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**IN THE HIGH COURT OF PUNJAB AND HARYANA
AT CHANDIGARH**

**CRM-M-34651-2026 (O&M)
RESERVED ON: 09.10.2026
PRONOUNCED ON: 16.10.2026
UPLOADED ON: 16.10.2026**

SANJEEV ARORA**-PETITIONER****V/S****DIRECTORATE OF ENFORCEMENT AND ANOTHER****-RESPONDENTS****CORAM: HON'BLE MR. JUSTICE KULDEEP TIWARI**

Present: Mr. Arjun Dewan, Advocate
Mr. Jasman Singh Gill, Advocate
Mr. Ritesh Mohindra, Advocate, and
Mr. Paramvir Singh, Advocate
for the petitioner.

Mr. Lokesh Narang, Sr. Panel Counsel
Mr. Pranjal Tripathi, Advocate
(Through video conferencing)
Mr. Rajeev Kumar Bagoria, Advocate
Ms. Nitya Chaudhary, Advocate
Ms. Shubhleen Dhariwal, Advocate, and
Mr. Milan Singh, Advocate
for the respondents.

KULDEEP TIWARI, J.

1. The petitioner, presently incarcerated in judicial custody pursuant to his arrest effected on 09.05.2026 by the Directorate of Enforcement, has approached this Court by way of the instant petition preferred under Section 483 of the Bharatiya Nagarik Suraksha Sanhita, 2023 (hereinafter referred to as the "BNSS"), read with Section 45 of the Prevention of Money Laundering Act, 2002 (hereinafter referred to as the "PMLA, 2002"), seeking the grant of regular bail in ECIR No.

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HIU-I/14/2026 dated 05.05.2026, registered by the Directorate of Enforcement, arising out of FIR No.137 dated 18.04.2026, registered under Sections 238(a), 316(2), 318(4), 336(3), 338, 340 and 61 of the Bharatiya Nyaya Sanhita, 2023 (hereinafter referred to as the “BNS”), at Police Station Udyog Vihar, Gurugram.

2. The instant petition stands engendered by the dismissal of the petitioner’s application for regular bail by the learned Special Court, Gurugram, vide order dated 15.06.2026, thereby compelling the petitioner to invoke the jurisdiction of this Court.

THE EVENTS PRECEDING AND CULMINATING IN THE REGISTRATION OF THE PRESENT ECIR

3. The roots of the present ECIR lie in FIR No.137 (*supra*), which constitutes the predicate offence. The said FIR was registered on the basis of a complaint lodged by the Assistant Director, Directorate of Enforcement, wherein four individuals, including the present petitioner, and two legal entities were arrayed as accused, namely: (i) Sanjeev Arora, (ii) Kavya Arora, (iii) Hemant Sood, (iv) Chander Sekhar, (v) M/s Hampton Sky Realty Limited (hereinafter referred to as “M/s HSRL”), and (vi) M/s Findoc Finvest Pvt. Ltd.

4. The genesis of the FIR can be traced to an investigation undertaken by the Directorate of Enforcement under the Foreign Exchange Management Act, 1999 (hereinafter referred to as the “FEMA, 1999”). On 17.04.2026, a search and seizure operation was carried out under Section 37 of the FEMA, 1999, read with Section 132 of the Income Tax Act, 1961 (hereinafter referred to as the “IT Act”), at various premises of six different

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legal entities, including M/s HSRL beneficially owned by the petitioner, Kavya Arora, Hemant Sood and Chander Sekhar, besides M/s Findoc Finvest Pvt. Ltd. and others.

5. During the search operation conducted on 17.04.2026 at the residential premises of one of the accused, namely, Kavya Arora son of Sanjeev Arora (present Managing Director of M/s HSRL), his statement was recorded under Section 37 of the FEMA, 1999 read with Section 132(4) of the IT Act, wherein he stated that M/s HSRL had commenced exporting mobile phones to Middle Eastern countries from 2023 onwards, while simultaneously carrying on its realty business. Mobile phones were purchased locally in India and his father (present petitioner) (erstwhile CMD of M/s HSRL) used to oversee the mobile-phone export business. However, this was discontinued in 2024 as it was not generating any profit. One Deepak Sharma, CFO, also assisted his father in mobile export business. All the final decisions regarding the quantum and quantity of mobile phones to be purchased from a particular unit for domestic purchase were taken by his father, and these instructions were thereafter acted upon by Deepak Sharma.

6. The FIR embodied allegations that M/s HSRL had shown sales of mobile phones valued at approximately ₹ 157.12 crores during the financial year 2023-2024 to several local and overseas entities. Out of the said transactions, exports amounting to approximately ₹ 102.50 crores were shown to have been made to only the following two entities based in the UAE:-

- (i) M/s Fortbel Telecom FZCO; and
- (ii) M/s Dragon Global FZCO.

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7. M/s Fortbel Telecom FZCO appeared to be a related/associated entity of M/s Fortbel Gadget Pvt. Ltd., beneficially owned by Hemant Sood and Chander Sekhar, thereby raising suspicion regarding the genuineness of the export transactions and prompting the enforcement agency to delve deeper into the transactions and unravel the complete chain thereof.

8. The GST data and purchase records revealed that the supply chain of the purchasing parties included several supplier entities which were either non-existent, shell or dummy firms, or entities lacking the requisite financial capacity. Such entities issued bogus invoices without any corresponding actual supply of goods. Several of these entities were either non-filers of income-tax returns, reported negligible income, or had been deregistered or suspended under the GST regime shortly after a brief period of operation. The GST Department confirmed that the GST registrations of such entities had either been cancelled or suspended on account of absence of any business activity at their premises.

9. What further emerged during the course of investigation was that multiple supplier entities were interconnected through common mobile numbers, e-mail IDs and other identifiers, indicating that such entities were controlled by a single group of persons for the purpose of generating accommodation entries and fake invoices. Certain entities in the chain were also found to have no genuine upstream suppliers, thereby establishing that the invoices raised by them were fictitious in nature. It also came to light that one of the mobile numbers linked to these entities, which was owned by one Kartik Verma, had been misused by certain individuals for the purpose of generating fake invoices. In this regard, Kartik Verma lodged a complaint

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with the Haryana Police, asserting that he had been receiving SMS communications from the GST Department regarding notices issued in respect of certain fake firms which had been registered under the GST regime by linking his mobile number.

10. It was on the strength of the aforesaid allegations that FIR No.137 (*supra*) came to be registered for the scheduled offences noted hereinabove, thereby constituting the predicate offence and laying the foundation for registration of the present ECIR.

SUBMISSIONS OF LEARNED COUNSEL FOR THE PETITIONER

11. Mr. Arjun Dewan, Advocate, constructed the edifice of his arguments upon the foundation of the common judgment rendered by the High Court of Judicature at Allahabad in ***Criminal Misc. Anticipatory Bail Application u/s 438 Cr.P.C. No.1518 of 2023 (Ramji Singh vs. Directorate of Enforcement Allahabad Sub Zonal Office)***, whereby a number of applications seeking anticipatory bail were decided. Relying thereon, he submitted that the restrictions imposed under Section 45 of the PMLA, 2002, apply only to courts other than constitutional courts. It was further submitted that Section 44(2) of the PMLA, 2002, clearly indicates that the restrictions imposed under Section 45 do not apply to constitutional courts. This provision was inserted by Parliament with the object of preserving the special powers conferred upon the High Courts under Section 439 of the Cr.P.C. Accordingly, it was urged that, while adjudicating the instant petition seeking regular bail, this Court is competent to independently examine and decide the matter in the light of general provisions of the BNSS.



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12. In the alternative, it was contended that even if this Court were to conclude that the rigours of Section 45 of the PMLA, 2002, apply to the instant petition, the petitioner nevertheless satisfies both the twin conditions prescribed thereunder. The material on record furnishes reasonable grounds for believing that the petitioner is not guilty of the alleged offence, as no *prima facie* case is made out against him, there being no material to indicate his involvement, in any manner, with the proceeds of crime. There is no likelihood of petitioner committing any offence while on bail, particularly in view of his clean antecedents and the absence of any criminal history. Further contended that the petitioner's claim for regular bail is covered by the proviso to Section 45 of the PMLA, 2002, as he is suffering from several medical ailments.

13. Another strand of the arguments advanced by learned counsel was rooted in the judgment rendered by the Hon'ble Supreme Court in ***"Prem Prakash vs. Union of India through the Directorate of Enforcement"*, (2024) 9 SCC 787**. Drawing strength therefrom, it was submitted that the Directorate of Enforcement was required to first set out three foundational facts, whereupon the burden would shift to the accused/petitioner to show that there are reasonable grounds for believing that he is not guilty of the offence under Section 3 of the PMLA, 2002. It was also submitted that the reply to the bail application assumes significance in this regard, as it is conspicuously silent about the incriminating material that could establish the petitioner's guilt and thereby shift the onus to him to prove his innocence.

