IN THE HIGH COURT OF JUDICATURE AT BOMBAY
CRIMINAL APPELLATE JURISDICTION

CRIMINAL APPEAL (ST) NO. 13953 OF 2025
WITH
INTERIM APPLICATION NO. 3418 OF 2025

1.	M/s Coda Payments India Pvt. Ltd.	]	
	Having its Mumbai Office at	]	
	401- 414, A-Wing, Kanika Wallstreet	]	
	Andheri Kurla Road,	]	
	Mumbai- 400 093	]	… Appellant

V/s.

1.	Dy. Director,	]	
	Directorate of Enforcement,	]	
	Government of India, Ministry of Finance,	]	
	Department of Revenue, 3rd Floor,	]	
	Shankar Bhavan, Basheerbagh	]	
	Hyderabad- 500 004	]	
2.	The State of Maharashtra	]	… Respondents

Mr. Sanjiv Punalekar a/w Mr. Sachin Kase i/by Mrs. Jyoti Ghorpade for the Appellant.

Dr. Nilesh VB. Pawaskar a/w Aparna D. Vhatkar, Mr. Farzan Ansari for Respondent No.1

Mr. Shrikant V. Gawand- APP for State, APP for the Respondent-State.

CORAM : A. S. GADKARI AND KAMAL KHATA, JJ.
RESERVED ON : 11th August, 2026.
PRONOUNCED ON : 2nd September, 2026.

Judgment (Per : Kamal Khata, J):-

1) This Appeal is filed under Section 42 of the Prevention of Money Laundering Act, 2002 (P.M.L.A) challenging the Order dated 6th March, 2025 (Impugned Order) passed by the Appellate Tribunal under SAFEMA at New Delhi in Appeal No. FPA-P.M.L.A-5880/HYD/2023, whereby the Appellate Tribunal dismissed the Appeal preferred by the Appellant and affirmed the Order dated 15th March, 2023 passed by the Adjudicating Authority in Original Application (O.A.) No. 750 of 2022.

Backdrop:

2) The Appellant is a company incorporated under the Companies Act providing technology-enabled services for monetization and sale of digital content. It operates, inter alia, through the brands 'Codashop' and 'Codapay' and has arrangements with various payment channels and payment aggregators.

3) According to the Appellant, it provides a platform through which digital-content publishers and gaming companies can receive payments through recognized payment channels. The Appellant's case is that, payments are processed through payment aggregators such as Paytm, MobiKwik, Freecharge, LazyPay and other payment channels and that the actual authentication of transactions is carried out by the relevant payment channel.

4) The record discloses that, the Appellant's Indian business

commenced in or about 2018 and it is a wholly owned subsidiary of Coda Payments Pte. Ltd., Singapore. The Respondent No.1, Enforcement Directorate (E.D.), however, alleged that the Indian company was functioning as a conduit for collection of monies from Indian users and remittance of the monies outside India.

5) The proceedings commenced upon registration of Enforcement Case Information Report (E.C.I.R), being ECIR/HYZO/35/2021 dated 28th December, 2021. The E.C.I.R was based upon ten First Information Reports (FIRs) registered at different police stations, principally alleging offences under Sections 420 and 120-B of the Indian Penal Code, 1860. The allegation of the E.D was that, certain users of online games, particularly the game 'Garena Free Fire' were subjected to unauthorized deductions after an initial transaction.

6) On 23rd September, 2022, the E.D conducted search operations at premises connected with the Appellant and its Director. During the search, physical records and a MacBook Pro digital device were seized. Documents relating to bank accounts and payment aggregators were also found.

7) On the same date, Orders under Section 17(1A) of the Prevention of Money Laundering Act, 2002 (P.M.L.A) were issued freezing the Appellant's bank accounts and merchant IDs maintained with various payment aggregators and payment gateways. The freezing extended to five identified bank accounts as well as merchant IDs with several payment

aggregators. The record thus shows that, the action was not confined to any particular identified sum forming part of a particular transaction.

