



Crl.OP(MD)No.7672 of 2025

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BEFORE THE MADURAI BENCH OF MADRAS HIGH COURT

RESERVED ON : 27.02.2026

PRONOUNCED ON : 01.06.2026

CORAM

THE HONOURABLE MRS.JUSTICE L.VICTORIA GOWRI

Crl.O.P.(MD).No.7672 of 2025

and

Crl.M.P.(MD)No.5706 of 2025

1. P. Rajkumar

2. P. Jeyakumar

... Petitioner/Accused

Vs.

1. The State of Tamilnadu,
Rep by the Inspector of Police,
Economic Offences Wing Police Station,
Dindigul District.
(Crime No. 2 of 2021)

.... Respondent / Complainant

2. S. Vasagar

3. Vinobaji

.... Respondent /
Defacto Complainant

Prayer: Criminal Original Petition is filed under Section 528 of BNSS, 2023, to call for the records relating to the proceedings in C.C. No. 5 of 2025 on the file of the learned Special District Court under T.N.P.I.D. (in F.ES) Act, 1997 at Madurai dated 28.03.2024 and quash the same in so far as the petitioners are concerned.



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For Petitioners : Mr.V.Karthikeyan,
For Mr.T.Antony Arulraj
For R-1 : Mr.M.Sakthi Kumar,
Government Advocate (Crl. side)
For R-2 : Mr.N.Madhava Govindhan

ORDER

Prologue:

The present Criminal Original Petition invokes the inherent jurisdiction of this Court under Section 528 of the Bharatiya Nagarik Suraksha Sanhita, 2023, corresponding to Section 482 Cr.P.C., seeking quashment of the prosecution in C.C.No.5 of 2025 pending on the file of the learned Special District Court under the Tamil Nadu Protection of Interests of Depositors (in Financial Establishments) Act, 1997, Madurai, insofar as the petitioners/A6 and A7 are concerned.

2. The petition presents an important question touching the scope of criminal liability under Section 5 of the Tamil Nadu Protection of Interests of Depositors (in Financial Establishments) Act, 1997 [hereinafter referred to as “the TNPID Act”]. The issue is whether persons who are neither Directors nor office-bearers of a



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financial establishment, and against whom there exists no statutory or documentary material showing participation in management of the establishment, can nevertheless be prosecuted solely on the basis of allegations that they canvassed deposits, represented themselves as persons connected with the establishment, or participated in collateral real estate transactions.

3. The Court is also called upon to examine the extent to which vague allegations of “indirect shareholding”, alleged association with layouts and purported representations before depositors can be treated as sufficient to compel citizens to undergo the rigours of a protracted criminal trial involving serious penal consequences under the TNPID Act and the Indian Penal Code.

Case of the prosecution:

4. The prosecution case, in brief, is that the second and third respondents/depositors invested substantial sums of money with A-1 financial establishment, namely BG Groups / BG Agri Farms Tamil Nadu Limited / Best Growth City, under various deposit and



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land development schemes promising lucrative returns and allotment of plots.

5. According to the prosecution, the complainants deposited amounts in instalments aggregating to Rs.93,17,900/-. Since the financial establishment allegedly failed to repay the deposits and promised returns, complaints came to be lodged on various dates namely 15.04.2021, 05.07.2021, 11.08.2021 and 25.08.2021.

6. Based upon the complaint dated 25.08.2021, the first respondent police registered a case in Crime No.2 of 2021 on 13.12.2021 for offences under Sections 406, 420 and 120-B IPC read with Section 5 of the TNPID Act.

7. The prosecution alleges that A-1 is the financial establishment, A-3 is its Managing Director, A-4 is its Director and A-9 is the Clerk/Office Assistant. The present petitioners, originally shown as A-5 and A-6 in the FIR and later arrayed as A-6 and A-7 in the final report, are alleged to have canvassed depositors, represented themselves as persons connected with the company and



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participated in real estate ventures associated with the accused establishment.

8. After investigation, final report came to be filed against nine accused persons and the same was taken on file as C.C.No.5 of 2025 by the learned Special District Court under the TNPID Act, Madurai.

Grounds for quash:

9. The petitioners seek quashment primarily contending that they are neither Directors nor persons responsible for the management of A-1 financial establishment. According to them, Section 5 of the TNPID Act fastens liability only upon persons responsible for the management of the affairs of the financial establishment and not upon every individual allegedly associated with it.