14. Marching forth with his arguments, Mr. Dewan then assailed

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the predicate FIR, which constituted the bedrock for the registration of the present ECIR. While narrating the sequence of events, it was submitted that, during an ongoing search under the FEMA, 1999, the FIR was registered by the jurisdictional police at 02:22 a.m., within 82 minutes of the recording of the general diary entry, without any independent preliminary inquiry into a complex, multi-jurisdictional transaction, thereby demonstrating that it had been registered mechanically to confer jurisdiction under the PMLA, 2002, upon the Directorate of Enforcement. There was no incriminating material, yet the investigating officer proceeded to register the FIR, which established the motive to create the jurisdictional facts necessary for the application of the PMLA, 2002. It was also contended that the FEMA, 1999, does not contain any provision empowering or obligating the officer concerned to lodge a complaint. There is no provision in the FEMA, 1999, akin to Section 66 of the PMLA, 2002, and, therefore, the Assistant Director has neither the power nor the obligation to file complaints before local police station while carrying out proceedings under the FEMA, 1999. Thus, very foundation of the registration of FIR and consequent arrest is evidently vitiated by *mala fides*. Moreover, contents of the FIR do not reveal commission of any scheduled offence, much less any offence, as the essential ingredients are conspicuously absent.

15. Learned counsel also relied on the judgment of the Hon'ble Supreme Court in "***Mohd. Ibrahim vs. State of Bihar***", (2009) 8 SCC 751, wherein it was held that a document can be said to be forged only when it has been purportedly signed by a person claiming to be someone else or materially altered, whereas, in the present case, the FIR contains no

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allegation that any person's signature was forged, nor does it identify anyone who was allegedly cheated by the petitioner.

16. There is no evidence to establish that the amount of ₹ 102.50 crores constitute proceeds of crime. It is not the case of the prosecution agency that money paid by M/s Fortbel Telecom FZCO, UAE, and M/s Dragon Global FZCO, UAE, was generated from any scheduled offence. Rather, the money was received by M/s HSRL against export sales made during valid export business.

17. Explaining the export process in detail, learned counsel submitted that M/s HSRL exported mobile phones pursuant to 43 separate orders, each of which was processed through the statutory customs mechanism. Every export shipment was subjected to scrutiny and clearance by the Customs Authorities, and the duty drawback was processed in accordance with the Customs Standard Operating Procedure governing the export of mobile phones and electronic devices. The export process followed by M/s HSRL was such that, upon receipt of purchase orders from overseas buyers, M/s HSRL procured mobile phones from domestic vendors against valid tax invoices and purchase orders. The movement of goods from the suppliers to M/s HSRL was duly recorded through e-way bills. At the time of supply, the vendors also furnished the list of IMEI numbers of the mobile phones to M/s HSRL. Thereafter, M/s HSRL prepared the export invoices, packing lists, shipping documents, and IMEI details and submitted the same before the Customs Authorities. The Customs Authorities duly examined the export consignments and, only upon being satisfied with the particulars of the goods and documents, granted the Let Export Order



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(LEO), permitting the export of the consignments. Following customs clearance, the goods were transported through authorised carriers under duly generated airway bills, which recorded the details of the shipments and their destinations. Upon arrival in the destination jurisdiction, namely, the United Arab Emirates (UAE), the consignments were subjected to customs clearance by the competent foreign authorities. Thus, the exports undertaken by M/s HSRL passed through multiple independent stages of verification by Indian Customs, authorised carriers, and foreign customs authorities, thereby creating a complete and verifiable audit trail of the export transactions.

18. It was further submitted that a detailed analysis of the prosecution complaint and the material relied upon by the prosecuting agency itself establishes that suppliers such as M/s S.K. Enterprises, M/s Global Traders, and M/s GMG Tradelink Pvt. Ltd. had supplied goods (mobile phones) to M/s HSRL. The following table was relied upon to establish the ‘First Link of Supply’, i.e. to the entities alleged to have no inward supply.

Supplier	Unique supplier IMEIs	Apple match	Flipkart match	Amazon/ Appario match
M/s S.K. Enterprises	1,970	1,479	657	81
M/s Global Traders	50	50	30	0
M/s GMG Tradelink	800	638	0	459

19. It was, thus, contended that 1,479 of the 1,970 IMEIs pertaining to M/s S.K. Enterprises, all 50 IMEIs pertaining to M/s Global Traders, and

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638 of the 800 IMEIs pertaining to M/s GMG Tradelink were independently found in Apple's records. Further, the correlation establishes that the IMEIs recorded in the supplier invoices issued to M/s HSRL correspond to actual sales independently reflected in the data provided by Apple, Flipkart, and/or Amazon/Appario to the Directorate of Enforcement in response to summons. It was, accordingly, contended that the said vendors had purchased mobile phones from Amazon, Flipkart, etc., either directly or indirectly, and had subsequently sold them to M/s HSRL.

20. Further, heavy reliance was placed upon the order dated 29.12.2023 passed by the Assistant Commissioner of Customs (Drawback) to submit that M/s HSRL had claimed duty drawback in respect of the exported mobile phones. In terms of the Standard Operating Procedure, the pre-activation status of all the IMEI numbers was required to be verified by the Customs Authorities before processing the duty drawback claims. In the said order, it was duly noted that an email had been sent by the Assistant Commissioner to Apple to verify the activation status of the mobile phones, whereupon it was found that, out of 13,930 exported mobile phones, only 62 devices were pre-activated. Thus, duty drawback was disallowed in respect of only 62 devices, whereas duty drawback amounting to approximately ₹48.53 lakhs was approved. No customs authorities had been joined in the investigation since the registration of the ECIR. It was, therefore, contended that there are no grounds for this Court to presume that the export of mobile phones was merely a paper transaction.

21. Reference was also made to the order dated 24.09.2026, which was taken on record as Mark 'A' by this Court vide order dated 29.09.2026,

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and whereby the Appellate Authority constituted under the GST disposed of an appeal preferred by M/s HSRL, observing that, based on the relevant documents and supplier chain analysis, the claim for ITC was found to be in order, except in respect of M/s S.K. Enterprises and M/s Global Traders. The rejection of the claim with regard to the said two entities was on account of their non-compliance with GST and other statutory laws. Upon coming to know of the same, M/s HSRL duly lodged FIR No.83 dated 17.05.2025 against these two legal entities. It was, therefore, contended that the petitioner could not be held liable for any default on the part of the said entities. Moreover, the statements of Kamal Ahmad and Azhar Haider (proprietors of aforesaid legal entities), as relied upon by prosecution, are wholly incorrect, inasmuch as, in order to create their defence in FIR No. 83, they had made false and frivolous statements against the petitioner, and hence, their statements should be discarded at the threshold.

22. The next limb of arguments advanced by learned counsel pertained to the illegality of the petitioner's arrest and violation of Section 19 of the PMLA, 2002. Placing reliance upon the judgment rendered by the Hon'ble Supreme Court in "**Arvind Kejriwal vs. Directorate of Enforcement**", 2024 SCC OnLine SC 1703, it was submitted that the power of arrest under Section 19 of the PMLA, 2002, is not a tool for investigation. It was contended that an arrest must be preceded by sufficient material on record and the authorised officer must form an independent belief of guilt, on the basis of material already available, rather than on material hoped to be obtained through custodial interrogation.

23. Elaborating the aforesaid submission, it was argued that the

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“grounds of arrest” furnished to petitioner reveal that the only investigation undertaken by the investigating agency prior to his arrest comprised the recording of two statements, neither of which even named the petitioner. It was, therefore, submitted that there was no “material in possession” of the investigating agency to justify his arrest. Prior to his arrest, the petitioner had neither been summoned nor his statement had been recorded by the investigating agency. M/s HSRL had conducted its business under valid and lawful licences while maintaining all requisite documents. Accordingly, it was urged that the opinion formed by the competent investigation officer under Section 19 of the PMLA, 2002, without undertaking a fair and proper investigation, cannot be sustained.

24. Further argued that Section 19 of the PMLA, 2002, requires authorised officer to arrive at a subjective opinion of “guilt” of person sought to be arrested. It was pointed out that, while the ECIR was registered on 05.05.2026, the petitioner was arrested on 09.05.2026 and, therefore, the investigating officer could not have arrived at the requisite opinion of guilt within such a brief period of 3/4 days, particularly when no incriminating material was available on record to support such an opinion. All this demonstrates that the arrest was predetermined and politically motivated.

25. Proceeding further, it was submitted that the petitioner is in judicial custody and, hence, has no knowledge or details of the person(s) allegedly influencing the witnesses. Petitioner had never, either personally or through any family member, paid any money, let alone ₹35,000/-, to influence a witness. The allegation of payment of money through a UPI/banking transaction belies any logic of tampering or influencing.



