



2025:KER:54490

Cr1.M.C.No.5278/2025

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IN THE HIGH COURT OF KERALA AT ERNAKULAM

PRESENT

THE HONOURABLE MR. JUSTICE A. BADHARUDEEN

WEDNESDAY, THE 23RD DAY OF JULY 2025 / 1ST SRAVANA, 1947

CRL.MC NO. 5278 OF 2025

CRIME NO.4/2024 OF VACB, THIRUVANANTHAPURAM, Thiruvananthapuram

PETITIONER/3RD ACCUSED:

SREERAJ G,
AGED 43 YEARS,
S/O GOPALAKRISHNA PILLAI, RESIDING AT
SREEKRISHNAVILASAM NEDUVATHOOR NEELASWERAM P.O
KOTTARAKARA KOLLAM, PIN - 691506.

BY ADVS.
SRI.K.K.VIJAYAN
SRI.G.RANJU MOHAN
SHRI.SREE HARI L.K.
SMT.THEERTHA NAIR A.P.
SRI.B.VINOTH

RESPONDENTS/RESPONDENT/COMPLAINANT:

1 STATE OF KERALA
REPRESENTED BY PUBLIC PROSECUTOR,
HIGH COURT OF KERALA, PIN - 682031.

2 SUPERINTENDENT OF POLICE
VIGILANCE AND ANTI-CORRUPTION BUREAU,
SPECIAL INVESTIGATION UNIT-1,
THIRUVANANTHAPURAM, PIN - 695033.

SPECIAL PUBLIC PROSECUTOR FOR VACB SRI RAJESH.A,
SENIOR PUBLIC PROSECUTOR SMT. REKHA.S FOR VACB.

THIS CRIMINAL MISC. CASE HAVING COME UP FOR ADMISSION ON
16.07.2025, THE COURT ON 23.07.2025 PASSED THE FOLLOWING:



“C.R”

A. BADHARUDEEN, J.

Crl.M.C No.5278 of 2025-H

Dated this the 22nd day of July, 2025

O R D E R

Crl.M.C.No.5278 of 2025 has been filed by the 3rd accused in Crime No.4 of 2024 of VACB, Thiruvananthapuram and he seeks quashment of the said FIR.

2. Heard the learned counsel for the petitioner and the learned Public Prosecutor appearing for the VACB as well as the State of Kerala.

3. This crime was registered alleging commission of offences punishable under Sections 7 and 13(1)(o) of Prevention of Corruption (Amendment Act 2018) [‘PC (Amendment) Act’ for short hereafter] as well as under Sections 409 and 120B of the Indian Penal Code (‘IPC’ for short) after getting prior approval under Section 17A of the PC (Amendment) Act, by accused Nos.1 to 3. The case of the prosecution



is that High Range Rural Development Society ('HRDS' for short) is a charitable society registered under the Travancore-Cochin Literary, Scientific and Charitable Societies Registration Act District Registrar, Idukki, and the project implementing agency of DDU-GKY and Yuvakerala projects which are the Central-State Governments sponsored schemes intended to provide skill development training courses for poor youth and works for the public interest, where the 1st accused is the Secretary, the 2nd accused is an employee and the 3rd accused, the petitioner herein, is an employee of the State Kudumbashree Mission, holding the official position of State Program Manager (Finance) and he is the first responsible officer for preventing the misuse of the public funds provided to the HRDS. The specific allegation of the prosecution is that all the three accused entered into a criminal conspiracy and abused their official position, thereby misappropriated Government funds allocated by the State Kudumbashree Mission to HRDS as the PIA (Project Implementing Agency) for the implementation of three Government projects, amounting to Rs.5,63,24,597/-. Out of this amount the 1st accused misappropriated Rs.89,70,000/- (Rupees Eighty nine lakh and seventy thousand only), the



2nd accused misappropriated an amount of Rs.77,83,000/-. Both of them misappropriated the fund under the pretext of withdrawing salary for the period from March, 2018 to April, 2023. Furthermore, some employees of HRDS, along with A1 and A2 collectively misappropriated Rs.3,74,56,200/- from the total fund of Rs.5,63,24,597/-, under the guise of salaries, despite the fund being specifically allocated for the implementation of giving skill development courses and placement assistance to poor youth of society. The 3rd accused, who has the responsibility to prevent this defalcation and report the same to the higher authorities, failed to take any action and instead assisted the 1st and 2nd accused, thereby causing huge financial loss to the Government.

