2026 INSC 846

**NON REPORTABLE**

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

**CRIMINAL APPEAL NO. OF 2026**
[ARISING OUT OF SLP (CRL.) NO.3933 OF 2025]

**PARAG KISHORE SATOSKAR AND OTHERS ... APPELLANT(S)**

**VERSUS**

**STATE OF JHARKHAND AND ANOTHER ... RESPONDENT(S)**

**WITH**

**CRIMINAL APPEAL NO. OF 2026**
(ARISING OUT OF SLP (CRL.) NO. 3996 OF 2025)

# J U D G M E N T

***AUGUSTINE GEORGE MASIH, J.***

1. Leave granted.

2. These appeals arise from the common judgment and order dated 19.02.2025 passed by the High Court of Jharkhand at Ranchi in W.P. (Cr.) No. 1041 of 2024 and W.P. (Cr.) No. 1042 of 2024, by which the High Court

declined to quash the first information report registered as Kotwali P.S. Case No. 323 of 2024 for the offences punishable under Sections 316(2), 318(4) and 3(5) of the Bharatiya Nyaya Sanhita, 2023 (for short, "the BNS"), and dismissed both the writ petitions. As the two appeals assail a common judgment and are directed against one and the same first information report, they are being disposed of by this common judgment.

3. The respondent No. 2, the original informant, is the sole proprietor of M/s D.K. Enterprises, a firm carrying on wholesale trade in camphor at Ranchi. M/s Oriental Aromatics Limited (for short, "the Company") manufactures specialty aroma chemicals and camphor. The appellants in the appeal arising out of S.L.P. (Criminal) No. 3996 of 2025 are its Chairman and Managing Director and its Executive Director while those in the appeal arising out of S.L.P. (Criminal) No. 3933 of 2025 are its Chief Executive Officer, Chief Operations Officer and a clerk. On 26.11.2024, upon the written information of the respondent No. 2, Kotwali P.S. Case No. 323 of 2024 came to be registered at Police Station Ranchi Kotwali, District Ranchi, naming the five appellants before us as the accused.

4. The case set up in the first information report, shortly stated, is as follows. The respondent No. 2 was offered the distributorship of 'Saraswati' camphor for the State of Jharkhand by the Company with effect from 01.04.2024 to 01.04.2027, and over these three years he would have to pay Rs. 20,00,000/- and in return for which he would receive many kinds of gifts and benefits. He transferred Rs. 52,000/- as token money in December 2023. An agreement was thereafter drawn up on 29.03.2024 for the term 01.04.2024 to 01.04.2027, which he signed and returned on 04.05.2024. He paid Rs. 73,00,000/- as advance in six remittances made between 04.04.2024 and 26.06.2024, against which goods worth Rs. 31,49,167/- were supplied under four bills. Thereafter, upon his raising the question of the lower rate at which goods were supplied to others as compared to respondent No.2, the Company stopped supplies, demanded more money, and neither sent the goods nor returned the balance of Rs. 41,50,833/-.

5. The submission urged on behalf of the appellants was that the first information report, read as a whole and accepted at its face value, discloses no more than a dispute over price, supply and accounts arising out of a

written commercial contract, to which a criminal overtone has been imparted.

6. Learned counsel for the respondent No. 2, on the other hand, submitted that the appellants have endeavoured to portray a course of deliberate conduct as a mere contractual dispute, and that the intention to deceive is writ large in the termination of an agreement intended to run for three years within about a month and a half, without forewarning and upon dues said to be fictitious. Reliance was placed upon ***C.S. Prasad v. C. Satyakumar***[1] and ***Neeharika Infrastructure Pvt. Ltd. v. State of Maharashtra***[2], for the propositions that civil and criminal liability may arise from the same set of facts, that a first information report is not required to be an encyclopaedia, and that a legitimate investigation into a cognizable offence ought not to be thwarted. The learned Standing Counsel for the State adopted these submissions and added that the investigation is at a seminal stage and should be permitted to run its course.

7. Having heard the learned senior counsel for the appellants in both the appeals, the learned counsel for

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[1] 2026 INSC 39
[2] (2021) 4 SCR 1044

the respondent No. 2 and the learned Standing Counsel for the State of Jharkhand, and having perused the impugned judgment and the documents placed on record, the questions that fall for our consideration are:

(i) Whether the allegations made in the first information report, taken at their face value when accepted in their entirety, disclose the commission of the offences alleged.

(ii) Whether a civil/commercial dispute between the parties has been sought to be given a criminal overtone, if yes, the consequence thereof.

8. Section 318(4) of the BNS, which provides for the punishment for cheating, corresponds to Section 420 of the Indian Penal Code, 1860 (for short, "the IPC"); and Section 316(2) BNS i.e. criminal breach of trust, to Section 406 IPC.

