

**IN THE HIGH COURT OF KARNATAKA AT BENGALURU**

**DATED THIS THE 9<sup>TH</sup> DAY OF MARCH, 2026**

**PRESENT**

**THE HON'BLE MRS. JUSTICE ANU SIVARAMAN**

**AND**

**THE HON'BLE MR. JUSTICE VIJAYKUMAR A. PATIL**

**WRIT APPEAL NO. 492 OF 2026 (GM-RES)**

**BETWEEN:**

DIRECTORATE OF ENFORCEMENT

MINISTRY OF FINANCE

DEPARTMENT OF REVENUE

GOVERNMENT OF INDIA

HMT FACTORY PREMISES

NEAR HMT CINEMA 4K

D.RAJAGOPALA CIRCLE

JALAHALLI-560 013.

...APPELLANT

(BY SRI. KULLOOR ARVIND KAMATH, ASGI WITH  
SRI. MADHU N RAO, ADVOCATE AND SPP FOR  
THE ENFORCEMENT DIRECTORATE)

**AND:**

ZO PVT LTD

A COMPANY INCORPORATED

UNDER THE COMPANIES ACT, 2013

HAVING ITS REGISTERED OFFICE AT  
No.55, 2<sup>ND</sup> FLOOR, LANE-2  
WESTEND MARG, SAIDULLAJAB  
NEAR SAKET METRO STATION  
GADAIPUR, SOUTH-WEST DELHI  
NEW-DELHI, DELHI  
INDIA-110 030.

...RESPONDENT

(BY SRI. SAJAN POOVAYYA, SENIOR ADVOCATE FOR  
SRI. ROHAN KOTHARI, ADVOCATE FOR C/R)

THIS WRIT APPEAL IS FILED U/S 4 OF THE KARNATAKA  
HIGH COURT ACT, 1961, PRAYING TO (a) SET ASIDE THAT PART  
OF THE ORDER NAMELY "B", "C" AND "D" DATED 02.02.2026  
PASSED BY THE LEARNED SINGLE JUDGE, HIGH COURT OF  
KARNATAKA, BENGALURU IN WP No.962/2026 AND ETC.

THIS WRIT APPEAL HAVING BEEN HEARD AND RESERVED  
FOR JUDGMENT ON 23.02.2026 AND COMING ON FOR  
PRONOUNCEMENT OF JUDGMENT THIS DAY, **ANU SIVARAMAN  
J.**, PRONOUNCED THE FOLLOWING:

CORAM: HON'BLE MRS. JUSTICE ANU SIVARAMAN  
and  
HON'BLE MR. JUSTICE VIJAYKUMAR A. PATIL

**CAV JUDGMENT****(PER: HON'BLE MRS. JUSTICE ANU SIVARAMAN)**

This writ appeal is preferred by the Directorate of Enforcement challenging the Order dated 02.02.2026, passed by the learned Single Judge in W.P.No.962/2026 (GM-RES).

2. We have heard Shri. Kuloor Arvind Kamath, learned Additional Solicitor General of India with Shri. Madhu N. Rao, learned Special Public Prosecutor, appearing for the appellant and Shri. Sajan Poovayya, learned senior counsel as instructed by Shri. Rohan Kothari, learned advocate appearing for the caveator/respondent.

3. The learned Additional Solicitor General of India (ASGI) appearing for the appellant - Authority submits that the bank accounts of the respondent - Zo Private Limited have been frozen under Section 17(1A) of the Prevention of Money Laundering Act, 2002 ('PMLA' for short) by an Order dated 30.12.2025. It is submitted that the learned Single Judge refused to interfere in the Order freezing the accounts

and the writ petition was disposed of with liberty to Zo Private Limited to contest the proceedings before the Adjudicating Authority against the continuance of the freeze of its account. However, Zo Private Limited was permitted to file a list of employees to whom salaries have to be paid for the month of January, 2026 and the appellant was directed to verify the list and communicate to the Bank, forthwith, to enable Zo Private Limited to pay salaries to the employees for the month of January, 2026. It is further submitted that the scope of proceedings under the PMLA is such that any adjudication as to whether an Order under Sections 5 or 17 of the PMLA is required to be continued is subject to an adjudication before the Adjudicating Authority as provided under the PMLA.

