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IN THE HIGH COURT OF GUJARAT AT AHMEDABAD

R/CRIMINAL MISC.APPLICATION (FOR QUASHING & SET ASIDE FIR/ORDER) NO. 19301 of 2018

FOR APPROVAL AND SIGNATURE:

HONOURABLE MR.JUSTICE P. M. RAVAL

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Approved for Reporting	Yes	No

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M/S PARAS MOTORS INDUSTRIES THROUGH ADISHKUMAR NANAKCHAND JAIN
Versus
STATE OF GUJARAT & ANR.

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Appearance:
MR JAY B AMBANI FOR MR ASHISH M DAGLI(2203) for the Applicant(s) No. 1
MR HS MUNSHAW(495) for the Respondent(s) No. 2
ROHAN N SHAH APP for the Respondent(s) No. 1

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CORAM:**HONOURABLE MR.JUSTICE P. M. RAVAL**

Date : 23/09/2026

ORAL JUDGMENT

1. By way of the present petition filed under Section 482 of the Code of Criminal Procedure, 1973 (or Article 226 of the Constitution of India), the Petitioner—M/s Paras Motor Industries through its authorized representative—prays for quashing and setting aside the First Information Report (FIR) registered on 05.08.2018 before the Naroda Police Station, Ahmedabad, for alleged offenses punishable under Sections 406 and 420 of the Indian Penal Code (IPC) being CR No.I- 251 of 2018, along with all consequential proceedings arising therefrom.

2. Facts narrated in the FIR as follows:

> *"My name is Pragnesh Manubhai Patel, aged 48, Occupation: Service, Residing at: 7, 2nd Floor, Binori Apartment, Pariwar Society,*

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Premchandnagar Road, Satellite, Ahmedabad, Mobile No.: 8511101499. I am physically present to state and declare the facts of my complaint. I reside at the aforementioned address with my family and have been employed for the last six months as the Chief Mechanical Engineer at the Central Office of the Gujarat State Road Transport Corporation (GSRTC), situated at the Central Workshop Compound, Krishnanagar, Ahmedabad, thereby earning a livelihood for my family.

Tenders were invited by our Gujarat State Road Transport Corporation vide Tender No. GSRTC e-Tender NO.01/2015-16 for constructing bus bodies on a total of 360 bus chassis. M/s Paras Motor Industries, Faridabad, Haryana, through its responsible representative, Mr. Adishkumar Jain, submitted a bid for the said tender. Upon being determined as the lowest bidder (L1), the tender worth Rs. 23,89,00,000/- (Rupees Twenty-Three Crore Eighty-Nine Lakhs only) was awarded to M/ s Paras Motor Industries upon their acceptance of the terms and conditions. Consequently, Letter of Acceptance (LOA) No. CWA/P3/NBB850/Out Agency.e-TNDR01/15-16/LOA/2040 dated 31.05.2016 and Work Order No. CWA/P/NBB850/Out Agency/e-TNDR01/15-16/WO/3048 dated 10.08.2016 were issued to the firm. As per the tender conditions, the firm was required to construct the bus bodies in compliance with AIS-052 Bus Body Code standards and provide a 5-year warranty. In furtherance thereof, the firm executed an Undertaking Agreement on a Rs. 100/- stamp paper, an Indemnity Bond on a Rs. 100/- stamp paper, and a Bank Guarantee deed on a Rs. 100/- stamp paper. On this basis, the Corporation handed over 360 bus chassis along with dimension drawings to the firm for body construction. Upon completion of the body construction work, the firm handed over the buses to the Corporation. The concerned officers at our workshop inspected the bus bodies, prepared inspection reports, got the buses passed by the RTO Gandhinagar, and allotted them to various State Transport (S.T.) depots across Gujarat as needed.