4. While canvassing quashment of the FIR, it is submitted by the learned counsel for the petitioner that the Government of India Ministry of Rural Development had approved the action plan of Kudumbashree (State Poverty Eradication Mission) for training and placement of a fairly large number of candidates, whereby Kudumbashree (State Poverty Eradication Mission) invited applications for implementing the projects, wherein categories like Logistics, Retail, Health Care



Tourism etc. were area for imparting training by issuing trade certificate in skills like Ware House Pickers, Food and Beverages service, Geriatric Assistant etc. The petitioner herein is the State Program Manager (Finance) in Kudumbashree (State Poverty Eradication Mission) under the Government of Kerala. The Project Implanting Agency, High Range Rural Development Society was granted sanction to carry out the training and to certify the candidates under three separate and distinct project by three separate sanction orders. Thereafter, Memorandum of Understanding was executed in between Kudumbashree through its Executive Director with the Secretary of High Range Rural Development Society and as per Annexure C proceedings High Range Rural Development Society is shown as item No.4 with the total project sanctioned cost of Rs.3,82,98,636/- and the first installment sanctioned was Rs.91,37,159/-. On 15.01.2019, the HRDS requested release of the second instalment payable under the project by Kudumbashree and on 29.03.2019, the Executive Director of Kudumbashree issued proceedings to release the second instalment to the High Range Rural Development Society and copy of the same is Annexure D. According to the learned



counsel for the petitioner, thereafter, subsequent installments also were released. The petitioner is the last in the hierarchy concerning the release of funds to any entity by Kudumbashree. The applications from PIA for release of funds addressed to the head of Kudumbashree (Executive Direction) is processed at 5 different levels, starting from Director Finance, Chief Finance Officer, Accounts Officer, Chief Operating Officer and lastly to the petitioner. Apart from that, the petitioner's prime contention is that the amount alleged to be misappropriated is the amount towards the salary drawn from the fund and the petitioner, who is at the inferior tier of the hierarchy, has nothing to do with the said allegation. Therefore, none of the offences would attract against the petitioner.

5. In the statement filed by the Investigating Officer, all the grounds raised to quash the FIR against the 3rd accused were objected and the prime contention raised by the Vigilance and Anti Corruption Bureau can be seen from paragraphs 6 to 14. The same are extracted hereunder:

“6. *It is submitted that as per the order of Executive Director Kudumbashree No KSHO/M-SKILLS/7975/36/2017 granted permission to conduct skill development course to HRDS for total number of 474 students and also sanctioned an amount of Rs38292747/-. Subsequently the State*



KudumbaShree Mission had given three installments to the PIA(a total sum of Rs3,22,02,607/-) for conducting skill development training for 474 students. From this amount, Al and Secretary of HRDS Sri.AjiKrishnan took Rs50,60,000/-(Fifty Lakh Thousand) from Government grant in the guise of salary in his Sixty capacity as Project Director from 1st April 2018 to 31st March 2023. Similarly, second accused Sri. Praise Pious, an employee of HRDS got Rs 45,38,000/-(Forty Five Lakh Thirty Eight Thousand) in guise of salary in his capacity as project head ard from 1st April 2018 to 31st March 2023. Accused 1 and 2 Ytogether took a total of Rs95,98,000/- (Ninety Five Lakh Ninety Eight Thousand) from the Government fund. Some of the other employees of HRDS and associates of Al also had been given with salary from Government grant and all employees of HRDS along with Al and A2 had took a total amount of Rs2, 16,44,250/- (Two Crores Sixteen Lakh Forty-Four Thousand Two Hundred and fifty) from the government grant allotted to HRDS which was allotted for conducting skill training program and placement assistance to 474 students.

