IN THE HIGH COURT OF GUJARAT AT AHMEDABAD

R/CRIMINAL REVISION APPLICATION (AGAINST CONVICTION - NEGOTIABLE INSTRUMENT ACT) NO. 1822 of 2026

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ASHWINBHAI RAMANBHAI MACHHI
Versus
STATE OF GUJARAT & ANR.

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Appearance:
MR. ASHCHARYA H SANGHAVI(16402) for the Applicant(s) No. 1
MS SOUMYA DWIVEDI(11659) for the Respondent(s) No. 2
MS.C.M.SHAH, APP for the Respondent(s) No. 1

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CORAM:**HONOURABLE MS. JUSTICE S.V. PINTO**

Date : 13/08/2026
ORAL ORDER

RULE. Learned Additional Public Prosecutor waives service of notice of rule on behalf of the respondent – State.

1] By way of the present application, the applicant has prayed for quashing and setting aside the judgment and order dated 17.01.2026 passed by the learned 11th Additional Sessions Judge, Vadodara in Criminal Appeal No. 46 of 2023 as well as the judgment and order dated 31.12.2022 passed by the learned 21st Additional Chief Judicial Magistrate, Vadodara in Criminal Case No. 3880 of 2016, whereby the applicant came to be convicted for the offence punishable under Section 138 of the Negotiable Instruments Act, 1881 and was sentenced to undergo simple imprisonment for a period of one year and has been ordered to pay an amount of Rs.22,27,567/- to the original complainant as compensation within three months from the date of order, and, in default of payment simple imprisonment for three months.

2] Heard learned advocate Mr. Ashcharya Sanghavi for the applicant, learned Additional Public Prosecutor Ms.C.M.Shah for respondent No. 1 – State, and learned advocate Ms. Soumya Dwivedi for respondent No.2.

3] Learned Advocate Ms. Soumya Dwivedi, appearing for respondent No.2, confirms that the dispute between the parties has been amicably settled. She submits that the applicant had availed a vehicle loan of Rs.18,19,000/- from respondent No.2 and, due to constant non-payment, an amount of Rs.22,27,567/- became due and payable towards the loan, including interest. Towards repayment thereof, the applicant had issued a cheque for an amount of Rs.22,27,567/-. She further submits that, pursuant to the order passed by this Court during the pendency of the present proceedings, the dispute between the applicant and respondent No.2 has been amicably resolved. Respondent No.2 has also issued a letter dated 11.06.2026 stating that there are no claims against the applicant. It is further submitted that, in terms of the amicable settlement, the applicant has paid an amount of Rs.22,27,567/- to respondent No.2 towards full and final settlement of all the disputes. In view of the aforesaid settlement, respondent No.2 has no objection if the impugned judgments and orders of conviction are quashed and set aside and the applicant is acquitted of the charge.

4] Learned advocate Ms. Soumya Dwivedi appearing for respondent No. 2 – original complainant submits that respondent No.2 is personally present before this Court and has tendered a copy of the affidavit sworn by the original complainant, which is taken on record.

5] Learned Additional Public Prosecutor Ms.C.M.Shah for respondent No. 1 – State submits that the impugned judgment and order of conviction and sentence is just and proper. However, considering that the dispute between the parties has been amicably settled, appropriate orders may be passed by this Court.

6] The respondent No.2 is personally present before this Court. Upon inquiry, respondent No.2 states that the applicant had availed a vehicle loan of Rs.18,19,000/- and, due to constant non-payment, an amount of Rs.22,27,567/- became due and payable towards the loan, including interest. Towards repayment thereof, the applicant had issued the cheque in question for an amount of Rs.22,27,567/-. He further confirms that the applicant has paid an amount of Rs.22,27,567/- to respondent No.2 towards full and final settlement of the dispute. Respondent No.2 states that he has received the entire settlement amount, does not wish to prosecute the matter any further and has no objection if the offence is compounded and the applicant is acquitted. He further states that the settlement has been entered into voluntarily, without any coercion, threat or undue influence, and admits the contents of the affidavit tendered before this Court.

