



2025 INSC 1359

NON-REPORTABLE
IN THE SUPREME COURT OF INDIA
CRIMINAL APPELLATE JURISDICTION

CRIMINAL APPEAL NO(S). OF 2025
(Arising out of SLP(Crl.) No(s). 11108 of 2022)

**CENTRAL BUREAU
OF INVESTIGATION** **....APPELLANT(S)**

VERSUS

**M/S. SARVODAYA
HIGHWAYS LTD. AND ORS.** **....RESPONDENT(S)**

J U D G M E N T

Mehta, J.

- 1.** Heard.
- 2.** Leave granted.
- 3.** The instant appeal at the instance of Central Bureau of Investigation¹ takes exception to the judgment and final order dated 18th July, 2022 passed by the High Court of Punjab and Haryana at

¹ Hereinafter, referred to as “appellant-CBI”.

Chandigarh in CRMM No. 31272 of 2018 (O&M)². By the impugned judgment, the High Court allowed the petition under Section 482 of the Code of Criminal Procedure, 1973,³ [Section 528 of the Bharatiya Nagarik Suraksha Sanhita, 2023 (BNSS)] filed by respondent No. 1-M/s. Sarvodaya Highways Ltd.⁴ and its Directors *i.e.*, respondent No. 2-Gurinder Kumar Garg, respondent No.3-Aruna Garg, respondent No.4-Aashutosh Garg and respondent No.5-Aayush Garg, and thereby quashed the entire proceedings arising out of the FIR RC No. BD1/2015/E/0002/CBI/BS&FS/DLI registered by the appellant-CBI for the offences punishable under Section 120B read with Sections 406, 420, 467, 468 and 471 of the Indian Penal Code, 1860⁵ and Sections

² Hereinafter, referred to as “High Court”.

³ Hereinafter, referred to as “CrPC”.

⁴ Hereinafter, referred to as “respondent No.1-Company or defaulter company”.

⁵ Hereinafter, referred to as “IPC”.

13(2) read with 13(1)(d) of the Prevention of Corruption of Act, 1988⁶. Consequently, the proceedings arising out of the chargesheet No. RC.BD/2015/E/2002 dated 30th November, 2016 filed pursuant to investigation in the aforesaid FIR also came to be quashed.

BRIEF FACTS

4. The FIR mentioned *supra* came to be lodged on 3rd February, 2015 at the instance of the Branch Manager of the erstwhile State Bank of Bikaner and Jaipur (now merged with State Bank of India)⁷, alleging, *inter alia*, that the Bank had sanctioned credit facility of Rs.50 crores under fund based-limits and Rs.10 crores under non-fund based limits to respondent No.1-Company through its Managing Director. While applying for the loan, it was projected

⁶ Hereinafter, referred to as "PC Act".

⁷ Hereinafter, referred to as "Bank".

on behalf of respondent No.1-Company that it was engaged in the construction of residential/commercial complexes, townships, highways, bridges and flyovers across India and had been awarded 10 work orders to the tune of Rs.348.24 crores. Acting on the aforesaid information and financial standing provided by respondent No.1-Company, the Bank sanctioned the credit facilities in the above terms.

5. However, when the amounts were not repaid as per the schedule and the accounts became irregular, an internal inquiry was initiated and it was found that lien of the Bank had not been marked in the revenue records by the Patwari Halqa, Dhakoli, Zirakpur and that the records had been manipulated. The account of respondent No.1-Company was declared to be a Non-Performing Asset⁸ on 28th July,

⁸ Hereinafter, referred to as “NPA”.

2013 by the Bank. The internal inquiry concluded that a fraud of Rs.52.50 crores had been committed. Consequent to these findings, a complaint was lodged by the Branch Manager of the Bank on 9th January, 2015, on the basis of which the aforesaid FIR dated 3rd February, 2015 came to be registered with the appellant-CBI, and investigation was commenced.

6. During the course of investigation, the investigating agency (*i.e.*, the appellant herein) collected detailed evidence, oral and documentary, and came to the conclusion that the officers of respondent No.1-Company and the then Branch Manager of the Bank, Mr. Nishan Lal, had connived together to defraud the Bank by furnishing false information and provided fabricated work orders for procuring the cash credit limit, which was thereafter utilized and remained unpaid.

