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* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

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+ **CRL.M.C. 2398/2019 & CRL.M.A. 9511/2019**

MANISH GOYAL

.....Petitioner

versus

S P REALTORS

.....Respondent

+ **CRL.M.C. 5769/2019 & CRL.M.A. 40220/2019**

MANISH GOYAL

.....Petitioner

versus

HARLEEN KAUR SACHDEVA & ANR

.....Respondents

+ **CRL.M.C. 621/2020 & CRL.M.A. 2574/2020**

MANISH GOYAL

.....Petitioner

versus

GAGAN PREET SINGH & ANR.

.....Respondents

+ **CRL.M.C. 644/2020 & CRL.M.A. 2689/2020**

MANISH GOYAL

.....Petitioner

versus

S.P. REALTORS

.....Respondent

+ **CRL.M.C. 668/2020 & CRL.M.A. 2766/2020**



MANISH GOYAL

.....Petitioner

versus

HARLEEN KAUR SACHDEVA & ANR.

.....Respondents

+ **CRL.M.C. 669/2020 & CRL.M.A. 2768/2020**

MANISH GOYAL

.....Petitioner

versus

GAGAN PREET SINGH & ANR.

.....Respondents

Appearance:

Mr. Kunal Kher, Advocate for petitioner.

Mr. Ashok K. Goyal, Mr. Bhupender M. Sharma and Ms. Prerna Goyal,
Advocates for respondents.

CORAM:

HON'BLE MR. JUSTICE PRATEEK JALAN

J U D G M E N T

1. By way of these petitions filed under Section 482 of the Code of Criminal Procedure, 1973, the petitioner seeks quashing of summoning orders dated 22.05.2017 in Complaint Case Nos. 4849/2017, 4850/2017 and 4852/2017 [subject matter of CRL.M.C 621/2020, CRL.M.C 5769/2019, CRL.M.C 2398/2019 respectively], as well as summoning orders dated 01.07.2017 in Complaint Case Nos. 2814/2017, 2815/2017 and 2819/2017 [subject matter of CRL.M.C 669/2020, CRL.M.C 668/2020, CRL.M.C 644/2020 respectively], passed by the Magistrate's Court, Rohini Courts, Delhi. The petitioner also seeks quashing of all criminal proceedings against him emanating from the impugned



summoning orders.

A. FACTS

2. The relevant facts giving rise to the present petitions are as follows:

A. The petitioner was appointed as an Additional Director in M/S Piyush Colonisers Limited [“the Company”] on 19.02.2015.

B. The petitioner’s designation was changed to an Independent Director [Non-Executive Director] on 30.09.2015.

C. The Company entered into three separate agreements to lease dated 10.03.2016, 07.11.2017, and 09.11.2017. Under these agreements, three units bearing Nos. 101, 104, and 106 at a building named M/S Piyush Global, First Floor, Plot No. 5, YMCA Chowk, Main Mathura Road, Faridabad, Haryana – 121006, were let out to the Company at a fixed monthly rent. The Company issued multiple cheques to pay the rent, but they were dishonoured when presented.

Details of the concerned cheques are tabulated as follows:

Sr. No.	Case No.	Cheque No.	Cheque Date	Amount	Date of dishonour
1.	CRL.M.C. 2398/2019	229812	07.02.2017	Rs.68,400/-	24.03.2017
		229813	07.03.2017	Rs.68,400/-	03.04.2017
2	CRL.M.C. 5769/2019	229842	10.12.2016	Rs.28,800/-	08.03.2017
		229844	10.02.2017	Rs.28,800/-	24.03.2017
		229845	10.03.2017	Rs.28,800/-	03.04.2017
		229852	10.02.2017	Rs.19,800/-	24.03.2017
		229853	10.03.2017	Rs.19,800/-	03.04.2017
3.	CRL.M.C. 621/2020	229820	09.02.2017	Rs.32,400/-	24.03.2017
		229821	09.03.2017	Rs.32,400/-	24.03.2017



		229826	09.12.2016	Rs.32,400/-	08.03.2017
		229828	09.02.2017	Rs.32,400/-	24.03.2017
		229829	09.03.2017	Rs.32,400/-	03.04.2017
4.	CRL.M.C. 644/2020	412878	20.01.2017	Rs.68,400/-	18.04.2017
		229814	07.04.2017	Rs.68,400/-	02.05.2017
		229815	07.05.2017	Rs.68,400/-	09.05.2017
5.	CRL.M.C. 668/2020	412874	20.01.2017	Rs.28,800/-	18.04.2017
		412875	20.01.2017	Rs.28,800/-	18.04.2017
		412881	20.01.2017	Rs.28,800/-	18.04.2017
		229846	10.04.2017	Rs.28,800/-	02.05.2017
		229847	10.05.2017	Rs.28,800/-	12.05.2017
		412873	20.01.2017	Rs.19,800/-	18.04.2017
		229854	10.04.2017	Rs.19,800/-	02.05.2017
		229855	10.05.2017	Rs.19,800/-	12.05.2017
6.	CRL.M.C.669/2020	229822	09.04.2017	Rs.32,400/-	02.05.2017
		229823	09.05.2017	Rs.32,400/-	12.05.2017
		412872	20.01.2017	Rs.32,400/-	18.04.2017
		412877	20.01.2017	Rs.32,400/-	18.04.2017
		412879	20.01.2017	Rs.32,400/-	18.04.2017
		229830	09.04.2017	Rs.32,400/-	02.05.2017
		229831	09.05.2017	Rs.32,400/-	10.05.2017

