IN THE HIGH COURT OF JUDICATURE AT MADRAS

RESERVED ON : 13-08-2026

PRONOUNCED ON : -08-2026

CORAM

THE HON'BLE MR.SUSHRUT ARVIND DHARMADHIKARI,
CHIEF JUSTICE
AND
THE HON'BLE MR.JUSTICE G.ARUL MURUGAN

CRL RC No. 925 of 2026
and
CRL MP No. 7289 of 2026

1. Khetmal J Jain
S/o.Jugraj S.Jain,
Partner of M/s.Salem Steels Trading Co,
R/o A-1201, Sankeshwara Serenity,
1089, Poonamalle High Road, Vepery,
Chennai - 600 084.

2. M/s.Salem Steels Trading Co,
Represented by its Partner,
Khetmal J.Jain, situated at
18/3, Adinath Trade Complex,
100 Feet Inner Ring Road,
Madhavaram, Chennai - 600 098.

..Petitioner(s)

Vs

The Assistant Director,
Directorate of Enforcement, PMLA.
No.2, 5th and 6th Floor, BSNL,
Administrative Building,
Kushkumar Road, Nungambakkam,
Chennai - 600 034.

..Respondent(s)

PRAYER: Criminal Revision Case filed under Section 397 read with Section 401 of Code of Criminal Procedure, 1973, to call for records pertaining to the Order dated 18.02.2026 passed in Crl.M.P.No.1311 of 2025 in Spl.CC.No.06 of 2024 on the file of Learned XIV Additional Special Judge for CBI Cases, Chennai, and to set aside the same and consequently discharge the Petitioners from the Proceedings in Spl.CC.No.06 of 2024 and thus render justice.

For Petitioner(s):	Mr.S.Dhakshnamoorthy & Mr.O.Hasmukh Jain
For Respondent(s):	Mr.P.Sidharthan, Special Public Prosecutor [For Enforcement Directorate]

O R D E R

G.Arul Murugan J.

The Criminal Revision Case has been filed by the petitioners, who are Accused Nos.3 and 4, challenging the order dated 18.02.2026 in Crl.M.P.No.1311 of 2025 on the file of the XIV Additional Special Court for CBI Cases, Chennai, dismissing the application filed under Section 227 of Code of Criminal Procedure, 1973 seeking discharge.

2. The brief facts of the case are as follows:

2.1. It is alleged that the First Accused (A1), while working as Principal Chief Mechanical Engineer, Integral Coach Factory (ICF), Perambur, Chennai, had indulged in corrupt activities in connivance with the Sixth Accused (A6) in matters relating to the award and execution of tenders. A6 is the Director of the Seventh Accused (A7), a Company, who were the beneficiaries. A6 was also used as a conduit for the collection of bribes on behalf of A1. A1 retired from service on 31.03.2021. A sum of Rs. 5.89 crores was available with A6, which was to be handed over to A1 at New Delhi. The said amounts were handed over to the Second Accused (A2), the brother, on the instructions of A1, through A4 and A5.

2.2. The Central Bureau of Investigation (CBI) registered the predicate case in FIR No.RC AC-1 2021 A0005, dated 05.07.2021 against the accused, including the petitioners, for the offences punishable under Sections 7, 9, 10, and 11 of the Prevention of Corruption Act, 1988. After investigation, final report was filed and the case is pending as C.C.No.36 of 2021 on the file of the District and Sessions Court for CBI Cases (Special Judge, Prevention of Corruption Act) at the Rouse Avenue District Court Complex in New Delhi.

2.3. The respondent/Enforcement Directorate, based on the predicate case involving scheduled offences, registered Enforcement Case Information Report (ECIR) No.CEZO-I/56/2021 dated 07.10.2021. Upon completion of the investigation, the respondent filed a complaint before the Special Court against seven accused persons, including the petitioners, alleging commission of offences under Sections 3 and 4 of the Prevention of Money Laundering Act, 2002, [hereinafter referred to as 'PML Act']. The complaint was taken on file as Spl.C.C.No.6 of 2024.