4. It is contended that the appellant recorded Enforcement Case Information Report (ECIR) as per assigned format No.ECIR/BGZO/25/2025 dated 06.11.2025 against Winzo Games Private Limited and others for investigation of the offence of money laundering under Section 3 read with Section 4 of the PMLA. The ECIR was

registered on the basis of materials relating to multiple scheduled offences/FIRs registered in different States alleging cheating, forgery, conspiracy, and fraud in relation to the real money gaming operations of Winzo Games Private Limited.

5. It is further contended that the searches under Section 17 of the PMLA were conducted from 18.11.2025 to 22.11.2025 and 30.12.2025. The investigation allegedly revealed fraudulent practices and manipulation of gaming outcomes causing financial loss to users. Thereafter, the appellant recorded that Winzo Games Private Limited had generated total proceeds of crime amounting to Rs.3,522.05 Crores during the period from the financial years 2021-22 till 2025-26 (upto 22.08.2025). Further, the books of accounts revealed that Winzo Games Private Limited had extended unsecured loans amounting to Rs.255 Crores to its Indian wholly owned subsidiary- Zo Private Limited, out of which, Rs.231.20 Crores remained outstanding and Rs.15 Crores had been withdrawn from the bank accounts of Zo Private Limited towards salaries and advances to legal consultants

of Winzo Games Private Limited during the period of Enforcement Directorate custody. On the basis of these findings, it was concluded that a portion of the proceeds of crime generated by Winzo Games Private Limited had been diverted and dissipated to Zo Private Limited. In view of these findings and the risk of flight of funds, Order of freezing of accounts was passed under Section 17(1A) of the PMLA on 30.12.2025 in respect of assets amounting to approximately Rs.690 Crores. The appellant has also filed a detailed Prosecution Complaint before the Special PMLA Court on 23.01.2026.

6. Thereafter, the respondent filed W.P.No.962/2025 seeking to declare the search and seizure conducted on 30.12.2025 as illegal and set aside the freezing Order dated 30.12.2025 passed by the appellant herein under Section 17(1A) of the PMLA. The learned Single Judge disposed of the writ petition, granting liberty to the respondent herein to challenge the continuance of the Order of freezing beyond 180 days before the Adjudicating Authority and directed the respondents to pay the salaries of its employees. Aggrieved

by the Order directing the payment of salaries which form part of the alleged proceeds of crime, the appellant is in appeal.

7. It is submitted that it is only in specific circumstances where the Director or other officer not below the rank of Deputy Director, authorized by the Director, has reason to believe, on the basis of material in his possession, that any person has committed any act, which constitutes money laundering or is in possession of any proceeds of crime involved in money laundering or is in possession of any records relating to money laundering or is in possession of any property related to a crime that a search and seizure can be carried out. It is submitted that where an attachment of property under Section 5 of the PMLA is carried out and where a search and seizure is made and where it is not practicable to seize such record or property, the Authorized Officer may make an Order to freeze such property. Whereupon the property shall not be transferred or otherwise dealt with, except with the prior permission of the officer making such order.

8. Section 17(4) of the PMLA provides that the Authority seizing any record or property under subsection (1) or freezing any record or property under subsection (1A) shall within a period of 30 days from such seizure or freezing, file an application requesting for retention of such record or property or for continuing the order of freezing, before the Adjudicating Authority.

9. It is submitted that since Zo Private Limited has been relegated to the Adjudicating Authority for a consideration whether the freezing of its accounts was in accordance with the provisions of the PMLA or not, the Order passed by the learned Single Judge to defray the salary expenses of not only the writ petitioner - Zo Private Limited but also its parent entity - Winzo Games Private Limited was completely uncalled for.

10. The learned ASGI would place reliance on the decision of the Apex Court in ***Mangal Rajendra Kamthe v. Tahsildar, Purandhar and others***, reported in **2026 SCC OnLine SC 297**, in support of the contention that where a

Constitutional Court refrains from determining the rights of the parties and relegates them to their statutory remedies, no interim relief alone could be granted under Article 226 of the Constitution of India.