7. The investigation further revealed that the accused persons had submitted false and fabricated stock statements and receivable statements, thereby cheating the Bank, despite no actual work having been executed by them. The investigating officer also found that 3 out of the 10 work orders were entirely fabricated, as the companies to whom these work orders were allegedly issued expressly stated that they had not issued any such orders to respondent No.1-Company. The remaining 7 work orders were, as a matter of fact, issued to the associate companies of the defaulter, one of whose Directors was a common Director in all these 7 companies. Based on the evidence collected, the investigating agency drew the following conclusions in the chargesheet:-

“It was therefore, further revealed in the investigation by the Petitioner Department that the said Respondents knowingly and dishonestly submitted false and forged work orders purportedly issued by the aforesaid companies to induce the Respondent Bank to sanction

credit facilities to the Respondent No.1/A-1. In addition to the aforesaid, the investigation further confirmed that marking of hens on 3 properties, which were offered by the Respondent No. 1/Accused Company, as collateral securities to the Respondent Bank were also forged.

The aforesaid facts constitute the commission of offences against M/s Sarvodaya Highways Ltd. (A-1) through its Directors (A-2) to (A-5), Sh. Gurinder Kumar Garg (A-2), Smt. Aruna Garg (A-3), Sh. Aashutosh Garg (A-4), Sh. Aayush Garg (A-5) and Sh. Nishan Lal, the then Branch Manager, SBBJ, Panchkula, all committed offences punishable u/s 120 B r/w 420, 467, 468, 471 IPC and Section 13(2) r/w Section 13(1)(d) of PC Act, 1988 and substantive offences thereof.”

8. Sanction was granted by the Competent Authority to prosecute the Bank Manager, Mr. Nishan Lal, and pursuant to conclusion of the investigation, chargesheet came to be filed in the Court of the Special Judge for CBI⁹, Panchkula, Haryana against respondent No. 1-Company, its Directors and the Bank Manager for offences punishable under Sections 120B read with Sections

⁹ Hereinafter, referred to as “trial Court”.

420, 467, 468, and 471 of the IPC and Section 13(2) read with Section 13(1)(d) of the PC Act.

9. While the case was pending before the trial Court, respondent No.1-Company claims to have entered into a one-time settlement dated 5th March 2018 with the Bank. The cash credit liability was settled on payment of Rs. 41 crores to the Bank. It is on the basis of this one-time settlement that respondent Nos. 1 to 5, being the defaulting company M/s. Sarvodaya Highways Ltd., and its Directors, approached the High Court by way of a petition under Section 482 of the CrPC seeking quashing of the aforesaid FIR and the chargesheet dated 30th November, 2016.

10. The learned Single Judge of the High Court was persuaded to invoke the inherent jurisdiction under Section 482 of the CrPC and quashed the proceedings arising from the chargesheet based on the aforesaid

one-time settlement, *vide* judgment and order dated 18th July, 2022, which is subject matter of challenge in this appeal by special leave.

SUBMISSIONS ON BEHALF OF APPELLANT

11. Mr. Vikramjit Banerjee, learned Additional Solicitor General, representing the appellant-CBI vehemently and fervently contended that the High Court committed gross error in law in quashing the proceedings arising out of the chargesheet based on the one-time settlement entered into between the defaulting company, *i.e.*, respondent No.1 and the Bank. He submitted that the investigation conducted by the appellant-CBI resulted into an unimpeachable finding regarding fabricated documents having been used to procure the cash credit facility. The one-time settlement has been entered by the Bank under compulsion because the account of the defaulter company had been declared to be NPA and

proceedings under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 were also initiated. Ultimately, realizing that it would not be possible to recover the entire outstanding amount along with interest, the Bank opted for a safer course of settling the account by accepting a substantially lesser amount than what would have been recovered had the terms of the cash credit account been adhered to by respondent No. 1-Company. Thus, significant loss was suffered by the Bank which has a direct and adverse bearing on the public exchequer.