2.4. After framing of charges, the petitioners filed a petition under Section 227 of the Code of Criminal Procedure seeking discharge. The Trial Court, finding *prima facie* materials are available against the petitioners, raising strong suspicion about their involvement in the commission of offences under the Act, dismissed the discharge petition. Aggrieved, the petitioners have preferred the present Criminal Revision Case.

3. The learned counsel for the petitioners submitted that the petitioners, who are A3 and A4, had regular business transactions with A6 and A7. In the course of their business, they had received amounts from A7 on various dates towards the supply of materials. It was submitted that, without any basis, the respondent had picked out three transactions and implicated the petitioners by alleging that the said transactions involved proceeds of crime. The learned counsel further submitted that, while there were approximately 21 transactions in the particular year, where amounts were credited to the account of A4, the respondent had, without any basis, singled out only three transactions amounting to Rs.1

crore and alleged that they did not relate to any genuine business transaction but were intended to assist A6 in transferring the proceeds of crime, had implicated the petitioners.

4. The learned counsel further submitted that, except the statements of the co-accused, there is absolutely no material available to implicate the petitioners in the alleged offence. A mere statement of a co-accused cannot constitute sufficient legal basis to implicate the petitioners. Further, it was submitted that persons who actually participated in the alleged transfers have been treated as witnesses, whereas the petitioners have been *mala fidely* implicated as accused persons, despite having no role in the alleged transaction involving proceeds of crime.

5. The learned counsel further submitted that it was incumbent upon the Trial Court to sift the evidence and examine whether there were any *prima facie* materials warranting further proceedings against the accused, but the Trial Court failed to discharge its duty and merely proceeded on the basis of the prosecution case. The dismissal of the discharge petition, therefore, was not in consonance with the settled principles laid down by the Hon'ble Supreme Court of India.

6. In support of his submissions, the learned counsel relied on the decisions of the Hon'ble Supreme Court in ***Sajjan Kumar vs. Central Bureau of Investigation (CBI)***[1], and ***Prem Prakash vs. Union of India (UOI)***[2].

7. Per contra, the learned Special Public Prosecutor appearing on behalf of the Enforcement Directorate submitted that the petitioners assisted A6 in transferring a sum of Rs.1 crore, being proceeds of crime, to A1 and thereby committed an offence under Section 3 of the PML Act. It was submitted that the petitioners have not been implicated merely on the basis of the statement of the co-accused. There are ample materials in the form of bank account statements showing that A7 transferred a sum of Rs.1 crore to the account of A4. The statements recorded under Section 50 of the PML Act from Mr.Bipin Jain, Mr.Sohanlal Gupta and Mr.Naresh Kumar also set out in detail the role played by the accused, including the 1st petitioner, in transferring the proceeds of crime with the assistance of the A5.

8. The learned Special Public Prosecutor further submitted that the

[1] (2010) 9 SCC 368
[2] (2024) 9 SCC 787

statement recorded under Section 50 of the PML Act from the 1st petitioner clearly shows that they had assisted A6 by arranging funds to the tune of Rs.1 crore, which were to be handed over at Delhi, and that such a transaction was not undertaken in the ordinary course of business. It was further submitted that, despite claiming that the transactions were towards the supply of materials, the petitioners failed to produce any documentary evidence proving the actual supply of goods corresponding to the amounts allegedly received from the account of A7.

9. He further submitted that, at the stage of considering a discharge petition, the Trial Court is required only to ascertain whether there are *prima facie* materials giving rise to a strong suspicion against the accused and since the Trial Court was satisfied that such materials existed, it rightly dismissed the Discharge Petition.

10. We gave our anxious consideration to the submissions made on either side and perused the materials available on record.