8) Thereafter, on 27th September 2022, an order under Section 20(1) of the P.M.L.A for retention of the seized properties and an order under Section 21(1) for retention of seized records were passed.

9) In compliance with the statutory mandate under Section 17(4) of the P.M.L.A., the E.D filed an O.A. No. 750 of 2022, before the Adjudicating Authority on 19th October, 2022, seeking continuation of the freezing of the bank accounts/payment aggregator accounts and retention of the seized material.

10) The Adjudicating Authority, after hearing the parties, passed an Order dated 15th March, 2023, allowing the O.A. No. 750 of 2022 and confirmed continuation of retention/freezing of the bank accounts and payment aggregator/payment gateway accounts.

11) Aggrieved by the said Order dated 15th March, 2023, the Appellant preferred an Appeal under Section 26 of the P.M.L.A before the Appellate Tribunal. The Appellant Tribunal by its Order dated 6th March, 2025 dismissed the Appeal.

Hence, the present Appeal.

Appellant's Submission:

12) Mr. Punalekar, learned counsel appearing on behalf of the Appellant submits that, Section 8(2) of P.M.L.A is couched in mandatory

terms and the Adjudicating Authority failed to record an independent, reasoned finding under Section 8(2) of P.M.L.A as to whether the attached properties constitute ‘proceeds of crime’. The Adjudicating Authority merely observed that, the material in O.A was sufficient to arrive at satisfaction that continuation of the freezing/retention was required for the purposes of adjudication.

12.1) He further submits that, Appellate Tribunal travelled beyond the permissible scope of appellate adjudication when it recorded that, the Appellant had collected Rs.2,850 crore and remitted Rs.2,320 crore outside India and treated those figures as sufficient to conclude that the seized property was involved in money laundering. He further submits that, mere fact that, the Appellant's business generated substantial turnover or that monies were remitted abroad cannot, without identification of the property constituting proceeds of crime, justify freezing the entire banking and payment infrastructure of the Appellant.

12.2) It was also contended that, the Appellant was merely an intermediary/payment service provider, that transactions were authenticated through OTP/UPI PINs and that the Appellant itself was not responsible for the creation or operation of the gaming platforms.

12.3) He also submits that, the E.D did not produce any independent forensic material establishing that the Appellant's system itself caused unauthorized deductions or bypassed the authentication mechanism.

12.4) Mr. Punalekar further submits that, by the time the Appeal was taken up for hearing, nine of the ten FIRs had already been closed, leaving only one FIR pending, involving an amount of approximately Rs. 85,650/-. In these circumstances, the freezing of assets valued at approximately Rs. 100 crores was manifestly disproportionate, particularly when the total amount alleged across all ten FIRs was only about Rs. 25 Lakh.

Respondent's Submissions:

13) *Per contra*, Dr. Pawaskar learned counsel appearing on behalf of the E.D strongly opposed the Appeal. He submits that, the present proceedings are concerned with preservation of property and records so that the investigation and subsequent adjudication under the P.M.L.A are not frustrated.

13.1) He further submits that, the investigation disclosed ten FIRs alleging cheating and unauthorized deductions from users of online gaming platforms. The investigation further disclosed that the Appellant was involved in the payment collection mechanism and that funds were transmitted outside India through group entities.

13.2) He submits that, the E.D. had recorded reasons to believe in writing and had forwarded those reasons together with the relevant material to the Adjudicating Authority. Thus, the statutory requirement under Sections 17 and 20 had been complied with.

13.3) He submits that, the Appellant's contention that only Rs.25 lakh was involved is misconceived. According to the E.D., the alleged criminal activity was much wider and the amount of Rs.2,850 crore represented the revenue collected during the relevant period, of which approximately Rs.2,320 crore was transmitted outside India.