While the warranty period was ongoing, information was gathered from various depots regarding the buses supplied by the firm. Reports indicated serious structural defects in approximately 50 buses, posing a severe risk of major accidents and loss of human life if operated continuously. Accordingly, 16 S.T. buses were recalled to our workshop. On 03.07.2018 and 04.07.2018, a joint inspection accompanied by videography was conducted in the presence of S.T. Department officers and the responsible representative of M/s Paras Motor Industries. During this joint inspection, serious defects were discovered in 10 buses, including: Structural body pillars detached from welds, Center pillars cracked, Pillars detached due to incomplete/defective welding, Rusted

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metal parts and detached/loose roof sheet panels inside the body.

M/s Paras Motor Industries displayed negligence and a lack of seriousness regarding these issues, despite the high risk of catastrophic accidents and loss of human life if such buses remain operational. Furthermore, 344 other buses are currently operating in public transit, and the possibility of similar serious defects in them cannot be ruled out. To inspect these buses, four formal letters were issued to the firm via email and registered post. However, the firm failed to communicate any plan for inspection and showed no interest in rectifying the defects. Any serious mishap resulting from this would severely damage the reputation of the S.T. Corporation and the Government of Gujarat. Attached herewith are copies of the Tender Terms, Letter of Acceptance, Work Order, stamped agreements/undertakings executed by the firm, and the Joint Inspection Report.

From 2015–16 to date, Mr. Adishkumar Jain, on behalf of M/s Paras Motor Industries, Faridabad, Haryana, secured the tender from the Gujarat State Road Transport Corporation by accepting its conditions and executing an undertaking agreement on Rs. 100/- stamp paper. However, instead of constructing bus bodies matching the AIS-052 code standard, they manufactured and supplied defective, substandard bus bodies, thereby endangering public life and property. By delivering defective bodies on these 16 S.T. buses—rendering them unroadworthy—and causing an estimated current financial loss of Rs. 15,00,000/- (Rupees Fifteen Lakhs) to the S.T. Corporation due to structural flaws, they have committed acts of breach of trust and cheating against the S.T. Corporation.

I hereby lodge this complaint for legal action and detailed investigation against them, to be supported by witnesses, S.T. Department checking officers, and findings from the police investigation. The above facts of my complaint have been read over and are true and correct as dictated by me."

3. **Factual matrix in nut shell of the informant** (Respondent No. 2): As per the impugned FIR lodged by Respondent No. 2 (Pragnesh Manubhai Patel, Chief Mechanical Engineer, Gujarat State Road Transport Corporation - GSRTC):

3.1 Tender & Award: GSRTC invited tender GSRTC-E-Tender-No.1/15-16 for the construction of bus bodies on 360 bus chassis.

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The Petitioner submitted the lowest bid and was awarded the contract for a total consideration of Rs. 23,89,00,000/-.

3.2 Execution of Contract: Letter of Acceptance dated 31.05.2016 and Work Order No. CWA/P/NBB850/Out Agency-RO1-15-16-WO-3048 dated 10.08.2016 were issued. The contract stipulated construction of bus bodies in compliance with AIS-052 standards and carried a 5-year warranty period. The Petitioner executed necessary undertakings and bank guarantees.

3.3 Alleged Defects & Inspection: During the warranty period, complaints were received regarding structural defects in approximately 50 buses. A joint inspection of 16 buses conducted on 03.07.2018 and 04.07.2018 revealed serious defects in 10 buses, including pillars detached from welds, cracked center pillars, and loose roof panels, creating a potential risk of public accidents.

3.4 Allegation of Offenses: Despite multiple communications, the Petitioner failed to rectify the defects, causing an estimated financial loss of Rs. 15,00,000/- to the Corporation. Consequently, Respondent No. 2 lodged the FIR alleging that the Petitioner committed Criminal Breach of Trust (Section 406 IPC) and Cheating (Section 420 IPC) by supplying substandard bus bodies.