11. The Central Bureau of Investigation (CBI) registered the predicate case in Crime No.RC AC-1 2021 A0005, dated 05.07.2021, against all the accused, including the petitioners, for the offences

punishable under Sections 7, 9, 10, and 11 of the Prevention of Corruption Act, 1988. The predicate case came to be registered on the allegation that A1 had indulged in corrupt activities and awarded tenders in which A6 and A7 were the beneficiaries, and that A6 was used as a conduit for the collection of bribes. Upon completion of the investigation, a charge sheet was filed, and the case was taken on file as C.C.No.36 of 2021 on the file of the District and Sessions Court for CBI Cases (Special Judge, Prevention of Corruption Act), Rouse Avenue District Court Complex, New Delhi, which is pending trial.

12. Based on the predicate offence, the Enforcement Directorate registered the Enforcement Case Information Report (ECIR). Search and seizure operations were conducted and certain properties were attached, which were subsequently confirmed by the Adjudicating Authority. Thereafter, the respondent filed a complaint under Section 44 of the PML Act before the Special Court, which took cognizance of the complaint in Spl.C.C.No.6 of 2024. Charges were framed against the accused, including the petitioners, for offences punishable under Sections 3 and 4 of the PML Act, 2002.

13. The gravamen of the allegations against the petitioners is that they assisted A6 in transferring a sum of Rs.1 crore to A1 through A2,

who is the brother of A1. The said amount formed part of a larger sum of Rs.5.89 crore allegedly available with A6, which constituted the proceeds of crime belonging to the first accused.

14. The specific role attributed to the petitioners in the commission of the alleged offence has been set out in the complaint, which reads as under:

Specific Roles of Accused		
S.No.	Name of the Accused	Specific Role in the case
3.	Shri Khetmai J Jain	• He is partner in M/s Salem Steel Trading Company and had received part proceeds of crime (PoC) into the bank account of his partnership firm from a company (i.e. M/s Universal Engineers Chennai Pvt. Ltd.) of Smt. Hamsa Venugopalan, with an intent to deliver the same part PoC (i.e. Rs.1 Crores) through non-banking channel to Shri Om Prakash in New Delhi. • And, the same part POC (i.e. Rs.1 Crores) was subsequently handed over by Shri Om Prakash to Shri Sanjay Kathpal on the instructions of Smt. Hamsa Venugopalan on residential premises of Shri Anil Kumar Kathpal at New Delhi. • Therefore, it is evident that the accused herein had knowingly assisted and involved into the process or activity connected with proceeds of crime by way of possession, concealment, projection/ claiming as untainted in terms of Section

		3 of PMLA, 2002 and therefore liable for punishment under Section 4 of PMLA, 2002.
4.	M/s Salem Steel Trading Company, Represented by its Partner Shri Khetmal J Jain	• The said ill-gotten bribed money was transferred to M/s Salem Steel Trading Company in guise of business transaction with M/s Universal Engineers Chennai Pvt Ltd. • Hence the said entity directly indulged into the process or activity connected with proceeds of crime in terms of Section 3 of PMLA, 2002 read with Section 70 of PMLA, 2002 and therefore liable for punishment under Section 4 of PMLA, 2002.

15. Admittedly, there were three bank transactions, namely, a transfer of Rs.25 lakhs on 16.06.2021, Rs.25 lakhs on 17.06.2021, and Rs.50 lakhs on 02.07.2021. These transactions are reflected in the bank statements, by which A6, through the account of A7, transferred the said amounts to the account of A4/2nd petitioner.

16. Though it is vehemently contended that the transactions were in the ordinary course of business between the petitioners and A6 and A7, no contemporaneous documents evidencing the actual delivery or supply of goods, or any other material substantiating the alleged business transactions, have been placed before the Authorised Officer. Further, the statement recorded from A3/1st petitioner under Section 50 of the PML Act, is extracted hereunder:

"Statement of Shri Khetmal J Jain recorded under Section 50(2) & (3) of PMLA, 2002