12. The learned Additional Solicitor General placed reliance on the following observations made by this Court in the case of ***Gian Singh v. State of Punjab***¹⁰, to urge that merely because a settlement has been arrived at in respect of the loan account, the

¹⁰ (2012) 10 SCC 303.

same cannot, by itself, furnish a valid ground for quashing the criminal proceedings:

“57. Quashing of offence or criminal proceedings on the ground of settlement between an offender and victim is not the same thing as compounding of offence. They are different and not interchangeable. Strictly speaking, the power of compounding of offences given to a court under Section 320 is materially different from the quashing of criminal proceedings by the High Court in exercise of its inherent jurisdiction. In compounding of offences, power of a criminal court is circumscribed by the provisions contained in Section 320 and the court is guided solely and squarely thereby while, **on the other hand, the formation of opinion by the High Court for quashing a criminal offence or criminal proceeding or criminal complaint is guided by the material on record as to whether the ends of justice would justify such exercise of power although the ultimate consequence may be acquittal or dismissal of indictment.**

...

61. The position that emerges from the above discussion can be summarised thus : **the power of the High Court in quashing a criminal proceeding or FIR or complaint in exercise of its inherent jurisdiction is distinct and different from the power given to a criminal court for compounding the offences under Section 320 of the Code. Inherent power is of wide plenitude with no statutory limitation but it has to be exercised in accord with the guideline engrafted in such power viz. : (i) to secure the ends of justice, or (ii) to prevent abuse of the process of any court. In what cases power to quash the criminal proceeding or complaint or FIR may be exercised where**

the offender and the victim have settled their dispute would depend on the facts and circumstances of each case and no category can be prescribed. However, before exercise of such power, the High Court must have due regard to the nature and gravity of the crime. Heinous and serious offences of mental depravity or offences like murder, rape, dacoity, etc. cannot be fittingly quashed even though the victim or victim's family and the offender have settled the dispute. Such offences are not private in nature and have a serious impact on society. Similarly, any compromise between the victim and the offender in relation to the offences under special statutes like the Prevention of Corruption Act or the offences committed by public servants while working in that capacity, etc.; cannot provide for any basis for quashing criminal proceedings involving such offences. But the criminal cases having overwhelmingly and predominatingly civil flavour stand on a different footing for the purposes of quashing, particularly the offences arising from commercial, financial, mercantile, civil, partnership or such like transactions or the offences arising out of matrimony relating to dowry, etc. or the family disputes where the wrong is basically private or personal in nature and the parties have resolved their entire dispute. In this category of cases, the High Court may quash the criminal proceedings if in its view, because of the compromise between the offender and the victim, the possibility of conviction is remote and bleak and continuation of the criminal case would put the accused to great oppression and prejudice and extreme injustice would be caused to him by not quashing the criminal case despite full and complete settlement and compromise with the victim. In other words, the High Court must

consider whether it would be unfair or contrary to the interest of justice to continue with the criminal proceeding or continuation of the criminal proceeding would tantamount to abuse of process of law despite settlement and compromise between the victim and the wrongdoer and whether to secure the ends of justice, it is appropriate that the criminal case is put to an end and if the answer to the above question(s) is in the affirmative, the High Court shall be well within its jurisdiction to quash the criminal proceeding.”

[Emphasis supplied]

13. It was submitted that the investigation establishes the submission of forged documents, and misrepresentation by the respondent No. 1-Company and its Directors for procuring the cash credit facility. The material collected reveals grave economic offences committed by the accused. The connivance between the defaulter company, its Directors and the Bank Manager to defraud the Bank stands conclusively proved. Sanction for prosecution of the Bank Manager has been duly granted by the competent authority. It was argued that quashing of

the chargesheet by the High Court would, in effect, result in the indirect exoneration of the Bank Manager as well, and therefore, the impugned order cannot be sustained in law.

14. Reliance was also placed by Mr. Banerjee on the judgments of this Court in ***Central Bureau of Investigation v. Jagjit Singh***¹¹, ***State of Maharashtra through CBI v. Vikram Anantrai Doshi & Ors.***¹², and ***Anil Bhavarlal Jain v. State of Maharashtra***¹³.

15. In ***Jagjit Singh (supra)***, this Court stated that offences involving bank fraud affect society at large, observing as follows: -

“15. The debt which was due to the Bank was recovered by the Bank pursuant to an order passed by the Debts Recovery Tribunal. Therefore, it cannot be said that there is a compromise between the offender and the victim. **The offences when committed in relation with banking activities including offences under Sections 420/471 IPC have harmful effect on the public and threaten**

¹¹ (2013) 10 SCC 686.

