APHC010298472026

IN THE HIGH COURT OF ANDHRA PRADESH
AT AMARAVATI **[3521]**
(Special Original Jurisdiction)

THURSDAY, THE 15th DAY OF OCTOBER 2026

PRESENT

THE HONOURABLE DR JUSTICE Y. LAKSHMANA RAO

CRIMINAL PETITION NO: 4939/2026

Between:

1. THE DIRECTORATE GENERAL OF GST INTELLIGENCE, VIJAYAWADA REGIONAL UNIT, VIJAYAWADA, ANDHRA PRADESH THROUGH ITS PRINCIPAL ADDITIONAL DIRECTOR GENERAL.

...PETITIONER/ACCUSED

AND

1. THE STATE OF ANDHRA PRADESH, REPRESENTED BY ITS PUBLIC PROSECUTOR.
2. SHRI DHANTIA AADI REDDY, S/O DHANTIA ANJI REDDY, PRESENTLY RESIDING AT FIRST FLOOR, 3-14-32, MANSOORABAD, VANASTALIPURAM, VIJAY SREE COLONY, LB NAGAR, RANGAREDDY, TELANGANA -500074, PERMANENT RESIDENT OF PLOT NO.36, NAGARJUNA COLONY, LB NAGAR, VTC SAROOR NAGAR, DISTRICT RANGAREDDI, STATE TELANGANA -500074.

...RESPONDENT/COMPLAINANT(S):

Counsel for the Petitioner/accused:

1. Y N VIVEKANANDA

Counsel for the Respondent/complainant(S):

1. KONA N.D.V.RAMANA RAO
2. PUBLIC PROSECUTOR

The Court made the following:

ORDER:

Criminal Petition has been filed under Sections 483(3) and 528 of the Bharatiya Nagarik Suraksha Sanhita, 2023 (for brevity 'the BNSS'), seeking to set aside the order dated 27.05.2026 passed in Crl.M.P.No.880 of 2026 in F.No.DGGI/INV/401/2026 on the file of the learned Special Judge for Economic Offences-cum-IV Additional District & Sessions Judge, Visakhapatnam and cancel the bail granted to Respondent No.2.

2. Sri Y.N.Vivekananda, learned Senior Standing Counsel for the Petitioner submits that the learned Special Judge for Economic Offences, Visakhapatnam, erred in granting regular bail to Respondent No.2 by order dated 27.05.2026 in Crl.M.P.No.880 of 2026. He contends that the case concerns an organised fake Input Tax Credit racket involving ninety-two fictitious firms across the States of Andhra Pradesh and Telangana. The fraudulent availment of ITC is approximately Rs.264.87 Crores, and the fraudulent passing on of ITC is approximately Rs.260.54 Crores. Since the amount exceeds Rs.5 Crores, the offence under Section 132(1)(i) of the Central Goods and Services Tax Act, 2017 (for brevity 'the CGST Act.,') is cognizable and non-bailable under Section 132(5).

3. It is further submitted that Respondent No.2 is the mastermind and principal beneficiary of the syndicate. The syndicate procured identity documents, created shell entities, opened bank accounts, obtained GST registrations and generated bogus invoices. He allegedly operated through WhatsApp groups such as "HYD GST" and "VIJAYAWADA GST" with the help

of Jonnala Haritha Gayathri, Ramavath Nagaraju Naik, Ashok Jalasuthram and Siddagoni Prabhakar. The voluntary statements of these persons, the forensic extraction of seized devices, the recovery of about thirty cheque books and passbooks, and four keypad phones used for OTPs from his residence were relied upon to show his de-facto control.

4. It is submitted that Respondent No.2 evaded four statutory summonses dated 01.04.2026, 13.04.2026, 29.04.2026 and 07.05.2026 issued under Section 70 of 'the CGST Act.' A Habeas Corpus Petition was filed by his wife before the High Court of Telangana alleging that he was missing, and it was dismissed. His anticipatory bail application was also dismissed. He appeared only thereafter. Such a forced appearance, it was urged, cannot be treated as voluntary cooperation, and the learned Special Judge erred in holding otherwise in the impugned order.