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26. Lastly, it was contended that the Directorate of Enforcement had filed the complaint on 06.07.2026, and the learned Special Court had subsequently taken cognizance thereof vide order dated 18.09.2026. There are 145 witnesses, none of whom has been examined thus far. Therefore, conclusion of the trial would take a considerable amount of time. The non-joining of Sanjeev Walia and Rahul Agrawal, who are alleged to be absconding from the clutches of law, cannot constitute a ground for denying bail to the petitioner.

27. Drawing arguments to a close, reliance was placed upon the judgment rendered by the Hon'ble Supreme Court in "***Manish Sisodia vs. Directorate of Enforcement***", 2024 INSC 595, and submitted that, even under the PMLA, 2002, the governing principle is "bail is rule and jail is exception".

**SUBMISSIONS OF LEARNED COUNSEL FOR THE RESPONDENTS-
DIRECTORATE OF ENFORCEMENT**

28. *Per contra*, Mr. Lokesh Narang, Advocate, mounted a fierce defence against the castle of arguments built by learned counsel for the petitioner. Pitching his opening argument, he contended that, at the stage of consideration of bail under Section 45 of the PMLA, 2002, even a constitutional court is required to examine whether, on the basis of the material placed on record, there exist reasonable grounds for believing that the petitioner is not guilty of the offence of money laundering and he is not likely to commit any offence while on bail. It was further submitted that the issue is no longer *res integra*, as the Hon'ble Supreme Court, in "***Vijay Madanlal Choudhary vs. Union of India***", 2022 SCC OnLine SC 929, held

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that rigours of Section 45 of the PMLA, 2002, must come into play without exception.

29. Stepping into the arena of the merits of the case, learned counsel first spelt out, in detail, the role attributed to the petitioner in the commission of the offence attracting the mischief of the PMLA, 2002. It was submitted that petitioner was Chairman and Managing Director of the accused company, M/s HSRL, until August 2025, and held a controlling family equity stake of 37.5% - 38%. He was the sole authorised signatory of the company's bank account and controlled every receipt and disbursement. Reliance was also placed on the statements recorded under Section 50 of the PMLA, 2002, of Kavya Arora (petitioner's son), Deepak Sharma, Sachin Sharma and Sunil Kumar, who were/are, respectively, the Managing Director, CFO, Operations Manager and Accountant of the accused company, which clearly establishes petitioner's guilt, as they reveal that the petitioner alone created, operated, and controlled the mobile phone trading business. All investment approvals, supplier onboarding, trade facilitation mandates issued to Sanjeev Walia, and financial disbursements were carried out under the petitioner's direct instructions.

30. Carrying the narrative further, learned counsel submitted that the petitioner was the beneficiary of the scam. There was a direct extraction of ₹15.63 crores in cash IGST refunds and ₹48.53 lakhs in duty drawback from public revenues into the promoter-controlled company.

31. Now, vide order dated 18.09.2026, the learned Special Court had taken cognizance of the offence under the PMLA, 2002, after hearing the accused, thereby indicating a *prima facie* case against the petitioner.



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32. Referring to the contents of the FIR, learned counsel submitted that the allegations clearly attracted the general penal provisions of the BNS, as, on the basis of fake purchase invoices, bogus sales and exports were shown to have been made without any actual movement of goods, in order to obtain remittance of foreign exchange from abroad into India under false pretences, thereby attracting the offences of cheating, forgery and criminal conspiracy. Furthermore, relying on the ratio laid down by the Hon'ble Supreme Court in ***"Ishwarlal Girdharilal Parekh vs. State of Maharashtra"***, AIR 1969 453-457 SC, it was contended that an offence under Section 420 of the IPC is made out if an accused is found to have cheated the revenue and induced the tax officer to make a valuable security in the form of an order.

33. Thereafter, while elucidating the *modus operandi* emerging from the record, learned counsel submitted that the accused company was established as a real estate development company in Ludhiana. During the financial year 2023-24, under the direct stewardship of the petitioner, the accused company abruptly established a separate mobile phone division, operating from rented premises at Ghitorni, New Delhi, without any prior trading history, specialised technical staff or genuine warehousing and logistics. The fraud followed a pre-planned, closed-loop and circular trading model.

34. Learned counsel next, referring to the statements of Kamal Ahmad, Azhar Haider, Mosabbir Ansari, Amit Kumar Chaurasia and Rajat Madan, submitted that they had expressly admitted that they had never handled genuine goods. Furthermore, referring to various documents seized

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during the investigation, it was demonstrated that IMEI numbers of the exported mobile phones had either been activated on Indian telecom networks between 1 and 296 days before their declared dates of export, or identical IMEI numbers had been declared by M/s HSRL as exported to the same overseas buyer in two entirely separate export consignments.

35. With regard to the petitioner's contention as to whether officer of the Directorate of Enforcement could have been the informant in the FIR and thereafter investigated the offence and arrested the petitioner, learned counsel submitted that this issue is no longer *res integra*. It was submitted that the exchange of information between government agencies is not an alien concept, rather, it is well recognised and established within the framework of law. To lend vigour to this contention, reliance was placed on ***"Pirtpal Singh vs. Directorate of Enforcement and others", CRM-M-24276-2022 (Punjab and Haryana High Court); "Manideep Mago vs. Union of India", 2025 SCC OnLine Del 3390 (Delhi High Court); "Anil Tuteja vs. Union of India", 2024 SCC OnLine Chh 7549 (Chhattisgarh High Court); and "Anil Tuteja vs. Union of India", 2025 SCC OnLine SC 2110 (Supreme Court).***

36. Proceeding further, Mr. Narang submitted that a money trail is not necessary for a person to be held liable for the offence punishable under Section 3 of the PMLA, 2002. The generation of proceeds of crime is itself sufficient to attract the offence of money laundering. In this regard, reference was made to Section 3 of the PMLA, 2002, and to the definition of "proceeds of crime" enclosed in Section 2(1)(u) of the PMLA, 2002.

37. Concluding his arguments, it was submitted that petitioner has

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failed to satisfy the triple test for grant of bail, inasmuch as he had extended threats to the witness(es). To substantiate this contention, reference was made to the statement of Sachin Sharma, Operations Manager, M/s HSRL, recorded under Section 17 of the PMLA, 2002, wherein he categorically stated that, on 17.05.2026 and 20.05.2026, his statements had been recorded under Section 50 of the PMLA, 2002. He further stated that, subsequent to the search conducted on 09.05.2026, one Ankur Garg, Chartered Accountant, along with Sanjeev Walia and Rahul Aggarwal, had called him and pressurised him to retract his statement made before the ED authorities. Ankur Garg had even transferred ₹35,000/- to him from an unknown entity, namely M/s A One Pneumatic, upon his expressing inability to pay the fees of counsel. He further stated that he had refused to retract his statement and had returned the sum of ₹35,000/- to the same number. Consequently, learned counsel submitted that all efforts had been made on behalf of the petitioner to threaten the witness and, therefore, he is not entitled to the grant of regular bail, particularly when he is accused of an economic offence, which constitutes a class apart and needs to be visited with a different approach.

ANALYSIS OF THE THRESHOLD ISSUE CONCERNING THE APPLICABILITY OF THE TWIN CONDITIONS UNDER SECTION 45 OF THE PMLA, 2002

38. The foremost issue arising for consideration in the instant petition, which must necessarily be addressed at the threshold, is whether the rigours of Section 45 of the PMLA, 2002, apply even when a petition seeking regular bail is preferred before a constitutional court. At the outset,



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this Court has no hesitation in observing that the controversy is no longer *res integra*. In ***Vijay Madanlal Choudhary (supra)***, the Hon'ble Supreme Court examined this issue and held that, in whatever form the relief is shaped, including the nature of the proceedings, be it under the general provisions of the Cr.P.C., i.e. Section 438, or by invoking the jurisdiction of the constitutional court, the underlying principles and rigours of Section 45 of the PMLA, 2002, must come into play.

“141. As a result, we have no hesitation in observing that in whatever form the relief is couched including the nature of proceedings, be it under Section 438 of the 1973 Code or for that matter, by invoking the jurisdiction of the Constitutional Court, the underlying principles and rigors of Section 45 of the 2002 must come into play and without exception ought to be reckoned to uphold the objectives of the 2002 Act, which is a special legislation providing for stringent regulatory measures for combating the menace of money-laundering.”

39. The aforesaid principle was reaffirmed by the Hon'ble Supreme Court in ***“Union of India through the Assistant Director vs. Kanhaiya Prasad”***, 2025 SCC OnLine SC 306, wherein the order of the High Court granting bail was held to be legally unsustainable, as it had been passed without due consideration of the rigours of Section 45 of the PMLA, 2002. The relevant observations read thus:-

“12. It is well settled position of law that Section 45 of the PMLA starting with a non-obstante clause has an overriding effect on the general provisions of the Code of Criminal Procedure in case of conflict between them. Section 45 imposes two conditions for the grant of bail to any person, accused of an offence punishable for a term of imprisonment of more than 3 years under Part A of the Schedule. The two conditions are that (i) the prosecutor must be given an opportunity to oppose the application for bail; and (ii) the



Court must be satisfied that there are reasonable grounds for believing that the accused person is not guilty of such offence and that he is not liable to commit any offence while on bail. As well settled, these two conditions are mandatory in nature and they need to be complied with before the accused person is released on bail.

