2026 INSC 1115

REPORTABLE

IN THE SUPREME COURT OF INDIA
CRIMINAL APPELLATE JURISDICTION

CRIMINAL APPEAL NO(S). OF 2026
(Arising out of SLP (CRL.)No.10621 of 2025)

INDRONEEL GOHO ...APPELLANT (S)

VERSUS

RAZOUVONUO THONG & ANR. ...RESPONDENT(S)

O R D E R

1. Leave granted.
2. The present appeal arises from the judgment and order dated 13.05.2025 passed by the Gauhati High Court, Kohima Bench (hereinafter referred to as the "High Court") in Criminal Petition No. 32 of 2022, whereby the High Court dismissed the petition filed by the appellant under Section 482 of the Code of Criminal Procedure, 1973 (hereinafter referred to as the "CrPC"), seeking quashing of C.R. Case No. 17 of 2022 pending before the Court of the Judicial Magistrate First Class, Dimapur, Nagaland, for offences punishable under Sections 417 and 420 of the Indian Penal Code, 1860 (hereinafter referred to as the "IPC").
3. The facts giving rise to the present appeal are as follows:

3.1. The appellant was serving as the Chief Executive Officer of Darjeeling Organic Tea Estates Private Limited (hereinafter referred to as the "Company") and was authorised to act on its behalf. Respondent No. 1, who is the proprietor of C.R. Traders, entered into negotiations with the Company in relation to the Jamguri Tea Estate situated at Golaghat, Assam. Prior to the execution of the agreement, respondent No. 1 addressed a communication dated 31.05.2021 to UCO Bank in relation to the Tea Estate and its mortgage with the Bank.

3.2. A Memorandum of Understanding dated 01.06.2021 (hereinafter referred to as the "MoU") was thereafter executed between the Company and C.R. Traders. The appellant signed the MoU on behalf of the Company in his capacity as its authorised signatory. Pursuant thereto, respondent No. 1 transferred an amount of Rs. 40,00,000/- (Rupees Forty Lakh only) to the bank account of the Company on 07.06.2021 in two transactions of Rs. 39,95,000/- (Rupees Thirty-Nine Lakh Ninety-Five Thousand only) and Rs. 5,000/- (Rupees Five Thousand only).

3.3. Disputes subsequently arose between the parties regarding performance of the obligations under the MoU. The MoU was terminated by a communication

dated 26.07.2021 on the ground that respondent No. 1 had failed to comply with its terms and conditions.

3.4. On 17.08.2022, respondent No. 1 instituted a criminal complaint against the appellant before the Judicial Magistrate First Class, Dimapur, Nagaland. It was alleged that the appellant had induced respondent No. 1 to part with the amount of Rs. 40,00,000/- (Rupees Forty Lakh only) by representing that the Jamguri Tea Estate belonged to the Company, whereas it was owned by Bhumya Tea Company Private Limited and was the subject matter of proceedings involving UCO Bank. On the basis of these allegations, offences punishable under Sections 417 and 420 of IPC were alleged against the appellant. The complaint came to be registered as C.R. Case No. 17 of 2022.

3.5. By order dated 21.09.2022, the Judicial Magistrate First Class, Dimapur, found prima facie grounds to proceed against the appellant for offences punishable under Sections 417 and 420 IPC and issued summons to him.

3.6. The appellant thereafter approached the High Court under Section 482 of CrPC seeking quashing of the criminal proceedings. He contended, inter alia, that the dispute arose out of a purely contractual

transaction, that the MoU had been entered into by the Company and not by him in his personal capacity, that the amount of Rs. 40,00,000/- (Rupees Forty Lakh only) had been transferred to the account of the Company, and that the Company itself had not been arrayed as an accused.

3.7. By the impugned judgment dated 13.05.2025, the High Court dismissed the petition upon holding that a prima facie case under Sections 417 and 420 IPC was made out and that the existence of an arbitration clause in the MoU did not furnish a ground for quashing the criminal proceedings. Aggrieved thereby, the appellant is before us.

4. Being aggrieved by the impugned judgment, the appellant has preferred the present appeal.

5. We have heard learned counsel for the parties and have carefully perused the material placed on record.

6. The distinction between a breach of contract and the offence of cheating is well settled. For an offence under Sections 417 and 420 of IPC, the fraudulent or dishonest intention must exist at the inception of the transaction and must have induced the complainant to part with property. A subsequent failure to perform a contractual obligation cannot, by itself, give rise to an inference of such intention. Recently, in ***G.***

Saminathan and Another v. State, represented by the Sub-Inspector of Police and Another (2026 INSC 772), this Court reiterated that for establishing the offence of cheating, the complainant must show fraudulent or dishonest intention at the time when the promise or representation was made.