10. The petitioners would submit that the prosecution has coined an alien expression namely “indirect shareholders”, which is unknown to the Companies Act as well as the TNPID Act. It is further contended that no Memorandum of Association, Articles of



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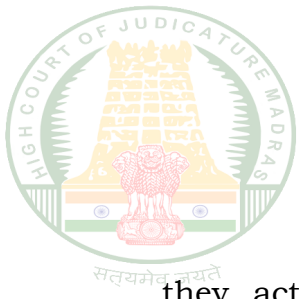
Association, Form-32, ROC records or statutory filings disclose the petitioners as Directors, shareholders, office-bearers or persons exercising managerial control over A-1 company.

11. The petitioners would further contend that no entrustment is alleged against them so as to attract Section 406 IPC; no dishonest inducement is attributed to them so as to constitute Section 420 IPC; and no material exists disclosing any meeting of minds to constitute criminal conspiracy under Section 120-B IPC.

12. The petitioners would further submit that one similarly placed accused namely A-5/Srinivasan has already been discharged by the learned Special Court under the TNPID Act and the said order has attained finality. According to the petitioners, they stand on identical footing and are entitled to parity.

Counter of the prosecution:

13. The prosecution as well as the *de facto* complainants stoutly oppose the petition. According to the prosecution, though the petitioners may not be formal Directors reflected in ROC records,



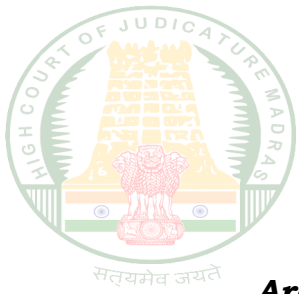
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they actively projected themselves as persons in charge of the company and induced the public to invest money.

14. The prosecution relies heavily upon statements recorded under Section 161 Cr.P.C., wherein several witnesses allegedly stated that the petitioners canvassed deposits, conducted meetings, represented themselves as Directors/shareholders and induced depositors to part with money.

15. The prosecution would further contend that the petitioners executed certain sale deeds in favour of depositors and were actively associated with layouts such as “Amirtha Garden”, thereby evidencing their participation in the affairs of the establishment.

16. It is further contended that the matter involves large-scale fraud affecting several depositors and that trial has already commenced with examination of witnesses. Therefore, according to the prosecution, this Court ought not to exercise inherent jurisdiction at this stage.



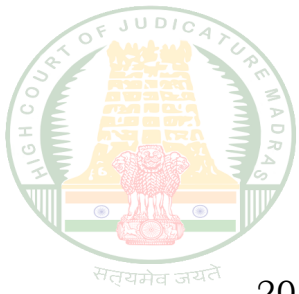
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Arguments on either side:

17. The learned counsel appearing for the petitioners submitted that the prosecution completely lacks the foundational ingredients required to prosecute the petitioners under Section 5 of the TNPID Act.

18. It was argued that the statutory liability under Section 5 extends only to persons responsible for management of the affairs of the financial establishment. The petitioners are admittedly not Directors, Managing Directors, shareholders, office-bearers or employees of the company.

19. The learned counsel would submit that mere canvassing or introduction of customers cannot create criminal liability under the TNPID Act. It was further argued that even according to the prosecution records and ROC documents, only A-2 to A-4 are shown as Directors. Therefore, oral statements alleging that the petitioners projected themselves as Directors cannot override statutory records maintained under company law.



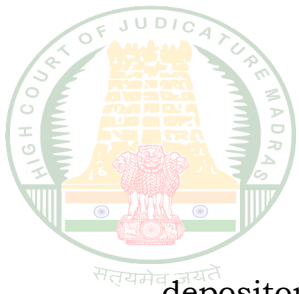
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20. The learned counsel heavily relied upon the discharge order passed in favour of A-5, who was allegedly standing on identical footing. The learned counsel further submitted that IPC offences cannot be imposed through vague association. There is no entrustment, dishonest inducement or conspiracy attributable to the petitioners.

21. Reliance was placed upon various decisions of this Court including decisions reported in ***K. Suresh. V. State, rep. by Dy. Superintendent of Police and Others¹*** , ***A. Ramachandran v. State Rep. By: the Deputy Superintendent of Police and Another²*** and ***Aruna V. State of Tamil Nadu by Deputy Superintendent of Police, Economic Offences Wing II (Financial Institutions) Madurai³*** to contend that canvassing agents or persons not involved in management cannot be mechanically prosecuted under the TNPID Act.

22. Per contra, the learned Government Advocate (Crl.Side) submitted that the petitioners actively represented themselves before

1 (2021 SCC OnLine Mad 830)
2 (2023 SCC OnLine Mad 2963)
3 (2013 SCC OnLine Mad 844)



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depositors as persons controlling the affairs of the company. According to the prosecution, witness statements specifically disclose that the petitioners induced depositors to invest money and assured allotment of plots and returns. It was further argued that execution of sale deeds by the petitioners themselves clearly demonstrates their deep involvement in the affairs of the establishment.