9. This Court while dealing with the core and essence of the offence of cheating in ***Delhi Race Club (1940) Ltd. v. State of U.P.***[3], elaborated in Para 30, the relevant extract reads as under:

> *"30. ….. In case of cheating, the intention of the accused at the time of inducement should be looked into which*

[3] (2024) 10 SCC 690

*may be judged by a subsequent conduct, but for this, the subsequent conduct is not the sole test. Mere breach of contract cannot give rise to a criminal prosecution for cheating unless fraudulent or dishonest intention is shown right from the beginning of the transaction i.e. the time when the offence is said to have been committed. Therefore, it is this intention, which is the gist of the offence."*

10. This principle is not new. In ***Hridaya Ranjan Prasad Verma v. State of Bihar***[4], this Court, while dealing with a complaint arising out of a transaction of sale of land, held that a culpable intention at the time of making a promise cannot be presumed from the mere failure to keep it; where the averments in the complaint, when read in their entirety and accepted as true, neither expressly state nor indirectly suggest an intentional deception at the beginning of the negotiations. The core postulate of dishonest intention in such a situation is not made out. The continuance of the proceeding in such a case would be an abuse of the process of the court.

11. The guiding principles with regard to the exercise of powers by the High Court under Article 226 and Section 482 CrPC have been laid down by this Court in ***State of Haryana v. Bhajan Lal***[5], where in paragraph 102, it was

[4] (2000) 4 SCC 168
[5] 1992 Supp (1) SCC 335

set out illustratively, and not exhaustively, the categories of cases where such power can be exercised to prevent abuse of the process of any court or otherwise to secure the ends of justice. The category which would cover the case in hand would be the following:

> *"(1) Where the allegations made in the first information report or the complaint, even if they are taken at their face value and accepted in their entirety do not prima facie constitute any offence or make out a case against the accused."*

12. The above category of cases call for no assessment of the truth of the allegations and no weighing of evidence. It requires only that the allegations be read as they stand and measured against the ingredients of the offence alleged. Where they fall short of the test, the deficiency is one of law, and no investigation can supply an averment that the informant has not made. The power is, of course, to be exercised sparingly and with circumspection.

13. So measured, the first information report in the case at hand is wanting in the essentials of the offence punishable under Section 318(4) of the BNS. It contains no averment of fact from which a dishonest intention at the inception could be inferred. It is not alleged that the offer of distributorship was made without any intention of conferring it or that the appellants knew, when the

agreement was drawn up or when any of the six remittances was received, that they would not or could not supply the goods. It is not asserted that the distributorship had already been conferred upon another or that any representation was made as to an existing fact false to the knowledge of the maker. Nor is it stated when, where, in whose presence and in what terms the deceitful representation was made, or which of the five named persons made it. The word “cheated” and the expression “I got deceived” although appear in the information as conclusions but are bereft of the facts from which these conclusions might be drawn and thus the offence would not be made out.

14. The averment which comes closest to a representation is that the respondent No. 2 was told that he would receive gifts and benefits in return for a payment of Rs. 20,00,000/- spread over three years. Accepting that averment as true, it is a promise as to the future and not an assertion as to an existing fact. A promise of future advantage becomes a deception only if it was made without any intention of performing it, and the information contains nothing from which such an absence of intention could be gathered. It is not even

stated that the sum of Rs. 20,00,000/- was in fact paid. Section 318(4) of the BNS postulates a deception which precedes the delivery of property and induces it. The information points to no deception preceding the six remittances. It says only that the agreement was drawn up on 29.03.2024, signed and returned on 04.05.2024 by him, and that the remittances were made between 04.04.2024 and 26.06.2024 as advance for goods yet to be received. The payments were therefore made under the contract, and a contract lawfully entered into and acted upon is not a deception.

15. The information is also its own answer upon the question of inception. It records that the distributorship promised from 01.04.2024 was in fact conferred; that an agreement was in fact executed for the full term of three years; that goods were in fact supplied; and that bills were in fact raised and sent. On the showing of the respondent No. 2 himself, supplies worth Rs. 31,49,167/- were made. Part performance is not, of itself, a conclusive answer to a charge of cheating. But where the information pleads no fact whatever pointing to dishonesty at the inception and the conduct, it does plead, is consistent with an intention

to perform, an initial fraudulent intent becomes a matter of speculation rather than of allegation.

16. The termination of the distributorship carries the matter no further. It is enough to say that the exercise of a power under the contractual terms is not, by itself, an act of deception. Where a contracting party brings the contract to an end in the manner the contract permits, the remedy of the other party, if the termination is wrongful, is to claim damages. To convert that into the offence of cheating, the information would have to allege facts showing that the termination was the culmination of a design formed at the outset. It alleges no such thing, and in the absence of such an allegation the information furnishes no foundation for action under the BNS.