13.4) He further submits that, amount frozen cannot be mechanically compared with the amount specifically mentioned in individual FIRs because the investigation concerns the broader trail of proceeds of crime and the possibility of other victims and transactions.

13.5) Dr.Pawaskar also submits that, the Appellants principal officers had not co-operated with the investigation and that the Indian resident Director had stated that he was concerned primarily with secretarial matters, while the persons responsible for the financial and administrative affairs were located outside India.

13.6) He submits that, alleged *modus operandi*, the relationship between the Indian and Singapore entities, the payment gateway arrangements and the foreign remittances constitute sufficient material to establish, at least *prima facie*, a nexus between the Appellant and the alleged proceeds of crime.

13.7) He further submits that, the Adjudicating Authority had recorded that the material placed before it was sufficient to justify continuation of the freezing/retention and that the Appellate Tribunal correctly understood the substance of the finding.

13.8) As regards Section 8(2) of the P.M.L.A, Dr. Pawaskar submits that the Adjudicating Authority had recorded that the material placed before it was sufficient to justify continuation of the freezing/retention and that the Appellate Tribunal correctly understood the substance of the finding.

14) The E.D relied upon the reasoning of the Appellate Tribunal that the Adjudicating Authority is required only to form a *prima facie* opinion at this stage and that the final determination regarding commission of the offence would be made by the Special Court.

15) We have heard both Mr. Punalekar for the Appellant and Dr. Pawaskar for E.D and perused the entire record.

Analysis and Conclusion:

16) At the outset, considering the provisions of the P.M.L.A, particularly Section 6(2), we find that the Adjudicating Authority has failed to observe the mandate and has rendered itself *coram non judice i.e. a court that cannot take cognizance of the matter*.

17) The relevant portions of Sections 6, which deals with "Adjudicating Authorities, composition, powers etc. are extracted hereinbelow for ready reference:

> "Section 6(1): The Central Government shall, by notification, appoint [an Adjudicating Authority] to exercise jurisdiction, powers and authority conferred by or under this Act."
> "Section 6(2): An Adjudicating Authority shall consist of a Chairperson and two other Members: Provided that one

Member each shall be a person having experience in the field of law, administration, finance or accountancy.”

“Section 6(5): Subject to the provisions of this Act,—

(a) the jurisdiction of the Adjudicating Authority may be exercised by Benches thereof;

(b) a Bench may be constituted by the Chairperson of the Adjudicating Authority with one or two Members as the Chairperson of the Adjudicating Authority may deem fit;

(c) the Benches of the Adjudicating Authority shall ordinarily sit at New Delhi and at such other places as the Central Government may, in consultation with the Chairperson, by notification, specify;

(d) the Central Government shall, by notification, specify the areas in relation to which each Bench of the Adjudicating Authority may exercise jurisdiction.

(6) Notwithstanding anything contained in sub-section (5), the Chairperson may transfer a Member from one Bench to another Bench.”

Section 6(7): If at any stage of the hearing of any case or matter it appears to the Chairperson or a Member that the case or matter is of such a nature that it ought to be heard by a Bench consisting of two Members, the case or matter may be transferred by the Chairperson or, as the case may be, referred to him for transfer, to such Bench as the Chairperson may deem fit.”

18) In our view, the Appellate Tribunal ought to have dealt with the issue and recorded its finding thereon with appropriate evidence, if any, to substantiate that the composition of the bench of solely the Chairperson was in accordance with law. It could not have simply disregarded the

objection raised by the Appellant.

19) A bare perusal of the impugned Order of the Appellate Tribunal indicates that, the specific plea of lack of jurisdiction has been entirely disregarded. In our view, the disregard of the mandate under the Act, renders the Order of the Adjudicating Authority dated 15th March, 2023 *ipso facto* a nullity.

