



**IN THE SUPREME COURT OF INDIA
CRIMINAL APPELLATE JURISDICTION**

CRIMINAL APPEAL NO. _____ OF 2026
(@ Special Leave Petition (Crl.) 16149 of 2024)

PALINISWAMY VEERARAJA & ORS.

... APPELLANT(S)

VERSUS

THE STATE OF KARNATAKA & ANR.

... RESPONDENT(S)

J U D G M E N T

SANJAY KAROL, J.

Leave Granted

2. Paliniswamy Veeraraja, K. Paliniswamy, Ammani and R. Kavitha, the four accused in CC No. 55623 of 2014 arising out of Crime No. 209 of 2006 under sections 406, 468, 471, 420 r/w 34 of the Indian Penal Code,¹ are before us challenging the High Court's² decision to decline the prayer for quashing³ of the case pending on the file of the 10th Additional Chief Metropolitan Magistrate, Bangalore City.

¹ IPC

² High Court of Karnataka at Bengaluru

³ Criminal Petition No. 4624 of 2022

3. The background facts as have been noticed by the Court below are as follows:

- (i) The accused together run M/s Kay Pee Exporters who export textiles and related products. Accused Nos. 1 and 2, the managing partners of the firm, in the course of business, came in contact with Respondent No. 2 who is the private complainant, and ran businesses similar in nature to the Accused, in the United States of America and Canada;
- (ii) They developed a mutually beneficial business relationship wherein the complainant allegedly had to invest money into the business of the accused, in the form of aiding its expansion into these markets and in turn he would be entitled to 1/3rd profits of this venture;
- (iii) The complainant's case is that, upholding his end of the bargain, he periodically made investments into the business and also promoted a company by the name M/s Associated Textile Inc, established as per the laws of the Illinois State, but the accused had no intent of honouring their part. On the other hand, the appellants herein maintain that there was nothing in the nature of a joint venture between the parties since one of the aspects floated by the complainant was that the appellant's firm should exclusively supply to him, which they were not agreeable to in the least;
- (iv) Finding the situation to be so, a case was instituted in the Northern District of Illinois being Associated Textile Inc. v. Paliniswamy Veeraraja⁴. The District Court granted the motion for entry of final judgment against the Respondents (ex parte) and granted total damages of \$2,268,222.46., on 2nd February 2004. The findings of

⁴ No. 01C6249

the Court are relevant for the present determination. As such, they are extracted as under:-

“It is hereby ordered and adjudged as follows:-

1. Judgment is entered in favour of Plaintiff Associated textile, Inc, and against Defendants Palaniswamy Veeraraja and Kaypee Exporters, jointly and severally, on Counts I (Accounting Breach of Joint Venture Agreement), II (Accounting; Fraudulent Inducement), and IV (Accounting Unjust Enrichment) of Plaintiff's Complaint, in the total amount of TWO MILLION TWO HUNDRED SIXTY-EIGHT THOUSAND TWO HUNDRED TWENTY-TWO DOLLARS AND FORTY-SIX CENTS (\$2,268,222.46), as follows:-

(a) Compensatory damages of ONE MILLION ONE HUNDRED THIRTY FOUR THOUSAND ONE HUNDRED ELEVEN DOLLARS AND TWENTY-THREE CENTS (\$1,134,111.23), plus costs and post-judgment interest at the statutory rate plus.

(b) Punitive damages of an additional ONE MILLION ONE HUNDRED TWENTY-THREE CENTS (\$1,134,111.23).

2. Further, Defendants Palaniswamy Veeraraja and Kaypee Exporters are enjoined and ordered to provide Plaintiff Associated Textile, Inc., a full and complete accounting of all revenues, profits and proceeds from Defendant Kaypee Exporters sales of textiles to the U.S. and Canada from 01.01.1996 to present.

3. Further, a constructive trust is hereby imposed for the benefit of Plaintiff Associated textile, Inc., upon (a) one-third of the profits shown by an accounting to have been wrongfully appropriated and retained by Defendants Palaniswamy Veeraraja and/ or Kaypee Exporters, (b) the proceeds there from, and / or (c) the interest or other return which the Defendants earned or could have reasonably earned thereon.