¹² 2014 SCC OnLine SC 745.

¹³ 2024 SCC OnLine SC 3823.

the well-being of the society. These offences fall under the category of offences involving moral turpitude committed by public servants while working in that capacity. Prima facie, one may state that the bank is the victim in such cases but, in fact, the society in general, including customers of the bank is the sufferer. In the present case, there was neither an allegation regarding any abuse of process of any court nor anything on record to suggest that the offenders were entitled to secure the order in the ends of justice.”

[Emphasis supplied]

16. Further this court in ***Vikram Anantrai Doshi (supra)*** stated that economic offences against banks are social wrongs, and repayment or settlement cannot justify quashing criminal proceedings. This Court in Paragraph 26 observed as follows:-

“26. We are in respectful agreement with the aforesaid view. Be it stated, that availing of money from a nationalised bank in the manner, as alleged by the investigating agency, vividly expositis fiscal impurity and, in a way, financial fraud. The modus operandi as narrated in the charge-sheet cannot be put in the compartment of an individual or personal wrong. It is a social wrong and it has immense societal impact. It is an accepted principle of handling of finance that whenever there is manipulation and cleverly conceived contrivance to avail of these kinds of benefits it cannot be regarded as a case having overwhelmingly and predominatingly civil character. The ultimate victim is the collective. It creates a hazard in the financial interest of the society. The gravity of the

offence creates a dent in the economic spine of the nation. The cleverness which has been skillfully contrived, if the allegations are true, has a serious consequence. A crime of this nature, in our view, would definitely fall in the category of offences which travel far ahead of personal or private wrong. It has the potentiality to usher in economic crisis. Its implications have its own seriousness, for it creates a concavity in the solemnity that is expected in financial transactions. It is not such a case where one can pay the amount and obtain a “no dues certificate” and enjoy the benefit of quashing of the criminal proceeding on the hypostasis that nothing more remains to be done. The collective interest of which the Court is **the guardian cannot be a silent or a mute spectator to allow the proceedings to be withdrawn, or for that matter yield to the ingenuous dexterity of the accused persons to invoke the jurisdiction under Article 226 of the Constitution or under Section 482 of the Code and quash the proceeding. It is not legally permissible. The Court is expected to be on guard to these kinds of adroit moves. The High Court, we humbly remind, should have dealt with the matter keeping in mind that in these kinds of litigations the accused when perceives a tiny gleam of success, readily invokes the inherent jurisdiction for quashing of the criminal proceeding. The Court’s principal duty, at that juncture, should be to scan the entire facts to find out the thrust of allegations and the crux of the settlement. It is the experience of the Judge that comes to his aid and the said experience should be used with care, caution, circumspection and courageous prudence.** As we find in the case at hand the learned Single Judge has not taken pains to scrutinise the entire conspectus of facts in proper perspective and quashed the criminal proceeding. The said quashment neither helps to secure the ends of

justice nor does it prevent the abuse of the process of the court nor can it be also said that as there is a settlement no evidence will come on record and there will be remote chance of conviction. Such a finding in our view would be difficult to record. Be that as it may, the fact remains that the social interest would be on peril and the prosecuting agency, in these circumstances, cannot be treated as an alien to the whole case. Ergo, we have no other option but to hold that the order [Vikram Anantrao Doshi v. State of Maharashtra, Criminal Application No. 2239 of 2009, order dated 22-4-2010 (Bom)] of the High Court is wholly indefensible.

[Emphasis supplied]

17. It was submitted that this Court, in **Anil Bhavarlal Jain (supra)**, declined to quash criminal proceedings on the ground that a settlement had been arrived at between the parties, observing that, as the case involved a special statute *i.e.*, PC Act, and that quashing the proceedings would have grave and far-reaching consequences on the society at large. This Court in paragraphs 17 and 18 observed as follows: -

“17. A profitable reference in this regard can be made to the judgment in State v. R Vasanthi Stanley⁹ wherein this Court declined to quash the

proceedings in a case involving alleged abuse of the financial system. It was observed as under:

“15. A grave criminal offence or serious economic offence or for that matter the offence that has the potentiality to create a dent in the financial health of the institutions is not to be quashed on the ground that there is delay in trial or the principle that when the matter has been settled it should be quashed to avoid the head on the system. That can never be an acceptable principle or parameter, for that would amount to destroying stem cells of law and order in many a realm and further strengthen the marrow of unscrupulous litigations. Such a situation should never be conceived of.”

