for compounding of this Complaint under Section 138 NI Act. There is nothing on record to show that the present Complaint was subsumed in the Settlement dated 02.09.2021.

34. Interestingly, this settlement did not ever get filed before the learned MM. It has to be therefore, necessarily held that the Settlement Agreement dated 02.09.2021 relied upon by the Petitioner would not absolve the Accused Firm or the partners of their liability under the present Complaint Case.

35. *The contention raised by the Petitioner in this regard is not tenable and is hereby, rejected.*

Petitioner being a Sleeping Partner:

36. The *second aspect* is whether the the Complaint *qua* the Petitioner is liable to be quashed as she was ***merely a Sleeping Partner in the Firm.***

37. Section 141 specifically provides that the partners of the firm are liable for the Offence under S.138 N.I. Act committed by the Accused Firm. The same as under:

“Section 141: Offences by companies.

(1) If the person committing an offence under section 138 is a company, every person who, at the time the offence was committed, was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly:



Provided that nothing contained in this sub-section shall render any person liable to punishment if he proves that the offence was committed without his knowledge, or that he had exercised all due diligence to prevent the commission of such offence:

¹[Provided.....]

(2) Notwithstanding anything contained in sub-section (1),

....

Explanation.-- For the purposes of this section, --

(a) "company.....; and

(b) "director", in relation to a firm, means a partner in the firm."

38. In this regard the Apex Court in Dilip Hariramani v. Bank of Baroda, 2022 SCC OnLine SC 579 observed that:

"Vicarious liability under sub-section (1) to Section 141 of the NI Act can be pinned when the person is in overall control of the day-to-day business of the company or firm. ...Vicarious liability under sub-section (2) is attracted when the offence is committed with the consent, connivance, or is attributable to the neglect on the part of a director, manager, secretary, or other officer of the company."

39. In terms of S.141 NI Act, principle of vicariously liable is *mutatis mutandis* is equally applicable to the partners of the Firm.

40. The Petitioner/Chahat Jain has nowhere denied that she is not a partner in Respondent No. 2/M/s *Whitefox India*, the partnership Firm wherein Respondent No. 3/Arjun Jain is the second partner.

41. Partnership Act provides that every partner has a right to take part in the conduct and business of a partnership firm and is bound to attend the duties diligently for the conduct of the business of the firm. **Section 18** provides that a partner is an agent of the Firm for the purpose of business of the firm. **Section 22** prescribes that in order to bind a Firm, *an act or*



instrument done or executed by a partner or other person on behalf of the firm shall be done or executed in the name of the firm, or in any other manner expressing or implying an intention to bind the firm which would mean that every partner is bound by it. Section 25 prescribes that every partner is liable, jointly with all the other partners and also severally, for all acts of the firm done while he is a partner.

42. The fact that Respondent No.3/Mr. *Arjun Jain* and Petitioner are partners in Respondent No.2/M/s *Whitefox India* means that the Petitioner is responsible for the conduct and business of the partnership Firm. The Complaint as a whole, makes out a case for an offence punishable under Section 138 of the NI Act as stated by the Apex Court in *S.P. Mani & Mohan Dairy* (supra) that a person being a partner in the Firm is responsible for the conduct and business of the firm need not to be repeated like a mantra in the complaint. there were specific averments made in the Complaint that the accused Firm along with its partners who were engaged in the business, had entered into the Agreement with the complainant.

43. In this regard, a reference has been made to the latest judgment of the Apex Court in *HDFC Bank Ltd. vs. State of Maharashtra and Anr.*, 2025 INSC 759, wherein the Court has held that criminal proceedings under Section 138 N.I Act against a **Company Director** cannot be dismissed solely because the Complaint does not precisely replicate the wording of Section 141. The Court underscored that the essence of the allegations is more important than their form. If the Complaint sufficiently indicates that the Director was actively involved in the Company's day-to-day operations and played a role in the transactions in question, this is enough to meet the threshold for vicarious liability under Section 141(1) NI Act, even if the



statutory expression “*in charge of and responsible for the conduct of the business*” is not quoted verbatim.

44. The only defence set up by the Petitioner is that she is a sleeping partner and was not concerned with the day-to-day affairs of the partnership Firm.

45. Pertinently, a Legal Notice dated 02.07.2019 was sent addressed to the Partnership Firm/Accused No. 1, Sh. Arjun Jain/Accused No. 2 and Ms. Chahat Jain/Accused No. 3 in which specific averments were made that the accused Firm along with its partners who were engaged in the business, had entered into the Agreement with the complainant.

46. No reply was given to the Legal Notice and there was no rebuttal on the part of either of the partners that the Petitioner was a sleeping partner who had no concern with the affairs of this Firm.

47. Furthermore, as already noted there is no document filed to show that the petitioner was a sleeping partner. One such document to corroborate her assertion could be the Partnership Deed wherein it could have been indicated that she was a sleeping partner, but no such Partnership Deed to this effect, has been brought on record. *Section 25 of Partnership act clearly states that the act done by one partner shall be for and on behalf of the partners and the partnership Firm.*

48. There is nothing at this stage to show that the Petitioner was a sleeping partner who was not involved in the day-to-day affairs and had no concern with the business of the Firm. Therefore, her defence that she was not involved in the conduct of the business of the Firm, would have to be proved during the trial.



49. *Therefore being a partner of the accused Firm, she is prima facie liable for the acts of the Firm in terms of Section 141 NI Act.*

Conclusion:

50. In the light of aforesaid discussion, it is held that the Petitioner is not entitled to be discharged in the Complaint under Section 138 read with Section 142 of N.I. Act.

51. Any observation made herein, however, is not an expression on the merits of the case and the parties are at liberty to agitate their respective claims/defences before the Trial Court.

52. The Petition is accordingly dismissed, along with pending Application(s), if any.

(NEENA BANSAL KRISHNA)
JUDGE

AUGUST 28, 2025/R