IN THE HIGH COURT OF GUJARAT AT AHMEDABAD

R/CRIMINAL REVISION APPLICATION (AGAINST CONVICTION - NEGOTIABLE INSTRUMENT ACT) NO. 2167 of 2025

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HIRABHAI VAGADABHAI VADHER

Versus

STATE OF GUJARAT & ANR.

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Appearance:
SALMAN S KHAN(9496) for the Applicant(s) No. 1
MR. VISHVESH M.CHAUBEY(17805) for the Respondent(s) No. 2
MR. MANAN S. 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. Heard learned advocate Mr. Salman S. Khan for the applicant and learned advocate Mr. Vishvesh M. Chaubey for the respondent No.2.

2. Learned advocate for the applicant submits that Criminal Revision Application No.2167 of 2025 is of different party and the same may be ordered to be re-tagged from Criminal Revision Application No.2177 of 2025 and Criminal Revision Application No.2173 of 2025.

3. Registry to do the needful.

4. **Rule.** Learned APP waives service of rule for the respondent No.1-State and learned advocate Mr. Vishvesh M. Chaubey for the respondent No.2.

5. Learned advocate Mr. Salman S. Khan for the applicant and learned advocate Mr. Vishvesh M. Chaubey for the respondent No.2 – original complainant, jointly submit that the matter is amicably settled between the parties and the present application be taken up for final hearing and be disposed of accordingly.

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

7. 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 2nd Additional Sessions Judge, Keshod in Criminal Appeal No. 46 of 2025 dated 10.10.2025 confirming the judgment and order passed by the learned Additional Chief Judicial Magistrate, Keshod in Criminal Case No. 142 of 2022 dated 30.12.2024, whereby, the present applicant - accused was sentenced simple imprisonment for six months for the offence under Section 138 of the Negotiable Instruments Act, 1881.

8. Heard learned advocate Mr. Salman S. Khan for the applicant, learned APP Mr. Manan S. Mehta for the

respondent No.1 – State and learned advocate Mr. Vishvesh M. Chaubey for the respondent No.2 – original complainant.

9. Learned advocate Mr. Salman S. Khan for the applicant submits that the dispute between the parties has been amicably settled and the respondent No.2 – original complainant has received the entire 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.

10. Learned advocate Mr. Vishvesh M. Chaubey for the respondent No.2 – original complainant submits that the respondent No.2, Sureshbhai Mohanlal Devmurari, Recovery Manager of Shree Keshod Credit Co-Operative Society Ltd., Keshod, is present in person before the Court and has produced a copy of affidavit of the respondent No.2 – original complainant and a No Due Certificate of Shree Keshod Credit Co-Operative Society Ltd., which are taken on record.

11. Learned APP Mr. Manan S. 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.

12. The respondent No.2 – original complainant is present in person before the Court, and on inquiry, submits that the dispute between them has been settled amicably and the entire settlement amount 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 of his own free will without any fear, threat and coercion.

13. The affidavit filed by the respondent No. 2 – original complainant reads as under:

> *"I, Sureshbhai Mohanlal Devmurari, Recovery Officer, Shri Keshod Credit Co-operative Society Ltd, Aged: 56 years, Gender: Male, Having its office at: Nr. Telephone Office, Veraval Highway Road, Keshod original complainant herein, do hereby state on oath and declare as under:*
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> *1. I say and submit that, I am the recovery officer, duly authorized by Shri Keshod Credit Co-operative Society Ltd, is competent to file this affidavit and affirm this on behalf of the*

original complainant/respondent No.2 herein. I further submit that, I have gone through the above referred application along with all the annexures herewith and thereby conversant with the each facts of this case. I further say that I have been authorized by original complainant vide its authority letter dated 7.7.2026 A copy of the said authority letter dated 7.7.2026 is annexed herewith and marked as Annexure-R/1 to this affidavit.