5. It is submitted that Respondent No.2, in his voluntary statement dated 14.05.2026, admitted that he deliberately destroyed physical and electronic evidence, including operational mobile phones and records, immediately after learning of the DGGI probe. Having once attempted to obliterate evidence, the apprehension of further tampering is real and established by his own conduct. The learned Special Judge did not give any weight to this admission.

6. Learned Senior Standing Counsel further submits that finding that the investigation, as regards seizure of records and collection of material, appears to be completed is factually unsustainable. Of the ninety-two entities identified, only twenty-eight were physically verified, and more than seventy remained to

be inspected. The number of suspected shell firms rose from twenty-eight to sixty-six and then to ninety-two. It was further submitted that seizure of devices is only the starting point of an investigation, and that the conversion of raw digital material into admissible evidence, the tracing of downstream beneficiaries and the reconstruction of financial trails remain incomplete.

7. Learned Senior Standing Counsel furthermore submits that after the grant of bail, supervening circumstances have arisen that justify cancellation. Analysis of extracted data has revealed sixteen new entities, raising the total linked GSTINs from 92 to 108. A further 106 firm or trade names without GSTIN details appear in the syndicate's chats. Undisclosed bank accounts connected to Respondent No.2 have been identified. He has not furnished the details of firms, bank accounts, suppliers, recipients and transporters that he undertook to furnish during his statements dated 05.06.2026, 09.06.2026 and 15.06.2026.

8. It is submitted that there is material indicating witness interference. Summonses dated 10.06.2026 were issued to proprietors of 25 suspected firms, and no proprietor of the six firms served has come forward. An associate of Respondent No.2, Smt. Sravanthi, is said to have instructed Smt. Pilli Lakshmana, Proprietor of M/s. Parvathi Enterprises, not to appear before DGGI officers. Eight of sixteen key recipient firms have not appeared despite service. The witnesses are economically vulnerable persons whose KYC documents were allegedly harvested, and the likelihood of their being influenced is substantial.

9. Learned Senior Standing Counsel eventually submits that the learned Special Judge has not placed reliance on **Tarun Jain v. DGGI**[1], which turned on different facts. He relied on **Y.S. Jagan Mohan Reddy v. CBI**[2], **Nimmagadda Prasad v. CBI**[3], **State of Bihar v. Amit Kumar**[4], **Serious Fraud Investigation Office v. Nittin Johari**[5] and **P. Chidambaram v. Directorate of Enforcement**[6], to submit that economic offences form a distinct class and call for a different approach to bail. Learned Standing Counsel further submits that parity with co-accused who are lower-level operatives was wrongly applied, since the role of Respondent No.2 is qualitatively different and urged that the order be set aside, the bail cancelled and Respondent No.2 remanded to judicial custody.

10. Sri K.S.Murthy, learned Senior Counsel appearing on behalf of Sri Kona N.D.V.Raman Rao, learned Counsel for Respondent No.2 submits that the settled distinction between setting aside an order granting bail as perverse and cancelling bail on post-release conduct must be maintained. Bail once granted should not be cancelled in a mechanical manner. There must be cogent and overwhelming reasons, such as misuse of liberty, interference with witnesses or tampering with evidence after release.

11. Learned Senior Counsel submits that Respondent No.2 is neither proprietor nor employee of any of the alleged firms, and that his name does

[1] (2022) 100 GSTR 222
[2] (2013) 7 SCC 439
[3] (2013) 7 SCC 466
[4] (2017) 13 SCC 751
[5] (2019) 9 SCC 165
[6] (2019) 9 SCC 24

not appear in any GST registration. The case rests largely on the statements of co-accused recorded under Section 70 of 'the CGST Act.' Such statements, in the absence of independent corroboration, cannot be the sole basis for curtailing his liberty. The allegation of being a mastermind, it is argued, is a conclusion of the department and not an established fact.