4. Further, judgment is entered in favour of Plaintiff Associated Textile, Inc and against Defendants Palaniswamy Veeraraja and Kaypee Exporters, on all counts of Defendants Counterclaim. Defendants shall take nothing, and are entitled to no payment, credit or set off from Plaintiff.”

- (v) Shortly thereafter, he filed a complaint under Section 200 Code of Criminal Procedure, 1973 before the City Civil and Sessions Court, Bangalore, that led to the present proceedings;
- (vi) Pursuant to the complaint, the matter was taken up for investigation by the Indra Nagar Police Station on 9th August 2006. On 17th November 2006, a closure report was filed recording that the dispute between the parties is entirely civil in nature;
- (vii) On 1st September 2007 the complainant filed an application under Section 173(8) CrPC seeking permission for further investigation. The same was dismissed by an order dated 8th October 2007. Shortly thereafter, a criminal miscellaneous petition was filed to restore the complaint and direct further investigation which came to be allowed by Sessions Court on 31st May 2010;
- (viii) A second closure report was filed on 22nd November 2011. But then again on 25th February 2012 Police Inspector Indiranagar, sought to continue investigation after filing application under Section 173(8) CrPC;
- (ix) Chargesheet was filed on 25th September 2013.
- (x) The appellants contend to be unaware of all these proceedings till May 2022;
- (xi) It may also be noted that the suit for recovery of money filed against the appellants was dismissed by the XXXIIIrd Additional City Civil and Sessions Judge, Bangalore, on 5.11.2014 on account of the fact that the same had been decided *ex-parte*; and
- (xii) On coming to know of these proceedings, the appellants filed the quashing petition Criminal Petition No.4624 of 2022 before the High Court of Karnataka.

4. The High Court, in terms of the impugned judgment dismissed the petition for quashing rejecting the appellants' arguments of jurisdiction not vesting with the Courts at Bangalore, and also the argument that the offence in question took place outside India. According to the Court, a *prima facie* case was made out against the appellants' herein.

5. Ms. V. Mohana, learned senior counsel appearing for the appellants strongly questions the findings of the High Court submitting *inter alia* as follows:

- a) That closure report had been filed twice earlier recording that the dispute appears to be entirely civil in nature. On the third instance that investigation was sought to be conducted, the same was done without the permission of the competent authority to conduct further investigation;
- b) None of the ingredients of cheating or forgery are made out and the dispute at hand is entirely civil in nature;
- c) The impugned judgment considered only the factum of a private complaint *vis a vis* section 195(1)(b)(ii) of the Code of Criminal Procedure 1973 and did not consider anything else;
- d) The Court has entirely missed the fact that there is no finding on the allegations of forgery by the appellants regarding documents submitted in the foreign Court in the judgment of the foreign Court itself;
- e) The alleged cheating or forgery that took place was between 1996 to 2000. The complaint for allegedly false documents was filed only in 2004. The delay is unexplained; and
- f) All allegations whatsoever, do not, neither in any way pertain to appellant nos. 3 and 4 and nor has any role been attributed to them. Therefore, if this Hon'ble Court is not inclined to accept the submissions made on behalf of appellant nos.1 and 2, the proceedings may, at the very best, be closed in so far as appellant nos.3 and 4 are concerned.

6. On the other hand, Mr. Prateek Chadha learned Additional Advocate General appeared for the State of Karnataka and Mr. Gaurav Agrawal, senior advocate appeared for the complainant - respondent no.2. submitted as follows:-

a) The remittance of amounts by the complainant to the appellants is an admitted fact and despite the former having done his part, the latter did not carry out the agreed scenario of sharing profits;

b) The District Court, Illinois found the complainant's case to be justified on four counts i.e., *(i)* breach of joint venture agreement; *(ii)* fraudulent inducement; *(iii)* tortuous interference with contract; and *(iv)* unjust enrichment;

c) 28 out of the 119 documents were found to be forged. They carried the name and signature of the complainant but upon being examined by handwriting experts at the instance of the complainant, it was found that they were fabricated. This shows the fraudulent intent on part of the appellants; and

d) The appellants' submission regarding violation of Section 173(8) CrPC is unjustified for the reason that the text of the statute does not preclude the investigating agency from conducting further investigation upon discovery of additional material.

