IN THE HIGH COURT OF GUJARAT AT AHMEDABAD

R/CRIMINAL REVISION APPLICATION (AGAINST CONVICTION - NEGOTIABLE INSTRUMENT ACT) NO. 2995 of 2026

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SHUBHASHBHAI MAGANBHAI SAVALIYA
Versus
STATE OF GUJARAT & ANR.

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Appearance:
MS. MAYURI P CHAUHAN(7069) for the Applicant(s) No. 1
MR. MANAN MEHTA, APP for the Respondent(s) No. 1

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CORAM:**HONOURABLE MS. JUSTICE S.V. PINTO**

Date : 23/10/2026

ORAL ORDER

1. Learned advocate Mr. Vishal Pandit submits that he has instructions to appear on behalf of the respondent no. 2 and seeks permission to file his appearance.

Registry to accept the same.

2. Rule, learned APP waives service of rule for the respondent-State. Learned advocate Mr. Vishal Pandit waives service of rule for the respondent no. 2.

3. Learned advocates jointly submit that the matter is amicably settled between the parties as the applicant has given the entire agreed amount to the respondent no. 2 and therefore, the present application be taken up for final hearing and be disposed of accordingly.

4. In view of the above submissions made by the learned advocates for the respective parties, the matter is taken up for final hearing.

5. By way of the present application, the applicant – accused has prayed to quash and set aside the judgment and order of conviction passed by the learned 15th Additional Sessions Judge, Surat in Criminal Appeal No. 927/2024 dated 30.05.2026 confirming the judgment and order passed by the learned 3rd Additional Chief Judicial Magistrate, Surat in Criminal Case No. 42479/2023 dated 10.10.2024, whereby, the present applicant - accused was sentenced simple imprisonment for nine months and fine of of Rs. 14,19,000/-, and in default, simple imprisonment for four months for the offence under Section 138 of the Negotiable Instruments Act, 1881.

6. Heard learned advocate Ms. Mayuri Chauhan for the applicant, learned advocate Mr. Vishal Pandit for the respondent no. 2 and learned APP Mr. Manan Mehta for the respondent – State.

7. Learned advocate Ms. Mayuri Chauhan for the

applicant submits that the applicant is in jail undergoing sentence. Learned advocate further submits that the dispute between the parties has been amicably settled and the respondent no.2 – original complainant has received the settlement amount and does not wish to prosecute the matter further. The compromise has been entered into voluntarily, without any coercion, undue influence or pressure and, therefore, the respondent no.2 has no objection if the impugned judgment and order of conviction as well as all other consequential proceedings arising pursuant thereto are quashed against the applicant – accused

8. Learned advocate Mr. Vishal Pandit submits that the respondent no. 2 – original complainant – Vinodbhai Ravjibhai Kathiriya is present online before this Court. Learned advocate produces the affidavit filed by the respondent no. 2 which is taken on record.

9. Learned APP Mr. Manan Mehta for the respondent no.1 – State submits that the impugned judgment and order of sentence is just and proper; however, considering the fact

that the dispute between the parties is amicably settled, necessary order may be passed.

10. The respondent no.2 – original complainant is appearing online before this Court and has been identified by learned advocate Mr. Vishal Pandit. The respondent no. 2, on inquiry, submits that the dispute between them has been settled amicably and the entire settlement amount of has been received and he does not wish to prosecute the matter further. He admits to the contents of the affidavit and submits that the compromise has been entered into his own free will without any fear, threat and coercion.

11. The affidavit filed by the respondent no. 2 – original complainant reads as under:

> *I, Namely Vinodbhai Ravjibhai Kathiriya @ Kathiria, aged about 47 years, Gender male, residing at: 21, DM park Society, Katargam, Siganpor road, Surat now residing at- USA on H4 VISA, solemnly states and affirms that:*
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> *The complainant filed the complaint against the present applicant for the offence punishable under Section 138 of the N.I. Act vide Criminal Case No. 42479 of 2023 before the Ld. Chief Judicial Magistrate at Surat. And after the conclusion of the trial, the applicant was sentenced for 9 months with compensation of 1419000/- vide order dated 10/10/2024, being aggrieved of the Judgement, the present applicant approach before learned sessions judge by the way of Criminal Appeal No. 927 of 2024 before the Ld. Sessions Court, Surat in which the Ld. 15th Addl. Sessions Judge, Surat has dismissed the Appeal of the applicant*

vide judgment and order dated 30/05/2026 and confirmed the judgement. The present applicant is in jail now.

I hereby declare that the dispute is already settled between us and now I have no objection if this honourable court will be pleased to quash and set a side the judgment dated 30/05/2026 passed in CRA/927 of 2024 by learned sessions judge, Surat who confirmed the judgment dated 10/10/2024 passed in CC/42479/2023 By Learned Magistrate, Surat because the dispute is civil in nature and the dispute is resolved now between the parties.

The complaint u/s 138 of NI Act is registered merely regarding the misunderstanding between the parties and now between there is no grievance and we have amicably settled the disputes between and no objection if the conviction of 9 months and a compensation of Rs. 1419000/- and in default of paying fine further imprisonment for 4 months against the present applicant passed in CC/42479/2023 By Learned Magistrate dated 10/10/2024 which is confirmed by the learned sessions judge, Surat vide order dated 30/05/2026 passed in CRA/927 of 2024.

Solemnly states and affirms that as all the facts are stated are true and right on the day of 14 of October, 2026.