20) Even otherwise, and without being detained further by the contention of *coram non judice*, we proceed to consider the case on merits. The P.M.L.A undoubtedly confers extensive powers upon the E.D. However, those powers are circumscribed by statutory safeguards. The fact that the legislation concerns economic offences does not dilute the requirement of compliance with the express provisions of the statute.

21) Section 8 of the P.M.L.A deals with "Adjudication". The relevant part is reproduced hereinbelow for ready reference:

> **"8. Adjudication. -** (1) On receipt of a complaint under sub-section (5) of Section 5, or applications made under sub-section (4) of Section 17 or under sub-section (10) of Section 18, if the Adjudicating Authority has reason to believe that any person has committed an[offence under Section 3 or is in possession of proceeds of crime], it may serve a notice of not less than thirty days on such person calling upon him to indicate the sources of his income, earning or assets, out of which or by means of which he has acquired the property attached under sub-section (1) of Section 5, or, seized[or frozen] under Section 17 or Section 18, the evidence on which he relies and other relevant information

and particulars, and to show cause why all or any of such properties should not be declared to be the properties involved in money-laundering and confiscated by the Central Government:

Provided that where a notice under this sub-section specifies any property as being held by a person on behalf of any other person, a copy of such notice shall also be served upon such other person:

Provided further that where such property is held jointly by more than one person, such notice shall be served to all persons holding such property.

(2) The Adjudicating Authority shall, after—

(a) considering the reply, if any, to the notice issued under sub-section (1);

(b) hearing the aggrieved person and the Director or any other officer authorised by him in this behalf; and

(c) taking into account all relevant materials placed on record before him, by an order, record a finding whether all or any of the properties referred to in the notice issued under sub-section (1) are involved in money-laundering:

Provided that if the property is claimed by a person, other than a person to whom the notice had been issued, such person shall also be given an opportunity of being heard to prove that the property is not involved in money-laundering."

22) Section 8 of P.M.L.A is the statutory mechanism by which the Adjudicating Authority considers the continuation of attachment, retention or freezing after due notice to the affected person. This requirement cannot be treated as an empty formality. There is a clear distinction between: (a)

recording that the material is sufficient for continuation of retention/freezing for purposes of adjudication; and (b) recording the statutory finding that the property is involved in money laundering.

23) Although in the Order dated 15th March, 2023, the Adjudicating Authority records the allegations of the E.D regarding the gaming platform, the alleged unauthorized deductions, the Appellant's corporate structure, foreign remittances and the alleged non-cooperation of persons associated with the company, in its conclusion, the Authority merely states that the material shown in the O.A is sufficient to arrive at satisfaction that retention/continuation of the bank accounts and payment aggregator/payment gateways is required for the purpose of adjudication under Section 8 of the P.M.L.A. The Order however does not separately identify the property or properties which, upon consideration of the Appellant's reply and the material on record, are found to be involved in money laundering, nor does the Adjudicating Authority explain the nexus between the monies frozen and the alleged criminal activity.

24) The distinction is material. A bank account belonging to a person under investigation is not, by that fact alone, ‘proceeds of crime’. Likewise, the turnover of a company is not, merely because it is large, amounts to proceeds of crime.

24.1) The statutory exercise under Section 8 of the P.M.L.A requires the authority to apply its mind to the property in question and determine, at the requisite prima facie level, whether it is involved in money laundering.

25) We, therefore, find that the order of the Adjudicating Authority does not satisfy the express requirement of Section 8(2)of the P.M.L.A.

26) The Appellate Tribunal itself noticed the statutory requirement. In paragraph 21 of its Order, it observed that the mandate of Section 8(2) of the P.M.L.A requires the Adjudicating Authority to record a *prima facie* opinion or finding that the property is involved in money laundering. The Appellate Tribunal further observed that, if the Adjudicating Authority had not recorded such finding in those terms. Even if the material available on record was sufficient, the Appellate Tribunal could not have itself recorded the finding to cure the defect, if any. If an Adjudicating Authority omits the mandatory finding under Section 8(2), the Appellate Tribunal cannot thereafter supply that finding on the basis of the same material. If that were done then the statutory safeguard contained in Section 8(2) would effectively become optional. In our view, that approach would be legally unsustainable.

