

REPORTABLE

IN THE SUPREME COURT OF INDIA

CRIMINAL APPELLATE JURISDICTION

CRIMINAL APPEAL NOS. 1413-1414 OF 2011
(Arising out of S.L.P.(Crl.) Nos.1830-1831 of 2009)

Anil Sachar &Anr.

.....Appellants

Versus

**M/s. Shree Nath Spinners P.Ltd.
& Ors. etc.**

.....Respondents

J U D G M E N T

ANIL R. DAVE, J.

1. Leave granted.

2. Being aggrieved by the common Judgment delivered in Criminal Appeal Nos.379-MA of 2007 and 381-MA of 2007 dated 16th December, 2008 by the High Court of Punjab and Haryana at Chandigarh, the original complainants have filed these appeals. By virtue of the aforesaid judgment and order, the High Court has confirmed the Orders dated 4th May, 2007 passed in Criminal Complaint Nos. 46 and

99 of 1999 by the Judicial Magistrate, First Class, Ludhiana whereby the accused in the aforestated complaints had been acquitted of the charges levelled against them.

3. The facts leading to the present litigation in a nut shell are as under:

4. On 23rd February, 1999, Respondent no.4 - Munish Jain, a Director of M/s. A.T. Overseas Ltd. had given in all four cheques for different amounts to Anil Sachar, partner of M/s. Rati Woolen Mills who are appellant Nos. 1 and 2 respectively. According to the case of the complainants, the said cheques were given to M/s. Rati Woolen Mills, of which appellant no.1 is a partner, in consideration of supply of goods to M/s. Shree Nath Spinners Pvt. Ltd.

5. The aforestated cheques, which had been given by Munish Jain as Director of M/s. A.T. Overseas Ltd., had not been honoured and due to dishonour of the said cheques, the complainant, namely, Anil Sachar, as a partner of M/s. Rati Woolen Mills had issued notice as required under the provisions of Section 138 of the Negotiable Instruments Act (hereinafter referred to as 'the Act'). In spite of the said notice, the complainant was not paid the amount covered under the aforestated cheques and, therefore, complaints had been filed against the present respondents.

6. The case of the present respondents before the trial court as well as before the High Court was that the dispute was of a civil nature and with an oblique motive it was given a colour of criminal litigation. The said reply had been given especially in view of the fact that the complaint had also been filed making out a case against the accused under the provisions of Sections 406 & 420 of the Indian Penal Code.

7. The case of the complainants was that M/s. A.T. Overseas Ltd. is a sister concern of M/s. Shree Nath Spinners Pvt. Ltd. and the aforesaid cheques were given by Munish Jain towards dues of M/s. Shree Nath Spinners Pvt. Ltd. as a Director of M/s. A.T. Overseas Ltd. After considering the evidence adduced and the arguments made before the trial court, the trial court acquitted the accused for the reason that the goods had been supplied by the complainants to M/s. Shree Nath Spinners Pvt. Ltd. and the cheques had not been given by M/s. Shree Nath Spinners Pvt. Ltd. but they had been given by M/s. A.T. Overseas Ltd. As M/s. Shree Nath Spinners Pvt. Ltd. and M/s. A.T. Overseas Ltd. are two different legal entities and as there was nothing on record to show that the cheques were given by M/s. A.T. Overseas Ltd. in consideration of goods supplied by the complainants to M/s. Shree Nath Spinners Pvt. Ltd., the conclusion was that there was no liability of M/s. A.T.

Overseas Ltd. and, therefore, dishonour of the aforestated cheques would not make signatory of the cheques from the account of M/s. A.T. Overseas Ltd. liable under the provisions of the Act.

8. Being aggrieved by the orders passed by the learned Judicial Magistrate, First Class, Ludhiana, dated 4th May, 2007, criminal appeals were filed before the High Court of Punjab and Haryana at Chandigarh, but the said appeals have been dismissed and, therefore, the original complainants have approached this Court by way of these appeals.

9. It may be noted here that during the pendency of the proceedings, Mohinder Jain, accused/respondent no.3 expired and, therefore, deleted from the array of parties.

10. Mr. Nidhesh Gupta, learned Senior Counsel appearing for the complainants mainly submitted that the learned Judicial Magistrate as well as the High Court committed an error by acquitting the accused simply because the goods had been supplied to M/s. Shree Nath Spinners Pvt. Ltd. whereas the cheques were given by M/s. A.T. Overseas Ltd. He submitted that both the concerns, referred to hereinabove, are sister concerns having common Directors and, therefore, the courts

below ought to have lifted the corporate veil so as to find out the realities. He also submitted that Munish Jain, who had signed the aforesaid cheques was Director in both the sister concerns viz. M/s. Shree Nath Spinners Pvt. Ltd. and M/s. A.T. Overseas Ltd. Moreover, he submitted that once the cheques had been issued by the accused, as per provisions of Section 139 of the Act, burden was on the accused to show that there was no consideration. So as to substantiate his aforestated submission, the learned counsel relied upon the Judgments delivered by this Court in ICDS Ltd. v. Beena Shabeer and Anr. [2002(6) SCC 426], K.K. Ahuja v. V.K. Vora and Anr., [2009(10) SCC 48] and K.N. Beena v. Muniyappan and Anr. [2001(8) SCC 458].

