IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED: 28-08-2026

CORAM

THE HON'BLE MR.JUSTICE V. LAKSHMINARAYANAN

CRL OP No. 23636 of 2026

S.Karthick @ Mulanoor Karthick
S/o. Shanmugavel,
No.304, Annai Apartments,
Erode Road, Athur Road,
Karur.

..Petitioner

Vs

The State Represented by the Inspector of Police
Special Investigation Cell,
Directorate of Vigilance and Anti-Corruption,
Chennai-600 016.
(V and AC Headquarters Crime No. 05 of 2026)

..Respondent

To enlarge the petitioner/Accused No.7 on bail in connection with V and AC Headquarters Crime No.05 of 2026.

For Petitioner	:	Mr.N.R.Elango, Senior Counsel for Mr.D.Jayasekar
For Respondent	:	Mr.John Sathyan, Special Public Prosecutor, For Mr.Arun Anbumani, Additional Public Prosecutor

<u>Order</u>

This petition has been filed seeking bail. The petitioner is the seventh accused in Crime No.5 of 2026 on the file of Vigilance and Anti Corruption. The accused are alleged to have committed offences under Sections 120-B, 167, 409, 420 and 109 IPC, Sections 61(2), 201 and 316(5) of the BNS, 2023 and Section 13(2) read with 13(1)(a), 7(c) read with Section 12 of the Prevention of Corruption Act, 1988.

2. The petitioner was arrested on 30.07.2026. Police custody of the petitioner was between 07.08.2026 till 10.08.2026. He moved an application for bail in Crl.M.P.No.7313 of 2026. It came to be dismissed by the learned Principal Sessions Judge cum Special Judge for Vigilance and Anti-Corruption on 18.08.2026.

The case in brief:

3. An FIR came to be registered by the respondent on the basis of two petitions and a counter affidavit filed by the Directorate of Enforcement in SLP (Crl.).No.7958 of 2025. According to the FIR, there are a total of 5380 liquor selling retail shops being run by the Tamil Nadu State Marketing Corporation Limited (hereinafter referred to as 'TASMAC'). In addition, there are 3240 TASMAC bars. The District Managers of TASMAC are authorised to invite fresh tenders for running TASMAC bars and for selling empty cotton boxes. The revenue of the Government has been increasing from the sale of liquor in the TASMAC retail shop. However, there has been a decrease in revenue from the TASMAC bars.

4. In 2021, public tenders were called for operating 857 bars in the districts of Coimbatore, Nilgiris, Tiruppur, Erode, Namakkal and Karur. There were rampant violations of the rules and regulations by the District Managers of TASMAC while operating the tender. In addition, the tenderers had formed a syndicate. They submitted the Earnest Money Deposit and Demand Drafts from the same bank, which indicates cartelisation. Furthermore, out of 857 TASMAC bars, 284 were closed on paper but were operating without license in reality.

5. It was further alleged that in Sivaganga District, a person had deposited Rs.25,00,000/- and 42 Demand Drafts were taken from his account. The Demand Drafts were utilised for the purpose of applying for the bar tenders. All these were drawn on the direction of the petitioner herein. In Karur district, all the bars were being run by the petitioner and his associates, who formed an organisation titled syndicate "Karur Gang". The petitioner and his associates also pressurised and directed the officials of the TASMAC to allot TASMAC bars to the persons referred to by the petitioner in the entire state of Tamil Nadu. Furthermore, the petitioner and his associates were collecting party funds from the bar owners.

6. It was further alleged that one Rathesh Raj Shanmugavel was operating as a power broker in the State's liquor administration eco system. He was giving directions to A2, who was the then Managing Director of TASMAC. On the

basis of such directions, he was able to influence approval of major liquor brands, manipulation of bar licence tenders and administrative transfers of officials. He did this in active connivance with one Mr.Bhaskar, PA to the first accused. As said above, the petitioner has been arrested and has been in custody from 30.07.2026.

7. It is the plea of Mr.N.R.Elango that the petitioner is an innocent and has nothing to do with the allegations. By reading from the FIR, he pointed out that no details of the identity of the depositors, the bank and other necessary particulars with respect to Sivaganga tender have been disclosed. He states that the entire FIR is the result of the counter affidavit filed by the Enforcement Directorate before the Supreme Court. He added that the Special Leave Petition, before the Supreme Court, was at the instance of the TASMAC itself, wherein the allegations set forth by the Enforcement Directorate had been stoutly denied.