7. *It is submitted that as per the order of Executive Director KudumbaShree No.KSHO/M-SKILLS/7934/Skills/2019 permission has been granted to conduct skill development course to HRDS for a total number of 430 students and also sanctioned an amount of Rs2,7921674/-. Subsequently State KudumbaShree Mission had given two installments as total sum of Rs1,27,00408/- for conducting skill development training program for 430 students to the PIA. From this amount, Al and Secretary of HRDS Sri. AjiKrishnan took Rs22,40000/-(Twenty two lakhs and forty thousand) from the*



Government grant in guise of salary as Project Director from 1st November 2020 to 31st March 2023. Similarly, Second Accused Sri. Praise Pious, an employee of HRDS got Rs 1905000/- (Nineteen lakh five thousand) in the guise of salary as project head from 1st November 2020 to 31st March 2023. Accused 1 and 2 together took Rs 41,45000/- (Forty one lakh forty five thousand) in total from the Government fund. Some of the other employees of HRDS and associates of Al also had been given with a salary from Government grant and all employees of HRDS along with Al and A2 had took total amount of Rs 7742295/- (Twenty seven lakh forty two thousand and two Ninety five Rupees) from the Government grant allotted to HRDS which was allotted for conducting skill training program and placement assistance to 490 students.

8. *It is submitted that as per the order of the Executive Director KudumbaShree No.KSHO/M-SKILLS/2661/YUVA KERALAM/2020 permission has been granted to conduct skill development course to HRDS for a total number of 393 students and also sanctioned an amount of Rs2,24,40213,-. Subsequently State KudumbaShree Mission had given two installments (a total sum of Rs1,10,53,189/- for conducting skill development training to 393 students to the PIA. From this amount Al and Secretary of HRDS Sri.Aji Krishnan took Rs16,70,000/- (Sixteen lakh and seventy thousand) from the Government grant as in the guise of salary in his capacity as Project Director from 1st April 2021 to 31st March 2023. Similarly, Second Accused Sri. Praise Pious, an employee of HRDS got Rs13,40000/- (Thirteen Lakh and Forty Thousand) in the guise of salary in his capacity of project head from 1st April 2021 to 31st*



March 2023. Accused 1 and 2 together took Rs 30,10000/- (Thirty Lakh and Ten Thousand) in total from the Government fund. Some other employees of HRDS and associates of A1 also got salary from the Government grant and all employees of HRDS along with A1 and A2 had took total amount of Rs 80,69655/- (Eighty Lakh Sixty Nine Thousand Six hundred and fifty five) from the government grant allotted to HRDS which was allotted for conducting skill training program and placement assistance to 393 students.

9. *It is submitted that A1 and Secretary of HRDS Sri. AjiKrishnan took Rs89,70000/-(Eighty nine lakh and seventy thousand rupees) fund from the three Government Projects in the guise of salary as Project Director. Similarly, Second Accused Sri.Praise Pious, an employee of HRDS took Rs77,83000/- (Seventy seven Lakh and eighty three thousand rupees) from the Government fund in the guise of salary as project head. During the investigation it is found that State KudumbaShree Mission had given Rs5,63,24597/- (Five crore sixty three lakh twenty four thousand five hundred and ninety seven Rupees) to HRDS the PIA for conducting three projects of Skill development course and placement assistance to poor youth in the State. The accused A1, A2 and some associates of A1 took a total amount of Rs 3,7456200/- from the Government grant allotted for implementing the said Projects.*