11. Further, the learned ASGI has also placed on record the Prosecution Complaint preferred by the appellant before the Principal City Civil and Sessions Court, Bengaluru City, (CCH-1), which is the designated Special Court for PMLA cases under the PMLA. Reference is made to the statements recorded from the Directors, Managers and Employees of the respondent - Zo Private Limited as well as its parent entity - Winzo Games Private Limited. It is contended that there is a well planned chain of deception in operation in the conduct of online gaming by the parent entity of the respondent and that the criminal activity relating to the predicate offences has generated Crores of rupees in revenue, which also amount to proceeds of crime. Relying on the definition of 'proceeds of crime' under the PMLA and the explanation thereto, it is contended that all property derived or obtained directly or indirectly as a result

of a 'criminal activity relating to a scheduled offence' would amount to 'proceeds of crime'. It is therefore contended that the argument of the respondent trying to limit the proceeds of crime to the amount which was involved in the offence alleged against the parent entity - Winzo Games Private Limited, alone, is completely unsustainable.

12. Further, it is contended that the question whether the property frozen amounts to proceeds of crime or not, is the specific issue which has been relegated for an adjudication by the learned Single Judge to the Adjudicating Authority. It is submitted that in the interregnum, requiring the payment of salaries to the staff of the respondent - Zo Private Limited and its parent entity- Winzo Games Private Limited from the amount which stand frozen was completely unwarranted and unreasonable.

13. The learned ASGI would also place reliance on the following decisions:-

- ***R.D.Chaitra v. Directorate of enforcement***, by order ***dated 15.10.2025***, passed in ***W.P.No.26754/2025 (GM-RES)***;

- ***M/s.Kumar Food Industries Ltd. v. Union of India & Ors.*** by order ***dated 10.03.2022***, passed in ***W.P.(C) 12033/2021 & CM. No.37418/2021 and 40579/2021***;
- ***Satyendar Kumar Jain Vs. Directorate of Enforcement,*** reported in ***MANU/SC/0209/2024***; and
- ***JSW Steel Limited others v. Deputy Director, Directorate of Enforcement and others,*** passed in ***Criminal appeal Nos.4183-4184/2025 (arising out of SLP (CRL) Nos.7828-7829 OF 2022)***.

14. The learned senior counsel appearing for the respondent, on the other hand, contended that it is trite law that the term 'proceeds of crime' is to be given a strict meaning as provided in the enactment and any widening of the meaning on surmises and conjectures is completely impermissible. It is contended that for a search and seizure to be conducted under Section 17 of the PMLA, the Director or the Authorized Officer has to record reasons that the respondent has committed any act which constitutes money laundering or is in possession of any proceeds of crime or records relating to the same or any property related to the crime.

15. The learned senior counsel further contended that the freezing of the bank accounts could only be to the extent relatable to the predicate offences as reflected in the FIRs. It is contended that the said FIRs do not contain any allegation against the respondent, nor do they disclose any proceeds of crime or any element of money laundering so as to attract the jurisdiction of the Enforcement Directorate.

16. It is further contended that in the FIRs registered at Police Stations Mehandipur Balaji, Dausa, Rajasthan; Cyber Police Station, South East Delhi; and Police Station Central CEN Crime, Bengaluru, no allegations were made against Winzo Games Private Limited or its affiliates. It is further contended that in an FIR registered at Police Station Navai, Tonk, Rajasthan, the allegations against Winzo Games Private Limited pertain to an amount of approximately Rs.7 to 8 Lakhs. It is submitted that closure reports were filed in respect of the said FIRs and were accepted by the respective jurisdictional Magistrates. It is further contended that the FIR registered at Central CEN Crime, Bengaluru, was subsequently quashed by this Court.

The FIR dated 24.11.2025 filed at the Cyber Crime Police Station Gurugram is pending for consideration before the Punjab and Haryana High Court, alleging that Winzo Games Private Limited had engaged in cheating through algorithmic manipulation and digital deception in real money games. The complainant is stated to have suffered losses of approximately Rs.42 Lakhs. It is further contended that, even assuming the allegations to be true, the predicate offences at their highest involve an amount of approximately Rs.40 to 50 Lakhs. Therefore, it is contended that no order freezing an amount of Rs.193 Crores could have been passed.

17. It is further contended that the Enforcement Directorate cannot travel beyond the scope of the predicate offence in view of Section 2(1)(u) of the PMLA and the law laid down by the Apex Court in the cases of ***Vijay Madanlal Choudhary and Others v. Union of India and others***, reported in ***(2023) 12 SCC 1*** and ***M/s. Rashmi Metaliks Ltd. and Another v. Enforcement Directorate***, order dated **10.08.2022** passed in ***W.P.A 17454/2022***.