In response to the summons issued, voluntary statements of Shri Khetmal J Jain S/o Late Shri Jugraj S Jain were recorded under Section 50 (2) & (3) of PMLA, 2002 on 06.06.2022 and 25.07.2022 and he inter alia stated:

i. that he was working through his partnership concern namely M/s Salem Steel Trading Co. for the Smt Hamsa Venugopalan's company M/s Universal Engineers Chennai Pvt. Ltd. as supplier of raw material; that he was having good relations with her being doing regular business.

ii. that during June 2021, Smt Hamsa Venugopalan requested him to arrange some loan amount in New Delhi and assured to return in few months; that she told him to give Rs. 50 lakhs to Shri Om Prakash in New Delhi and he was under impression that the loan was sought by her only; that since, he was having good business relations with her, he arranged the said loan; that the amount was handed over to Shri Om Prakash on 19.06.2021.

iii. that after few days, Smt. Hamsa Venugopalan again requested him for another Rs. 50 lakhs and accordingly, Shri Om Prakash got the said amount of Rs. 50 Lakhs in Delhi on 05.07.2021. that later, on 06.07.2021, he was arrested and then taken to New Delhi.

iv. that during the enquiries of CBI at New Delhi, he came to knew that Shri Om Prakash was intercepted by CBI officials, while delivering the sum of Rs.50 lakhs to one Shri Sanjay Kathpal.

v. that he was not even aware that amount was arranged for Shri Sanjay Kathpal or Shri AK Kathpal; that he was not known to Shri A K Kathpal and Shri Sanjay Kathpal and had never met/contacted them before this incident; that after CBI arrest during CBI remand he met and interacted with these persons for the first time; that he was not known to Shri Om Prakash even at that time and was telephonically in contact with him only; that his only known person was Smt. Hamsa Venugopalan.

Further he also provided copies of ledger of his entity, M/s Salem Steel Trading Co. with M/s Universal Engineers Chennai Pvt. Ltd. for the requisite period, which showed that both the entities were having various transactions during the said period."

17. The above voluntary statement recorded from the 1st petitioner/ A3, reveals that the transfer of money was not towards any business transaction. The petitioner admitted that, in June 2021, at the request of A6, he agreed to provide an urgent loan and that A6 assured him the amount would be returned within a few months. The petitioner further stated that A6 had initially requested a sum of Rs.50 lakhs, which was arranged by the petitioners and made available at New Delhi on 19.06.2021. Thereafter, a few days later, A6 again requested another sum of Rs.50 lakhs. The petitioner agreed to the request and arranged the said sum of Rs.50 lakhs, which was also made available at New Delhi on 05.11.2021 to the person indicated by A6.

18. The above statement of the 1st petitioner does not disclose that the transactions were undertaken in the ordinary course of a normal business transaction. On the contrary, it reveals that they were personal transactions undertaken at the specific request of A6. The petitioner readily agreed to the request and facilitated the availability of the funds in cash, which were delivered in two instalments at New Delhi to the person designated by A6.

19. Thus, the materials available on record *prima facie* raise a strong suspicion that the transactions were not genuine business transactions, as claimed by the petitioners, but were transactions undertaken at the instance of A6.

20. Further, the 1st petitioner had facilitated the transfer of the money to A1 through Mr.Bipin Jain, Mr.Sohanlal Gupta and Mr.Naresh Kumar. The statements of these persons recorded under Section 50 of the PML Act clearly reveal that, during the mid of June 2021, the first petitioner had contacted them and requested them to arrange an urgent cash amount of Rs.50 lakhs at New Delhi. Accordingly, the amount was arranged by them and, based on the contact details of A5 furnished by the first petitioner on 19.06.2021, Mr.Sohanlal Gupta handed over a sum of Rs.50 lakhs to the fifth accused at Delhi.

21. Further, the statement of Mr.Naresh Kumar provides details regarding the second installment of Rs.50 lakhs, which was similarly arranged and handed over to A5 in New Delhi. The statements of these three persons, along with the other statements recorded under Section 50 of the PML Act, including that of A5, set out in detail the role played by the petitioners in facilitating A6 in transferring and handing over a sum of Rs.1 crore in cash in Delhi to the A5.