27) The appellate jurisdiction is intended to examine whether the statutory authority has correctly exercised the jurisdiction vested in it. It cannot ordinarily be converted into the original exercise of that statutory jurisdiction.

28) Once the Appellate Tribunal itself noticed the omission, it ought to have set aside the order and required the statutory authority to undertake

the exercise mandated by law or otherwise granted the relief consequential upon the failure to comply with the statutory requirement. The Tribunal's statement that it could ‘cure the defect’ is therefore the precise error which vitiates the impugned order.

29) An Appellate Authority may affirm, reverse or modify a finding recorded by the authority below in accordance with the appellate jurisdiction conferred upon it. It cannot ordinarily supply a mandatory statutory finding which the Original Authority was required to record after undertaking the statutory adjudicatory exercise.

30) The requirement under Section 8(2) of the P.M.L.A is not merely a requirement to give additional reasons in support of an existing conclusion. It is the very finding which the statue requires the Adjudicating Authority to record. Once the Appellate Tribunal found that such finding had not been recorded, the proper course was to interfere with the order rather than retrospectively supply the missing statutory determination.

31) This principle is reinforced by the settled law that, when a statutory authority is required to exercise its discretion upon relevant considerations and record its reasons, the validity of its order must ordinarily be tested against the reasons contained in that order.

32) The other settled principle of law is that an order passed by a statutory authority must stand or fall on the reasons contained therein. The Appellate Authority cannot subsequently supplement the reasons stated in

the impugned Order by permitting filing of an Affidavit or by advancing additional grounds before the Court. This principle has been authoritatively laid down by the Constitution Bench in *Mohinder Singh Gill & Anr. v. Chief Election Commissioner, New Delhi & Ors.*, (1978) 1 SCC 405 (para 8). The same is reaffirmed in *63 Moons Technologies ltd. v UOI,* 2019 18 SCC 401 (para 100).

33) Though the factual context in *Mohinder Singh Gill* (supra) was different, the principle is of direct relevance: an appellate authority cannot transform an order deficient in statutory reasoning into a valid order by supplying, for the first time, the foundational reasoning which the original authority was required to record.

34) The defect here is therefore not merely one of inadequate expression. It is the failure to discharge the statutory function entrusted to the Adjudicating Authority.

‘Proceeds of crime’ cannot be equated with entire business assets

35) The P.M.L.A is concerned with “proceeds of crime”. Section 2(1)(u) defines that expression with reference as property derived or obtained, directly or indirectly, as a result of criminal activity relating to a scheduled offence.

36) In *Vijay Madanlal Choudhary & Ors. v. Union of India & Ors.,* (2023) 12 SCC 1, the Supreme Court particularly in paragraphs 251 to 253, has held that the expression ‘proceeds of crime’ must be construed strictly

and that every property recovered or attached in connection with a 'scheduled offence' cannot, merely by reason of such attachment or connection, be regarded as 'proceeds of crime'. The property must be shown to have been derived or obtained, directly or indirectly, 'as a result of' criminal activity relating to a 'scheduled offence'. The existence of a 'scheduled offence', by itself, therefore, does not render every asset or property of the person or entity concerned as "proceeds of crime".

37) We do not propose to finally determine, in this statutory appeal, whether any particular transaction did or did not constitute 'proceeds of crime'. That is not the stage of the proceedings. However, the statutory Authorities were required to apply their independent mind to this question at the *prima facie* level. The Appellate Tribunal instead placed undue reliance upon the gross revenue of approximately Rs.2,850 crore and the alleged remittances of approximately Rs.2,320 crore outside India.