18. It is further contended that the allegation that proceeds of crime amount to more than Rs.3,500 Crores, is false. In this regard, reliance is placed on the Bail Order of *Shri. Paavan Nanda - Director of Winzo Games Private Limited, dated 02.02.2026*, wherein the Sessions Court observed that at the stage of consideration of bail, no clear-cut materials were placed by the appellant herein, to show exactly how they arrived at the figure of Rs.3,522 Crores. Reliance is also placed on the loans transferred for legitimate business requirements of Zo Private Limited by Winzo Games Private Limited through resolutions dated 13.07.2023, 07.07.2025 and 24.11.2025.

19. It is further contended that the freezing order cannot be based on suspicion and is bereft of reasons to believe. It is further contended that the financial assets frozen were already in the appellant's knowledge and was not found as a result of search under Sections 17(1) and (1A) of the PMLA. In this regard, reliance is placed on two *email* communications dated 10.12.2025 and 23.12.2025, through which documents pertaining to the financial

statements of Winzo Games Private Limited were furnished to M/s. FinAdvantage Consulting Pvt. Ltd. It is further contended that the Adjudicating Authority does not have the power to grant interim relief under the PMLA. It is further contended that the employees of Winzo Games Private Limited will be deprived of salaries, if the interim relief is not granted.

20. It is further contended that the accounts can be frozen without confirmation from the Adjudicating Authority for a period of 180 days according to Section 20(1) of the PMLA. Further, the complaint for confirmation for retention of property has been filed by the appellant herein on 20.01.2026, however, the accused are yet to receive a show cause notice on the same. In the event that the interim relief is not granted during the pendency of the proceedings, 220 employees will be deprived of their salaries. It is further contended that the respondent has no other avenue to pay salaries as the accounts of Winzo Games Private Limited were attached on 21.11.2025, respondent - Zo Private

Limited on 30.12.2025 and Winzo USA and Winzo Singapore on 17.02.2026.

21. The learned senior counsel further submitted that considerable amounts had been transferred from parent entity - Winzo Games Private Limited to respondent- Zo Private Limited with proper authority and authentication by the Board of Directors of both the Companies and this fact was specifically made known to the appellant at the time when the initial proceeding for attachment under Section 5 of the PMLA was carried out by the appellant. It is contended that the entire action by the appellant in seeking to freeze the entire accounts of the respondent - Zo Private Limited is completely unwarranted and unsupported by any statutory mandate. It is contended that the entire amount of money in the possession of the respondent and its parent entity concerned can, by no stretch of imagination, be categorized as 'proceeds of crime' in a case where the only surviving FIR lodged in Gurugram is with regard to a cheating complaint involving Rs.42 Lakhs. There is no contention whatsoever that the said amount of Rs.42 Lakhs has been utilised by the

respondent - Zo Private Limited or by its parent entity - Winzo Games Private Limited to arrive at the substantial amounts which are in the bank accounts of the respondent - Zo Private Limited, which now stand frozen. It is further contended that it is only if there is any new material which comes to the notice of the Authorized Officer in the search and seizure that an order of freezing of accounts could have been passed at this juncture.

22. The learned senior counsel appearing for the respondent has placed reliance on the following decisions:-

- ***Vijay Madanlal Choudhary and others v. Union of India and others***, reported in **(2023) 12 Supreme Court Cases 1**;
- ***Dr.Natesha.D.B v. Directorate of Enforcement***, by order **dated 27.01.2025**, passed in **W.P.No.32956/2024 (GM-RES)**;
- ***R.K.M Powergen Private Limited, v. Assistant Director, Directorate of Enforcement, Govt. of India and another***, reported in **2025 SCC Online Mad 3272**;
- ***Wander Ltd., and another v. Antox India P. Ltd.***, reported in **1990 (Supp) Supreme Court cases 727**;

- ***DoIT Resort (Goa) Pvt. Ltd. and Ors. v. Directorate of Enforcement and Ors.,*** by order ***dated 29.07.2020,*** passed in ***W.P.NO.1321/2020;***
- ***M/s. Rashmi Metaliks Limited and Anr. v. Enforcement Directorate & Ors.,*** by order ***dated 10.08.2022,*** passed in ***WPA 17454/2022;***
- ***Abdullah Ali Balsharaf and Anr. v. Directorate of Enforcement and others,*** reported in ***2019 SCC Online Del 6428;*** and
- ***Ravinder Kumar Sharma v. State of Assam and others,*** reported in ***(1999) 7 Supreme Court Cases 435.***

23. We have considered the contentions advanced. Before going into the merits of the matter, we intend to place on record, the Scheme and Scope of the PMLA. The reading of the introduction to the PMLA would show that the Act is enacted to address the serious threat of money-laundering and is enacted pursuant to the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, to which, India was a party.