7] The affidavit filed by respondent No. 2 reads as under:

> *I , MAHINDRA & MAHINDRA FINANCIAL SERVICES PVT. LTD. THROUGH ITS AUTHORIZED OFFICER Mr Rajesh Mistri, Address: Third Floor, Bhagwan Chambers, Nr. Circuit House, R.C. Dutt Road, Alkapuri, Dist: Vadodara do hereby solemnly affirm and state on oath as under:-*
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> *1. It is submitted that at the time of availing the loan facility and initiation of the original proceedings, Mr. Shah Mihir Mukeshbhai was the duly authorized officer i.e Mahindra & Mahindra Financial Services Pvt. Ltd. It is further submitted that subsequently, with effect from year 2022, 1 Mr. Rajesh has been appointed as the duly authorized officer and since been authorized to represent the original complainant, in relation to the present matter and proceedings.*
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> *2. I am the original complainant in judgment and order passed by the Ld. 11th Addl. Sessions Judge, Vadodara, in Criminal Appeal No. 46 of 2023, which confirmed the judgment of conviction passed by the*

> *Ld. 21st Add. Senior Civil Judge & Add. Chief Judicial Magistrate, Vadodara in Criminal Case No. 3880 of 2016 for the offence of Negotiable Instrument Act, 1881.*
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> *3. I submit that the dispute between me and the petitioner are resolved and settled amicably and now, harmony has been established between us. The parties have interalia agreed that they have no objection if Revision Application is Allowed to the present applicant.*
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> *4. It is submitted that the No Due Certificate issued by Mahindra & Mahindra Financial Services Pvt. Ltd. in favour of the present applicant, recording the settlement and complainant's no objection to the present proceedings, is annexed herewith. It is further submitted that since now there is no any dispute with me and petitioner and harmony has been established and now the original dispute has been over and settled therefore, the present complainant has decided not to proceed with the complaint in question against the Applicant herein. Therefore, considering the above stated fact I have no any objection, if the present application is allowed.*
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> *What is stated herein above is true to the best of my knowledge..*

8] Section 147 of the N.I.Act makes offences under the Act compoundable notwithstanding anything contained in the Code of Criminal Procedure. The Hon'ble Supreme Court in **Damodar S. Prabhu v. Sayed Babalal H., (2010) 5 SCC 663**, recognized that the primary object of proceedings under Section 138 N.I. Act is compensatory in nature and encouraged compounding even at later stages subject to payment of appropriate costs.

9] Recently, in **Gian Chand Garg v. Harpal Singh and Another, 2025 SCC OnLine SC 2317**, the Hon'ble Supreme Court has observed in Para Nos. 5 to 10 as under :

> ***"5.*** *Be that as it may, at the outset, it is apposite to advert to settled position of law enunciated by this Court with regard to nature of proceedings under Section 138 of N.I.Act and the legal consequences that ensues upon a compromise being entered into between the parties.*
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> ***6.*** *This court in **M/s. Meters and Instruments Private Limited & Anr. v. Kanchan Mehta, 2018 (1) SCC 560** held that the nature of offence under section 138 of the N.I.Act is a mainly a civil wrong and has been made specifically compoundable by section 147 of the N.I.Act which was inserted by the 2002 amendment to the said Act. The relevant observations have been extracted for reference:*
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>> *"This Court has noted that the object of the statute was to facilitate smooth functioning of business transactions. The provision is necessary as in many transactions' cheques were issued merely as a device to defraud the creditors. Dishonor of cheque causes incalculable loss, injury and inconvenience to the Vide the Banking, Public Financial Institutions and Negotiable Instruments Laws (Amendment) Act, 1988 payee and credibility of business transactions suffers a setback. At the same time, it was also noted that nature of offence under Section 138 primarily related to a civil wrong and the 2002 amendment specifically made it compoundable."*
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> ***7.*** *It is also apposite to reiterate the observations in **P. Mohanraj & Ors. v. M/s. Shah Brothers Ispat Pvt. Ltd. (2021) 6 SCC 258** wherein this court referred the offence under section 138 N.I.Act as a "Civil Sheep" in "Criminal Wolf's Clothing" which meant issues agitated by the parties under the said provision are of private nature which are brought within the sweep of criminality jurisdiction in order to strengthen the credibility of the negotiable instruments.*
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> ***8.*** *Further in **M/s. Gimpex Private Limited v. Manoj Goel (2021) SCC OnLine SC 925** this court took into consideration the effect of settlement arrived between the parties and observed that:*