38) Gross business turnover, however, cannot by itself establish that the entirety of the turnover represents 'proceeds of crime'. The fact that money has moved from India to an overseas group entity may be relevant to an investigation. It does not, without more, establish that every amount in the company's bank accounts constitute 'proceeds of crime'.

39) The statutory scheme requires a clear distinction between the following: (a) legitimate business receipts; (b) proceeds derived from a scheduled offence; and (c) property held in equivalent value to proceeds of

crime. This distinction is fundamental to the statutory framework. The Appellate Tribunal, therefore, ought to have required a proper determination by the Adjudicating Authority rather than treating the company's overall revenue and foreign remittances as sufficient to sustain the freezing of the properties.

40) We find that, the Appellate Authority has failed to consider that, no 'scheduled offence' evidently been committed by the Appellant. Out of the ten FIRs' forming the basis of the E.C.I.R that were filed, at the time of hearing of the Appeal, nine FIRs were closed/settled owing to withdrawal of the complaints filed by the first informant. The sole pending FIR bearing No.582 of 2021 involved an amount of Rs.85,650/- only. That being so the freezing of accounts amounting to approximately 100 crores is *ex-facie* excessive and disproportionate.

41) We find that the impugned Order has failed to assign reasons for attaching entire assets and properties of the Appellant, particularly when the sum total of the ten FIRs was an amount of Rs.25 lakhs only. It has entirely failed to consider the withdrawal of the 9 FIRs, resulting in a balance of one FIR involving an amount of Rs.85,650/-.

42) In our view, both the Adjudicating Authority and the Appellate Authority have overstepped their jurisdiction by attaching assets of over Rs. 100 crores on the basis of a 'predicate offence' under Section 420 of the Indian Penal Code (IPC), which is a compoundable offence under law. The

'PMLA offence' and the 'scheduled offence' operate within a distinct statutory framework. The Respondents are therefore correct to the limited extent that the subsequent status namely, withdrawal of some FIRs cannot, by itself, be treated as an automatic adjudication in favour of the Appellant.

43) We also find that the E.D. has not produced an iota of evidence, to substantiate 'predicate offence' over a period of two years or justifying its assertion that the 'game and the payment system within the game' was designed to allow auto-debit of money (i.e., without authorization via OTP), while only the first payment was secured by 'OTP.'

44) We also find merit in the contention of Mr. Punalekar that, the Appellant Company was merely an intermediary between the end user and Garena International Private Limited and was therefore neither responsible for developing the game nor for controlling the payment services associated with it and that it acted solely as a re-seller of digital content namely, vouchers, in-game points, etc.

45) We also find merit in the contention that, the debits to the alleged victims' accounts were made on the basis of transactions with Payment Gateway Companies carried out through the secured mode of sending an 'OTP' and that the Appellant had no role in receiving any amounts from the victims.

46) We find that, no investigation has been made to demonstrate any act of cheating through amounts remitted via the Appellant's gateways. We

further find that, the Appellate Authority as well as the Adjudicating Authority has recorded no finding that all or any of the properties referred to in the notice issued under Section 8(1) of the P.M.L.A were involved in money laundering.

47) In the absence of a predicate offence, the E.D. was not empowered to exercise any of its powers, as per the law laid down by the Hon'ble Supreme Court. We are also unable to comprehend the basis on which the E.D. has attached a sum total of Rs. 100 crores without establishing that all the transactions made on the Apps were done by minors or were on account of an unauthorized 'auto-debit'. It is impossible to comprehend that, transaction totaling to Rs 2,854 crores were all done through fraudulent auto-debit and were all unsecured payments. Until the date of hearing, there is no material on record to show that these transactions were without appropriate authentication.

48) The relevance of the subsequent development is that, it highlights the necessity for the Adjudicating Authority to identify the specific property and the specific nexus which allegedly renders it proceeds of crime.