22. The relevant bank account statements, showing that a sum of Rs.1 crore was transferred from the account of A7 during the relevant period, are also available on record. In his statement recorded under Section 50 of the PML Act, the 1st petitioner also admitted that, at the request of A6, he arranged a loan of Rs.1 crore in cash and caused the same to be made available and handed over in New Delhi.

23. The aforesaid materials, particularly the statements of the persons through whom the cash was arranged and delivered, clearly disclose the manner in which the amount was transferred and ultimately handed over to A5.

24. Section 3 of the Prevention of Money Laundering Act, 2002 reads as follows:

> *"Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime including its concealment, possession, acquisition or use and projecting or claiming it as untainted property shall be guilty of offence of money-laundering."*

25. As per Section 3 of the PMLA, whoever directly or indirectly attempts to indulge, knowingly assists, knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime, which include its concealment, possession, acquisition, or use and projects or claims it as untainted property, shall be guilty of the offence of money laundering. The petitioners had played a role in assisting A6 for transferring a sum of Rs.1 Crore to be handed over in New Delhi to A5, that belongs to A1, which is the proceeds of crime.

26. At the stage of considering discharge/framing of the charges, the Court is not expected to conduct a roving enquiry weighing evidence like trial, but it is the duty of the Court only to see as to whether from the materials available *prima facie* case against the accused is made out. The Trial Court must be satisfied that with the documents and materials

available on record, a strong suspicion arises making out a case against the accused for conviction. In this regard, it is useful to refer to the decision of the Hon'ble Supreme Court in the case of ***Tarun Jit Tejpal vs. State of Goa and Another***[3], in which it is held as follows:

> "8.4. At this stage the decision of this Court in Stree Atyachar Virodhi Parishad [Stree Atyachar Virodhi Parishad v. Dilip Nathumal Chordia, (1989) 1 SCC 715 : 1989 SCC (Cri) 285] is also required to be referred to. In that aforesaid decision this Court had an occasion to consider the scope of enquiry at the stage of deciding the matter under Sections 227/228 CrPC. In paras 11 to 14 observations of this Court in the aforesaid decision are as under: (SCC pp. 719-21)
>
> > "11. Section 227 of the Code of Criminal Procedure having bearing on the contentions urged for the parties, provides:
> >
> > > '227. Discharge.—If, upon consideration of the record of the case and the documents submitted therewith, and after hearing the submissions of the accused and the prosecution in this behalf, the Judge considers that there is no sufficient ground for proceeding against the accused, he shall discharge the accused and record his reasons for so doing.'
> >
> > 12. Section 228 requires the Judge to frame charge if he considers that there is ground for presuming that the accused has committed the offence. The interaction of these two sections has already been the subject-matter of consideration by this Court. In State of Bihar v. Ramesh Singh [State of Bihar v. Ramesh Singh, (1977) 4 SCC 39 : 1977 SCC (Cri) 533] , Untwalia, J., while explaining the scope of the said sections observed : [SCC pp. 41-42, para 4 : SCC (Cri) pp. 535-36 : SCR

[3] (2020 (17) SCC 556

p. 259]

'4. … Reading the two provisions together in juxtaposition, as they have got to be, it would be clear that at the beginning and the initial stage of the trial the truth, veracity and effect of the evidence which the Prosecutor proposes to adduce are not to be meticulously judged. Nor is any weight to be attached to the probable defence of the accused. It is not obligatory for the Judge at that stage of the trial to consider in any detail and weigh in a sensitive balance whether the facts, if proved, would be incompatible with the innocence of the accused or not. The standard of test and judgment which is to be finally applied before recording a finding regarding the guilt or otherwise of the accused is not exactly to be applied at the stage of deciding the matter under Section 227 or Section 228 of the Code. At that stage the court is not to see whether there is sufficient ground for conviction of the accused or whether the trial is sure to end in his conviction. Strong suspicion against the accused, if the matter remains in the region of suspicion, cannot take the place of proof of his guilt at the conclusion of the trial. But at the initial stage if there is a strong suspicion which leads the court to think that there is ground for presuming that the accused has committed an offence then it is not open to the court to say that there is no sufficient ground for proceeding against the accused.'