12. It is further submitted that all the alleged evidence is documentary and electronic. The GST returns, ITC records, e-way bill data, bank statements and digital records are already in the custody of the DGGI. The department itself conceded before the learned Special Judge that custodial interrogation of Respondent No.2 is not required. Further, he was arrested on 14.05.2026 upon his own appearance pursuant to summons. No useful purpose would be served by keeping him in custody.

13. Learned Senior Counsel further submits that the non-appearance prior to 14.05.2026 was on account of the pendency of his anticipatory bail application, and that he appeared and gave statements on 14.05.2026, 05.06.2026, 09.06.2026 and 15.06.2026 after release. He has not absconded, has not violated any bail condition and has been attending before the Investigating Officer as directed. The mere inability to furnish voluminous data within the time sought cannot amount to non-cooperation, and an accused cannot be compelled to incriminate himself or to produce records he may not possess.

14. As regards witness intimidation, learned Senior Counsel submits that the allegations are vague and unsupported by any complaint, FIR or sworn

material attributing a specific act of threat or inducement to Respondent No.2 after his release. The statement attributed to Pilli Lakshmana purports to convey directions allegedly issued by a third party, and it does not show that Respondent No.2 contacted her. Non-appearance of proprietors and recipients on summons may have many explanations, including returned or undelivered summonses, and cannot be presumed to result from his influence.

15. It is further submitted that the increase in the number of entities from 92 to 108 is a continuation of the same investigation and not a supervening circumstance. The statement of 14.05.2026 regarding destruction of evidence pre-dates the bail order and was before the learned Special Judge. Further, the offence under Section 132(1)(i) of 'the CGST Act.,' is punishable with imprisonment up to five years and fine, and the case rests substantially on documents and electronic data. Other accused were released on bail long ago and finally, it is urged to dismiss the Criminal Petition.

16. Thoughtful consideration is bestowed on the arguments advanced by the learned Counsel for both sides. I have perused the entire record.

17. The High Court of Delhi in **Tarun Jain** *supra,* at paragraph No.58 held as under:

> *"58. This court must give effect to article 21 of the Constitution in letter as well as in spirit while deciding the anticipatory bail application. The basic tenet on which our criminal justice system operates is — "innocent until proven guilty" and in view of this the Supreme Court has time and again reiterated that "bail is the rule while jail is an exception". Such principles cannot remain a dead letter of law and this court must intervene to give effect to such principles which has been enshrined by the honourable Supreme Court in numerous decisions."*

18. Thus, the High Court of Delhi in **Tarun Jain** *supra*, emphatically held that while considering an application for anticipatory bail, the Courts are constitutionally obligated to zealously safeguard the guarantee of personal liberty enshrined under Article 21 of the Constitution of India. Reiterating the cardinal principle of criminal jurisprudence that every accused is presumed innocent until proven guilty, the Court underscored that the settled doctrine of law is that "bail is the rule and jail is the exception," and that such constitutional and judicially recognised safeguards must be meaningfully enforced to prevent unwarranted curtailment of personal liberty.

19. The Hon'ble Apex Court in **Y.S. Jagan Mohan Reddy** *supra* at paragraph Nos.34 & 35 held as under:

> *"34. Economic offences constitute a class apart and need to be visited with a different approach in the matter of bail. The economic offences having deep-rooted conspiracies and involving huge loss of public funds need to be viewed seriously and considered as grave offences affecting the economy of the country as a whole and thereby posing serious threat to the financial health of the country.*
> *35. While granting bail, the court has to keep in mind the nature of accusations, the nature of evidence in support thereof, the severity of the punishment which conviction will entail, the character of the accused, circumstances which are peculiar to the accused, reasonable possibility of securing the presence of the accused at the trial, reasonable apprehension of the witnesses being tampered with, the larger interests of the public/State and other similar considerations."*