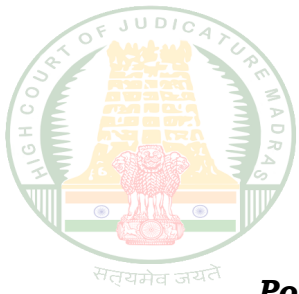
23. The learned Government Advocate further submitted that the question whether the petitioners acted merely as canvassing agents or as persons actively participating in the fraudulent scheme is essentially a matter for trial. Reliance was placed upon the decisions of the Hon'ble Supreme Court in **Devendra Prasad Singh v. State of Bihar**⁴, **CBI v. Arvind Khanna**⁵ and **M. Jayanthi v. K.R. Meenakshi**⁶ to contend that disputed questions of fact cannot be adjudicated in proceedings under Section 528 BNSS.

24. Heard the learned counsels on either side and carefully perused the materials available on record.

4 (AIR 2019 SCC 1671)

5 (2019 (10) SCC 686)

6 (CRIMINAL APPEAL No.1817 OF 2019)



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Points for consideration

25. In the light of the rival submissions, the following points arise for consideration:

(i) Whether the materials in the final report disclose the essential ingredients of Section 5 of the TNPID Act against the petitioners/A-6 and A-7?

(ii) Whether the allegations in the final report disclose the ingredients of Sections 406, 420 and 120-B IPC against the petitioners?

(iii) Whether continuation of prosecution against the petitioners would amount to abuse of process of Court warranting exercise of inherent jurisdiction under Section 528 BNSS?

Analysis:

26. Section 5 of the TNPID Act creates penal liability against every person responsible for the management of the affairs of the financial establishment where the establishment defaults in repayment of deposits or interest. The statutory language assumes significance. The legislature has consciously restricted criminal liability only to persons responsible for the management of the affairs



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of the establishment. The provision does not create universal or vicarious criminal liability against every person remotely associated with the company.

27. Therefore, before prosecuting a person under Section 5, the prosecution must *prima facie* disclose:

(a) that the person was in charge of the affairs of the establishment;

(b) that the person participated in management or administration; and

(c) that such responsibility existed at the time of default. Mere association, acquaintance, canvassing or business linkage cannot automatically attract criminal liability under Section 5.

28. In the present case, the prosecution itself admits that A-3 is the Managing Director, A-4 is the Director and A-9 is the Office Assistant/Clerk. The petitioners are not shown in any statutory company document as Directors or office-bearers. Significantly, the prosecution has not produced:

(i) Memorandum of Association;



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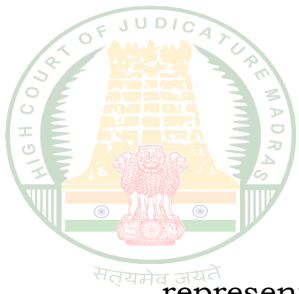
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- (ii) Articles of Association;
- (iii) Form-32 or DIR filings;
- (iv) ROC records;
- (v) Board resolutions; or
- (vi) statutory registers

showing the petitioners as persons managing the affairs of A-1 company. Instead, the prosecution attempts to rely upon the expression “indirect shareholders”.

29. This Court is unable to comprehend the legal basis for such terminology. Company law recognises shareholders, beneficial owners, directors and officers. Criminal liability cannot be founded upon a vague and undefined expression unknown to statute. Even assuming the petitioners canvassed deposits or introduced customers, such conduct by itself cannot elevate them to the status of persons responsible for management of the financial establishment.

30. The prosecution seeks to bridge this glaring legal deficiency by relying upon statements of witnesses alleging that the petitioners

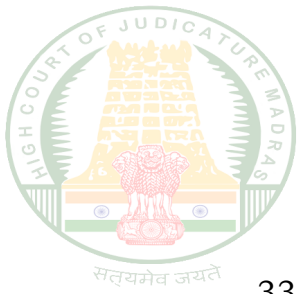


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represented themselves as Directors. However, criminal liability under a penal statute cannot rest solely upon loose oral characterisations contrary to statutory records. If ROC records conclusively disclose who the Directors are, witness statements alone cannot create a parallel structure of management unknown to company law.

31. This Court is conscious that at the stage of quashment, meticulous appreciation of evidence is impermissible. However, where the very foundational ingredients of the penal provision are absent, this Court cannot mechanically compel citizens to undergo criminal trial.

