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2026:CGHC:16706

NAFR**HIGH COURT OF CHHATTISGARH AT BILASPUR****MCRC No. 2070 of 2026**

- Santosh Wadhwani S/o Shri Roopchand Wadhwani Aged About 49 Years R/o Villa- No.194, Sapphire Greens Vidhan Sabha Road Raipur District- Raipur Chhattisgarh,

... Applicant(s)**versus**

- Directorate General of Goods And Service Tax Intelligence/dggi Regional Unit. Raipur Through- Abhish Singh Parihar Senior Intelligence Office, Dggi, Zonal Unit, Raipur, Chhattisgarh

... Respondent(s)**(Cause title is taken from Case Information System)**

For Applicant(s) : Mr. Manoj Paranjpe, Senior Advocate with Mr. Siddhanth Dubey and Mr. Anmol Verma, Advocate.

For Respondent(s) : Mr. Maneesh Sharma, Advocate

Hon'ble Shri Ramesh Sinha, Chief Justice**Order on Board****10/04/2026**

1. The applicant has preferred this First Bail Application under Section 483 of The Bharatiya Nagarik Suraksha Sanhita (BNSS) for grant of regular bail, as he has been arrested in connection with Crime No. 158/GST/2025-2026, Police Station DGGI, RZU, Raipur, District Raipur (C.G.) for the offence punishable under Sections 132 (1) (c) of the Central Goods and Service Tax, 2017.
2. The case of the prosecution, in brief, is that the non-applicant, the accused/ applicant has taken Input Tax Credit to the tune of

Rs.11,44,00,000/- (Rupees Eleven Crores Forty Four Lakhs Only) without supply of goods, reason being the 4/four Firms i.e. M/s. Aksha Trading, M/s. M.K. Enterprises, M/s. Dishankar Trading and M/s. Giridhar Gopal Impex Pvt. Ltd. as per the departmental inquiry do not carry on any business and have not supplied any goods in Raipur, and the prosecution/non-applicant, that as per the statement of the accused/applicant entire work of the Proprietorship M/s. Vijay Laxmi Trade Company is overseen by the accused and it is lastly alleged by the prosecution/non-applicant that under the aegis of the accused/applicant fraudulent transactions with the aforesaid firms have been shown and input tax credit to the tune of Rs. 11.44 crores have been availed fraudulently.as per non-applicant/prosecution accused/applicant has committed an offence under clause (c) of the sub section (1) of Section 132 of the CGST Act, 2017 read with sub-section (5) of Section 132 of the CGST Act, 2017. The summon dated 30/10/2025 issued to the applicant/accused, he was asked to tender oral evidence and furnish documentary evidence(s) pertaining to M/s. Aksha Trading, M/s. M.K. Enterprises, M/s. Dishankar Trading and M/s. Giridhar Gopal Impex Pvt. Ltd. The documentary evidence(s) required by the summon dated 30/10/2025 were furnished vide email(s) dated 03/11/2025. That copy of summon dated 30/10/2025 and email(s) dated 03/11/2025 furnishing document(s) required by aforesaid summon dated 30/10/2025 are collectively annexed to the present petition. The documentary(s) evidences inter-alia furnished vide email(s) dated 03/11/2025 were subject e-way bill(s), invoice(s), bank statement(s) and Master XL sheet containing requisite detail(s) of transaction (with the aforesaid four companies) such as unique transaction reference (UTR) etc. The date of summon is wrongly

mentioned as 30.09.2025 instead of 30/10/2025 in email(s) dated 03/11/2025 which furnished/supplied document(s) in response to summon(s) dated 30/10/2025. That Writ Petition (Tax) bearing No. 6/2026 was preferred by the Proprietor of the Firm in question (M/S Vijay Laxmi Trade Company) before this Hon'ble High Court which is sub-judice before this Hon'ble Court. The aforesaid petition poses challenge to the adverse steps taken by the non-applicants against the proprietorship firm specifically in nature of bank account attachment and creation of negative balance in the electronic credit ledger/negatively blocking electronic credit ledger. That, a copy of the aforesaid writ petition without annexures is being annexed to the present application as the facts stated therein precisely reflect the chronology of event(s) preceding the applicant's arrest and specifically reflect inter-alia the compliance on part of the accused/applicant in response to the summon(s) issued till the date of arrest, that copy of summon dated 30/01/2026 calling petitioner to appear on the same aforesaid date itself handed over to the brother of the accused after his arrest and copy of the summon dated 30/01/2026 is annexed to the present application as Annexure "A/4". The aforesaid summon was not served vide/by any mode other than the by hand after arrest of the accused. That the applicant/accused had written an email dated 13/01/2026 requesting adjournment and exemption from personal appearance. The contents of the aforesaid email is being reproduced below for ready reference of this Hon'ble Court, it is pertinent to mention here that the amount lying in the bank account (s) of the accused attached by respondent authorities is Rs.99,38,739/- and the same is reflected by copy of FORM GST DRC-22 and the screen shot(s) obtained from concerned banking mobile application(s) annexed to the present petition. The applicant was

arrested on 29.01.2026 and was furnished ground(s) of arrest at the time of arrest. That copy of arrest memorandum, letter dated 29.01.2026 and ground(s) of arrest provided by the non-applicant are collectively annexed to the present application, Thereafter the applicant had preferred bail application under Section 480 Bhartiya Nagarik Suraksha Sanhita, 2023 before the Learned Chief Judicial Magistrate which came to be rejected on 04.02.2026. 10.02.2026, that certified copy of the order(s) dated 30.01.2026 and granting judicial custody of the applicant/accused along with order dated 04.02.2026 rejecting bail of the applicant/accused passed by the Learned Chief Judicial Magistrate are collectively annexed to the present petition. Hence, this bail application.