20. Hence, the Hon'ble Apex Court, in **Y.S. Jagan Mohan Reddy** *supra*, authoritatively held that economic offences constitute a distinct class of offences and, having regard to their deep-rooted conspiracies and potential to cause substantial loss to public funds, must be viewed with greater seriousness while considering applications for bail. The Hon'ble Supreme Court further observed that, in deciding a plea for bail, the Court is required to

judiciously evaluate the nature and gravity of the accusations, the strength of the supporting material, the severity of punishment upon conviction, the character and antecedents of the accused, the likelihood of securing his presence during trial, the possibility of witness tampering, and the larger interests of the State and society, so as to ensure that the administration of criminal justice remains unimpaired.

21. The Hon'ble Apex Court in **Nimmagadda Prasad** *supra* at paragraph Nos.24 & 25 held as under:

> *"24. While granting bail, the court has to keep in mind the nature of accusations, the nature of evidence in support thereof, the severity of the punishment which conviction will entail, the character of the accused, circumstances which are peculiar to the accused, reasonable possibility of securing the presence of the accused at the trial, reasonable apprehension of the witnesses being tampered with, the larger interests of the public/State and other similar considerations. It has also to be kept in mind that for the purpose of granting bail, the legislature has used the words "reasonable grounds for believing" instead of "the evidence" which means the court dealing with the grant of bail can only satisfy itself as to whether there is a genuine case against the accused and that the prosecution will be able to produce prima facie evidence in support of the charge. It is not expected, at this stage, to have the evidence establishing the guilt of the accused beyond reasonable doubt.*
> *25. Economic offences constitute a class apart and need to be visited with a different approach in the matter of bail. The economic offence having deep-rooted conspiracies and involving huge loss of public funds needs to be viewed seriously and considered as a grave offence affecting the economy of the country as a whole and thereby posing serious threat to the financial health of the country."*

22. Ergo, the Hon'ble Apex Court, in **Nimmagadda Prasad** *supra*, authoritatively held that while considering an application for bail, the Court must undertake a judicious assessment of the nature and gravity of the allegations, the material collected in support thereof, the severity of the punishment prescribed, the antecedents and character of the accused, the likelihood of securing his presence during trial, the possibility of witness

tampering, and the overarching interests of the State and society. The Hon'ble Supreme Court further observed that, at the stage of bail, the Court is only required to ascertain the existence of reasonable grounds indicating a prima facie case and not to meticulously evaluate the evidence to determine guilt beyond reasonable doubt. It was further emphasized that economic offences, owing to their complex conspiratorial nature and potential to inflict substantial loss upon public funds, constitute a distinct class of offences warranting a more cautious and stringent approach in matters concerning grant of bail.

23. The Hon'ble Apex Court in **Amit Kumar** *supra* at paragraph Nos.11 & 13 held as under:

> *"11. Although there is no quarrel with respect to the legal propositions canvassed by the learned counsel, it should be noted that there is no straitjacket formula for consideration of grant of bail to an accused. It all depends upon the facts and circumstances of each case. The Government's interest in preventing crime by arrestees is both legitimate and compelling. So also is the cherished right of personal liberty envisaged under Article 21 of the Constitution. Section 439 of the Code of Criminal Procedure, 1973, which is the bail provision, places responsibility upon the courts to uphold procedural fairness before a person's liberty is abridged. Although "bail is the rule and jail is an exception" is well established in our jurisprudence, we have to measure competing forces present in facts and circumstances of each case before enlarging a person on bail.*
> *13. We are also conscious that if undeserving candidates are allowed to top exams by corrupt means, not only will the society be deprived of deserving candidates, but it will be unfair for those students who have honestly worked hard for one whole year and are ultimately disentitled to a good rank by fraudulent practices prevalent in those examinations. It is well settled that socio-economic offences constitute a class apart and need to be visited with a different approach in the matter of bail [Nimmagadda Prasad v. CBI, (2013) 7 SCC 466 : (2013) 3 SCC (Cri) 575; Y.S. Jagan Mohan Reddy v. CBI, (2013) 7 SCC 439 : (2013) 3 SCC (Cri) 552] . Usually socio-economic offence has deep-rooted conspiracies affecting the moral fibre of the society and causing irreparable harm, needs to be considered seriously."*