11. For the aforestated reasons, the learned counsel strenuously submitted that the High Court had erred in confirming the orders of acquittal because upon lifting the corporate veil, the correct position could have been revealed and the correct position according to the learned counsel was that the cheques had been given by a sister concern, namely, M/s. A.T. Overseas Ltd. in consideration of the goods supplied to M/s Shree Nath Spinners Pvt. Ltd. The learned counsel also drew our attention to the fact that there were several inter se transactions between the above-named two sister concerns and, therefore, the courts below ought to have believed that the

payment had been made by one company for another company and the courts below ought to have believed that there was a consideration behind issuance of the aforestated two cheques. He also draw our attention to the relevant evidence which was adduced by the complainants to establish the aforestated facts.

12. On the other hand, the learned counsel appearing for the respondents supported the reasons recorded by the courts below while acquitting the accused. He mainly submitted that the cheques had been issued by M/s. A.T. Overseas Ltd. to whom no goods had been supplied by the complainants and, therefore, there was no consideration. In absence of any consideration, according to the learned counsel, the accused could not have been held guilty and, therefore, the courts below rightly acquitted the respondents. The learned counsel relied upon the judgments delivered in Indowind Energy Ltd. v. Wescare (India) Ltd. and Anr. [2010(5) SCC 306] and in Rahul Builders v. Arihant Fertilizers & Chemicals and Anr. [2008(2) SCC 321]. According to him, even if two companies are having common Directors, both companies would remain different legal entities and, therefore, the submission made on behalf of the appellants that both the companies are sister concerns and, therefore, one company should be made liable for the dues of another company cannot be sustained. He further submitted that there was nothing to substantiate the

submission that M/s. A.T. Overseas Ltd. had made payment in consideration of goods supplied to M/s. Shree Nath Spinners Pvt. Ltd. He, therefore, submitted that the appeals be dismissed.

13. Upon hearing the learned counsel appearing for the parties and upon perusal of the record pertaining to the cases and the impugned judgment delivered by the High Court confirming the order passed by the trial court and upon considering the judgments cited by the learned counsel, we are of the view that the decision rendered by the courts below cannot be sustained.

14. Upon perusal of the record, we find that the complainants had established before the trial court that there was an understanding among the complainants and the accused that in consideration of supply of goods to M/s. Shree Nath Spinners Pvt. Ltd., M/s. A.T. Overseas Ltd. was to make the payment. The aforestated understanding was on account of the fact that directors in both the aforestated companies were common and the aforestated companies were sister concerns. In the circumstances, it can be very well said and it has been proved that in consideration of supply of goods to M/s. Shree Nath Spinners Pvt. Ltd., M/s. A.T. Overseas Ltd. had made the payment. In view of the above fact, in our opinion, the trial court was

not right when it came to the conclusion that there was no reason for M/s. A.T. Overseas Ltd. to give the cheques to the complainants. The aforesaid facts are very well reflected in the statement made in the complaint and in the evidence by the complainant which have not been controverted. Paras 2 and 3 of the complaint are reproduced herein below:

“2. That the accused had business dealings with the complainant and supply of the goods which duly supplied by my client vide separate bills from time to time which was duly acknowledged by the accused no. 5 Varun Jain director of the accused no. 1.

3. That in order to discharge the liability of making the payment, the accused issued following two cheques in favour of the complainant through their sister concern M/S A.T. Overseas Ltd. i.e. Accused No. 1 and the cheques were duly signed by Mr. Munish Jain one of its directors”

15. The trial court materially erred while coming to a conclusion that in criminal law no presumption can be raised with regard to consideration as no goods had been supplied by the complainants to M/s. A.T. Overseas Ltd.. The trial court ought to have considered provisions of Section 139 of the Act, which reads as under:-

“139. Presumption in favour of holder – It shall be presumed, unless the contrary is proved, that the holder of a cheque received the cheque of the nature referred to in Section 138 for the discharge, in whole or in part, of any debt or other liability.”

16. According to the provisions of the aforestated section, there is a presumption with regard to consideration when a cheque has been paid by the drawer of the cheque. In the instant case, M/s. A.T. Overseas Ltd. paid the cheque which had been duly signed by one of its Directors, namely, Munish Jain. Munish Jain is also a Director in M/s. Shree Nath Spinners Pvt. Ltd.. As stated hereinabove, both are sister concerns having common Directors. Extracts of books of accounts had been produced before the trial court so as to show that both the companies were having several transactions and the companies used to pay on behalf of each other to other parties or their creditors. The above fact strengthens the presumption to the effect that M/s. A.T. Overseas Ltd. had paid the cheques to the complainants, which had been signed by Munish Jain, in consideration of goods supplies to M/s Shree Nath Spinners Pvt. Ltd. Of course, the presumption referred to in Section 139 is rebuttable. In the instant case, no effort was made by Munish Jain or any of the Directors of M/s. A.T. Overseas Ltd. for rebuttal of the aforestated presumption and, therefore, the presumption must go in favour of the holder of the cheques. Unfortunately, the trial court did not consider the above facts and came to the conclusion that there was no consideration for the cheques which had been given by M/s. A.T. Overseas Ltd. to the complainants.