3. Learned counsel for the applicant submits that applicant is innocent and has falsely been implicated in the present case. It is further contended that the prosecution has not determined the alleged tax liability, which can only be finalized upon proper assessment proceedings (subject to appeal), in the absence of such determination, arrest and continued detention are arbitrary and violative of constitutional safeguards. The order granting judicial custody dated 10.02.2026 was passed without perusal of the case diary, particularly relevant diary entries, such non-application of mind renders the custody order illegal, and the applicant is entitled to bail on this ground alone. He also contended that the case is based purely on documentary evidence. No recovery is pending, and custodial interrogation serves no purpose. Continued detention amounts to punitive incarceration rather than investigation. Further, the arrest memo fails to specify the exact clause under Section 132(1) of the CGST Act, 2017. It vaguely

mentions “clause (a) or (b) or (c) or (d),” reflecting complete non-application of mind. This is in violation of binding guidelines requiring clarity in grounds of arrest. He further contended that the arrest is contrary to prescribed guidelines and judicial precedents mandating compliance with procedural safeguards, including proper disclosure of grounds of arrest and adherence to due process. It is further mentioned that offences under Section 132 of the CGST Act carry a maximum punishment of five years and are compoundable under Section 138. The statute is fiscal in nature, aimed at recovery of revenue, not punitive detention. Hence, bail should be granted in the ordinary course and no notice or adjudication has been undertaken. Invocation of penal provisions without initiation or completion of assessment proceedings is premature and legally untenable. It is further submits that Mandatory requirement of notice and hearing under Section 75(4) has not been followed, rendering the entire proceedings procedurally defective and the applicant has fully cooperated with the investigation pursuant to summons under Section 70. The prosecution has already interrogated the applicant and does not require further custodial interrogation, as evident from the immediate request for judicial custody. He also submits that rejoinder has already been filed in response to the reply filed by the respondent/DGGI. He would submit that the applicant is in custody since 29/01/2026, the investigation is complete, complaint has already been filed, and no further custodial interrogation is required. Hence, the applicant deserves to be released on bail.

4. Learned counsel for the respondent opposes the bail application and submits that the present case involves a grave economic offence wherein the applicant has fraudulently availed and passed on Input Tax Credit (ITC) amounting to ₹11.44 crores by way of fake invoices without actual supply of goods, thereby causing substantial loss to the public exchequer and the material collected during investigation, including GSTN data, E-way bill records, banking transactions, electronic evidence and Whatsapp communications, clearly establishes that no physical movement of goods took place; Supplier firms were non-existent or non-operational; Transactions were merely paper entries with funds routed back in cash. Statements recorded under Section 70 of the CGST Act from accountants, staff and other involved persons categorically establish that the applicant was the key person controlling and orchestrating the entire fraudulent arrangement and was the ultimate beneficiary. It is further submitted that the offence falls under Sections 132(1)(b) and 132(1)(c) of the CGST Act, 2017, and considering that the amount involved exceeds ₹5 crores, the offence is cognizable and non-bailable in terms of Section 132(5) of the Act. The conduct of the applicant has been highly non-cooperative, as he has repeatedly evaded summons issued under Section 70 and appeared only upon directions of the Hon'ble High Court, after which he again failed to cooperate with the investigation and the investigation is still at a crucial stage, requiring examination of multiple stakeholders including fake suppliers, transporters and intermediaries. It is pertinent to note that the applicant is also implicated in a separate case involving bank fraud of approximately ₹61 crores, which further reflects his propensity to engage in serious economic offences. In view of the seriousness of allegations, strong prima facie evidence, non-cooperative conduct of

the applicant, and the likelihood of interference with investigation, the present case does not warrant grant of bail. Hence, the bail application deserves to be rejected.

5. I have heard learned counsel for the parties and perused the case diary.
6. Considering the rival submissions and material placed on record, this Court is of the view that the applicant has made out a case for grant of regular bail. The allegations pertain to offences under the CGST Act, 2017, which are primarily based on documentary evidence already in possession of the prosecution. The complaint has been filed and the investigation, insofar as the present applicant is concerned, appears to be substantially complete. No further custodial interrogation is shown to be necessary. It is also noteworthy that the maximum punishment prescribed under Section 132 of the CGST Act is up to five years and the offences are compoundable in nature. The applicant has been in judicial custody since 29.01.2026. The prosecution has not demonstrated any specific apprehension that the applicant, if released on bail, would tamper with evidence or influence witnesses, especially when most of the evidence is documentary. Without expressing any opinion on the merits of the case, and considering the overall facts and circumstances, the period of custody, the nature of allegations, and the fact that the trial is likely to take time, this Court is inclined to grant regular bail to the applicant. Accordingly, the bail application filed on behalf of the applicant – **Santosh Wadhwani** is **allowed**.
7. If the applicant, **Santosh Wadhwani**, furnishes a personal bond in the sum of Rs.1,00,000/- with one solvent surety to the satisfaction of the concerned Court, he be released on bail involved in Crime No.

Crime No. 158/GST/2025-2026, Police Station DGGI, RZU, Raipur, District Raipur (C.G.) for the offence punishable under Sections 132 (1) (c) of the Central Goods and Service Tax, 2017. Order shall be in force till disposal of the case.

Sd/-

(Ramesh Sinha)
Chief Justice

Vaishali