'proceeds of crime' is defined under Section 2(1)(u) of the PMLA, which reads as follows:

*"2(1)(u) "proceeds of crime" means any property derived or obtained, directly or indirectly, by any person as a result of criminal activity relating to a scheduled offence or the value of any such property [or where such property is taken or held outside the country, then the property equivalent in value held within the country] [or abroad]"*

Section 2(1)(y) defines 'scheduled offence' which reads as follows:

*"2(1)(y) "scheduled offence" means-*

- (i) the offences specified under Part A of the Schedule; or*
- [(ii) the offences specified under Part B of the Schedule if the total value involved in such offences is [one crore rupees] or more; or]*
- [(iii) the offences specified under Part C of the Schedule;]"*

Section 3 defines 'offence of money-laundering' which reads as follows:

***"3. Offence of money-laundering.-***  
*Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the [proceeds of crime including its concealment, possession, acquisition or use and projecting or claiming] it as untainted property shall be guilty of offence of money-laundering."*

24. Section 5 of the PMLA provides for provisional attachment of property believed to be proceeds of crime. Once an order of attachment is passed, the copy of the order along with the material in possession of the Authorized Officer shall be forwarded in a sealed cover to the Adjudicating Authority, who shall keep such order and the material for such period as may be prescribed.

25. Section 5(3) of the PMLA provides that every order of attachment shall cease to have effect after the period of 180 days or when an order is passed by the Adjudicating Authority under Sections 83 or 86 of PMLA as the case may be, whichever is earlier.

26. Section 11 of the PMLA provides the power regarding summons, production of documents and evidence. Section 16 of the PMLA provides a power of survey, while Section 17 of the PMLA provides for search and seizure. Section 17 of the PMLA reads as follows:

***"17. Search and seizure.- (1) Where [the Director or any other officer not below the rank of Deputy Director authorised by him for the purposes of this section,] on the basis of information in his possession,***

*has reason to believe (the reason for such belief to be recorded in writing) that any person-*

- (i) has committed any act which constitutes money-laundering, or*
- (ii) is in possession of any proceeds of crime involved in money-laundering, or*
- (iii) is in possession of any records relating to money-laundering, [or]*
- [(iv) is in possession of any property related to crime]*

*then, subject to the rules made in this behalf, he may authorise any officer subordinate to him to-*

- (a) enter and search any building, place, vessel, vehicle or aircraft where he has reason to suspect that such records or proceeds of crime are kept;*
- (b) break open the lock of any door, box, locker, safe, almirah or other receptacle for exercising the powers conferred by clause (a) where the keys thereof are not available;*
- (c) seize any record or property found as a result of such search;*
- (d) place marks of identification on such record or [property, if required or] make or cause to be made extracts or copies therefrom;*
- (e) make a note or an inventory of such record or property;*
- (f) examine on oath any person, who is found to be in possession or control of any record or property, in respect of all matters relevant for the purposes of any investigation under this Act:*

*[\*\*\*]*

*[(1A) Where it is not practicable to seize such record or property, the officer authorised under sub-section (1), may make an order to freeze such property whereupon the property shall not be transferred or otherwise dealt with, except with the prior permission of the officer making such order, and a copy of such order shall be served on the person concerned:*

*Provided that if, at any time before its confiscation under sub-section (5) or sub-section (7) of section 8 or section 58B or sub-section (2A) of section 60, it becomes practical to seize a frozen property, the officer authorised under sub-section (1) may seize such property.]*

*(2) The authority, who has been authorised under sub-section (1) shall, immediately after search and seizure [or upon issuance of a freezing order] forward a copy of the reasons so recorded along with material in his possession, referred to in that sub-section, to the Adjudicating Authority in a sealed envelope, in the manner, as may be prescribed and such Adjudicating Authority shall keep such reasons and material for such period, as may be prescribed.*

*(3) Where an authority, upon information obtained during survey under section 16, is satisfied that any evidence shall be or is likely to be concealed or tampered with, he may, for reasons to be recorded in writing, enter and search the building or place where such evidence is located and seize that evidence:*