24. Thus, the Hon'ble Apex Court, in **Amit Kumar** *supra* held that although the principle that *"bail is the rule and jail is the exception"* remains a well-

entrenched facet of criminal jurisprudence, the grant of bail cannot be governed by any rigid or inflexible formula and must necessarily depend upon the facts and circumstances of each case. The Hon'ble Supreme Court observed that while safeguarding the cherished right to personal liberty under Article 21 of the Constitution, the Courts are equally obligated to balance the compelling societal interest in preventing crime and preserving the integrity of the justice delivery system. It was further emphasized that socio-economic offences, often characterized by deep-rooted conspiracies and far-reaching repercussions on public confidence and the moral fabric of society, constitute a distinct class of offences warranting a more cautious and stringent approach while considering applications for bail.

25. The Hon'ble Apex Court in **Nittin Johari** *supra* at paragraph Nos.26, 30 & 31 it is held as under:

> *"26. In our considered opinion, the High Court in the impugned order has failed to apply even these general principles. The High Court, after referring to certain portions of the complaint to ascertain the alleged role of Respondent 1, came to the conclusion that the role attributed to him was merely that of colluding with the co-accused promoters in the commission of the offence in question. The Court referred to the principles governing the grant of bail as laid down by this Court in Ranjitsing Brahmajeetsing Sharma v. State of Maharashtra [Ranjitsing Brahmajeetsing Sharma v. State of Maharashtra, (2005) 5 SCC 294 : 2005 SCC (Cri) 1057] , which discusses the effect of the twin mandatory conditions pertaining to the grant of bail for offences under the Maharashtra Control of Organised Crime Act, 1999 as laid down in Section 21(4) thereof, similar to the conditions embodied in Section 212(6)(ii) of the Companies Act. However, the High Court went on to grant bail to Respondent 1 by observing that bail was justified on the "broad probabilities" of the case.*
> *30. In light of the foregoing discussion, we are of the view that the High Court has failed to apply its mind to all the circumstances that were required to be considered while granting bail, particularly in relation to economic offences. Accordingly, the impugned order is hereby set aside.*
> *31. In the interest of justice, we deem it fit to remand the matter to the High Court to reconsider Bail Application No. 1971/2019 filed by*

> *Respondent 1 in light of the principles governing the grant of bail under Section 439 CrPC, while also keeping in mind the scope and effect of the twin mandatory conditions for grant of bail laid down in Section 212(6)(ii) of the Companies Act. Needless to say, Respondent 1 shall continue to remain in custody subject to the order of the High Court in the said bail application."*

26. Hence, the Hon'ble Apex Court, in **Nittin Johari** *supra* held that while considering the grant of bail, particularly in cases involving economic offences, the Court is under an obligation to comprehensively evaluate all relevant circumstances and apply the settled parameters governing bail jurisprudence with due care and circumspection. The Hon'ble Supreme Court observed that economic offences, by their very nature and impact, warrant a heightened degree of judicial scrutiny, and that a bail order passed without proper consideration of the gravity of allegations, statutory requirements, and the material available on record is unsustainable in law. It was further emphasized that the exercise of discretion under Section 439 of 'the Cr.P.C.,' must be informed by established legal principles and not founded merely upon broad probabilities or general observations.