32. The offence under Section 406 IPC requires entrustment coupled with dishonest misappropriation. The final report nowhere discloses entrustment of property or money to the petitioners. The deposits were allegedly made with A-1 establishment. Therefore, the indispensable ingredient of entrustment is conspicuously absent.

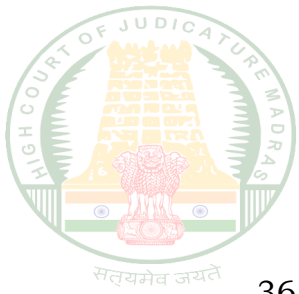


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33. Likewise, Section 420 IPC requires dishonest inducement at the inception. The prosecution materials do not disclose any independent representation made by the petitioners containing fraudulent intention from inception. Vague allegations that the petitioners canvassed deposits or introduced schemes cannot automatically satisfy the ingredients of cheating.

34. Criminal conspiracy under Section 120-B IPC also requires meeting of minds and agreement to commit an illegal act. The final report does not disclose any independent circumstance evidencing conspiracy except broad omnibus allegations of association. Mere business association or execution of sale deeds cannot automatically translate into conspiracy.

35. One significant circumstance which cannot be ignored is that A-5, who was allegedly standing on similar footing, has already been discharged by the learned Special Court. The allegations against A-5 were also substantially based upon canvassing, association with layouts and indirect participation. The prosecution admittedly did not succeed in overturning the discharge order.



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36. Though parity alone cannot be a ground for quashment, it nevertheless assumes relevance where the allegations and materials stand substantially identical. Continuation of prosecution against the present petitioners despite absence of distinguishing material would offend the principle of parity and fair treatment in criminal law.

37. The prosecution strongly contended that witnesses have already been examined and therefore the petition is not maintainable. This Court is unable to accept the said submission in absolute terms.

38. The Hon'ble Supreme Court has repeatedly held that mere commencement of trial does not create an absolute embargo against exercise of inherent jurisdiction where continuation of prosecution itself amounts to abuse of process. The true test is not the stage of trial, but whether the allegations, even if accepted in entirety, disclose the ingredients of the offences alleged.



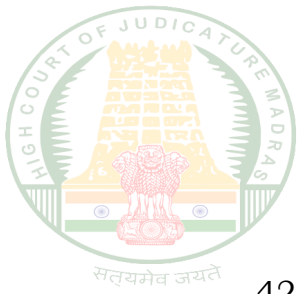
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39. In the present case, despite voluminous allegations, the statutory ingredients connecting the petitioners to Section 5 of the TNPID Act remain absent. The prosecution appears to have proceeded more on suspicion arising out of association rather than legally sustainable materials demonstrating managerial control. Suspicion, however grave, cannot substitute the foundational requirements of criminal prosecution.

Epilogue:

40. The TNPID Act was enacted with the salutary object of protecting innocent depositors from predatory financial establishments. Courts must indeed adopt a vigilant approach against organised financial frauds which destroy public confidence and devastate families.

41. Yet, the anxiety to prosecute economic offenders cannot dilute the equally fundamental principle that criminal law must operate within statutory limits. Penal liability cannot be expanded through assumptions, invented expressions or omnibus allegations unsupported by foundational material.



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42. Criminal prosecution is not merely a procedural formality. It carries stigma, deprivation, anxiety and prolonged curtailment of personal liberty. Therefore, before compelling a citizen to undergo the ordeal of trial, the law requires the prosecution to disclose at least the basic statutory ingredients constituting the alleged offences.

43. In the considered view of this Court, the materials available in the final report, even if accepted in entirety, do not *prima facie* disclose that the petitioners were persons responsible for management of the affairs of A-1 financial establishment so as to attract Section 5 of the TNPID Act.

44. Equally, the ingredients of Sections 406, 420 and 120-B IPC are not independently established against the petitioners. Continuation of prosecution against the petitioners would therefore amount to abuse of process of Court. Accordingly, this Criminal Original Petition is allowed and the proceedings in C.C.No.5 of 2025 on the file of the learned Special District Court under the TNPID Act, Madurai, are hereby quashed insofar as the petitioners/A-6 and A-7



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closed.

are concerned. Consequently, connected miscellaneous petitions are

01.06.2026

NCC : Yes / No
Index : Yes / No
Internet : Yes/ No
Sml

To

- 1.The Judge,
Special District Court under
T.N.P.I.D. (in F.ES) Act, 1997
at Madurai.
- 2.The Inspector of Police,
Economic Offences Wing Police Station,
Dindigul District.
3. The Additional Public Prosecutor,
Madurai Bench of Madras High Court,
Madurai.



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L.VICTORIA GOWRI, J.

Sml

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