16. In view of the above, there remains no shadow of doubt that the consideration of the two conditions mentioned in Section 45 is mandatory, and that while considering the bail application, the said rigours of Section 45 have to be reckoned by the court to uphold the objectives of the PMLA.

17. So far as facts of the present case are concerned, the High Court in a very casual and cavalier manner, without considering the rigours of Section 45 granted bail to the respondent on absolutely extraneous and irrelevant considerations. There is no finding whatsoever recorded in the impugned order that there were reasonable grounds for believing that the respondent was not guilty of the alleged offence under the Act and that he was not likely to commit any offence while on bail. Non-compliance of the mandatory requirement of Section 45 has, on the face of it, made the impugned order unsustainable and untenable in the eye of law.

20. The High Court has utterly failed to consider the mandatory requirements of Section 45 and to record its satisfaction whether any reasonable ground existed for believing that the respondent was not guilty of the alleged offence, and that he was not likely to commit any offence while on bail. Merely because the prosecution complaint had been filed and the cognizance was taken by the court that itself would not be the ground or consideration to release the respondent on bail, when the mandatory requirements as contemplated in Section 45 have not been complied with.”

40. A similar view was expressed by the Hon’ble Supreme Court in **“Tarun Kumar vs. Enforcement Directorate”, 2023 SCC OnLine SC 1486.**

41. In light of the settled law laid down in the authoritative pronouncements (*supra*), no further discussion on this issue is required. The



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instant petition for regular bail must, therefore, be adjudicated considering the rigours of Section 45 of the PMLA, 2002, which create a statutory embargo on the grant of bail for offences under the Act. The provision begins with an explicit non obstante clause, which overrides the general provisions of the BNSS. Bail can be granted only if the following twin conditions are cumulatively satisfied, viz.: (i) the Public Prosecutor is provided an opportunity to oppose the bail application; and (ii) where the Public Prosecutor opposes the application, the Court is satisfied that there are reasonable grounds for believing that the accused is not guilty of such offence and that he is not likely to commit any offence while on bail.

42. It is apposite to record at this juncture that, in **Vijay Madanlal Choudhary (supra)**, the Hon'ble Supreme Court, while affirming the constitutional validity of the twin conditions, clarified that the expression "reasonable grounds for believing" does not require the adjudicator to record a definitive finding of acquittal, but mandates judicial satisfaction based on "broad probabilities" that the accused has not committed the offence of money laundering.

"131. We are in agreement with the observation made by the Court in Ranjitsing Brahmajeetsing Sharma. The Court while dealing with the application for grant of bail need not delve deep into the merits of the case and only a view of the Court based on available material on record is required. The Court will not weigh the evidence to find the guilt of the accused which is, of course, the work of Trial Court. The Court is only required to place its view based on probability on the basis of reasonable material collected during investigation and the said view will not be taken into consideration by the Trial Court in recording its finding of the guilt or acquittal during trial which is based on the evidence adduced



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during the trial. As explained by this Court in Nimmagadda Prasad, the words used in Section 45 of the 2002 Act are “reasonable grounds for believing” which means the Court has to see only if there is a genuine case against the accused and the prosecution is not required to prove the charge beyond reasonable doubt.”

43. At the same time, this Court cannot be oblivious to the ratio laid down by the Hon’ble Supreme Court in **Manish Sisodia** and **Prem Prakash (supra)** that, even under the PMLA, 2002, the governing principle remains that “bail is the rule and jail is the exception”. It was held that the said principle is only a paraphrasing of Article 21 of the Constitution of India, which states that no person shall be deprived of his life or personal liberty except according to the procedure established by law.

44. Section 24 of the PMLA, 2002, also warrants consideration, as it establishes a statutory presumption regarding the involvement of proceeds of crime. Under clause (a) of the said provision, in proceedings against a person charged with the offence of money laundering, the Court shall presume that such proceeds of crime are involved in money laundering unless the contrary is proved. In **Prem Prakash (supra)**, the Hon’ble Supreme Court examined this aspect and observed that, once the prosecution establishes the basic foundational facts, namely, the existence of a scheduled offence, the generation of proceeds of crime arising therefrom, and the *prima facie* nexus of the accused with any activity connected to such proceeds, the burden shifts squarely onto the accused. To secure bail, the accused must displace this statutory presumption on a balance of probabilities.

45. In light of the aforesaid settled legal position, this Court now

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proceeds to examine whether the petitioner crosses the rigours of Section 45 of the PMLA, 2002, and, in view of the other facts and circumstances, is entitled to be enlarged on regular bail.

GIST OF THE INVESTIGATION AND REVELATIONS OF INCRIMINATING MATERIAL EMERGING FROM PRESENT ECIR

46. This Court has considered the rival submissions and made a meticulous survey of the material on record. Before proceeding to deal with the respective contentions of the contesting parties, it is imperative to cull out the incriminating material (documentary evidence as well as statements recorded under the provisions of the PMLA, 2002) unearthed in the course of the investigation, insofar as such material bears upon the adjudication of the instant petition.

47. With the registration of the ECIR, the investigation travelled deeper into the underlying transactions by invoking Sections 17, 19 and 50 of the PMLA, 2002, followed by searches and seizures conducted at various places on different dates.

48. M/s HSRL is a company incorporated under the Companies Act, 1956. It was incorporated in 1987 under the name “Ritesh Agro (P) Ltd.” and was initially engaged in agricultural activities. In 1992, it changed its name to “Ritesh Industries (P) Ltd.” and commenced business in the textile and apparel sector. In 2007, it again changed its name to “Ritesh Properties & Industries Limited (RPIL)” and entered into the business of real estate and infrastructure development. Subsequently, in 2023, it changed its name to “M/s HSRL”. Despite having no experience in the mobile-phone business, it abruptly commenced exporting mobile phones,

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predominantly iPhones, in 2023, and discontinued such exports in 2024. To be precise, M/s HSRL commenced commercial trading in mobile phones on 19.04.2023, i.e. exactly 107 days prior to the legal effectiveness of the requisite amendment to its Memorandum of Association.

49. Out of the total turnover of approximately ₹ 157 crores during the financial year 2023-24, exports amounting to approximately ₹ 102.50 crores were made to two entities based in the UAE, the names whereof have been set out in the preceding paragraphs. Both these entities formed part of machination for the round-tripping of funds and are owned by one Rahul Agrawal, who was formerly employed with the FINDOC Group (another major shareholder of M/s HSRL) and had also drawn salary from M/s Findoc Sons. The close business association between Rahul Agrawal and the FINDOC Group, which itself held substantial shareholding and management interests in M/s HSRL, indicated that the overseas purchaser entities were not independent third-party buyers, but were closely connected with the persons having control of M/s HSRL.

50. One of the said UAE-based entities, namely, M/s Fortbel Telecom FZCO, is a related/associated entity of M/s Fortbel Gadget Pvt. Ltd., which is owned and controlled by Hemant Sood and Chander Sekhar, who are major shareholders of M/s HSRL through M/s Findoc Finvest Pvt. Ltd. The aforesaid chain of transactions, thus, presented a closed-loop arrangement.

51. Moreover, the mother of Rahul Agrawal, namely, Smt. Alka Agrawal, is a partner and shareholder in M/s Ear and Sound Communication LLP, another entity engaged in the export of mobile phones, which was

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operating from the same premises that had been declared to be the operational office of M/s HSRL for its mobile division. M/s Ear and Sound Communication LLP is being managed and controlled by Sanjeev Walia and Rahul Agrawal. The connection between the two entities revealed that the employees of M/s HSRL are the same as those of M/s Ear and Sound Communication LLP.

52. Notably, Sanjeev Walia and Rahul Agrawal, despite efforts made by the Directorate of Enforcement, could not be joined in the investigation as, reportedly, they had fled to Dubai after the commencement of proceedings under FEMA, 1999.

53. Upon further detailed analysis of several suppliers of M/s HSRL, it surfaced that most of the suppliers of M/s HSRL were dummy/fake entities and were not found to be dealing in the supply of mobile phones, but had merely provided accommodation entries to M/s HSRL. Further, the total inward remittance of ₹ 86,87,01,843/- received by M/s HSRL from M/s Fortbel Telecom FZCO, UAE, and M/s Dragon Global FZCO, UAE, had been transferred to various entities which were found to be shell/fake entities or to its own concerns.