13. In Union of India v. Prafulla Kumar Samal [Union of India v. Prafulla Kumar Samal, (1979) 3 SCC 4 : 1979 SCC (Cri) 609] , Fazal Ali, J., summarised some of the principles : [SCC p. 9, para 10 : SCC (Cri) pp. 613-14 : SCR pp. 234-35]

'(1) That the Judge while considering the question of framing the charges under Section 227 of the Code has the undoubted power to sift and weigh the evidence for the limited purpose of finding out whether or not a prima facie case against the accused had been made out.

(2) Where the materials placed before the court disclose grave suspicion against the accused which has not been properly explained the court will be fully justified in framing a charge and proceeding with the trial.

(3) The test to determine a prima facie case would naturally depend upon the facts of each case and it is difficult to lay down a rule of universal application. By and large however if two views are equally possible and the Judge is satisfied that the evidence produced before him while giving rise to some suspicion but not grave suspicion against the accused, he will be fully within his right to discharge the accused.

(4) That in exercising his jurisdiction under Section 227 of the Code the Judge which under the present Code is a senior and experienced court cannot act merely as a post office or a mouthpiece of the prosecution, but has to consider the broad probabilities of the case, the total effect of the evidence and the documents produced before the court, any basic infirmities appearing in the case and so on. This however does not mean that the Judge should make a roving enquiry into the pros and cons of the matter and weigh the evidence as if he was conducting a trial.'

14. These two decisions do not lay down different principles. Prafulla Kumar case [Union of India v. Prafulla Kumar Samal, (1979) 3 SCC 4 : 1979 SCC (Cri) 609] has only reiterated what has been stated in Ramesh Singh case [State of Bihar v. Ramesh Singh, (1977) 4 SCC 39 : 1977 SCC (Cri) 533] . In fact, Section 227 itself contains enough guidelines as to the scope of enquiry for the purpose of discharging an accused. It provides that 'the Judge shall discharge when he considers that there is no

> sufficient ground for proceeding against the accused'. The "ground" in the context is not a ground for conviction, but a ground for putting the accused on trial. It is in the trial, the guilt or the innocence of the accused will be determined and not at the time of framing of charge. The court, therefore, need not undertake an elaborate enquiry in sifting and weighing the material. Nor is it necessary to delve deep into various aspects. All that the court has to consider is whether the evidentiary material on record if generally accepted, would reasonably connect the accused with the crime. No more need be enquired into."

27. Thus, any person who knowingly assists or is a party to or is actually involved in any process or activity connected with the proceeds of crime would attract the provisions of Section 3 of the PML Act.

28. In the present case, the materials available on record, including the bank statements and the statements recorded under Section 50 of the Act, *prima facie* raise a strong suspicion about the involvement of the petitioners in facilitating the transfer and delivery of the proceeds of crime. The statements of the persons who arranged and delivered the cash provide corroborative material regarding the role played by the petitioners. The decision relied on by the petitioners do not support the facts and circumstances of the present case.

29. In view of the *prima facie* materials available on record, the Trial Court has rightly dismissed the petition seeking discharge. This Court finds no infirmity or illegality in the order passed by the Trial Court warranting interference in the present revision.

30. Accordingly, the Criminal Revision Case stands dismissed. Consequently, the connected Miscellaneous Petitions is closed.

(SUSHRUT ARVIND DHARMADHIKARI, C.J.) (G.ARUL MURUGAN J.)

-08-2026

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

Jeni

To

The Assistant Director,
Directorate of Enforcement, PMLA.
No.2, 5th and 6th Floor, BSNL,
Administrative Building,
Kushkumar Rod, Nungambakkam,
Chennai - 600 034.

THE HON'BLE CHIEF JUSTICE.
AND
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