7. The State supports the case of the respondent no. 2.

8. We now consider the rival contentions. The short question which arises for consideration is whether it was open for the investigating authorities to initiate further investigation into the same set of allegations after closure report had been filed twice and whether the same could have been done in the absence of express permission from the Magistrate. A secondary question in these facts

is whether the dispute *inter se* parties is civil in nature and, therefore, the recourse to criminal law would be unjustified.

9. On both these questions, the law is no longer *res integra*. True it is that, as held in ***Rama Chaudhary v. State of Bihar***⁵, the text of Section 173(8)CrPC does not explicitly mandate seeking of permission from the Magistrate and neither does 193(9) BNSS. However, the *proviso* to the said Section mandates that permission of the Court is explicitly required once the trial has begun. Even though the statute does not require express permission, the law as it has developed, has made abundantly clear that seeking of permission from the concerned Magistrate has evolved into a requirement. In ***Vinay Tyagi v. Irshad Ali***⁶, it has been held as follows:

“49. Now, we may examine another significant aspect which is how the provisions of Section 173(8) have been understood and applied by the courts and investigating agencies. It is true that though there is no specific requirement in the provisions of Section 173(8) of the Code to conduct “further investigation” or file supplementary report with the leave of the court, the investigating agencies have not only understood but also adopted it as a legal practice to seek permission of the courts to conduct “further investigation” and file “supplementary report” with the leave of the court. The courts, in some of the decisions, have also taken a similar view. The requirement of seeking prior leave of the court to conduct “further investigation” and/or to file a “supplementary report” will have to be read into, and is a necessary implication of the provisions of Section 173(8) of the Code. The doctrine of *contemporanea expositio* will fully come to the aid of such interpretation as the matters which are understood and implemented for a long time, and such practice that is supported by law should be accepted as part of the interpretative process.

This proposition was approved in ***Vinubhai Haribhai Malaviya v. State of Gujarat***⁷ and reiterated in ***Peethambaran v. State of Kerala***⁸. Recently, in

⁵ (2009) 6 SCC 346

⁶ (2013) 5 SCC 762

⁷ (2019) 17 SCC 1

⁸ (2024) 16 SCC 65

Robert Lalchungnunga Chongthu v. State of Bihar⁹, this Bench observed as follows:

“21. Before parting with this matter, we deem it fit to issue the following directions:

(i) In view of *Vinay Tyagi v. Irshad Ali*, it can be seen that the ‘leave of the court’ to file a supplementary chargesheet, is a part of Section 173(8) CrPC. That being the position, in our considered view, the Court is not rendered *functus officio* having granted such permission. ***Since the further investigation is being made with the leave of the Court, judicial stewardship/control thereof, is a function which the court must perform.***

(ii) Reasons are indispensable to the proper functioning of the machinery of criminal law. They form the bedrock of fairness, transparency, and accountability in the justice system. ***If the Court finds or the accused alleges (obviously with proof and reason to substantiate the allegation) that there is a large gap between the first information report and the culminating chargesheet, it is bound to seek an explanation from the investigating agency and satisfy itself to the propriety of the explanation so furnished.***

The direction above does not come based on this case alone. This Court has noticed on many unfortunate occasions that there is massive delay in filing chargesheet/taking cognizance etc. This Court has time and again, in its pronouncements underscored the necessity of speedy investigation and trial as being important for the accused, victim and the society. However, for a variety of reasons there is still a lag in the translation of this recognition into a reality.