49) Where the original criminal offence involves a limited and quantified transaction—in the present case, approximately Rs.25 lakhs across ten FIRs—but the coercive action extends to the entire banking and payment infrastructure of the entity—in the present case, approximately Rs.100 crores belonging to the Appellant, an Indian-based company—the

statutory authority must provide reasoned justification for why each category of property is liable to be retained or frozen, and to what extent. This necessary exercise, mandated by Section 8(2) of the P.M.L.A., has not been undertaken by the investigating authority.

50) The investigating authority has failed, to the present date, to establish three critical elements: first, that the entire sum of Rs. 2,850 crores was unlawfully received by Coda (Singapore); second, that this sum was the subject of money laundering; and third, that the Rs.100 crores attached in India in the hands of the Appellant constituted 'proceeds of crime'. To attach properties worth Rs.100 crores without establishing these prerequisites is neither warranted nor contemplated by Section 8(2) of the P.M.L.A., particularly when nine out of ten FIRs—aggregating Rs.25 lakhs—have been withdrawn and only one FIR in the sum of Rs.85,000 remains pending. Reliance upon conjecture, surmise, or the mere 'reason to believe' standard in the face of such evidentiary erosion is manifestly untenable and cannot sustain the attachment of such magnitude.

51) The allegation concerning auto-debit constitutes an important factual foundation of the E.D's case. The Appellant specifically denied that, its payment mechanism permitted subsequent transactions without authentication and placed before the authorities its explanation concerning OTP, UPI PIN and authentication by the payment aggregators. The E.D. disputed the Appellant's explanation. At the present stage, it is neither

necessary nor appropriate for us to conclusively decide which version is correct. But the dispute demonstrates precisely why the Adjudicating Authority was required to apply its own independent mind to the material and record reasoned conclusions as to the involvement of the properties. The Appellate Tribunal could not resolve the statutory deficiency by merely accepting the E.D's narrative, without recording its own reasons and conclusion.

52) The Freezing Order under Section 17 is contrary to the Supreme Court Judgment in *Vijay Madanlal Chaudhary (supra)* and the Delhi High Court Judgment in the case of *M/s. Prakash Industries Ltd. v/s. Union of India & Anr.* reported in 2023 SCC OnLine Del 336. Considering Section 17(1), Section 20(1) and Section 21(1) of the P.M.L.A, we find that, the E.D. has failed to supply 'reasons to believe' leading to the entire proceedings being vitiated. By failing to consider these provisions, the Appellate Authority has clearly contravened the settled law enumerated by the Delhi High Court in *J. Sekar v/s. Union of India* reported in 2018 SCC OnLine Del 6523, which held that, there has to be a communication of 'reasons to believe' at every stage to the Noticee under Section 8(1) of the P.M.L.A. It further held that, the failure to disclose right at the beginning, the 'reasons to believe' amount to an illegality vitiating the entire proceedings.

53) Accordingly, the Appeal deserves to be allowed, as the

Adjudicating Authority failed to record the mandatory statutory finding under Section 8(2) of the P.M.L.A, as to whether the properties in question were involved in money laundering. The mere conclusion that, continuation of freezing or retention was necessary for adjudication could not substitute the statutory finding required by law nor could the defect in the original Order be subsequently cured by the Appellate Tribunal by recording its own finding. Further, the gross turnover or aggregate foreign remittances of the Appellant by themselves, could not justify treating the entire assets or bank balances of the Appellant as proceeds of crime. The legality of the interim and coercive measures under the P.M.L.A must be tested strictly against the statutory conditions prescribed by Parliament. These findings are confined to the legality of the impugned Orders and shall not be construed as an expression of opinion on whether the Appellant has committed the scheduled offence or the offence of money laundering.

54) The Appeal is, accordingly, allowed and the impugned Order is quashed and set aside.

55) In view of allowing the Appeal, Interim Application No.3418 of 2025 filed therein, does not survive and is accordingly disposed off.

(KAMAL KHATA, J.) **(A.S. GADKARI, J.)**