10. *It is also submitted that petitioner and 3rd accused in the Cr1 MC stated that the Project Director and Project Head of the Project implementing agency (PIA) are entitled for salary from out of the allotted fund as per the chapter 3.3A of Standard Operating Procedure. The said contention of the*



petitioner is not correct. In fact chapter 3.3A of SOP is a standard form which describes about the PIA'S project execution readiness assessment which included in the list of standard forms in chapter 3. Standard form 3.3A is intended to describe the organization set up and responsible persons of PIA. (R2. A)

It is submitted that during the Investigation, the statement of one Sri. Das Vincent (State Program Manager PIA Co-Ordination and Development) was recorded and he clearly stated that form No SF3.3A is only intended to show the readiness of PIA for implementing the project. It does not describe the salary eligibility of any of the employees of PIA from the project fund. It only describes PIA's name and address, name of organization management team etc. He also pointed out that Chapter 8.5A of SOP describes that only trainers, master trainers, Q-team members of PIA are entitled to salary from the project fund allotted to PIA and nowhere else in the SOP does not mention about the entitlement for the project head and project director of the PIA (R2.B).

11. *It is submitted that Chapter 8.5A of SOP Volume 2 describes the instructions for payment of salaries to trainers, master trainers and PIA Q-team members. The salary to be paid to the trainers, master trainers and PIA Q-team members is completely within the purview of PIA organization. PIA may pay over and above of the salary specified in the latest terms of employment based on the performance parameter decided by the competent authority of the PIA. The same may be booked under the project. Here it is clear that only trainers, master trainers, Q-team members of, PIA are only entitled to salary from the project fund (R2.C) as mentioned in the SOP.*



12. *It is submitted that neither in chapter 3.3A nor in chapter 8.5A or in the other provisions of the SOP the salary relating to Project Director, Project Head or any other members of PIA other than trainers, master trainers, Q-team members of PIA from project fund is mentioned.*

13. *It is submitted that during the investigation statement of Sri. Pradeep Kumar.R (Chief operating officer) was recorded. As per his statement Sreeraj.G, accused A3 is the State program manager (Finance) of State Kudumba Shree Mission and Sreeraj.G was entrusted with the duty/responsibility to verify all financial statements and audit report of PIA in connection with implementation of DDU-GKY and Yuva Keralam Projects. A3 Sreeraj.G had never reported the matter that Al Ajikrishnan and A2 Praise pious and other employees of HRDS is withdrawing huge amount of money in the guise of salaries from the Government grant allotted to PIA. (R2.D)*

14. *It is submitted that during the Investigation it is found that State KudumaShree Mission allotted Rs 5,63,24597/- to The High Range Rural Development Society (HRDS) as PIA for conducting skill development courses and thereafter placement assistance to Poor Youth of the State under three different projects. But A1, A2 and some employees of HRDS misappropriated the major portion of the Government fund in the guise of salary. As a result of the criminal conspiracy with A1 and A2 Petitioner in this Cr1.MC and A3 in VC 04/2024/SIU-1 Sreeraj.G did not take any steps to prevent misappropriation of Government fund by other accused persons."*



6. The Apex Court in [(2012) 10 SCC 303], **Gian Singh v. State of Punjab**, has dealt with the powers of the High Court under Section 482 r/w Section 320 of the Cr.P.C and the consequent authority of the High Court to quash criminal proceedings, FIRs or complaints under its inherent jurisdiction as in contradistinction to the power with criminal courts for compounding offenses under Section 320 of the CrPC. In this case, the High Court observed that quashing was dependent on the unique circumstances of each case and though no fixed category can be established, heinous and severe offences should not be quashed even if the parties have settled. Regarding exercise of the said power by the High Court, the Apex Court stated in paragraphs 60 and 61 as under:

“60. ... criminal cases having overwhelmingly and predominantly civil flavour stand on a different footing for the purpose of quashing particularly the offences arising from commercial, financial, mercantile, civil partnership or such like transactions or the offences arising out of matrimony related to dowry etc or the family disputes where the wrong is basically private or personal in nature and the parties have resolved their entire dispute. In this category of cases high court may quash criminal proceedings if in its view because of compromise between the offender and victim the possibility of conviction is remote and bleak and continuation of criminal case would put accused to great oppression and prejudice



and extreme injustice would be caused to him by not quashing the criminal case. Despite full and complete settlement and compromise with the victim. In other words, the high Court must consider whether it would be unfair or contrary to the interest of justice to continue with the criminal proceedings or continuation of the criminal proceeding would tantamount to abuse of process of law...