Submissions on Behalf of the Petitioner:-

4 Learned advocate Mr.Jay Ambani for Mr. Ashish Dagli appearing for the Petitioner would submit that:

4.1 Compliance and Multi-Tier Inspection: The 360 bus bodies were manufactured strictly as per AIS-052 standards and

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2026:GUJHC:60092

underwent mandatory 3-stage inspections (raw material, framework structure, and final assembly) by GSRTC officials. The buses were duly verified, certified, passed by RTO Gandhinagar, and deployed across S.T. depots starting March 2017.

4.2 Extensive Commercial Usage: The buses in question were actively operational for over two years, having covered approximately 3,00,000 to 4,00,000 kilometers each prior to the lodging of the FIR. Any minor wear-and-tear (such as loose bolts) after such extensive usage falls purely within routine warranty maintenance and cannot be termed a criminal act.

4.3 Existence of Prior Civil Litigation & Malafides: The Petitioner extended the Bank Guarantee of Rs. 2,38,90,000/- up to 30.04.2019 as requested. However, GSRTC arbitrarily encashed the entire Bank Guarantee. The Petitioner challenged this illegal encashment by filing a Special Civil Application before this Court. The present FIR was lodged on 05.08.2018 immediately thereafter, purely as a counterblast and tool of coercion to defeat the civil litigation.

4.4 Absence of Criminality: A contractual dispute regarding warranty terms does not attract Sections 406 or 420 IPC. Learned advocate placed reliance on decisions of the Apex Court and this Court, including:

- *State of Haryana v. Bhajan Lal (AIR 1992 SC 604)*
- *G. Sagar Suri v. State of U.P. (2000 2 SCC 636)*
- *Rejib Ranjan v. R. Vijaykumar (2015 2 SCC 513)*
- *Manidersingh Jolly v. State of Gujarat (2017 3 GLR 1957)*

Submissions on Behalf of the Respondent-State &

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Complainant

5. Learned Additional Public Prosecutor (APP) along with learned advocate Mr. H. S. Munshaw for Respondent No. 2 submitted that:

5.1 The allegations in the FIR disclose serious structural deficiencies in public transport buses, endangering the lives of commuters.

5.2 The joint inspection report dated 03.07.2018 and 04.07.2018 prima facie establishes that substandard materials and improper welding were used.

5.3 The power under Section 482 CrPC ought to be exercised sparingly, and investigation by the police should not be curtailed at the threshold when a prima facie case of cheating is disclosed.

6. Having heard Learned Counsel for the respective parties and perused the material on record, the Court is called upon to decide as to whether any offence as alleged in the FIR are made out nor not.

Absence of Deceit at Inception (Section 420 IPC)

6.1 To constitute an offense of Cheating under Section 420 IPC, it is settled law that there must be fraudulent or dishonest intention existing at the very inception of the contract.

6.2 In the present case, the Petitioner submitted a valid tender,

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2026:GUJHC:60092

cleared all 3 mandatory stages of quality inspection, obtained RTO clearance, and delivered 360 buses. These buses ran on public roads for over two years, covering 3 to 4 lakh kilometres. A breach of warranty or post-performance quality grievance after two years of heavy commercial usage cannot retroactively convert a commercial transaction into a criminal offense of cheating.

In applicability of Criminal Breach of Trust (Section 406 IPC)

6.3 The transaction between the parties is purely contractual in nature, governed by tender terms and conditions. The bus chassis handed over for body building were returned to the Corporation as completed buses and put into operation. Disputes regarding routine maintenance, wear-and-tear, or defect liability under a warranty clause do not amount to criminal entrustment or misappropriation under Section 405/406 IPC.

Abuse of Process & Conversion of Civil Dispute into Criminal Case

6.4 The record reveals that prior to the registration of the FIR on 05.08.2018, contractual disputes had already escalated:

1. GSRTC issued notice for liquidated damages, which was formally contested by the Petitioner.

2. GSRTC encashed the Petitioner's Bank Guarantee of Rs. 2.38+ Crores.

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NEUTRAL CITATION
2026:GUJHC:60092

3. The Petitioner approached this High Court by filing a Special Civil Application challenging the Bank Guarantee encashment.