54. To justify the export of mobile phones worth ₹ 102.50 crores, M/s HSRL generated a domestic paper trail indicating local purchases. Its primary local suppliers were M/s SK Enterprises (Proprietor: Kamal Ahmad, operated by Azhar Haider (Monty)), which issued invoices worth ₹ 27.73 crores, and M/s Global Traders (Proprietor: Azhar Haider), which issued invoices worth ₹ 2.55 crores. A granular analysis of the supply chain of M/s SK Enterprises disclosed that it purportedly received its inward supplies

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from seven Tier-2 domestic entities, namely, M/s Kumar Enterprises, M/s Krishna Enterprises, M/s Mobile Accessories Distribution, M/s Balaji Mobile Communication, M/s Bhawani Enterprises, M/s Bira Bath Enterprises, and M/s Yadav Enterprises.

55. The list of IMEI numbers corresponding to the purchases was verified with M/s Apple India Pvt. Ltd. The details were received from M/s Apple India Pvt. Ltd. vide email dated 15.06.2026. A close scrutiny of these IMEIs revealed that the IMEI numbers purportedly shown to have been exported after being purchased from M/s SK Enterprises had, in fact, been sold by M/s Apple India Pvt. Ltd. to M/s Amazon India, M/s Redington Limited, M/s Flipkart, M/s Ingram Micro India Pvt. Ltd., M/s Appario Retail Pvt. Ltd., etc. These entities, in turn, sold the same to individual purchasers. The trail of funds from entities such as M/s SK Enterprises does not lead to M/s Amazon India, M/s Redington Limited, M/s Flipkart, M/s Ingram Micro India Pvt. Ltd., M/s Appario Retail Pvt. Ltd., etc., which had purchased Apple iPhones corresponding to the IMEIs shown to have been exported by M/s HSRL.

56. Furthermore, three independent and contemporaneous records, i.e. M/s Apple India's own sales register, M/s Amazon India's retail order history, and M/s HSRL's own customs export register, were reconciled IMEI-wise (device-wise). All three records concurred in respect of 1,249 iPhone handsets. M/s Apple India sold these 1,249 handsets to its authorised retail channels, i.e. Amazon Wholesale (India) Pvt. Ltd. (664 units) and Appario Retail Pvt. Ltd. (585 units). These channels, in turn, sold the very same handsets, in the ordinary course of retail trade, on www.amazon.in to

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862 named individual/entity buyers spread across 11 States/UTs of India.

57. What is further important to note is that, during the investigation, the statement of one Kamal Ahmad, Proprietor of M/s SK Enterprises, was recorded under Section 50 of the PMLA, 2002, on 06.05.2026, wherein he stated that his proprietorship firm was not engaged in any genuine business activities, rather, it was being used by one Azhar Haider for carrying out transactions and rotating funds in lieu of commission. He denied having any knowledge with regard to the financial transactions amounting to ₹ 27.73 crore (approximately) with M/s HSRL.

58. In a similar fashion, transactions of M/s HSRL with M/s Hayat Garments and M/s Worldwide Electronics were carried out. Accordingly, on 06.06.2026, the statement of one Mosabbir Ansari, the owner and operator of the aforesaid entities, was recorded, wherein he stated that he had no knowledge of the suppliers, purchasers, or actual transactions relating to mobile phones conducted through either of these entities, and that the entire operation was conceived, managed, and controlled by Ashish Agarwal, who had approached him and persuaded him to allow the use of his firms for mobile phone transactions in return for a commission. He further stated that Ashish Agarwal operated the accounts through OTP-based authentication and managed all related fund transfers, documentation, suppliers, and purchasers. He neither handled nor physically inspected any mobile phones at any point in time, and that all transactions existed only on paper.

59. It was also found that M/s Worldwide Electronics received approximately ₹ 17 crore from M/s Fortbel Gadgets Pvt. Ltd., a company beneficially owned by Hemant Sood and Chander Sekhar, both of whom are

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shareholders in M/s HSRL through FINDOC Finvest Pvt. Ltd.

60. Likewise, the accounts of M/s Shree Laxmi Enterprises, M/s GMG Tradelink Pvt. Ltd., M/s J.K. Enterprises, M/s Mobile Style, M/s Maruti Nandan Telecom LLP, M/s Anjani International, M/s US Enterprises, M/s Even Hub Pvt. Ltd.-CHA, and M/s Excel-R-Logistics were deeply analysed in order to unearth a pre-planned, large-scale illegal transaction orchestrated by the present petitioner, who was involved in an elaborate money-laundering scheme.

**ANALYSIS OF THE RIVAL CONTENTIONS AND CONCLUSION
THEREON, IN THE LIGHT OF THE MATERIAL NOTICED
HEREINABOVE**

61. The first issue for determination is whether the arrest of the petitioner suffers from legal infirmity on account of non-compliance with the statutory requirements of Section 19 of the PMLA, 2002. Learned counsel for the petitioner contended that no prior summons under Section 50 of the PMLA, 2002, was served upon the petitioner, and that the “grounds of arrest” and “reasons to believe” were furnished within 35 minutes of the completion of his statement under Section 17(1)(f) on 09.05.2026, thereby demonstrating the arrest predetermined act.

62. Section 19(1) empowers an authorised officer to arrest a person if, on the basis of the material in his possession, he has “reason to believe” (recorded in writing) that such person has been guilty of an offence punishable under the Act. The subjective satisfaction required under Section 19 must be anchored in objective material available with the authorised officer prior to the arrest.

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63. The procedural objection raised on behalf of the petitioner is unsustainable, inasmuch as the issuance of a summons under Section 50 is not a precondition to arrest under Section 19. The power to issue summons under Section 50 and the power of arrest under Section 19 are separate and distinct statutory powers. The issuance of a summons under Section 50 to accused person is not a mandatory legal precondition for effecting an arrest under Section 19.

64. In ***Vijay Madanlal Choudhary (supra)***, the Hon'ble Supreme Court has held that Section 19 of the PMLA, 2002, provides for the manner in which a person involved in money laundering may be arrested and incorporates safeguards to ensure fairness, objectivity and accountability in the exercise of the power of arrest. These safeguards include recording in writing the reasons for believing that the person has been guilty of an offence under the Act, informing the person of the grounds of arrest, forwarding a copy of the order along with the relevant material to the Adjudicating Authority in a sealed cover, and producing the arrested person before the competent court within 24 hours, in compliance with Section 167 of the Cr.P.C. The apposite observations are extracted hereunder:-

“88. Section 19 of the 2002 Act postulates the manner in which arrest of person involved in money-laundering can be effected. Sub-section (1) of Section 19 envisages that the Director, Deputy Director, Assistant Director, or any other officer authorised in this behalf by the Central Government, if has material in his possession giving rise to reason to believe that any person has been guilty of an offence punishable under the 2002 Act, he may arrest such person. Besides the power being invested in high-ranking officials, Section 19 provides for inbuilt safeguards to be adhered to by the authorised



officers, such as of recording reasons for the belief regarding the involvement of person in the offence of money-laundering. That has to be recorded in writing and while effecting arrest of the person, the grounds for such arrest are informed to that person. Further, the authorised officer has to forward a copy of the order, along with the material in his possession, in a sealed cover to the Adjudicating Authority, who in turn is obliged to preserve the same for the prescribed period as per the Rules. This safeguard is to ensure fairness, objectivity and accountability of the authorised officer in forming opinion as recorded in writing regarding the necessity to arrest the person being involved in offence of money-laundering. Not only that, it is also the obligation of the authorised officer to produce the person so arrested before the Special Court or Judicial Magistrate or a Metropolitan Magistrate, as the case may be, within twenty-four hours. This production is also to comply with the requirement of Section 167 of the 1973 Code. There is nothing in Section 19, which is contrary to the requirement of production under Section 167 of the 1973 Code, but being an express statutory requirement under the 2002 Act in terms of Section 19(3), it has to be complied by the authorised officer. Section 19, as amended from time to time, reads thus:

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XX

XX”

65. In the present case, the statement of the petitioner was recorded on oath under Section 17(1)(f) during the search proceedings. A perusal of the statement reflects that the petitioner gave evasive answers to most of the incriminating material put to him. Moreover, the banking and GST evidence collected prior thereto, during the search and seizure proceedings under FEMA, 1999, furnished sufficient material to the investigating officer to form the requisite “reason to believe”.

66. This Court has also perused the “grounds of arrest,” which contain financial transaction charts compiled over the course of the

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investigation. Synthesizing these pre-existing charts with the petitioner's refusal to cooperate during the search and delivering formal written grounds at 04:00 PM satisfies the requirements of Section 19(1) of the PMLA, 2002, and Article 22(1) of the Constitution of India. The incriminating documentary material formed the basis for the investigating officer to believe that the petitioner was guilty of an offence punishable under the PMLA, 2002. Therefore, the petitioner's contention that his arrest is violative of Section 19 of the PMLA, 2002, fails and is answered accordingly.