27. The Hon'ble Apex Court in **P. Chidambaram** *supra* at paragraph Nos.69, 72, 78 & 84 it is held as under:

> *"Grant of anticipatory bail in exceptional cases*
> *69. Ordinarily, arrest is a part of procedure of the investigation to secure not only the presence of the accused but several other purposes. Power under Section 438 CrPC is an extraordinary power and the same has to be exercised sparingly. The privilege of the pre-arrest bail should be granted only in exceptional cases. The judicial discretion conferred upon the court has to be properly exercised after application of mind as to the nature and gravity of the accusation; possibility of the applicant fleeing justice and other factors to decide whether it is a fit case for grant of anticipatory bail. Grant of anticipatory bail to some extent interferes in the sphere of investigation of an offence and hence, the court must be circumspect while exercising such power for grant of anticipatory bail. Anticipatory bail is not to be granted as a matter of rule and it has to be granted*

only when the court is convinced that exceptional circumstances exist to resort to that extraordinary remedy.

72. We are conscious of the fact that the legislative intent behind the introduction of Section 438 CrPC is to safeguard the individual's personal liberty and to protect him from the possibility of being humiliated and from being subjected to unnecessary police custody. However, the court must also keep in view that a criminal offence is not just an offence against an individual, rather the larger societal interest is at stake. Therefore, a delicate balance is required to be established between the two rights—safeguarding the personal liberty of an individual and the societal interest. It cannot be said that refusal to grant anticipatory bail would amount to denial of the rights conferred upon the appellant under Article 21 of the Constitution of India.

78. Power under Section 438 CrPC being an extraordinary remedy, has to be exercised sparingly; more so, in cases of economic offences. Economic offences stand as a different class as they affect the economic fabric of the society. In Directorate of Enforcement v. Ashok Kumar Jain [Directorate of Enforcement v. Ashok Kumar Jain, (1998) 2 SCC 105 : 1998 SCC (Cri) 510] , it was held that in economic offences, the accused is not entitled to anticipatory bail.

84. In a case of money-laundering where it involves many stages of "placement", "layering i.e. funds moved to other institutions to conceal origin" and "interrogation i.e. funds used to acquire various assets", it requires systematic and analysed investigation which would be of great advantage. As held in Anil Sharma [State v. Anil Sharma, (1997) 7 SCC 187 : 1997 SCC (Cri) 1039] , success in such interrogation would elude if the accused knows that he is protected by a pre-arrest bail order. Section 438 CrPC is to be invoked only in exceptional cases where the case alleged is frivolous or groundless. In the case in hand, there are allegations of laundering the proceeds of the crime. The Enforcement Directorate claims to have certain specific inputs from various sources, including overseas banks. Letter rogatory is also said to have been issued and some response have been received by the Department. Having regard to the nature of allegations and the stage of the investigation, in our view, the investigating agency has to be given sufficient freedom in the process of investigation. Though we do not endorse the approach of the learned Single Judge in extracting the note produced by the Enforcement Directorate, we do not find any ground warranting interference with the impugned order [P. Chidambaram v. CBI, 2019 SCC OnLine Del 9703] . Considering the facts and circumstances of the case, in our view, grant of anticipatory bail to the appellant will hamper the investigation and this is not a fit case for exercise of discretion to grant anticipatory bail to the appellant."

28. Hence, the Hon'ble Apex Court, in **P. Chidambaram** *supra* held that the power under Section 438 of 'the Cr.P.C.,' to grant anticipatory bail is an extraordinary discretionary remedy which must be exercised sparingly and only in exceptional circumstances. The Hon'ble Supreme Court observed that

while personal liberty under Article 21 of the Constitution of India merits due protection, the Courts are equally required to balance the larger societal interest and the need for an unhindered investigation. It was further emphasized that economic offences constitute a distinct class of crimes affecting the economic fabric of the nation and, therefore, demand a more cautious approach in matters of pre-arrest bail, particularly where the allegations involve complex financial transactions, money-laundering, and deep-rooted conspiracies requiring effective custodial interrogation and a free, fair, and comprehensive investigation.