61. The offences of mental depravity under the Penal Code, 1860 or offences of moral turpitude under special statutes like Prevention of Corruption Act or the offences committed by the public servants while working in that capacity, the settlement between offender and victim can have no legal sanction at all.”

7. The Apex Court in [2017 SCC OnLine SC 1189], ***Aahir v. State of Gujrat***, observed that, economic offenses involving financial and economic well-being of the state have implications which lie beyond the domain of a mere dispute between the private disputants. The High Court would be justified in declining to quash where the offender is involved in an activity akin to a financial or economic fraud or misdemeanour. The consequences of the act complained of upon the financial or economic system will weigh in the balance. Thus, it can be concluded that economic offences by their very nature stand on a different footing than other offences and have wider ramifications. They constitute a



class apart. Economic offences affect the economy of the country as a whole and pose a serious threat to the financial health of the country. If such offences are viewed lightly, the confidence and trust of the public will be shaken.

8. The Apex Court in [2015 SCC OnLine SC 815], ***State v. R Vasanthi Stanley*** declined to quash the proceedings in a case involving alleged abuse of the financial system. It was observed as under:

“15. A grave criminal offence or serious economic offence or for that matter the offence that has the potentiality to create a dent in the financial health of the institutions is not to be quashed on the ground that there is delay in trial or the principle that when the matter has been settled it should be quashed to avoid the head on the system. That can never be an acceptable principle or parameter, for that would amount to destroying stem cells of law and order in many a realm and further strengthen the marrow of unscrupulous litigations. Such a situation should never be conceived of.”

9. In a latest decision of the Apex Court reported in [2024 SCC OnLine SC 3823], ***Anil Bhavarlal Jain & Anr. v. State of Maharashtra & Ors.***, the Apex Court considered an appeal where the High Court was not inclined to quash the FIR alleging commission of offences punishable under Sections 409, 420 and 120B of IPC as well as



Section 13(2) r/w 13(1)(d) of the PC Act and after referring earlier decisions, the Apex Court held that quashing of offences under the PC Act would have a grave and substantial impact not just on the parties involved, but also on the society at large. As if the High Court committed no error in declining the exercise of its inherent powers in the said case, to quash the FIR.

10. Thus the law is well settled that while quashing the FIR registered for the offences under the PC Act, liberal view is not the sanction of law. When the materials would, *prima facie*, show or otherwise the materials would suggest something showing economic abuse by way of misappropriation, interference with the investigation to find out the truth of the allegation by quashing the FIR could not be resorted to as a routine manner.

11. While appraising the contentions raised by the petitioner as well as the learned Public Prosecutor along with the report filed by the Investigating Officer, the prosecution case is that accused Nos.1 and 2 together obtained a total sum of Rs.2,16,44,250/- (Rupees Two crores sixteen lakh forty four thousand two hundred and fifty only) from the



Government grant allotted to HRDS which was allotted specifically for conducting skill training program and placement assistance to 474 students. The allegation against the petitioner herein is that he, being the State Program Manager (Finance) of State Kudumbashree Mission, and one Sreeraj.G, were entrusted with the duty and responsibility to verify all financial statements and audit report of PIA in connection with implementation of DDU-GKY and Yuva Keralam Projects, after having knowledge regarding the money obtained by the 1st and 2nd accused, never reported the matter to the higher authorities to find out the misappropriation. In fact, the allegation against the accused including the petitioner would require effective investigation. Going by the allegations, it could not be said that the FIR sought to be quashed by the petitioner, which would make specific allegations against him in the matter where crores of rupees alleged to be misappropriated, cannot be considered, as the allegation raised are against all the accused, including the petitioner and hence the investigation in this matter should proceed further. In view of the above, the prayer in the petition is liable to fail.