(iii) While it is well acknowledged and recognised that the process of investigation has many moving parts and is therefore impractical to have strict timelines in place, at the same time, the discussion made in the earlier part of this judgement, clearly establishes that investigations cannot continue endlessly. The accused is not out of place to expect, after a certain point in time, certainty- about the charges against him, giving him ample time to preparing plead his defence. ***If investigation into a particular offence has continued for a period that appears to be unduly long, that too without adequate justification, such as in this case, the accused or the complainant both, shall be at liberty to approach the High Court under Section 528 BNSS/482 CrPC, seeking an update on the investigation or, if the doors of the High Court have been knocked by the accused, quashing. It is clarified that delay in completion of investigation will only function as one of the grounds, and the Court, if in its wisdom, decides to entertain this application, other grounds will also have to be considered.***

⁹ 2025 SCC OnLine SC 2511

(iv) Reasons are not only important in the judicial sphere, but they are equally essential in administrative matters particularly in matters such as sanction for they open the gateway to greater consequences. Application of mind by the authorities granting or denying sanction must be easily visible including consideration of the evidence placed before it in arriving at the conclusion.

[emphasis in original]”

10. Record reveals that although an application had been filed before the concerned Magistrate for further investigation a third time around, no order specifically granting permission is appended on record, neither it is a submission of the party that permission stood granted. In view of the above judgments, submission of respondent no.2 that permission is not required has to be negated.

11. On this short ground alone, the First Information Report and the eventual chargesheet could be quashed, set aside and the matter would be put to rest. Even otherwise, in view of the fact that proceedings *inter se* the parties have been ongoing for a considerable period of time, doing so would leave open the possibility of another round of litigation and as such we proceed to examine the merits of the matter.

12. The appellants and the respondents are both business owners. They allegedly entered into an agreement where one party would make monetary investment and the other would supply textile goods. One party says that the relationship continued without any incident between 1995 and 2000 and it is only thereafter that disputes arose regarding the nature of arrangement particularly an attempt to make the agreement between the parties exclusive which the appellants were not in favour of, did the dispute arise. On the other hand, the other party says that they had entered into an agreement and the very terms of the initial agreement itself were not complied with i.e., sharing of profits in return of capital investment in so far as the trading of textiles in USA and Canada is concerned. Either way, it is plain as day that the dispute between the

parties concerns the business relationship or in other words concerning whether or not a joint venture stood established between them and if yes, the distribution of profits arising therefrom. That clearly is in the nature of civil dispute.

13. When it comes to alleged forgery of documents, why is it that the allegation came only in the Court in Bangalore and the suit filed before the District Court Illionis, does not make any mention of the same. After all it is before that Court that the alleged forged documents were filed. Still further, the report of the handwriting expert on which reliance is placed to prove that the documents were forged is dated prior to the judgment of the District Court i.e., 1st September 2009 and the judgment was entered on 2nd February 2004. It only stands to reason that if such hard, conclusive evidence was in the possession of the complainant, the same could have been furnished to the Court and if accepted, could have led to further punitive damages being awarded in his favour. This obviously was not done. It be clarified here itself that the sanctity of the report of the handwriting expert has not been examined by us and so we do not comment thereupon. It is only the timing or the sequence of events that renders the reliance placed thereon, suspect, in our considered view.

14. It is also a matter of record that for the reasons as recorded in the judgment, the civil suit of the complainant has also been dismissed. Well, we do not comment on the merits of that case and the complainant is obviously free to take recourse to the law as he may be advised if not already taken.

15. In the cumulative view of circumstances prevailing in this case, criminal action against the appellants would be contrary to the authority of law and therefore an abuse of process of law for the reason that the third round of further investigation as a consequence of which the chargesheet was filed, did not have the concerned Magistrate's approval. That apart, in view of ground (3)

mentioned in Para 102 of *State of Haryana v. Bhajan Lal*¹⁰, the FIR and subsequent proceedings which is the subject matter of the present appeal as mentioned in Para-1 are quashed and set aside.

16. Appeal is allowed accordingly. Pending application(s), if any shall stand disposed of.

.....**J.**
(SANJAY KAROL)

.....**J**
(NONGMEIKAPAM KOTISWAR SINGH)

New Delhi;
May 26, 2026

¹⁰ 1992 Supp (1) SCC 335