29. The learned Senior Counsel for Respondent No.2 relied on the decision of High Court of Allahabad in **Shakib Qureshi v. Anti Evasion CGST[7],** wherein at paragraph Nos.9, 12 & 13 it is held as under:

> *"9. The liberty guaranteed by Part III of the Constitution would cover within its protective ambit not only due procedure and fairness but also access to justice and a speedy trial. There is a presumption of innocence in favour of accused pending trial. The ultimate justification for such deprivation of liberty can only be, the accused being found guilty of the offences for which they have been charged. If such a finding is not likely to be arrived at within a reasonable time some relief becomes necessary. Timely delivery of justice is part of human rights and denial of speedy justice is a threat to public confidence in the administration of justice. No material has been shown by State to demonstrate that the conduct of applicant while in jail would disentitle the applicant to be released on bail.*
> *12. It is trite law that personal liberty cannot be taken away except in accordance with the procedure established by law. Personal liberty is a constitutional guarantee. However, Article 21 which guarantees the above right also contemplates deprivation of personal liberty by procedure established by law. Under the criminal laws, a person accused of offences which are non-bailable is liable to be detained in custody during pendency of trial unless he is enlarged on bail in accordance with law. Such detention cannot be questioned as being violative of Article 21 since the same is authorised by law. But even persons accused of non-bailable offences are entitled to bail if the court concerned comes to the conclusion that prosecution has failed to establish a prima facie case against him and/or if the court is*

[7] 2026 SCC OnLine All 17792

> *satisfied for reasons to be recorded that in spite of existence of prima facie case there is a need to release such person on bail where fact situations require it to do so.*
> *13. Article 21 of Constitution provides that no person will be deprived of his life or liberty except by procedure established by law. The procedure established by law should be just, fair and reasonable. The presumption of innocence is applicable to under trial accused. Even if prima facie case is made out, the Constitutional Court while considering the bail application are required to examine whether it is reasonable to keep the accused in custody during trial and in only exceptional cases (like heinous crime) the bail can be denied."*

30. Ergo, the High Court of Allahabad in **Shakib Qureshi** *supra*, reiterated that the guarantee of personal liberty under Article 21 of the Constitution of India encompasses the right to a fair procedure, access to justice, and a speedy trial, and that the presumption of innocence continues to operate in favour of an accused until guilt is established in accordance with law. The Court observed that while deprivation of liberty may be sanctioned by a procedure established by law, continued incarceration during the pendency of trial must be justified on cogent grounds, particularly where the prosecution is unable to establish a strong prima facie case or where prolonged detention ceases to serve the ends of justice. It was further emphasized that Constitutional Courts, while considering bail, are required to strike a judicious balance between the interests of criminal justice and the fundamental right to personal liberty, and that denial of bail should remain confined to exceptional cases involving compelling circumstances.

31. Learned Senior Counsel for Respondent No.2 further relied on **CGST, Delhi West v. Vishal Goyal**[8] wherein at paragraph No.32 it is held as under:

> *"32. Furthermore, it has been held in various Judgments by the Apex Court and the High Court that once a Bail has been granted, it should not be cancelled in a mechanical manner, without considering*

[8] 2026 SCC OnLine Del 132

> *whether any supervening circumstances have rendered it no longer conducive to a fair trial to allow the accused to retain his freedom by enjoying the concession of Bail during the trial. Bail cannot be cancelled merely on a request of the Complainant or investigating agency unless it is established that it has been misused and is no longer conducive in the interest of justice to allow the accused to remain on Bail."*

32. Thus, the High Court of Delhi, in **CGST, Delhi West** *supra* held that once the concession of bail has been granted, the same cannot be cancelled in a routine or mechanical manner. The Court observed that cancellation of bail must be founded upon the existence of supervening circumstances demonstrating that the accused has misused the liberty granted, interfered with the administration of justice, or that his continued freedom is no longer conducive to a fair trial. It was further emphasized that a mere request by the complainant or the investigating agency is insufficient for cancellation of bail, unless compelling grounds are established showing that such cancellation is necessary in the interests of justice.