8. Mr.N.R.Elango pointed out that the TASMAC is subjected to a regular audit by the Comptroller and Auditor General and the report is placed before the State Assembly. It is the case of the TASMAC that the reports of several years do not indicate any financial irregularities. From the various grounds of appeal raised by the TASMAC before the Supreme Court in SLP (Criminal).No.7958 of 2025, he pointed out that the consistent case of TASMAC has been that all is well with its affairs and therefore, the FIR itself is baseless.

9. Mr.N.R.Elango further submits that acting on the Special Leave Petition preferred by the Additional Chief Secretary, Government of Tamil Nadu, the Supreme Court had made the stay granted against the Enforcement Directorate's action absolute and had given a direction not to take coercive action against the officials of TASMAC. He states, the petitioner has been compelled to give statements to implicate Mr.Senthil Balaji and his brother, not only in this case but also in the earlier case filed in Crime No 205 of 2026 on the file of the D-1 Police Station, Triplicane.

10. Thereafter, he pointed out that the petitioner, though had secured bail in Crime No.205 of 2026 vide order in Crl.O.P.No.19709 of 2026 dated 28.07.2026, he was not released from jail but was kept in the office of the Superintendent of Jails and handed over to DV & AC officials, who arrested him in this case. The grounds of arrest, which was supplied to him, were taken back and it was only supplied by the sessions court subsequently. He pointed out that the Income Tax Department, the Enforcement Directorate and the V & AC had caused a search of the house of the petitioner and the Enforcement Directorate and V & AC sleuths did not find anything. The Income Tax Department had taken away documents of interest and there is no necessity for him to be detained. He further pointed out that the petitioner has nothing to do

with A6 and therefore, for the fact that A6 has gone missing, the petitioner cannot be kept in jail till he is apprehended.

11. Rejecting these arguments, the learned Public Prosecutor submits that the present crime number was not on the basis of the counter affidavit of the Enforcement Directorate alone. It was on the basis of two petitions dated 18.05.2023 and 03.01.2025 which had set forth the conspiracy as well as the fraud played on the State's revenue by the accused herein. He states that the *modus operandi* of the petitioner and his associates was to supply records and Demand Drafts in the name of unconnected persons, take a license from TASMAC to run a bar. Further, the bar would be run by the persons unconnected to the one in whose name the licence had been effected. He adds that the so called licensees themselves would not be aware that TASMAC licence stands in their names. He states that the petitioner and A6 were running a parallel TASMAC operation.

12. Reading out from the records, the learned Public Prosecutor pointed out that the gravity of the offence runs into thousands of crores. Furthermore, he adds that hardly 25 days have gone by from the date of registration of the FIR and the investigation is at the nascent stage. He adds the police are recording statements from several persons and if the petitioner is set at large, witnesses would fear to come forward. He states that the presence of A6 is necessary as

A6 and A7, being the principal architects of the malversation of funds, and directing TASMAC officials. Therefore, interrogation of both is essential. He strongly asserts that the petitioner is the master mind of the operations and if he set at large, he would hamper the investigation. Therefore, he seeks for dismissal of the petition.

13. I have carefully considered the submissions of both the Senior Counsel. I have applied my mind to the records.

14. The narration of the facts goes to show that serious allegations of corruption exists in the case. FIR itself came to be registered only on 28.07.2026. The petitioner has been taken into custody on 30.07.2026. It is true that the petitioner was already in custody on 30.06.2026 but that was in an unconnected case in Crime No.205 of 2026 on the file of the D-1 Police Station at Triplicane.

15. Insofar as the plea of Mr.N.R.Elango that the complaint is based on the counter affidavit filed by the Enforcement Directorate before the Supreme Court, I am not in sync with his views. This is because, apart from the counter affidavit of the Enforcement Directorate, the records produced by the learned Public Prosecutor indicate that two complaints had been given on 18.05.2023 and 03.01.2025 to several higher officials in the State of Tamil Nadu. A perusal

of the complaints shows several hundred crores of rupees were lost as revenue. The Government of Tamil Nadu suffered on account of the manner in which the bar tenders had been conducted. It also brings to the notice about huge amounts of money not having found its way into the corpus of the State due to non-remittance of the bar tender amount.

16. The investigation has been underway for less than a month. As rightly contended by the learned Public Prosecutor, it is at nascent stage. During such a stage, the police would be gathering evidence, recording the statement of witnesses and establishing links. In case, bail is granted to an influencial accused like the petitioner, while the investigation is still at infancy, it could completely deviate the collection of evidence before it is even documented. It has been consistently held by this court as well as by the Supreme Court that the stage of investigation is a vital consideration at the time of granting bail. It is the duty of the court, at such a stage, to protect the integrity of the investigation process.