18. In the instant case, it is on record that consent terms were submitted by the parties before the DRT. It is admitted that the bank had suffered losses to the tune of Rs. 6.13 Crores approximately. Hence, a substantial injury was caused to the public exchequer and consequently it can be said that public interest has been hampered. Keeping in view the fact that in the present case a special statute i.e. PC Act has been invoked, we are of the view that quashing of offences under the said Act would have a grave and substantial impact not just on the parties involved, but also on the society at large. As such the High Court committed no error in declining to exercise its inherent powers in the present case, thereby refusing to quash the criminal proceedings.”

18. It was thus urged that the impugned judgment does not stand to scrutiny and should be set aside

and the proceedings of the chargesheet should be revived.

SUBMISSIONS ON BEHALF OF RESPONDENTS

19. *Per contra*, Mr. Siddarth Dave, learned senior counsel representing the respondents, vehemently and fervently opposed the submissions advanced by the learned ASG appearing for the appellant-CBI. It was urged that not only has the Bank agreed to one-time settlement but thereafter all the pledged assets have also been released. The proceedings before the Debt Recovery Tribunal have been closed on instructions of the Bank. In these circumstances, it was urged that continuation of the criminal prosecution against the respondent No. 1-Company and its Directors would serve no useful purpose and would amount to an exercise in futility.

20. In support of his contentions, Mr. Dave placed reliance on the judgments of this Court in ***Jaswant***

***Singh v. State of Punjab & Another*¹⁴, *CBI New Delhi v. B.B. Aggarwal & Others*¹⁵, and *CBI, ACB, Mumbai v. Narendra Lal Jain & Others*¹⁶.** He urged that the monetary disputes *inter se* between the Bank and the defaulter company have been settled and no dues settlement certificate has been issued by the Bank and so also that the proceedings before the Debt Recovery Tribunal stand closed with the settling of the accounts. Hence, no useful purpose would be served by continuing with the criminal prosecution of the defaulter company and its Directors. He urged that it is a lame prosecution, which the appellant CBI wants to pursue in this matter.

¹⁴ 2021 SCC OnLine SC 1007.

¹⁵ 2019 (5) RCR (Cr1.) 573.

¹⁶ 2014 (5) SCC 364.

ANALYSIS

21. We have given our thoughtful consideration to the submissions advanced at bar and have gone through the impugned order and also the material placed on record.

22. The High Court, while quashing the proceedings, assigned the following reasons: -

“After hearing learned counsel for the parties, I find merit in the present writ petition, for the following reasons:-

- (a) It is admitted case that cash credit facility was availed in the year 2012 and on account of account being declared NPA, some proceedings were initiated before DRT, where the petitioners had paid back the amount as per settlement arrived at between the petitioners and the bank.
- (b) It is also admitted case of the bank that at no point of time, the petitioners tried to sell off or siphon off of the loan amount to any third party and it is a simple case where the loan was not repaid in time, for which it was declared NPA and once the recovery proceedings were initiated before DRT, the petitioners repaid the entire amount along with interest to the respondent Bank in installments and similarly, in the same manner, the respondent-Bank was releasing the mortgaged properties by issuing the letters, as noticed above.
- (c) The respondent-Bank as well as CBI have filed affidavits that the entire amount stands paid and at no point of time, any action of the petitioner was

of any criminal intent except that the loan amount was not paid in time.

In view of the observations made above and also in view of judgment of the Hon'ble Supreme Court in B.B. Aggarwal's case (supra), present petition is allowed and FIR bearing RC No.BD1/2015/E/0002/CBI/BS&FS/DLI dated 03.02.2015 and final report dated 30.11.2016 as well as the consequential proceedings arising out of the FIR are ordered to be quashed."