33. The petition seeks to set aside the order dated 27.05.2026 granting regular bail and to cancel it. The law draws a clear distinction between an appeal-like challenge to an order of bail as perverse, illegal or unjust, and cancellation of bail on account of supervening circumstances. In the former, this Court examines whether the court below ignored relevant material or acted on irrelevant considerations. In the latter, the Court examines whether post-release conduct shows that the accused is misusing liberty. The power to cancel bail must be exercised sparingly, as it results in the loss of a liberty already enjoyed.

34. The learned Special Judge noted the gravity of the allegations, correctly observed that economic offences must be viewed seriously, and then applied the established considerations. These included the nature of the offence, the punishment prescribed, the period of custody, the stage of the investigation and the documentary and electronic nature of the evidence. The learned Special Judge also recorded that the Prosecution itself did not contend that custodial interrogation was required. The decisions cited by the Petitioner hold that economic offences are a distinct class, but they do not lay down that bail must invariably be refused in every such case. The seriousness of the allegation is one factor, and it must be balanced against the object of bail, which is to secure the presence of the accused and not to impose pre-trial punishment. There is no perversity in the exercise of discretion.

35. The contention that the learned Special Judge erred in finding the investigation complete is not accepted. The finding was confined to seizure of records and collection of material, and it is borne out by the Petitioner's own statement that the devices, bank records and GST data were seized and that forensic extraction is done. Verification of the remaining firms, tracing of beneficiaries and analysis of data are matters on which the Department can proceed without the custody of Respondent No.2. The nature of the allegations also shows that the evidence is principally documentary and electronic, and it is already in the custody of the Department, which reduces the risk of tampering after release.

36. As to the alleged admission of destruction of evidence, the statement dated 14.05.2026 pre-dates the order granting bail. The Petitioner's own reply before the learned Special Judge relied on the contention that the Respondent had not co-operated, so this circumstance was available to the Court and cannot be called a supervening circumstance. The expansion of the entities from 92 to 108 and the identification of 106 additional names are developments in the ordinary course of an expanding investigation, and they may be pursued without his custody. On the allegation of non-cooperation, the record shows that Respondent No.2 appeared on 05.06.2026, 09.06.2026 and 15.06.2026 after release and gave statements, and that he has not violated any condition. An accused is entitled to remain silent and cannot be compelled to furnish self-incriminating material. Failure to produce records within the time sought is a matter for the Department to pursue through lawful process, and it does not by itself justify cancellation.

37. The most serious allegation is witness intimidation, but it rests on inference and not on proof. The material shows that proprietors of some firms did not appear, that some summonses were returned undelivered, and that one proprietor said another person instructed her not to appear. None of it attributes any specific act of threat, inducement or contact to Respondent No.2 after his release. Non-appearance on summons may result from fear of prosecution, from the proprietors' own involvement or from non-service. No complaint or sworn material was placed before this Court to show that Respondent No.2 contacted or influenced any witness. The learned Special

Judge has also imposed conditions barring inducement, threat and tampering, and ordered attendance before the Investigating Officer, so the Department has an effective remedy in case of violation. The plea of parity is not the foundation of the order, and in any event it does not call for interference.

38. In the result, there is no perversity, illegality or non-application of mind in the order dated 27.05.2026, and no supervening circumstance of such gravity as to warrant cancellation of bail. Accordingly, the Criminal Petition is dismissed.

39. The conditions imposed by the learned Special Judge shall continue to operate.

40. The Respondent No.2 is directed to attend before the Investigating Officer as and when required and to co-operate with the investigation.

41. It is open to the Petitioner to seek cancellation of bail afresh before the competent court if, upon material, it can show that Respondent No.2 has violated any condition of bail, tampered with evidence or influenced any witness.

There shall be no order as to costs. As a sequel, interlocutory applications, if any pending, shall stand closed.

DR. Y. LAKSHMANA RAO, J

Date: 15.10.2026
VTS