67. Traversing the rival submissions, this Court now proceeds to consider the petitioner's challenge to the validity of the action of the Directorate of Enforcement in furnishing information to the police, which culminated in the registration of the FIR constituting the predicate offence for the present ECIR. On this aspect, learned counsel for the petitioner advanced a twofold submission: (i) the contents of the FIR do not disclose the commission of any scheduled offence and, therefore, no predicate offence exists for the Directorate of Enforcement to register and investigate the present ECIR; and (ii) the Directorate of Enforcement had no power to share information with, or lodge a complaint before, the local police, as the FEMA, 1999, contains no provision akin to Section 66 of the PMLA, 2002.

68. To address this controversy, it is imperative to recapitulate the factual matrix. On 17.04.2026, a search and seizure operation was carried out under Section 37 of the FEMA, 1999, read with Section 132 of the IT Act, resulting in the seizure of various incriminating documentary material revealing the commission of a cognizable offence. It transpired that M/s

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HSRL had shown sales of mobile phones valued at approximately ₹ 157.12 crores during the financial year 2023-2024 to several local and overseas entities. The GST data and purchase records revealed that the supply chain of the purchasing entities included several supplier entities which were either non-existent, shell or dummy firms, or entities lacking the requisite financial capacity. Such entities issued bogus invoices without any corresponding actual supply of goods. Multiple supplier entities were interconnected through common mobile numbers, e-mail IDs, and other identifiers, indicating that they were controlled by a single group of persons for the purpose of generating accommodation entries and fake invoices. Certain entities in the chain were also found to have no genuine upstream suppliers, thereby establishing that the invoices raised by them were fictitious. The investigation further revealed that M/s HSRL had availed IGST refund on exports to the tune of ₹ 15.63 crores on the basis of fraudulent misrepresentation that genuine exports had taken place. These allegations constituted a scheduled offence, in respect whereof the FIR was registered.

69. At this juncture, the judgment of the Hon'ble Supreme Court in ***Ishwarlal Girdharilal Parekh (supra)*** assumes significance, wherein it was held that an offence under Section 420 of the IPC is also made out where it is established that the accused cheated and thereby dishonestly induced the Income Tax Officer to make a valuable security. The paragraph containing such observations is extracted hereunder:-

“14. An offence under Section 420 IPC, will also be made out, if it is established that the accused have cheated and, thereby, dishonestly



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induced the Income Tax Officer to make a “valuable security”. This takes us to the question : “Is the assessment order ‘valuable security’ ?” We have already referred to Section 30 IPC, defining, ‘valuable security’. The assessment order is certainly a “document”, under Section 29 IPC. The order of assessment does create a right, in the assessee, in the sense that he has a right to pay tax only on the total amount assessed therein and his liability to pay tax is also restricted to that extent. Therefore an “order of assessment” is a “valuable security”, under Section 420 IPC. Therefore, if the cheating, employed by the accused, resulted in inducing the Income Tax Officer to make a wrong assessment order, it would amount to inducing the Income Tax Officer, to make a “valuable security”.”

70. In the considered view of this Court, the petitioner’s contention that no person was cheated and no wrongful gain has been established by the prosecution carries no legal weight and merits rejection. The IGST refund on exports, to the tune of ₹15.63 crores, was allegedly obtained on the basis of a fraudulent misrepresentation that genuine exports had taken place. Consequently, the same resulted in wrongful gain to the petitioner and wrongful loss to the GST Department. The fabricated documents were allegedly created to show the export of mobile phones, whereas, as per the allegations, there was in fact no actual supply of mobile phones. Thus, from the allegations embodied in the FIR, a scheduled offence is *prima facie* made out. The first limb of the petitioner’s contention is, therefore, rejected.

71. The second limb of the petitioner’s contention questions the action of the Directorate of Enforcement in sharing information regarding the commission of a cognizable offence with the local police. Learned counsel for the petitioner contended that, since no ECIR had been registered, the investigating officer could not invoke Section 66 of the PMLA, 2002,

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which casts an obligation upon the officer conducting investigation under the PMLA, 2002, to report the commission of a scheduled/cognizable offence.

72. In the considered opinion of this Court, the aforesaid contention is also legally untenable. Although the FEMA, 1999, contains no enabling provision akin to Section 66 of the PMLA, 2002, it imposes no restriction to share information regarding the commission of a cognizable offence to the local police of competent jurisdiction, rather informing commission of a cognizable offence does not require any statutory backing. Furthermore, Section 66 of the PMLA, 2002, is a distinct and separate provision. The exercise of said power has nothing to do with the proceedings pending at the relevant time. Rather, it casts a mandatory duty upon the Directorate of Enforcement to share the material collected with the other concerned agencies. In the instant case, the information shared by the Directorate of Enforcement disclosed the commission of a cognizable offence. Therefore, the law mandated that the local police should register an FIR upon receipt of such information.

73. The aforesaid issue has already been considered by the Hon'ble Supreme Court in *Anil Tuteja (supra)*, wherein it was held that it is the mandatory duty of the investigating officer to share the material collected with the other concerned agencies. The relevant observations read thus:-

“6. On the contentions raised pertaining to the other Special Leave Petitions, we find no merit for consideration. The power under Section 66(2) of the PMLA, 2002 is distinct and separate. Exercise of the said power has got nothing to do with the proceedings pending at the relevant point of time with the interim order, and so



also the final order passed. In fact, on a perusal of Section 66 of the PMLA, 2002, we find that it is a mandatory duty of the investigating officer to share the materials collected with the other concerned agencies. Their investigation, followed by registration of the FIR and filing of the charge sheet travel on separate channels.

7. To put it differently, the materials may be common, but the conclusion based upon further material would be different. In such view of the matter, all the contentions raised, irrespective of the information given earlier or subsequently would be irrelevant.”

74. At this stage, it would be premature for this Court to record any finding that the FIR was registered solely for the purpose of creating a predicate offence or with any oblique motive, particularly when there is sufficient legally admissible and incriminating material which, *prima facie*, establishes the guilt of the petitioner.

75. Proceeding further, a cumulative reading of the FIR, ECIR and the material collected during investigation *prima facie* discloses a well-structured and premeditated modus operandi adopted by the petitioner and his associates for generation, layering and integration of proceeds of crime through a network of interconnected entities. The material collected during investigation indicates that M/s HSRL was under the direct control and supervision of the petitioner and was being operated in accordance with his directions. This aspect finds corroboration in the statements of Kavya Arora and Sachin Sharma.

76. The investigation further reveals that the petitioner and his associates devised and operated a scheme of trade-based money laundering under the garb of transactions relating to mobile phones. The modus operandi, as emerging from the material on record, comprised (i) routing

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funds through shell and accommodation-entry entities in the absence of any corresponding genuine supply of goods; (ii) creation of a fictitious and implausible supply chain of mobile phones; (iii) inflation of export values for securing incentives and GST-related benefits; and (iv) utilisation of pre-funded export remittances and investments in group entities to project illicit funds as legitimate business income and capital.

77. Under Section 13(7) of the Companies Act, 2013, an amendment to a company's object clause becomes legally effective only upon registration and issuance of a certificate by the Registrar of Companies. M/s HSRL passed a Special Resolution via postal ballot on 24.06.2023, and the Registrar of Companies issued the corresponding registration certificate under Section 13(1) only on 04.08.2023. Despite lacking corporate authority, M/s HSRL executed domestic purchases worth ₹ 42.51 crores and export sales worth ₹ 18.06 crores prior to 04.08.2023. This pre-amendment transaction volume, *prima facie*, demonstrated a pre-planned illegal mechanism designed to channel large transaction volumes through M/s HSRL's accounts without corporate authority or initial board oversight.

78. M/s HSRL purportedly procured high-value Apple iPhones and other electronic devices from a number of supplier entities, details whereof have already been noticed hereinabove. However, the statements recorded under Section 50 of the PMLA, 2002, coupled with the material collected during investigation, indicate that several of these purported supplier entities were either shell concerns or accommodation-entry providers, having negligible or no genuine business activity. The said entities, according to the

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investigation, were utilised primarily for routing and layering funds against cash.

79. The statement of Amit Kumar Chaurasia, Proprietor of M/s J.K. Enterprises, assumes significance in this regard. He categorically stated that no actual goods or services were supplied to M/s HSRL and there were no commercial dealings between the two entities. According to his statement, the overdraft account maintained with ICICI Bank was utilised for transferring funds to M/s HSRL against cash received from Rahul Agarwal. The transactions were thus stated to be mere accommodation entries for commission income.

80. A similar pattern emerges from the statement of Ashish Aggarwal, who controlled M/s Shree Lakshmi Enterprises. The same indicates that substantial funds were received and layered through the accounts of small local shops having limited stocks of second-hand mobile phones, which was wholly inconsistent with the volume and value of the transactions. These concerns were utilised merely as pass-through entities for routing funds and creating a paper trail of purported sales of mobile phones.

81. The statements of the key staff of M/s HSRL, including its Operations Manager, Sachin Sharma, and Accountant, Sunil Kumar, further assume relevance. They admitted that no mobile phones were physically received, stored or inspected at their Ghitorni office. Their role was confined to handling invoices, e-way bills and banking documentation, without any knowledge of the actual existence or movement of the goods. They further admitted that no purchase orders were issued to the purported suppliers and

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that communications were largely conducted through WhatsApp, without any verifiable record.

