

Form J(1).
SL. No. 6
Ct No. 42

**IN THE HIGH COURT AT CALCUTTA
CRIMINAL REVISIONAL JURISDICTION
APPELLATE SIDE**

**PRESENT:
THE HON'BLE JUSTICE UDAY KUMAR**

CRR 2086 of 2023

CRAN 1 of 2023

CRAN 2 of 2024

**CE Info System Pvt. Ltd. & Ors.
Vs.
Yash Khara**

Appearance:

For the Petitioners : Mr. Sachit Talukdar

For the Opposite Party : Ms. Swarnali Saha

Heard on : 06.10.2026

Pronounced on : 06.10.2026

Judgment (Oral)

UDAY KUMAR, J.: –

1. The misuse of criminal machinery to impart a cloak of criminality upon commercial disputes that essentially sound in contract continues to plague judicial dockets. The present application under Section 482 of

the Code of Criminal Procedure, 1973 invites this Court to examine whether the continuation of a criminal complaint arising out of a business-to-business supply transaction, where the core grievance pertains to product defects, warranty replacement, and commercial dissatisfaction constitutes an abuse of the process of law.

- 2.** The petitioners, being a Corporate Entity (CE Info System Ltd) and its key managerial personnel, namely the Director, Vice President, and Associate Vice President, invoke the inherent powers of this Court seeking quashing of the criminal proceedings in C. Case No. 666 of 2021 under Sections 406, 420, and 506 of the Indian Penal Code, currently pending before the 8th Court of the Learned Judicial Magistrate, Alipore, South 24 Parganas,
- 3.** Turning to the factual matrix leading to the filing of the impugned criminal proceeding, it is revealed that the opposite party/complainant, who is the proprietor of M/s Euro II Services, has been engaged in the business of selling automobile accessories since 2015. In the year 2017, the complainant placed commercial orders for GPS tracking and automobile products, specifically A04041-VT Rover Lite valued at Rs. 4,10,000/-, from petitioner no. 1 company after interacting with its representatives. Across the regular course of business during the financial year 2018-2019, certain supplied products were found to be defective or commercially non-viable. The complainant raised grievances via emails and meetings with corporate employees, including petitioner nos. 3 and 4.

4. Furthermore, the complainant alleged that an advance payment of Rs. 60,000/- was made via a cheque bearing no. 043069 dated 30.11.2019 drawn on ICICI Bank for fresh supplies that were neither delivered nor was the advanced amount refunded, and that a separate product, A04082-VT15-AIS140-PB1 valued at 5,70,825/-, remained unrepaired or unreplaced despite a final reminder email dated 27.10.2020 and telephone calls to petitioner nos. 2 to 4.
5. Aggrieved by such commercial disputes, the complainant filed a petition of complaint under Section 200 of the Cr.P.C. before the Learned Chief Judicial Magistrate at Alipore, which was registered as C. Case No. 666 of 2021, alleging offenses under Sections 420, 406 and 506 of the IPC. The matter was subsequently transferred to the 8th Court of the Learned Judicial Magistrate, Alipore.
6. The Learned Magistrate, after recording the initial statement of the complainant on solemn affirmation under Section 200 of the Cr.P.C., directed the police an inquiry under Section 202 Cr.P.C. Following jurisdictional rectifications, a report dated 17.08.2022 was submitted, and the Learned Magistrate, by an order dated 18.08.2022, took cognizance and issued process and summons against the petitioners under Sections 420, 406, and additionally under Section 506 of the IPC. Aggrieved by the mechanical issuance of process and the criminalization of what is fundamentally a civil contractual dispute, the petitioners have approached this Court under Section 482 of the Code of Criminal Procedure seeking quashing of the aforesaid criminal proceedings.

- 7.** Advancing the submissions on behalf of the petitioners, Mr. Talukdar, learned counsel forcefully contended that the dispute is purely civil in nature, arising from a long-standing commercial relationship between the petitioner company and the proprietorship concern of the Opposite Party No. 2 initiated in 2017, with not a single averment in the complaint indicating any dishonest fraudulent intention on the part of the petitioners at the very inception of the transaction. Furthermore, the petition of complaint contains bald, generalized assertions against the corporate officers of the petitioner no. 1 company without attributing any specific individual role, overt act, or statutory basis for vicarious liability under the Indian Penal Code.
- 8.** Mr. Talukdar, learned counsel also pointed out that although the Magistrate purported to take cognizance of offences punishable under Sections 420 and 406 IPC, summons were mechanically issued to the petitioners under Section 506 IPC as well, notwithstanding the complaint being completely devoid of any ingredients constituting the criminal intimidation punishable under Section 506 IPC.
- 9.** It was additionally highlighted by the learned counsel for the petitioners that the parties had previously executed a Settlement Agreement dated 29.12.2018 resolving past disputes but the said material fact was suppressed by the complainant and the inquiry report under Section 202 Cr.P.C. was submitted by a Sub-Inspector, contrary to the specific direction addressed to the Officer-in-Charge, thus remaining a bare-bones jurisdictional note devoid of witness statements or substantive

verification, thereby reflecting a complete non-application of judicial mind.

10. On the other hand, although unrepresented at the final hearing stage of the matter, the opposite party's written stance in the complaint asserts that money was accepted by the petitioner company against the supply of goods and advance payments without fulfilling delivery, or by supplying defective, non-viable products, thereby causing wrongful loss to the opposite party to the tune of Rs. 10,54,625/- warrants a full criminal trial.