2. *I say and submit that, the applicant had availed loan facilities with complainant in the year 2015 of Rs. 4,00,000/-with monthly equal instalment of Rs. 14,460/- (36 months). Applicant/accused had also executed promissory note dated 19.3.2015 and also issued Pcheque No. 017840 dated 3.2.2022 from his bank account maintained by him with Veraval peoples Co-operative Bank Ltd, Keshod. The said cheque upon when presented came to be dishonoured with returned memo having endorsement "Funds Insufficient". The complainant/respondent No.2 had also send statutory notice dated 8.2.2022, but applicant/accused neither replied to the notice nor paid its dues, which ultimately led to filing of the case under section 138 of The NI Act against applicant/accused for recovery of legal dues.*

3. *I say and submit that, thereafter the complainant-respondent No.2 herein had filed criminal complaint against the present applicant/accused for the offence punishable under section 138 of NI Act, 1881 with Learned Additional Chief Judicial Magistrate, Keshod being Criminal Case No. 142 of 2022. The Learned Court vide its judgment and order dated 30.12.2024 convicted applicant for simple imprisonment for 6 months. Thereafter, applicant had challenged the said judgment and order of conviction dated 30.12.2024 before the Learned 2nd Additional Sessions Judge, Keshod being Criminal Appeal No.46 of 2025. The Learned Appellate Court*

upheld the judgment and order of conviction vide its order dated 10.10.2025. On being aggrieved by the aforesaid judgment and orders of conviction passed by both the courts below, applicant/accused had preferred above captioned revision application.

3. *I say and submit, after the filing of the aforesaid captioned revision application, there is an amicable settlement of dispute between the original complainant-Shri Keshod Credit Co-operative Society Ltd and the original accused person outside the Court. I further say and submit on behalf of complainant that, since applicant had paid the cheque amount of Rs. 3,40,000/- we have no hesitation if applicant/accused is acquitted of all the charges. In this regard, we have also issued "No Due Certificate" dated 22.6.2026 to applicant/accused. Under these circumstances we have no objection this Honourable Court quashes and set asides both the judgment and orders of conviction passed by lower courts. A copy of the said NOC dated 22.6.2026 is annexed herewith and marked as Annexure-R/2 to this affidavit.*

3. *I say that considering the totality of the facts and circumstances of the case we have no objection if this Honourable Court quashes and set asides bot the impugned judgment and order of conviction dated 30.12.2024 passed by Learned Additional Chief Judicial Magistrate, Keshod being Criminal Case No. 142 of 2022. And also the judgment and order of conviction dated 30.12.2024 before the Learned 2nd Additional Sessions Judge, Keshod in Criminal Appeal No. 46 of 2025 (both of them are at Annexure-A of the above captioned revision application) and acquit the applicant/accused of all charges in herein and also all subsequent proceedings arising out of this transaction in the interest of justice."*

14. 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.

15. 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."

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."*

16. 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% of the cheque amount by way of costs.

17. 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.

18. Accordingly, the present application is allowed.

19. The judgment and order of conviction passed by the learned 2nd Additional Sessions Judge, Keshod in Criminal Appeal No. 46 of 2025 dated 10.10.2025 confirming the judgment and order passed by the learned Additional Chief

Judicial Magistrate, Keshod in Criminal Case No. 142 of 2022 dated 30.12.2024 under Section 138 of the N.I.Act are hereby quashed and set aside on the basis of compromise between the parties.

20. 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 cheque amount with the District Legal Services Authority, Junagadh within a period of six weeks and shall place proof of such deposit on record.

21. 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.

22. Rule made absolute.

23. Direct service is permitted.

(S. V. PINTO,J)

ROHAN SONI

Original copy of this order has been signed by the Hon'ble Judge.
Digitally signed by: ROHAN SONI(HC02356), ENGLISH STENO GRADE-II\, at High Court of Gujarat on 23/10/2026 18:31:51