82. The aforesaid material, when viewed cumulatively, discloses that the domestic procurement chain projected by M/s HSRL was, according to the investigation, a fabricated arrangement comprising shell entities and accommodation-entry providers, with no corresponding underlying trade, and was utilised solely for routing funds and supporting fictitious export documentation. According to the Directorate of Enforcement, the export transactions themselves are rendered highly suspect by the timing and documentary inconsistencies. Considered cumulatively, these circumstances indicate that the purported exports did not represent genuine movement of goods, but were paper transactions devised to create a fictitious trail of exports, facilitate the availment of incentives and GST benefits, and provide a mechanism for laundering the illicit funds.

83. Moreover, the proceeds of crime received through the fictitious paper transactions were further layered and integrated into the financial system through deployment of such funds towards share capital and loans in group companies, as well as acquisition of high-value immovable properties held by M/s HSRL and other associated entities.

84. After the investigation, provisional attachment orders were issued, whereby properties valued at ₹ 55.57 crores, owned by M/s HSRL and its associated entities, as well as by the petitioner and his family members, were attached. According to the Directorate of Enforcement, the said properties represent proceeds of crime. The accused company's net worth and equity had appreciated manifold, and its market capitalisation,



financial standing and borrowing capacity had been enhanced, thereby directly enriching the petitioner’s 38% equity holding. Moreover, the tainted proceeds had been found channelled into family-held entities (Femella Fashions, Hampton Sky Farms and RPIL Healthcare) for the acquisition of real-estate assets (₹55.57 crores attached under PAO 31/2026).

85. The accused company generated 43 export shipping bills, declaring total exports of ₹ 102.50 crores exclusively to two UAE-based shell entities, namely M/s Fortbel Telecom FZCO (₹ 92.95 crores) and M/s Dragon Global FZCO (₹ 9.55 crores). The fake purchase invoices were utilised to wrongfully claim and obtain fraudulent input tax credit/IGST refunds of ₹15,63,66,331/- and duty drawback of ₹48,53,800/- from the Government Treasury, while ₹86,87,01,843/- was received by way of foreign inward remittances into a dedicated bank account. The funds paid by the accused company to the dummy suppliers through RTGS were immediately layered through second-tier and third-tier shell accounts and routed back to the petitioner and his associates after deduction of nominal commissions.

86. A further examination of the supply chain of M/s S.K. Enterprises revealed that it purportedly sourced its inward supplies from seven Tier-2 domestic entities. The particulars of the said entities are tabulated hereunder:

Diagrammatic Table: Multi-Tier Domestic Shell Entity Network and Identifier Overlap

Tier-2 Entity Name	Claimed Inward Supply Value to M/s	Linked Contact Number	Linked Contact Email ID	GST Registration and Statutory Status
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	S.K. Enterprises			
M/s Mobile Accessories Distribution	₹ 34.13 Crores	9053083961 (Kartik Verma)	helpgst477@gmail.com	Suspended/ Cancelled; Zero Inward Supply.
M/s Yadav Enterprises	₹ 7.78 Crores	9053083961 (Kartik Verma)	helpgst477@gmail.com	Suspended/ Cancelled; Zero Inward Supply.
M/s Bhawani Enterprises	₹ 4.66 Crores	9053083961 (Kartik Verma)	helpgst477@gmail.com	Suspended/ Cancelled; Zero Inward Supply.
M/s Kumar Enterprises	₹ 51.81 Lakhs	9053083961 (Kartik Verma)	helpgst477@gmail.com	Suspended/ Cancelled; Zero Inward Supply.
M/s Krishna Enterprises	₹ 52.31 Lakhs	9053083961 (Kartik Verma)	uniquetraders1133@gmail.com	Suspended/ Cancelled; Zero Inward Supply.
M/s Bira Bath Enterprises	₹ 52.90 Lakhs	9053083961 (Kartik Verma)	uniquetraders1133@gmail.com	Suspended/ Cancelled; Zero Inward Supply.
M/s Balaji Mobile Communication	₹ 12.28 Crores	9350545244/ 9053083961	Shared Shell Accountant Domain	Suspended/ Cancelled; Zero Inward Supply.

87. All seven Tier-2 entities were linked to a single mobile number (9053083961), registered in the name of Kartik Verma. Furthermore, four of these entities shared an identical contact email address (helpgst477@gmail.com), while two others shared another common email address (uniquetraders1133@gmail.com). Official written confirmations from the GST Department confirmed that none of these Tier-2 entities had any inward supply of mobile phones. They operated as shell entities existing merely on paper, issuing accommodation entries without any physical movement of goods. Shortly after issuing invoices to M/s SK Enterprises, the GST registrations of these entities were either suspended or cancelled owing to fraudulent operations.

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88. Since the domestic suppliers had zero inward inventory of mobile phones, no physical devices were available within this supply chain for supply to M/s HSRL or for export to the UAE. The entire transaction chain was a sham paper exercise designed to generate fake ITC refunds of ₹ 15.63 crores and project illicit funds as legitimate export earnings.

89. During investigation, it emerged that almost all the money credited to the account of M/s SK Enterprises (a shell entity shown as a supplier of M/s HSRL) actually came from parties who were M/s HSRL's own buyers, suppliers, or overseas trading partners M/s Anjani International, which is M/s HSRL's own domestic customer, alone accounted for 47.5% (₹ 13.16 crore) of the total money received. M/s Photronics Inc. (8.8%) was separately found to exhibit a round-trip pattern, while the remaining money came from other entities linked to M/s HSRL's business network. Thus, the total amount of ₹ 27,73,20,384/- paid to M/s SK Enterprises was funded by circulating M/s HSRL's own money back to itself. This constituted a closed loop of fund movement, which could not occur in genuine trade. It was a layered accommodation-entry arrangement created to show fake purchases, take money out of the company, and conceal the actual source of the funds, thereby facilitating trade-based money laundering through round-tripping.

90. One important factor warranting notice for the purpose of adjudication of the instant petition is that there is a discernible pattern indicating that M/s Krishna Enterprises, M/s VJ Enterprises and M/s Yadav Enterprises, though registered as separate and independent taxpayers, were in fact operated by a single person/operator from a common location. Four distinct IP addresses, spread over different months from July 2023 to

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December 2023, were each found to be common to two of these entities.

91. The supply chain of M/s HSRL analysed above in extenso revealed that the export transactions undertaken through 43 shipping bills, particularly those involving exports to M/s Fortbel Telecom FZCO, UAE, formed part of a fictitious export supply chain designed to fraudulently claim export incentives and remittances through trade-based money laundering in the form of IGST refunds, Duty Drawback and RoDTEP benefits. The material gathered during investigation, including the financial trail and statements recorded under Section 50 of the PMLA, 2002, further revealed that the purported transactions were merely paper transactions and the entities in the supplier chain were used as pass-through vehicles for routing and recycling funds, thereby forming a closed circuit characteristic of deliberate round-tripping and layering of funds.

92. Further, detailed analysis of the IMEI data received from M/s Apple India Pvt. Ltd. revealed that the purported exports were not genuine. The analysis established that several handsets declared as new and “Non-Activated” had already been activated and sold within India prior to the declared exports, while others, declared as exported to Dubai, were subsequently activated within India without any corresponding record of re-import. It was further found that the same handsets were shown exported more than once, with Duty Drawback and RoDTEP being claimed on such repeated exports.

93. To be specific, the scrutiny of the IMEI records by the Directorate of Enforcement revealed that 123 identical IMEI numbers were declared by M/s HSRL as exports to M/s Fortbel Telecom, FZCO under two

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separate shipping bills dated 22.05.2023 and 01.06.2023, without any corresponding record of re-importation. Further, the records of M/s Apple India Pvt. Ltd. established that 58 handsets covered under 12 shipping bills had already been sold to domestic distributors, namely, Ingram Micro (28), Redington (15), Reliance Retail (3), Croma (2) and Vijay Sales (1), and had been activated on Indian telecom networks prior to their purported export. Additionally, 97 iPhones declared as exported to M/s Fortbel Telecom, FZCO were subsequently activated, registered and used by retail consumers in India after the declared dates of export. A three-way reconciliation of the sales records of M/s Apple India Pvt. Ltd., the retail order history of M/s Amazon India and the customs export records of M/s HSRL further revealed that the said records corresponded to 1,249 iPhone handsets. Out of these, 664 units had been sold by M/s Apple India Pvt. Ltd. to M/s Amazon Wholesale India and 585 units to M/s Appario Retail, which, in turn, sold the handsets through www.amazon.in to 862 identified individual consumers across 11 Indian States. These consumers were found to have no apparent connection with M/s HSRL or its alleged shell suppliers. The aforesaid material, read cumulatively, *prima facie* indicates that M/s HSRL used the IMEI details of handsets sold in the domestic market to falsely declare them as exported goods.