D. Pursuant to the dishonour, the respondents issued separate legal notices dated 07.04.2017 and 17.05.2017, but no response was received. Consequently, the respondents filed complaints under Section 138 read with Section 141 of the Negotiable Instruments Act, 1881 [“NI Act”], against the Company and its directors,



including the petitioner herein.

E. The Magistrate's Court took cognizance of the offences and issued the impugned summoning orders dated 22.05.2017 and 01.07.2017.

B. SUBMISSIONS OF LEARNED COUNSEL FOR THE PARTIES

3. I have heard Mr. Kunal Kher, learned counsel for the petitioner, and Mr. Ashok Kumar Goyal, learned counsel for the respondents.

4. The principal ground taken by Mr. Kher is that the complaint filed by the respondents does not make out the necessary grounds under Section 141 of the NI Act to hold the petitioner vicariously liable for the Company's offences under Section 138 of the NI Act. Mr. Kher submits that the complaints only contain vague and general assertions, and are devoid of specific averments required to show that the offence was within the knowledge/consent of the petitioner. To this effect, he relies upon a judgment of the Supreme Court in *K.S. Mehta v. Morgan Securities and Credits Pvt. Ltd.*¹, and a judgment of a coordinate Bench of this Court in *Rahul Sood v. Government of NCT of Delhi*².

5. Mr. Kher further submits that, when the offences were allegedly committed, the petitioner was an Independent Director, and was not concerned with the day-to-day affairs of the Company. He draws my attention to the Form DIR-12, which shows the petitioner's change in designation to Independent Director [Non-executive Director] with effect from 30.09.2015. The same is also reflected in the Form DIR-11, annexed to the petition, which reflects his resignation from the Company with effect from 15.06.2017, and shows the date of appointment to the post of

¹ 2025 SCC OnLine SC 492 [hereinafter, "*KS Mehta*"].

² 2025 SCC OnLine Del 2155 [hereinafter, "*Rahul Sood*"].



Independent Director on 30.09.2015. Mr. Kher submits that the Magistrate's Court has erred in passing the impugned summoning orders, as it failed to appreciate that the petitioner was not connected to the alleged offence. He submits that the petitioner is neither a signatory to the agreement, nor to the cheques, and had no dealings with the respondents.

6. Although Mr. Goyal accepts the position that the petitioner was not, in fact, the signatory to the cheques, he submits that the petitioner's name appeared as a director in the Company at the relevant time, and was therefore presumed to be involved in the Company's affairs.

C. ANALYSIS

7. The principal issue which requires consideration is whether the petitioner, who was an Independent Director when the Company defaulted on its payment obligations, can be held vicariously liable under Section 141 of the NI Act for the dishonour of the Company's cheques.

8. The present case thus turns on an interpretation of Section 141 of the NI Act, which is reproduced hereinbelow:

"141. Offences by companies.—(1) If the person committing an offence under section 138 is a company, every person who, at the time the offence was committed, was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly:

Provided that nothing contained in this sub-section shall render any person liable to punishment if he proves that the offence was committed without his knowledge, or that he had exercised all due diligence to prevent the commission of such offence:

[Provided further that where a person is nominated as a Director of a company by virtue of his holding any office or employment in the Central Government or State Government or a financial corporation owned or controlled by the Central Government or the State Government, as the case may be, he shall not be liable for prosecution under this Chapter.]



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(2) Notwithstanding anything contained in sub-section (1), where any offence under this Act has been committed by a company and it is proved that the offence has been committed with the consent or connivance of, or is attributable to, any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly.

Explanation.—For the purposes of this section, —

(a) “company” means any body corporate and includes a firm or other association of individuals; and

(b) “director”, in relation to a firm, means a partner in the firm.”

9. The principles governing vicarious liability under Section 141 of the NI Act have recently been reiterated by the Supreme Court in *KS Mehta*. In the said judgment, the Supreme Court has considered its earlier decisions³, in order to trace and examine the interpretation of the said provision over the years, as follows:

“15. This Court has consistently held that non-executive and independent Director(s) cannot be held liable under Section 138 read with Section 141 of the NI Act unless specific allegations demonstrate their direct involvement in affairs of the company at the relevant time.