4. Arbitral award has been passed in favour of the petitioner.

6.5 As per the settled principles of law criminal proceedings are not a shortcut for resolving civil or contractual disputes, and courts must exercise utmost caution to ensure criminal law is not weaponized as a lever for harassment. The timeline establishes that the FIR was lodged as a counterblast to create a defense in pending civil proceedings.

Application of Cases relied by Petitioner:

6.7 The present case squarely falls under Categories 1, 2, and 7 of the guidelines laid down in ***State of Haryana v. Bhajan Lal***:

Categories 1 & 2: Uncontroverted allegations in the FIR do not prima facie constitute any cognizable offense under Sections 406 or 420 IPC against the accused.

Category 7: The criminal proceeding is manifestly attended with malafide and maliciously instituted with an ulterior motive for wreaking vengeance due to ongoing civil disputes.

6.8 In ***G. Sagar Suri v. State of U.P. (2000 2 SCC 636)***, the Apex Court observed that criminal proceedings are not meant to be used as a shortcut for remedies available in civil law, and the High Court under Section 482 CrPC must exercise caution to see whether a dispute essentially civil in nature has been given a cloak of criminal offense. Applying this principle to the present

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2026:GUJHC:60092

case, the dispute between the petitioner and the respondent-Corporation arises out of a commercial tender contract containing detailed provisions for defect liability, warranty, and liquidated damages. The Corporation having already resorted to civil/contractual remedies by demanding liquidated damages and encashing the Bank Guarantee, its act of lodging an FIR under Sections 406 and 420 IPC is nothing but an illegal shortcut and abuse of process to pressurize the petitioner, which cannot be sustained in light of the law laid down in G. Sagar Suri (Supra).

6.9 The principles laid down in ***Rejib Ranjan v. R. Vijaykumar (2015 2 SCC 513)*** apply directly to the factual matrix of this case. The Supreme Court held that where an analysis of the chronology of events reveals that allegations of criminality were mischievously made after civil disputes arose between the parties, it becomes evident that the prosecution is merely an attempt to colour a civil dispute with criminality. In the present case, the chronology demonstrates that all 360 buses were inspected, accepted, and operated for over two years without any allegation of fraud. It was only after the petitioner challenged the unilateral encashment of its Bank Guarantee by filing a Special Civil Application before this Court that the impugned FIR came to be lodged on 05.08.2018. This sequence of events falls squarely within the rule in Rejib Ranjan (Supra), establishing that criminal allegations were mischievously manufactured to retaliate against civil litigation.

6.10. Further, this Court in ***Manidersingh Jolly v. State of Gujarat (2017 (3) GLR 1957)*** held that when disputed contractual documents and liabilities form the core subject

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2026:GUJHC:60092

matter of pending civil proceedings in the year 2003 and the compliant was lodged in the year 2013, initiating a parallel criminal prosecution on those facts is a gross abuse and misuse of the process of law. In the case at hand, the e-tender, work order, warranty obligations, and bank guarantee encashment were already the subject matter of controversy in civil/writ proceedings filed by the petitioner prior to the FIR. The complainant-Corporation was fully aware of all contractual terms and inspection reports from the inception in 2016. Attempting to criminalize the same disputed contractual terms while civil proceedings are sub-judice is squarely prohibited by the law laid down in Manidersingh Jolly (supra).

7. In view of the foregoing discussion, allowing the criminal investigation to continue would amount to a gross abuse of the process of law and cause unnecessary harassment to the Petitioner.

8. The petition is ***allowed***. The First Information Report being CR No.I- 251 of 2018 registered on 05.08.2018 before the Naroda Police Station, Ahmedabad for alleged offenses punishable under Sections 406 and 420 of the Indian Penal Code (IPC), along with all consequential proceedings arising therefrom, is hereby quashed and set aside qua the Petitioner. Rule is made absolute accordingly.

(P. M. RAVAL, J)

MMP

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