11. Upon considering the pleadings, statutory provisions, and judicial precedents, the core questions that arise for determination are:

Firstly, Whether the allegations in the complaint disclose the essential ingredients of criminal offences under Sections 420, 406, and 506 of the Indian Penal Code or constitute a civil contractual dispute,

Secondly, Whether corporate directors and officers can be prosecuted in the absence of specific individualized allegations establishing active criminal involvement given that the Indian Penal Code does not recognize a general doctrine of vicarious liability, and

Thirdly, Whether the Learned Magistrate erred in issuing process mechanically without recording subjective satisfaction or adequate verification under Section 202 of the Code of Criminal Procedure.

- 12.** Addressing the first question regarding a civil contractual dispute masquerading as a criminal offence, it a well-entrenched principle of criminal jurisprudence that a civil breach of contract cannot be converted into a criminal prosecution by merely utilizing the nomenclature of penal provisions of cheating or criminal breach of trust. To sustain a charge under Section 420 of the Indian Penal Code, the complainant must establish fraudulent or dishonest inducement *ab initio*, meaning at the very beginning of the transaction. In the landmark authority relied upon by the petitioners in *V.Y. Jose and Another v. State of Gujarat and Another*, [(2009) 3 SCC 78] at paragraphs 20 to 30, the Hon'ble Supreme Court authoritatively held that a civilian's commercial transactions or contractual disputes cannot be permitted to be dragged into criminal courts unless the ingredients of criminal deception, fraudulent inducement *ab initio* and dishonest misappropriation are distinctly made out and that mere subsequent failure to keep a promise cannot be presumed as an act of cheating *ab initio*.
- 13.** In the present case, the parties operated under a continuing commercial arrangement since 2017 for the purchase of automobile accessories, and the grievance relates strictly to product quality, warranty replacements, and a disputed advance payment, while the complaint is entirely silent on any initial fraudulent design or trickery allegedly committed by the petitioners at the time of placing orders; thus, applying the ratio of *V.Y. Jose (supra)*, the dispute is overwhelmingly civil, and criminal proceedings cannot be weaponized as

a recovery mechanism or a tool for exacting commercial pressure. The first question is accordingly answered in favour of the petitioners.

- 14.** Addressing the second question concerning the absence of specific allegations of vicarious liability against the Petitioner Nos. 2, 3, and 4 as the Director, Vice President, and Associate Vice President of the Petitioner No. 1 company (Corporate Entity CE Info System Ltd). It is a settled proposition of criminal law that except where explicitly provided by special statutes, such as the Negotiable Instruments Act, 1881 or the Companies Act, 1956 or 2013 under specific regulatory mandates, the Indian Penal Code does not incorporate a statutory fiction of vicarious liability for corporate officers. A criminal court cannot summon directors or senior management officers merely because they hold high office within a company, unless specific, clear, and unambiguous allegations demonstrate their direct personal participation or role in the alleged criminal act. The complaint in question lumps all the petitioners together in a generalized fashion, rendering the prosecution of the individual officers in the connected criminal proceeding legally unsustainable. The second question is also accordingly answered in the negative, in favour of the petitioners.

- 15.** Addressing the third and final question regarding the mechanical issuance of summons and flawed inquiry under Section 202 of the Code of Criminal Procedure. When such an inquiry is ordered, the Magistrate is expected to apply judicial mind to verify the truth or falsehood of the complaint based on substantive material. In the instant case, the inquiry report merely verified the police station jurisdiction without

examining witnesses or collecting material particulars, yet the Magistrate proceeded to issue summons, including under Section 506 of the Indian Penal Code, for which the complaint contains zero factual foundation, thereby reflecting a total lack of judicial circumspection. The third question is also answered in the affirmative, in favour of the petitioners.

16. In view of the foregoing analysis, this Court holds that allowing the criminal proceedings in C. Case No. 666 of 2021 to continue against the petitioners would constitute a gross abuse of the process of the Court, as the dispute is purely civil in nature and *prima facie* fails to disclose the essential ingredients of Sections 420, 406, or 506 of the Indian Penal Code.
17. In view of determination of all core questions in favour of the petitioners, the criminal revision application succeeds.
18. **C.R.R. 2086 of 2023** therefore stands allowed.
19. Consequently, the entire proceeding relating to C. Case No. 666 of 2021 under Sections 406, 420, and 506 of the Indian Penal Code, pending before the 8th Court of the Learned Judicial Magistrate, Alipore, South 24 Parganas, along with all orders issuing process against the petitioners, namely, CE Info System Ltd., Rohan Verma, Sonam Rawat, and Jitendra Kumar, **hereby stands quashed and set aside.**
20. All connected pending applications for extension of interim order (CRAN 1 of 2023 and CRAN 2 of 2024) are accordingly disposed of.
21. Interim order, if any, stands vacated
22. There shall be no order as to costs.

- 23.** Let a copy of this judgment along with the Trial Court Records (TCR) be transmitted to the learned Trial Court forthwith for necessary information and immediate compliance.
- 24.** Case diary, be returned to the Learned Counsel for the State.
- 25.** Urgent photostat certified copy of this judgment, if applied for, be supplied to the parties upon compliance with all requisite formalities.

(Uday Kumar, J.)

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