23. Having gone through the reasons assigned by the High Court, it is apparent that while quashing the proceedings on the basis of one-time settlement, the High Court failed to advert to the following vital facts of the case which were duly established during investigation.

- (i) That there was a specific finding in the chargesheet that the defaulter company through its directors had submitted fabricated documents and misrepresented to the Bank for the purpose of procuring the cash credit facility.

- (ii) That the appellant-CBI, on the basis of evidence collected during investigation, found that the offences of criminal conspiracy, fabrication of documents, and offences under the PC Act, were clearly made out.
- (iii) That sanction for prosecution had been duly issued against the then Bank Manager, Mr. Nishan Lal.
- (iv) That the amount of settlement under the one-time settlement did not cover the actual amount due to the Bank and that there was a deficit of more than 5 crores plus interest which was a direct loss to the public exchequer.

24. The High Court, while exercising jurisdiction under Section 482 CrPC, did not consider these vital facts and quashed the proceedings merely on the

basis of the alleged one-time settlement. The blanket order quashing the chargesheet in its entirety would have the effect of terminating the prosecution against the Bank Manager as well, against whom prosecution sanction has been granted.

25. There are plethora of judgments of this Court, some of which we have referred to above, which categorically hold that in cases involving economic offences, it is not merely the Bank that stands defrauded, but the society at large is also impacted.

26. It can be said without a shadow of doubt that the one-time settlement would not fetch the entire amount to which the Bank was otherwise entitled, had the cash credit account been maintained regularly. The settlement was made at around Rs.41 crores whereas, admittedly, the liability was of Rs. 52 crores approximately. One-time settlements are, as a rule, effected under circumstances where the Bank

under duress is compelled to accept lesser amount in order to secure the maximum possible recovery against the defaulting account.

27. In this background, we feel that the High Court committed error apparent in the eyes of law by quashing the proceedings.

28. In the case of **Jaswant Singh (supra)**, the dispute involved was *inter se* between private parties and the prosecution had been initiated only for the offences punishable under Sections 406 and 420 of the IPC. This Court thought it fit to quash the proceedings considering the fact that the accused and the complainant had settled all their disputes amicably and no useful purpose would be served by allowing the prosecution to continue.

29. In the case of **B.B. Aggarwal (supra)**, this Court upheld the order of the High Court quashing the proceedings against the accused on the ground

that the civil suits filed by the Bank against the defaulter companies and their directors for recoveries of the outstanding dues, which were subsequently transferred to Debt Recovery Tribunal stood settled by entering into a one-time settlement.

30. On going through the aforesaid judgments, we find that this Court did not consider the judgment in the case of **Gian Singh (supra)** which expressly prohibits quashing of proceedings of a criminal case on strength of a compromise where loss to public exchequer is evident and the offences under the PC Act, 1988 are applied.

31. In the Case of **Narendra Lal Jain (supra)**, the offences were under Sections 420 and 120B of the IPC. This Court held that Section 420 IPC was compoundable whereas Section 120B IPC was not. In this background, the Court was persuaded to quash the proceedings holding that allowing the

criminal prosecution to continue would be nothing short of an exercise in futility. Additionally, in ***Narendra Lal Jain (supra)***, there was no indication about use of forged documents to procure the loan/advance facilities from the Bank.

32. Furthermore, in none of these three cases did the Court observe that the amount of the one-time settlement did not cover the actual outstanding dues of the Bank.

33. In this background, we are of the clear opinion that the facts involved in the three precedents relied upon by learned counsel for the respondents are clearly distinguishable and the same have no application to the case at hand.

34. Thus, we are of the opinion that the impugned judgment and order do not stand to scrutiny and deserves to be set aside. We, therefore, allow the appeal, set aside the impugned judgment and order

and restore the proceedings arising out of the chargesheet dated 30th November, 2016 before the trial Court.

35. We further make it clear that this order should not be construed as making any observations on the merits of the case which may prejudice the defence of the accused persons before the trial Court which shall proceed with the trial of the case uninfluenced by any of the observations made hereinabove.

36. The appeal is allowed in these terms.

37. Pending application(s), if any, shall stand disposed of.

.....**J.**
(VIKRAM NATH)

.....**J.**
(SANDEEP MEHTA)

NEW DELHI;
NOVEMBER 11, 2025.