17. During the course of investigation, it came to light that the petitioner had, on his mobile, contact details and other relevant materials showing direct association between the petitioner and Senthil Balaji Accused No.1. Apart from that, the contact list of the petitioner contains several numbers belonging to TASMAC officials including TASMAC district Managers and Officials. Email

of the petitioner is being subjected to detail examination and is being corroborated with call details statement of witness, TASMAC records.

18. Furthermore, the allegations made by the prosecution indicates that the petitioner was an extremely close associate of Mr.Senthil Balaji, a former minister in the State of Tamil Nadu. Mr.Senthil Balaji's attempt to Anticipatory Bail was nixed by this Court. He is at large on account of the interim protection granted by the Supreme Court. The accused, when backed by political power, can easily manipulate or even threaten the individuals before they give their statements to the police. The risk of the witness intimidation is always high at the initial phase of investigation, more so, when the accused has high political patronage.

19. Under Section 187 of the BNSS, the police are permitted to seek custody in splits spells or separate. They can do so in the first 40 or 60 days of detention. If this court were to intervene and grant bail, it would disable the investigative agency of seeking custodial interrogation. It was pointed out by the Supreme Court in ***State of Andhra Pradesh v. Suda Suresh Veera Venkata Naga Raju in SLP (Cri.) No.12344 of 2026*** dated 27.07.2026 that on account of Section 187 of BNSS, the police custodial window is expanded. As it stands today, the investigators can chase fresh leads and granting bail prematurely

would foreclose the same. Since the investigation only began about four weeks ago, the right to statutory bail has also not matured.

20. Apart from all these, while dealing with economic offences and corruption, the courts have always taken a departure from the regular view that bail is the rule and jail is the exception. By the very nature of the allegations, the economic offences are treated as a distinct class of offences, which pose a great threat not only to the financial health of the State of Tamil Nadu, but also to the very moral fabric of the society. Economic offences constitute a separate class. Socio Economic Offences have deeply rooted conspiracies and involve huge losses of public funds as urged by the learned Public Prosecutor. Granting bail in such offences, when the investigation is at a crucial stage, can completely deviate the unearthing of the complex conspiracy that has been alleged.

21. It is the specific case of Mr.John Sathyan that A6 and A7 were the master minds and they implemented their plan with the blessings of the former Minister. The primary evidence in such cases consists of files, digital foot prints, bank statements and bureaucratic approvals. At this stage, police are still tracing and following the money trial. The capability of the accused to influence witnesses or tamper with complex documentary evidence as pointed out by the Supreme Court in ***P.Chidambaram v. Directorate of Enforcement, (2019) 9 SCC 24,*** is the primary reason to deny bail during the early stages of the probe.

22. In addition, the sixth accused has gone missing and unless and until the police are in a position to interrogate the accused along with the petitioner, they might not be in a position to unearth the conspiracy. As pointed out by the Supreme Court in ***Rohit Tandon v. The Enforcement Directorate, AIR 2017 SC 5309***, economic offences, having deep rooted conspiracies and involving huge loss of public funds, need to be viewed seriously and considered as grave offences affecting the economy of the country as a whole and posing serious threat to the financial health of the country. The duty of this Court, at this stage, is not to weigh the evidence meticulously, but to arrive at the findings on the basis of broad probabilities.

23. I would also refer to the view of Justice V.R.Krishna Iyer in ***Gudikanti Narasimhulu v. Public Prosecutor, High Court of Andhra Pradesh, AIR 1978 SC 429***. The learned Judge called upon the court to apply the following tests, namely,

(i) Nature of accusation;

(ii) Nature of evidence to support accusation;

(iii) Severity of the punishment which conviction will entail; and

(iv) Whether the sureties are independent or indemnified by the accused person.

Applying the tests to the facts of the present case, one is able to perceive that the offence being one of corruption and since it is a grave economic offence, this court should not, at present, consider the application. While deciding this application, I have also to keep in mind the views of Justice Pardiwala in ***Devinder Kumar Bansal v. The State of Punjab in SLP (Cri).No.3247 of 2025*** dated 03.03.2025, emphasising that public justice dictates, in matters relating to corruption, individual liberty under Article 21 must step aside to preserve institutional integrity.

24. By the very nature of things, whatever has been stated above is only tentative in nature and will not have any bearing on the merits of the case. In the light of the above discussions, the petition is dismissed.

28-08-2026

nl

Index: Yes/No
Speaking/Non-speaking order
Neutral Citation: Yes/No

To

1. The Inspector of Police
Special Investigation Cell,
Directorate of Vigilance and Anti-Corruption,
Chennai-600 016.

2. The Public Prosecutor
High Court of Madras

V.LAKSHMINARAYANAN J.

nl

CRL OP No. 23636 of 2026

28-08-2026