In the result, this petition is dismissed with direction to the



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petitioner/3rd accused to co-operate with the investigation.

Sd/-

(A. BADHARUDEEN, JUDGE)

rtr/

APPENDIX OF CRL.MC 5278/2025**PETITIONER' s ANNEXURES**

Annexure A	COPY OF FIRST INFORMATION REPORT IN CRIME NO: 04/2024/SIU-1.
Annexure B	COPY OF THE SANCTION ORDER KSHO/M-SKILLS/7975/36/2017, DATED 24TH MARCH 2018.
Annexure C	COPY OF THE PROCEEDINGS ORDER KSHO/M-SKILLS/7975/36/2017 DATED 28TH MARCH 2018 ISSUED BY THE EXECUTIVE DIRECTOR.
Annexure D	COPY OF THE PROCEEDINGS ORDER KSHO/M-SKILLS/7975/36/2017 DATED 29TH MARCH 2019.
Annexure E	COPY OF THE PROCEEDINGS ORDER KSHO/M-SKILLS/7975/36/2017 DATED 15TH DECEMBER 2020.
Annexure F	COPY OF THE REVISED SANCTION ORDER KSHO/M- SKILLS/7975/36/2017 DATED 11TH OCTOBER 2021.
Annexure G	COPY OF THE SANCTION ORDER NO: KSHO/M- SKILLS/7934/DDUGKY-II/40/2019 DATED 15TH JUNE 2020.
Annexure H	COPY OF THE PROCEEDINGS ORDER NO: 7934/M- SKILLS/2019/KSHO DATED 8TH AUGUST 2020 ISSUED BY THE EXECUTIVE DIRECTOR.
Annexure I	COPY OF THE REVISED SANCTION ORDER KSHO/M- SKILLS/7934/DDUGKY-II/40/2019 DATED 17TH AUGUST 2022.
Annexure J	COPY OF THE PROCEEDINGS ORDER KSHO/M-SKILLS/7934/DDUGKY-II/40/2019 DATED 12TH DECEMBER 2022.
Annexure K	COPY OF THE PROCEEDINGS ORDER NO: I/1155551/2024 DATED 5TH JUNE 2024.
Annexure L	COPY OF THE SANCTION ORDER



KSHO/M-SKILLS/2661/YUVA KERALAM/10/2020 DATED
20TH MARCH 2020.

Annexure M COPY OF THE PROCEEDINGS ORDER
KSHO/M-SKILLS/2661/YUVA KERALAM/10/2020
ISSUED BY THE EXECUTIVE DIRECTOR DATED 20TH
MARCH 2020.

Annexure N COPY OF THE PROCEEDINGS ORDER
KSHO/M-SKILLS/2661/YUVA KERALAM/ 10/2020
DATED 6TH AUGUST 2022.

Annexure O COPY OF THE REVISED SANCTION ORDER KSHO/M-
SKILLS/2661/YUVA KERALAM/ 10/2020 DATED 05TH
JANUARY 2023.

Annexure P COPY OF THE PROCEEDINGS ORDER NO:
I/96516/2023 DATED 14TH JULY 2023.

Annexure Q COPY OF THE RELEVANT PORTION OF STANDARD OF
PROCEDURE PART II CHAPTER 8.5.

Annexure R COPY OF THE RELEVANT PORTION OF STANDARD
OPERATING PROCEDURE CONTAINED IN CHAPTER 3
AND 3.3A PART I

Annexure S COPY OF THE RELEVANT PAGE OF PROGRAMME
GUIDELINES ISSUED BY GOVERNMENT OF INDIA,
CONTAINED IN CHAPTER 5.