MAJESTY LEGAL

ADVOCATES & SOLICITORS

AUTHORIZED SIGNATORY HELD LIABLE FOR CHEQUE DISHONOUR: SUPREME COURT

K. Ranganayakulu v. State of Telangana & Ors.[1]

The Hon'ble Supreme Court of India, declined to interfere with the conviction of an authorised signatory under Section 138 of the Negotiable Instruments Act, 1881, holding that, in the facts of the case, the signatory could be held responsible for the dishonoured cheque issued on behalf of the organisation. The Court observed that the terms of the underlying Memorandum of Understanding (MoU) placed the relevant financial responsibilities on the signatory.

The dispute arose from an MoU executed for the collection and remittance of electricity bill payments. The signatory had signed the agreement as Treasurer of the organisation and was authorised to sign negotiable instruments and make payments to the electricity distribution company. The High Court had convicted him under Section 138 of the NI Act and imposed a fine of ₹1.5 crore, along with a default sentence of one year's rigorous imprisonment.

Before the Supreme Court, it was argued that an authorised signatory does not automatically become the drawer of a cheque merely by signing it on behalf of an organisation. The Court, however, examined the terms of the MoU and found that the agreement placed the relevant rights and liabilities arising from the transactions on the signatory. It noted that the MoU did not assign corresponding responsibility to the organisation's Chairman. In these specific circumstances, the Court concluded that the signatory was responsible for the consequences of the cheque issued under the arrangement and declined to interfere with the conviction.

While upholding the conviction, the Supreme Court modified the sentence. It directed the signatory to pay a fine of ₹1.5 crore to the concerned electricity distribution company within two months. In default of payment, he was required to undergo rigorous imprisonment for one year. The appeal was accordingly allowed in part to this limited extent.

The judgment highlights that the liability of an authorised signatory under Section 138 of the NI Act may depend on the specific contractual arrangement and the responsibilities assigned to the signatory. It should not, however, be read as establishing that every person who signs a cheque on behalf of an organisation automatically incurs personal criminal liability; the Court's conclusion was based on the particular terms and circumstances before it.

TEAM MAJESTY LEGAL[2]

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[1] Criminal Appeal No. 2472 of 2026; Decided on 12.05.2026.

[2] Majesty Legal is a LAW FIRM established in 2013 by Ms. Mahi Yadav. Objective of this legal update is to provide insights on law, statutes and is personal in nature, not to be deemed as legal advice.

2026 INSC 555

REPORTABLE

IN THE SUPREME COURT OF INDIA
CRIMINAL APPELLATE JURISDICTION

CRIMINAL APPEAL NO.2472 of 2026
(@SLP (Crl.) No.1915 of 2025)

K RANGANAYAKULU ..... APPELLANT(S)

VERSUS

STATE OF TELANGANA & ORS. ..... RESPONDENT(S)

O R D E R

1. Leave granted.

2. Appellant stands convicted by the High Court for committing offence under Section 138 of the Negotiable Instruments Act, 1881 (NI Act) and has been sentenced to undergo rigorous imprisonment for one year and fine of Rs.1,50,00,000/- (Rupees One crore fifty lakhs only), in default of payment of fine, to undergo default sentence of additional imprisonment of one year. The High Court has also directed to cause the appearance of the appellant and send

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Reason:

him to prison to serve the remaining period of sentence.

3. It is argued by Mr. Santosh Kumar, learned senior counsel appearing for the appellant that the appellant not being the drawer of the cheque, cannot be convicted for the reason that an authorized signatory is merely authorized to sign on behalf of the company and does not become the drawer. Therefore, since penal statutes have to be interpreted strictly particularly in determining vicarious liability, the appellant cannot be held guilty for committing offence under Section 138 of the NI Act. Learned senior counsel would refer to the law laid down by this Court in (2024) 7 SCR 1211:2024 INSC 551.

4. Per contra, Mr. Ravi Shankar Jandhyala, learned senior counsel appearing for Respondent No.2 would submit that the appellant having signed the cheque as Treasurer of TIMES NGO, with whom Respondent No.2 had entered into an MOU, outsourcing the work of collection of electricity bills of domestic consumers, the appellant is liable to incur the statutory mandate of any penal consequence under the NI Act.

5. The relationship between the parties emanate from MOU dated 30.07.2009 captioned as "Memorandum of Understanding" for collection of electricity bills payments of APCPDCL thgough M/s. TIMES. It is the appellant who has signed on this MOU as Treasurer of TIMES. Clause 7, 20 and 28 of the MOU need reference which is reproduced hereunder:

> **7. As regards the remittance of collections, TIMES shall remit the collections of all the Franchises to the S.A.O. of the respective circle of APCPDCL / Head Quarters of APCPDCL along with MIS reports. The TIMES should remit the cash on the next working day through Cheque / RTGS online transaction to receipt A/C of the respective Circle S.A.O / Head Quarters of APCPDCL along with MIS reports.**
>
> **20. TIMES stands as guarantor for any financial loss like fraud / misappropriation and theft etc, in transfer of electricity bills collected from consumers to the APCPDCL, the CMD / APCPDCL or the authority empowered in writing by the CMD / APCPDCL, is competent to recover the fraud / misappropriation and theft etc., amount from the transaction fees to be paid by the APCPDCL to the TIMES.**
>
> **28. It is agreed that in case the performance of TIMES(RAJIV) Franchises is unsatisfactory i.e. continuous pending transactions without updation, wrong postings, delays in remittance, delay in reconciliation of transactions, non-segregation of classified transactions (c.c. charges, A.C.D.,**

R.C. fees, Misc. charges), suppression of transactions, multiple receipts issued for single service and any serious irregularities, Not accepting bill payments etc., TIMES shall take necessary action on particular Franchisee upon intimation from APCPDCL in consultation with APCPDCL. Not withstanding the above, APCPDCL reserves the right to terminate the agreement / MOU by giving 15 days notice.

6. It is thus apparent that it is the appellant alone who was responsible for all the rights and liabilities arising for or against TIMES by virtue of the MOU. Although appellant is only the Treasurer of TIMES but not the owner or Chairman of the society but the fact remains that the MOU entered between the parties nowhere cast any liability on the Chairman of the NGO. If the NGO i.e. TIMES has made the appellant as its front face by authorizing him to sign all the negotiable instruments and to make payment of the account to APCPDCL (Presently Telangana CPDCL) through cheque/RTGS online transaction, it is only the appellant who shall be responsible for all the consequences thereof. In practicality, by virtue of the terms of the MOU, it is the appellant who becomes the drawer of the cheque on behalf of the TIMES as the document do not recognize any other entity who shall be responsible for any action in its transactions with APCPDCL (Telangana CPDCL).

7. In view of the above, we are not inclined to accept the arguments raised at the bar on behalf of the appellant and do not find any ground to interfere with the impugned judgment.

8. However, considering that the appellant was only the Treasurer of the society, we deem it appropriate to modify the sentence by directing that the appellant shall pay a fine amount of Rs.1.5 crore to Respondent No.2 (now Telangana CPDCL or Southern Power Distribution Company of Telangana Limited (TSSPDCL)) in default to undergo Rigorous Imprisonment of one year. The fine shall be paid within a period of two months from today. If the amount is not paid within two months from today, the appellant shall immediately surrender or taken into custody to undergo the default sentence of rigorous imprisonment of one year.

9. The appeal is allowed in part to the above extent.

10. Pending application(s), if any, shall stand disposed of.

….....J.
(PRASHANT KUMAR MISHRA)

….....J.
(N.V. ANJARIA)

New Delhi;
May 12, 2026.