16. This Court in *National Small Industries Corpn. Ltd. v. Harmeet Singh Paintal* observed:

“13. Section 141 is a penal provision creating vicarious liability, and which, as per settled law, must be strictly construed. It is therefore, not sufficient to make a bald cursory statement in a complaint that the Director (arrayed as an accused) is in charge of and responsible to the company for the conduct of the business of the company without anything more as to the role of the Director. But the complaint should spell out as to how and in what manner Respondent 1 was in charge of or was responsible to the accused Company for the

³ S.M.S. Pharmaceuticals Ltd. v. Neeta Bhalla [(2005) 8 SCC 89]; N.K. Wahi vs. Shekhar Singh [(2007) 9 SCC 481]; National Small Industries Corpn. Ltd. v. Harmeet Singh Paintal [(2010) 3 SCC 330]; Pooja Ravinder Devidasani v. State of Maharashtra [(2014) 16 SCC 1]; Ashok Shewakramani v. State of A.P [(2023) 8 SCC 473]; Hitesh Verma v. Health Care at Home (India) (P) Ltd. [(2025) 7 SCC 623].



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conduct of its business. This is in consonance with strict interpretation of penal statutes, especially, where such statutes create vicarious liability.

22. Therefore, this Court has distinguished the case of persons who are in charge of and responsible for the conduct of the business of the company at the time of the offence and the persons who are merely holding the post in a company and are not in charge of and responsible for the conduct of the business of the company. Further, in order to fasten the vicarious liability in accordance with Section 141, the averment as to the role of the Directors concerned should be specific. The description should be clear and there should be some unambiguous allegations as to how the Directors concerned were alleged to be in charge of and were responsible for the conduct and affairs of the company.

39. From the above discussion, the following principles emerge:

(i) The primary responsibility is on the complainant to make specific averments as are required under the law in the complaint so as to make the accused vicariously liable. For fastening the criminal liability, **there is no presumption that every Director knows about the transaction.**

(ii) Section 141 does not make all the Directors liable for the offence. The criminal liability can be fastened only on those who, at the time of the commission of the offence, were in charge of and were responsible for the conduct of the business of the company.

(iii) Vicarious liability can be inferred against a company registered or incorporated under the Companies Act, 1956 only if the requisite statements, which are required to be averred in the complaint/petition, are made so as to make the accused therein vicariously liable for the offence committed by the company along with averments in the petition containing that the accused were in charge of and responsible for the business of the company and by virtue of their position they are liable to be proceeded with.

(iv) Vicarious liability on the part of a person must be pleaded and proved and not inferred.

(v) If the accused is a Managing Director or a Joint Managing Director then it is not necessary to make specific averment in



the complaint and by virtue of their position they are liable to be proceeded with.

(vi) If the accused is a Director or an officer of a company who signed the cheques on behalf of the company then also it is not necessary to make specific averment in the complaint.

(vii) The person sought to be made liable should be in charge of and responsible for the conduct of the business of the company at the relevant time. This has to be averred as a fact as there is no deemed liability of a Director in such cases.”

(emphasis in original)

17. In *N.K. Wahi v. Shekhar Singh*, this Court in para 8 observed:

“8. To launch a prosecution, therefore, against the alleged Directors **there must be a specific allegation in the complaint as to the part played by them in the transaction.** There should be clear and unambiguous allegation as to how the Directors are in-charge and responsible for the conduct of the business of the company. The description should be clear. It is true that precise words from the provisions of the Act need not be reproduced and the court can always come to a conclusion in the facts of each case. But still, in the absence of any averment or specific evidence the net result would be that complaint would not be entertainable.”

18. In *S.M.S. Pharmaceuticals Ltd. v. Neeta Bhalla*, this Court laid down that mere designation as a Director is not sufficient; specific role and responsibility must be established in the complaint.

19. In *Pooja Ravinder Devidasani v. State of Maharashtra*, this Court while taking into consideration that **a non-executive Director plays a governance role, they are not involved in the daily operations or financial management of the company,** held that to attract liability under Section 141 of the NI Act, the accused must have been actively in charge of the company's business at the relevant time. **Mere Directorship does not create automatic liability under the Act.** The law has consistently held that only those who are responsible for the day-to-day conduct of business can be held accountable.

20. In *Ashok Shewakramani v. State of A.P.*, this Court held:

“20. After having considered the submissions, we are of the view that there is non-compliance on the part of the second respondent with the requirements of sub-section (1) of Section 141 of the NI Act. We may note here that we are dealing with the appellants who have been alleged to be the Directors of Accused 1 company. We are not dealing with the cases of a Managing Director or a whole-time Director. The appellants have not



signed the cheques. In the facts of these three cases, the cheques have been signed by the Managing Director and not by any of the appellants.”