17. It is true that a limited company is a separate legal entity and its directors are different legal persons. In spite of the aforestated legal position, in view of the provisions of Section 139 of the Act and the understanding which had been arrived at among the complainants and the accused, one can safely come to a conclusion that the cheques signed by Munish Jain had been given by M/s. A.T. Overseas Ltd. to the complainants in discharge of a debt or a liability, which had been incurred by M/s Shree Nath Spinners Pvt. Ltd.

18. We may also refer to the judgment delivered by this Court in the case of ICDS Ltd. (supra). In the said judgment this Court has referred to the nature of liability which is incurred by the one who is a drawer of the cheque. If the cheque is given towards any liability or debt which might have been incurred even by someone else, the person who is a drawer of the cheque can be made liable under Section 138 of the Act. The relevant observation made in the aforestated judgment is as under:

“ The words “any cheque” and “other liability” occurring in Section 138 are the two key expressions which stand as clarifying the legislative intent so as to bring the factual context within the ambit of the provisions of the statute. These expressions leave no manner of doubt that for whatever reason it may be, the liability under Section 138 cannot be avoided in the event the cheque stands returned by the banker unpaid. Any contra-interpretation would defeat the intent of the legislature. The High Court got carried away by the issue of guarantee and guarantor’s liability and thus has overlooked the true intent and purport of Section 138 of the Act.

.....

The language, however, has been rather specific as regard the intent of the legislature. The commencement of the section stands with the words “where any cheque”. The above noted three words are of extreme significance, in particular, by reason of the user of the word “any” - the first three words suggest that in fact for whatever reason if a cheque is drawn on an account maintained by him with a banker in favour of another person for the discharge of any debt or other liability, the highlighted words if read with the first three words at the commencement of Section 138, leave no manner of doubt that for whatever reason it may be, the liability under this provision cannot be avoided in the event the same stands returned by the banker unpaid. The legislature has been careful enough to record not only discharge in whole or in part of any debt but the same includes other liability as well. This aspect of the matter has not been appreciated by the High Court, neither been dealt with or even referred to in the impugned judgment.”

19. Looking to the facts of the case and law on the subject, we are of the view that all the four cheques referred to in both the complaints are presumed to have been given for consideration. The presumption under Section 139 of the Act has not been rebutted by the accused and, therefore, we are of the view that the trial court wrongly acquitted the accused by taking a view that there was no consideration for which the cheques were given by Munish Jain to the complainants. The aforesaid incorrect view was wrongly confirmed by the High Court. We, therefore, set aside the acquittal order and convict accused Munish Jain under Section 138 of the Act.

20. In view of the aforesaid facts and legal position, in our opinion, the accused ought to have been held guilty, especially accused no. 4, Munish Jain who had signed

all the cheques for M/s A.T. Overseas Ltd. We, therefore, hold Munish Jain, accused no. 4 and respondent no. 4 herein, in both the cases guilty of the offence under Section 138 of the Act.

21. Accused Munish Jain was acquitted by the trial court and the High Court has confirmed the acquittal, which is being set aside by this Court by allowing these appeals. In the circumstances, as per the provisions of Section 235(2) of the Criminal Procedure Code, this Court will have to give an opportunity of being heard to him on the question of sentence. We, therefore, adjourn the case to 2.8.2011 for hearing the accused Manish Jain on the question of sentence. If on that day he fails to appear before this Court, we shall hear his counsel on the question of sentence.

.....J.
(Dr. MUKUNDAKAM SHARMA)

.....J.
(ANIL R. DAVE)

New Delhi
19th July, 2011.

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ORDER

We have heard the learned counsel appearing for the parties on the question of sentence. Having gone through the records, we find that Mr. Munish Jain, against whom the notice was issued on the question of sentence has died. Accordingly, so far he is concerned, the matter stands abated.

There is yet one more accused in the case, apart from the company, who was also impleaded as a party in the present proceedings. The said Director of the company is Mr. Varun Jain.

We have heard the learned counsel appearing for the parties on the question of sentence. Considering the provisions of Section 138 of the Negotiable

Instruments Act, we consider that imposition of fine of an amount of Rs. 10,00,000/- (Rupees ten lacs only) would meet the ends of justice in the present case. Considering the facts and circumstances of the case, we, therefore, impose a fine of Rs. 10,00,000/- (Rupees ten lacs only) on the respondent payable to the appellants/complainants by way of compensation.

At this stage, the counsel appearing for the respondent has handed over drafts amounting to Rs. 10,00,000/-, payable to the appellants/complainants, to the counsel appearing for the appellants/complainants, who receives the said amount which is imposed as fine and payable to the appellants. Fine having been paid and received brings the litigation to an end.

In that view of the matter, nothing further survives in these appeals, which stand disposed of.

.....J
(Dr. MUKUNDAKAM SHARMA)

.....J
(ANIL R. DAVE)

NEW DELHI
AUGUST 17, 2011