> *"38. When a complainant party enters into a compromise agreement with the accused, it may be for a multitude of reasons - Higher Compensation, faster recovery of money, uncertainty of trial and strength of complaint, among others. A complainant enters into a settlement with open eyes and undertakes the risk of the accused failing to honour the cheques issued pursuant to the settlement, based on certain benefits that the settlement agreement postulates. Once parties voluntarily entered into such an agreement and agree to abide by the consequence of non-compliance of the settlement agreement, they cannot be allowed to reverse the effects of the agreement by pursuing both the original complaint and the subsequent complaint arising from such non-compliance. The Settlement agreement subsumes the original complaint......"*

> ***9.*** *In* ***B.V. Seshaiah v. State of Telangana & Anr. (2023) SCC OnLine SC 96*** *this court was of the view that when parties enter into an agreement and compound the offence, they do so to save themselves from the process of litigation and when such a step is taken by the parties, the law very well allows them to do so. Hence, the courts cannot override such compounding and impose its will.*

> ***10.*** *Therefore, it is very clear that although dishonour of cheque entails criminal consequence, the legislature by virtue of section 147 of the N.I.Act has made it compoundable notwithstanding the provisions of the Code of Criminal Procedure, 1973 and the same can be compounded at any stage of the proceedings especially when the parties have themselves arrived at a voluntary compromise."*

10] Further, in Sanjabij Tari v. Kishore S. Borcar and Another (Criminal Appeal No. 1755 of 2010, decided on 25.09.2025), the Hon'ble Supreme Court modified the earlier guidelines relating to compounding costs and observed that where payment is made before the Sessions Court or High Court in revision/appeal, compounding may be permitted on payment of 7.5% of the cheque amount by way of costs.

11] So far as the objection that post-conviction compromise may dilute the rigour of criminal process is concerned, the same does not survive in view of the law laid down in **Gian Chand Garg (supra)**, wherein the Hon'ble Supreme Court specifically held that compounding under Section 138 N.I. Act can be permitted even after conviction and that such exercise does not violate the statutory scheme but rather advances the object of ensuring payment and reducing unnecessary litigation. Thus, permitting the present compromise does not offend the principles laid down in **Damodar S. Prabhu (Supra)** or **Sanjabij Tari (Supra)**; rather, the same is subject to payment of costs in terms of the modified guidelines.

12] Accordingly, the present application is allowed.

13] The judgment and order dated 17.01.2026 passed by the learned 11th Additional Sessions Judge, Vadodara in Criminal Appeal No. 46 of 2023 as well as the judgment and order dated 31.12.2022 passed by the learned 21st Additional Chief Judicial Magistrate, Vadodara in Criminal Case No. 3880 of 2016 are hereby quashed and set aside on the basis of compromise between the parties.

14] However, as the settlement has been arrived at during the pendency of the present proceedings before this Court, the applicant shall deposit costs equivalent to 7.5% of the cheque amount of Rs.22,27,567/-, i.e. **Rs.1,67,068/-**, by Cash/Cheque/ DD/RTGS/NEFT with the District **Legal Services Authority, Vadodara**, within a period of ***four*** weeks from the date of receipt of this order.

15] Subject to deposit of the aforesaid costs, the offence shall stand compounded and the applicant shall stand acquitted of the charge punishable under Section 138 of the Negotiable Instruments Act, 1881. Rule is made absolute accordingly.

(S. V. PINTO,J)

VISHAL MISHRA

Original copy of this order has been signed by the Hon'ble Judge.
Digitally signed by: VISHAL VISHNUPRASAD MISHRA(HC01088), STENO GR II, at High Court of Gujarat on 14/08/2026 17:52:54