7. Tested on the above principles, the complaint does not disclose the necessary ingredients of cheating against the appellant. The MoU was entered into between respondent No. 1 and the Company. The appellant signed it only in his capacity as the Chief Executive Officer and authorised signatory of the Company. More importantly, the amount of Rs. 40,00,000/- (Rupees Forty Lakh only) was transferred directly to the account of the Company and there is no allegation that the appellant received or appropriated any part thereof for his personal benefit.
8. The principal allegation of respondent No. 1 is that the appellant induced her to part with the amount by falsely representing that the Jamguri Tea Estate belonged to the Company. The complaint states that the appellant was “well aware of the fact that the said Jamguri Tea Estate and Tea Factory... does not belong to the company” and nevertheless made a false representation. However, this assertion of dishonest

intention has to be considered in the context of the transaction as a whole. Even prior to execution of the MoU, respondent No. 1 was aware that the Tea Estate was mortgaged with UCO Bank. The MoU itself contemplated the clearance of the outstanding dues and encumbrances of UCO Bank and the eventual acquisition of the Tea Estate. The material on record further indicates that the Company was in possession of and operating the Tea Estate and had substantial claims concerning the same. In these circumstances, a bare assertion that the appellant knew the representation to be false does not, without more, establish dishonest intention at the inception of the transaction.

9. The subsequent events also bear the character of a contractual dispute. Differences arose regarding performance of the reciprocal obligations under the MoU, which was ultimately terminated on 26.07.2021. Whether such termination was valid and whether respondent No. 1 is entitled to refund of the amount paid or any other relief are matters carrying civil consequences. They cannot assume a criminal character merely because the contractual relationship subsequently failed.

10. The High Court was correct in observing that the existence of an arbitration clause does not, by itself, bar criminal proceedings. That proposition, however, does not answer the real question. The Court must first determine whether the allegations disclose the essential ingredients of the criminal offence alleged. In the present case, the material does not disclose sufficient factual foundation to infer that the appellant, at the inception of the transaction, acted with the dishonest intention necessary to constitute cheating.

11. We are, therefore, of the considered view that continuation of the criminal proceedings against the appellant would amount to giving a predominantly contractual dispute the colour of a criminal prosecution. The ingredients of the offences under Sections 417 and 420 IPC are not made out against the appellant and continuation of the proceedings would amount to an abuse of the process of law.

12. Accordingly, the appeal is allowed. The impugned judgment and order dated 13.05.2025 passed by the High Court in Criminal Petition No. 32 of 2022 is set aside.

13. Consequently, C.R. Case No. 17 of 2022 pending before the Court of the Judicial Magistrate First Class, Dimapur, Nagaland, along with all proceedings arising

therefrom, stands quashed insofar as the appellant is concerned. It is clarified that this order shall not preclude respondent No. 1 from pursuing any remedy available in law in respect of her civil or contractual claims.

14. Pending applications, if any, stand disposed of.

.....J.
[VIKRAM NATH]

.....J.
[SANDEEP MEHTA]

NEW DELHI;
SEPTEMBER 29, 2026

ITEM NO.21 COURT NO.2 SECTION II

S U P R E M E C O U R T O F I N D I A
RECORD OF PROCEEDINGS

Petition(s) for Special Leave to Appeal (Crl.) No(s). 10621/2025

[Arising out of impugned final judgment and order dated 13-05-2025 in CRLP No. 32/2022 passed by the Gauhati High Court]

INDRONEEL GOHO Petitioner(s)

VERSUS

RAZOUVONUO THONG & ANR. Respondent(s)

IA No. 168760/2025 - EXEMPTION FROM FILING C/C OF THE IMPUGNED JUDGMENT

Date : 29-09-2026 This matter was called on for hearing today.

CORAM :
HON'BLE MR. JUSTICE VIKRAM NATH
HON'BLE MR. JUSTICE SANDEEP MEHTA

For Petitioner(s) :Mr. Sudip Sanyal, Sr. Adv.
Mr. Arun K. Sinha, AOR
Mr. Rakesh Singh, Adv.
Mr. Jayanta Kumar Sanyal, Adv.

For Respondent(s) :Mr. Harpreet Singh, Adv.
Mr. Praveen Kumar Jha, AOR
Mr. Jitin Singhal, Adv.
Mr. Pravesh Bahuguna, Adv.
Mr. Rudraksh Pandey, Adv.

Ms. K. Enatoli Sema, AOR
Mr. Amit Kumar Singh, Adv.
Ms. Chubalemla Chang, Adv.
Mr. Prang Newmai, Adv.
Ms. Yanmi Phazang, Adv.

UPON hearing the counsel the Court made the following

O R D E R

Leave granted.

The appeal is allowed in terms of the signed reportable order.

Pending applications, if any, stand disposed of.

(NEETU KHAJURIA)
ASSISTANT REGISTRAR-CUM-PS

(RANJANA SHAILEY)
ASSISTANT REGISTRAR

(Signed reportable order is placed on the file.)