94. The aforesaid facts, *prima facie*, establish a clear case of trade-based money laundering against the petitioner under Section 3 read with Section 70 of the PMLA, 2002, and the petitioner is unable to satisfy the mandatory twin conditions prescribed under Section 45 of the PMLA, 2002.

95. Section 3 of the PMLA, 2002, defines the offence of money

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laundering expansively. Whosoever directly or indirectly attempts to indulge in, knowingly assists in, knowingly becomes a party to, or is actually involved in any process or activity connected with proceeds of crime, including its concealment, possession, acquisition, use, or projecting or claiming it as untainted property, is guilty of the offence of money laundering. Explanation (ii) to Section 3 clarifies that money laundering is a continuing offence that continues for as long as the person enjoys or possesses the proceeds of crime.

96. The investigation *prima facie* establishes the petitioner's involvement, from the inception, in the generation of fictitious invoices through his accomplice, as well as in a pre-planned illegal mechanism designed to channel large transaction volumes through M/s HSRL's accounts without any corresponding genuine transactions.

97. The next issue requiring consideration is the legal effect of the Let Export Order (LEO) issued by the Customs authorities, permitting clearance of the export consignments. At first glance, the issuance of the LEO may lend support to the petitioner's assertion that genuine exports took place. However, the subsequent developments, as set out hereinafter upon an appraisal of the incriminating material gathered during investigation, materially weaken that contention and a strong *prima facie* impression emerges that the alleged export transaction was a paper transaction, bereft of any real movement of goods.

98. In terms of Section 66 of the PMLA, 2002, the Directorate of Enforcement shared information regarding the present scam with the Chief Commissioner of Customs (Delhi Zone), indicating the absence of actual

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inward supplies. Acting upon that communication, the Customs authorities informed the Deputy Director, Directorate of Enforcement, that alerts had been placed against the entity to block export incentives, including Customs Drawback and IGST refunds. The matter was also referred to the Principal Director General, Directorate General of GST Intelligence (DGGI), Headquarters, New Delhi, for detailed investigation into the supply-chain entities identified in the communication of the Directorate of Enforcement and its annexures. The relevant portion of the communication addressed by the Customs authorities to the Deputy Director, Directorate of Enforcement, is reproduced hereinbelow:-

“2. In this regard, it is submitted that, with a view to safeguarding Government revenue, alerts have been placed against the said entity for blocking export incentives, including Customs Drawback and IGST refunds, wherever applicable. Considering that the matter primarily pertains to admissibility of Input Tax Credit, verification of supply chain transactions and possible violations under the CGST Act, 2017, the IGST Act, 2017 and the SGST Act, the issue has been referred to the Principal Director General, Directorate General of GST Intelligence (DGGI), Headquarters, New Delhi, for detailed investigation of the supply chain entities named in the ED communications and its annexures.

3. Further, the matter is being actively pursued with the concerned authorities for necessary action. The investigation and verification process is presently under progress and the outcome of the examination, along with any further action taken in the matter, shall be communicated to your office upon receipt/finalization by the competent authorities.

4. This issues with the approval of competent authority.”

99. Significantly, at the time of issuance of the LEO, the Customs authorities were not privy to the incriminating material collected by the

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Directorate of Enforcement during its investigation. Therefore, the grant of export clearance appears to have proceeded on the strength of the documents presented before the Customs authorities, which, according to the material gathered during investigation, were fabricated and manipulated to project a genuine export transaction. The mere issuance of an LEO cannot, therefore, operate as an exoneration of the petitioner or constitute reasonable grounds for this Court to believe that he is not guilty of the alleged offence. Accordingly, the issuance of the LEO also does not assist the petitioner in satisfying the mandatory twin conditions under Section 45 of the PMLA, 2002. On this ground as well, the petitioner has failed to make out a case entitling him to regular bail.

100. At this juncture, this Court deems it apt to examine the order dated 24.09.2026, relied upon by learned counsel for the petitioner in an endeavour to clothe the export transactions with legitimacy and to contend that the GST authorities found no infirmity in the exports undertaken by the accused company. Notably, the said order was taken on record as Mark 'A' by this Court vide order dated 29.09.2026. Before advertng to the significance of the said order, it is apposite to set out the factual background in which it was passed.

101. The accused company had claimed refunds of IGST in respect of the export of mobile phones during the financial year 2023-2024. Upon scrutiny of the refund claims by the GST authorities, refund claims aggregating to ₹ 3,83,41,919/- were rejected. In particular, vide Refund Rejection Order No.81 dated 13.06.2024, an amount of ₹ 29,08,967/- was rejected out of the total IGST refund claim of ₹ 2,85,18,705/-. Subsequently,



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vide Refund Rejection Order No.86 dated 01.07.2024, an amount of ₹ 1,47,60,793/- was rejected against a refund claim of ₹ 3,43,15,141/-. Further, vide Refund Rejection Order No.157 dated 13.11.2024, the entire refund claim amounting to ₹ 2,06,72,159/- was rejected.

102. The aforesaid order dated 24.09.2026 pertains to one of the refund rejection orders. The Appellate Authority, Zone-III, Department of Trade and Taxes, Government of NCT of Delhi, partly allowed the appeal vide the said order, holding that the ITC claims appeared to be in order, except in respect of M/s S.K. Enterprises and M/s Global Traders. However, the Appellate Authority expressly clarified that the relief was granted having regard to the peculiar facts and circumstances of the case and **on the basis of the records and evidence produced by the accused company during the appellate proceedings. It was further clarified that, in case the records produced by the accused company were found to be defective at a later stage, the responsibility therefor would rest solely upon it, and the Proper Officer would remain at liberty to proceed in accordance with law.** The relevant paragraph of the said order is extracted hereunder:-

“16. It is, however, clarified that the present relief is being granted having regard to the peculiar facts and circumstances of the case and on the basis of the records and evidences produced by the appellant during the present proceedings. In case the records produced by the appellant are found to be defective at a later stage, the sole responsibility thereof shall rest with the appellant and Proper Officer shall be having liberty to proceed, in accordance with law.”

103. In the considered view of this Court, the order dated 24.09.2026 does not, at this stage, lend any meaningful assistance to the petitioner. The

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Appellate Authority did not grant an unqualified clean chit to the exports of the accused company, rather reserved right to take action in accordance with law if the records were subsequently found to be defective. Conspicuously, even the Appellate Authority declined to accept the ITC claims relating to the transactions between the accused company and M/s S.K. Enterprises and M/s Global Traders. Consequently, the reliance placed by learned counsel for the petitioner upon the order dated 24.09.2026 is of no assistance to the petitioner and does not furnish reasonable grounds for this Court to believe that the petitioner is not guilty of the alleged offence.

104. Before parting, this Court is reminded of a timeless philosophical adage that aptly resonates with the facts and circumstances of the present case:-

“Something comes out of something, and nothing comes out of nothing.”

105. The present case is an illustration of the aforesaid proverb. Once, *prima facie*, there was no inward supply of goods, the subsequent export of such goods cannot reasonably be expected to have taken place.

106. The final strand of the petitioner's case is his claim for regular bail under the proviso to Section 45 of the PMLA, 2002, founded upon medical grounds, viz. Acute Pulmonary Thromboembolism (saddle PE involving the main pulmonary artery), cardiac and nephrological issues, Type-2 diabetes, and hypertension. It is apposite to record that this very claim has already travelled to the Hon'ble Supreme Court in Special Leave to Appeal (Crl.) No.12846/2026. There, the Directorate of Enforcement assured the Court that the petitioner would receive the best possible medical care, including angiography, in case need so arises in future. Accordingly,



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the Supreme Court, vide order dated 28.07.2026, dismissed the Special Leave Petition, while clarifying that the Jail Authorities shall ensure that all possible medical treatment is made available to the petitioner in the event of any medical emergency, as and when required, having regard to his medical reports. This Court has also examined the medical records produced before it, which confirm that the petitioner’s condition is stable. The petitioner was discharged following optimal medical management. There is nothing on record to indicate that he requires any urgent medical intervention. Consequently, he does not meet the statutory exemption under the proviso to Section 45(1) of the PMLA, 2002. Accordingly, this Court finds no sufficient ground to grant regular bail on medical grounds in instant petition.

FINAL ORDER

107. In summa, finding no merit in the submissions advanced on behalf of the petitioner, the instant petition seeking regular bail is **dismissed**.
108. Needless to state, the observations made hereinabove are solely for the purpose of adjudicating the instant petition for regular bail and shall have no bearing on the ongoing trial. The learned Special Court shall proceed with the trial independently, without being influenced by any of the observations recorded hereinabove.
109. Pending application(s), if any, stand disposed of accordingly.

October 16, 2026
devinder

(KULDEEP TIWARI)
JUDGE

Whether speaking/reasoned

:

Yes/No

Whether Reportable

:

Yes/No