21. In *Hitesh Verma v. Health Care at Home (India) (P) Ltd.*, this Court held:

“3. As the appellant is not a signatory to the cheque, he is not liable under Section 138 of the 1881 Act. As it is only the signatory to the cheque is liable under Section 138, unless the case is brought within the four corners of Section 141 of the 1881 Act, no other person can be held liable. ...

*4. There are twin requirements under sub-section (1) of Section 141 of the 1881 Act. In the complaint, it must be alleged that the person, who is sought to be held liable by virtue of vicarious liability, at the time when the offence was committed, was in charge of, and was responsible to the company for the conduct of the business of the company. A Director who is in charge of the company and a Director who was responsible to the company for the conduct of the business, are two different aspects. The requirement of law is that both the ingredients of sub-section (1) of Section 141 of the 1881 Act must be incorporated in the complaint. Admittedly, there is no assertion in the complaints that the appellant, at the time of the commission of the offence, was in charge of the business of the company. Therefore, on a plain reading of the complaints, the appellant cannot be prosecuted with the aid of sub-section (1) of Section 141 of the 1881 Act.”*⁴

After analysing the provision, the Supreme Court observed that the accused persons had neither issued nor signed the cheques in question, and that their role in the company was purely non-executive, not extending to the financial decision-making or day-to-day affairs of the company. The Court further noted that the complaints did not contain specific allegations establishing a direct nexus between the accused persons and the financial transactions in question. In the absence of such foundational averments, the Supreme Court held that the requirements for fastening vicarious liability under Section 141 of the NI Act were not



satisfied, and accordingly quashed the criminal proceedings against the accused persons.

10. Mr. Kher also relied upon a judgment of a coordinate Bench in *Rahul Sood*. In that case, on facts similar to the present matters, this Court considered the aforesaid judgments, including *K.S. Mehta*, and observed that the complaint did not contain any specific averments detailing the role of the accused in the conduct of the business of the company. It was further noted that the accused was neither a signatory to the dishonoured cheques nor involved in the financial decision-making of the company. Additionally, the accused had resigned from his position, which was duly notified through Forms DIR-11 and DIR-12, *albeit* after the issuance of the summoning orders. This Court thus held that the petitioner therein could not be vicariously liable under Section 141 of the NI Act, and set aside the summoning order.

11. The Supreme Court and this Court have thus consistently held that mere designation as a director is not sufficient to establish vicarious liability under section 141 of the NI Act. The complaint must contain specific averments as to the role of the director specifically at the time of the commission of the offence.

12. It is therefore necessary to examine the specific averments made against the petitioner in the complaints. For this purpose, the relevant extracts from the complaints are reproduced hereinbelow⁵:

“5. Since the cheques mentioned, above were dishonoured, therefore the complainants have sent a notice dated 07.04.2017 to the accused

⁴ Emphasis supplied.

⁵ These paragraphs have been extracted from the complaint in CRL.M.C. 5769/2019. It may be noted that similar averments are also contained in the complaints filed in the other connected matters.



persons calling upon them to make payment against the above mentioned dishonoured cheques within 15 days. The notice was duly served upon the accused persons between 08.04.2017 and 11.04.2017. The accused no.1 Company was served on 08.04.2017 itself therefore accused no. 2 to 4 also stand served on 08.04.2017 though they have been separately also served.

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7, Accused nos. 2, 3 and 4 are the Directors of accused no.1 and are personally responsible for the day to day management and are in control of all the affairs of accused no.1 company. Time and again, there have been interactions with the accused persons relating to the transaction in question. As such, they are liable to be tried and punished for the offence committed by accused no.1 under section 138 of the Negotiable Instruments Act in their personal capacity as well.”

13. It is thus evident that the complaints do not contain any specific averments regarding the role of the petitioner, and instead merely make general and vague assertions that the petitioner, being a director of the Company, was “*personally responsible for the day-to-day management of the Company*”. The record further reflects that the petitioner was, in fact, serving as a non-executive Independent Director at the relevant time, as is evident from Form DIR-12. It is also an admitted position that the petitioner is not a signatory to the dishonoured cheques. Moreover, the petitioner had resigned from the position of Independent Director on 15.06.2017.

14. In view of the above, the petitioner cannot be held to be vicariously liable under Section 141 of the NI Act.

D. CONCLUSION

15. For the aforesaid reasons, the summoning orders dated 22.05.2017 in Complaint Case Nos. 4849/2017, 4850/2017 and 4852/2017, as well as summoning orders dated 01.07.2017 in Complaint Case Nos. 2814/2017, 2815/2017 and 2819/2017 are set aside *qua* the petitioner, and the



criminal proceedings arising therefrom are quashed.

16. The petitions stand disposed of.

MARCH 25, 2026

SS/Ainesh/

PRATEEK JALAN, J