12. Section 147 of the N.I.Act makes offences under the Act compoundable notwithstanding anything contained in the Code of Criminal Procedure. The Hon'ble Supreme Court in **Damodar S. Prabhu v. Sayed Babalal H., (2010) 5 SCC 663**, recognized that the primary object of proceedings under Section 138 N.I. Act is compensatory in nature and encouraged compounding even at later stages subject to payment of appropriate costs.

13. Recently, in **Gian Chand Garg v. Harpal Singh and Another, 2025 SCC OnLine SC 2317**, the Hon'ble Supreme Court has observed in Para Nos. 5 to 10 as under :

> ***"5.*** *Be that as it may, at the outset, it is apposite to advert to settled position of law enunciated by this Court with regard to nature of proceedings under Section 138 of N.I.Act and the legal consequences that ensues upon a compromise being entered into between the parties.*
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> ***6.*** *This court in **M/s. Meters and Instruments Private Limited & Anr. v. Kanchan Mehta, 2018 (1) SCC 560** held that the nature of offence under section 138 of the N.I.Act is a mainly a civil wrong and has been made specifically compoundable by section 147 of the N.I.Act which was inserted by the 2002 amendment to the said Act. The relevant observations have been extracted for reference:*
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> > *"This Court has noted that the object of the statute was to facilitate smooth functioning of business transactions. The provision is necessary as in many transactions' cheques were issued merely as a device to defraud the creditors. Dishonor of cheque causes incalculable loss, injury and inconvenience to the Vide the Banking, Public Financial Institutions and Negotiable Instruments Laws (Amendment) Act, 1988 payee and credibility of business transactions suffers a setback. At the same time, it was also noted that nature of offence under Section 138 primarily related to a civil wrong and the 2002 amendment specifically made it compoundable."*
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> ***7.*** *It is also apposite to reiterate the observations in **P. Mohanraj & Ors. v. M/s. Shah Brothers Ispat Pvt. Ltd. (2021) 6 SCC 258** wherein this court referred the offence under section 138 N.I.Act as a "Civil Sheep" in "Criminal Wolf's Clothing" which meant issues agitated by the parties under the said provision are of private nature which are brought within the sweep of criminality jurisdiction in order to strengthen the credibility of the negotiable instruments.*

8. *Further in* ***M/s. Gimpex Private Limited v. Manoj Goel (2021) SCC OnLine SC 925*** *this court took into consideration the effect of settlement arrived between the parties and observed that:*

> *"38. When a complainant party enters into a compromise agreement with the accused, it may be for a multitude of reasons - Higher Compensation, faster recovery of money, uncertainty of trial and strength of complaint, among others. A complainant enters into a settlement with open eyes and undertakes the risk of the accused failing to honour the cheques issued pursuant to the settlement, based on certain benefits that the settlement agreement postulates. Once parties voluntarily entered into such an agreement and agree to abide by the consequence 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……"*

9. *In* ***B.V. Seshaiah v. State of Telangana & Anr. (2023) SCC OnLine SC 96*** *this court was of the view that when parties enter into an agreement and compound the offence, they do so to save themselves from the process of litigation and when such a step is taken by the parties, the law very well allows them to do so. Hence, the courts cannot override such compounding and impose its will.*

10. *Therefore, it is very clear that although dishonour of cheque entails criminal consequence, the legislature by virtue of section 147 of the N.I.Act has made it compoundable notwithstanding the provisions of the Code of Criminal Procedure, 1973 and the same can be compounded at any stage of the proceedings especially when the parties have themselves arrived at a voluntary compromise."*

14. Further, in **Sanjabij Tari v. Kishore S. Borcar and Another (Criminal Appeal No. 1755 of 2010**, **decided on 25.09.2025)**, the Hon'ble Supreme Court modified the

earlier guidelines relating to compounding costs and observed that where payment is made before the Sessions Court or High Court in revision/appeal, compounding may be permitted on payment of 7.5% by way of cost.

15. So far as the objection that post-conviction compromise may dilute the rigour of criminal process is concerned, the same does not survive in view of the law laid down in **Gian Chand Garg (supra)**, wherein the Hon'ble Supreme Court specifically held that compounding under Section 138 N.I. Act can be permitted even after conviction and that such exercise does not violate the statutory scheme but rather advances the object of ensuring payment and reducing unnecessary litigation. Thus, permitting the present compromise does not offend the principles laid down in **Damodar S. Prabhu (Supra)** or **Sanjabij Tari (Supra)**; rather, the same is subject to payment of costs in terms of the modified guidelines.

16. Accordingly, the present application is allowed.

17. The judgment and order of conviction passed by the learned 15th Additional Sessions Judge, Surat in Criminal

Appeal No. 927/2024 dated 30.05.2026 confirming the judgment and order passed by the learned 3rd Additional Chief Judicial Magistrate, Surat in Criminal Case No. 42479/2023 dated 10.10.2024 under Section 138 of the N.I.Act are hereby quashed and set aside on the basis of compromise between the parties.

18. However, as the settlement has been arrived at the stage of proceedings before this Court, the applicant shall deposit costs equivalent to 7.5% of the settlement amount before the District Service Legal Authority, Surat by any mode, within a period of six weeks from the date of his release and shall place proof of such deposit on record.

19. Subject to deposit of the aforesaid costs, the offence shall stand compounded and the applicant shall stand acquitted of the charge under Section 138 of the N.I.Act and is ordered to be released from jail.

20. Rule is made absolute to the aforesaid extent. Direct service is permitted.

(S. V. PINTO,J)

VASIM S. SAIYED

Original copy of this order has been signed by the Hon'ble Judge.
Digitally signed by: VASIM SHABBIR SAIYED(HC01902), PRIVATE SECRETARY, at High Court of Gujarat on 23/10/2026 17:33:39