17. In ***Mohammad Wajid v. State of U.P***.[6], this Court held that the averments of the information are not the sole material, and that in frivolous or vexatious proceedings the Court owes a duty to look into the attending circumstances emerging from the record. Those circumstances here are these. The agreement was terminated on 08.07.2024. Within a fortnight, on

[6] 2023 SCC OnLine SC 951

23.07.2024, the respondent No. 2 caused a legal notice to be issued, and on 29.07.2024 he addressed a further communication to the Managing Director. Neither breathes a word of an advance of Rs. 73,00,000/-, or of Rs. 41,50,833/- wrongfully retained; the grievance in both is that goods were supplied to him at a price higher than that charged to another, and in the second he asserts that he continues to hold the Company's goods worth about Rs. 6,00,000/-. The Company replied on 11.09.2024, rejecting the complaint and demanding Rs. 5,79,239/-. The information report followed more than two months later, and the case of an unreturned advance was made in it for the first time. That is a circumstance which this Court is persuaded to weigh in.

18. As regards the offence punishable under Section 316(2) of the BNS, the difficulty is more basic. Criminal breach of trust presupposes entrustment, which requires that the beneficial interest in the property remain with the person handing it over, the recipient taking no more than custody or dominion for the benefit of another. Money paid to a supplier as the price of goods, or in advance of their supply, passes to the supplier as his own; he holds it as consideration under a contract, and is neither

trustee nor bailee of it. If he takes the money and does not deliver, he is in breach of his contract but has not committed a breach of trust, because there was no trust.

19. There is no averment on behalf of Respondent No.2 that any money or goods was made over to any of the appellants to be held on his behalf, or to be applied to any specified purpose and to no other, or to be returned in specie. In the absence of such an averment, the ingredient of entrustment is simply not pleaded, and the offence under Section 316(2) of the BNS cannot be said to be disclosed upon any reading of the information.

20. There is a further and connected difficulty. The information alleges both cheating and criminal breach of trust upon the identical set of facts. As ***Delhi Race Club*** (supra) explains, the two offences are antithetical. In cheating, the property is parted with because the owner has been deceived, and the dishonest intention exists at the inception. In criminal breach of trust, the property comes lawfully into the hands of the accused and is dishonestly dealt with thereafter. The registration of the first information report for both offences upon one indivisible set of allegations is an indication that the

allegations were not measured against the ingredients of either.

21. The decisions relied upon by the respondent No. 2 do not carry the matter further. ***Neeharika Infrastructure*** (supra) states, and this Court reiterates, that a first information report is not required to be an encyclopaedia and that a legitimate investigation into a cognizable offence ought not to be stifled. The test it lays down is whether the allegations, taken at face value, disclose the commission of a cognizable offence. This Court has applied that very test. The complaint here is not that the information lacks detail. It is that the information, however detailed as to remittances and bills, does not allege the one thing without which cheating cannot exist, namely, a dishonest intention at the time of the inducement; and does not allege the one thing without which criminal breach of trust cannot exist, namely, entrustment.

22. If the respondent No. 2 is right that Rs. 41,50,833/- is due to him, the law affords him a remedy, and an effective one. What it does not afford him is the use of the criminal process to compel its payment. Stripped of its

conclusions, the information asserts that money was paid, that goods of a lesser value were delivered, that supplies ceased, and that the difference has not been returned. Each of those assertions, if established, will be the foundation of a claim and not of a crime.

23. Taking the allegations in the first information report at their face value and accepting them in their entirety, this Court is satisfied that the ingredients of the offence punishable under Section 318(4) of the BNS are not made out, no fact being alleged from which a dishonest or fraudulent intention at the inception could be inferred; and that the ingredients of the offence punishable under Section 316(2) BNS are not made out, entrustment not being alleged at all. The matter falls within the first of the categories enumerated in ***Bhajan Lal*** (supra) as stated above. To permit the proceeding to continue would be to permit a dispute arising from a written commercial contract, to be pursued through the machinery of the criminal law, and that would be an abuse of the process of the court.

24. In the result, both the appeals are allowed. The common judgment and order dated 19.02.2025 passed by the High

Court of Jharkhand at Ranchi in W.P. (Cr.) No. 1041 of 2024 and W.P. (Cr.) No. 1042 of 2024 is set aside. The first information report registered as Kotwali P.S. Case No. 323 of 2024 at Police Station Ranchi Kotwali, District Ranchi, for the offences punishable under Sections 316(2), 318(4) and 3(5) of the Bharatiya Nyaya Sanhita, 2023, and all proceedings arising therefrom, stand quashed.

25. Nothing said in this judgment shall be construed as an expression of opinion upon the merits of any civil, arbitral or other proceeding between the parties, whether pending or hereafter instituted in accordance with law.

26. Pending applications, if any, shall stand disposed of.

**..............................................J.**
**[ SANJAY KAROL ]**

**..............................................J.**
**[ AUGUSTINE GEORGE MASIH ]**

**NEW DELHI;**
**AUGUST 12, 2026.**