*Provided that no authorisation referred to in sub-section (1) shall be required for search under this sub-section.*

*[(4) The authority seizing any record or property under sub-section (1) or freezing any record or property under sub-section (1A) shall, within a period of thirty days from such seizure or freezing, as the case may be, file an application, requesting for retention of such record or property seized under sub-section (1) or for continuation of the order of freezing served under sub-section (1A), before the Adjudicating Authority.]"*

27. Section 20 of PMLA provides that where any property has been seized under Section 17 or frozen under subsection (1A) of Section 17, and the Authorized Officer has reason to believe that such property is required to be retained for the purpose of adjudication under Section 8, such property may be retained or may continue to remain frozen, for a period not exceeding 180 days from the date on which such property was seized or frozen, as the case may be.

28. It is therefore clear that an order of attachment, seizure or freezing of property is subject to an adjudication by the Adjudicating Authority under Section 8 of the PMLA. Thereafter, there is a full-fledged procedure for appeal before the Appellate Tribunals and for adjudication before the Special Courts as well.

29. The Apex Court, in ***Vijay Mandanlal Choudhary's*** case (supra) had considered the scope of property which can be termed as 'proceeds of crime'. It was clearly held as under:

*"105. The other relevant definition is "proceeds of crime" in Section 2(1)(u) of the 2002 Act. This definition is common to all actions under the Act, namely, attachment, adjudication and confiscation being civil in nature as well as prosecution or criminal action. The original provision prior to amendment vide the Finance Act, 2015 and Finance (No. 2) Act, 2019, took within its sweep any property [mentioned in Section 2(1)(v) PMLA] derived or obtained, directly or indirectly, by any person "as a result of" criminal activity "relating to" a scheduled offence [mentioned in Section 2(1)(y) read with Schedule to the Act] or the value of any such property. Vide the Finance Act, 2015, it further included such property (being proceeds of crime) which is taken or held outside the country, then the property equivalent in value held within the country and by further amendment vide Act 13 of 2018, it also added property which is abroad. By further amendment vide Finance (No. 2) Act, 2019, Explanation has been added which is obviously a clarificatory amendment. That is evident from the plain language of the inserted Explanation itself. The fact that it also includes any property which may, directly or indirectly, be derived as a result of any criminal activity relating to scheduled offence does not transcend beyond the original provision. In that, the word "relating to" (associated with/has to do with) used in the main provision is a present participle of word "relate" and the word "relatable" is only an adjective. The thrust of the original provision itself is to indicate that any property is derived or obtained, directly or indirectly, as a result of criminal activity concerning the scheduled offence, the same be regarded as proceeds of crime. In other words, property in whatever form mentioned in Section 2(1)(v), is or can be linked to criminal activity relating to or relatable to scheduled offence, must be regarded as proceeds of crime for the purpose of the 2002 Act. It must follow that the Explanation inserted in 2019 is merely clarificatory and restatement of the position emerging from the principal provision [i.e. Section 2(1)(u)]."*

106. The "proceeds of crime" being the core of the ingredients constituting the offence of money laundering, that expression needs to be construed strictly. In that, all properties recovered or attached by the investigating agency in connection with the criminal activity relating to a scheduled offence under the general law cannot be regarded as proceeds of crime. There may be cases where the property involved in the commission of scheduled offence attached by the investigating agency dealing with that offence, cannot be wholly or partly regarded as proceeds of crime within the meaning of Section 2(1)(u) of the 2002 Act – so long as the whole or some portion of the property has been derived or obtained by any person "as a result of" criminal activity relating to the stated scheduled offence. To be proceeds of crime, therefore, the property must be derived or obtained, directly or indirectly, "as a result of" criminal activity relating to a scheduled offence. To put it differently, the vehicle used in commission of scheduled offence may be attached as property in the case (crime) concerned, it may still not be proceeds of crime within the meaning of Section 2(1)(u) of the 2002 Act. Similarly, possession of unaccounted property acquired by legal means may be actionable for tax violation and yet, will not be regarded as proceeds of crime unless the tax legislation concerned prescribes such violation as an offence and such offence is included in the Schedule to the 2002 Act. For being regarded as proceeds of crime, the property associated with the scheduled offence must have been derived or obtained by a person "as a result of" criminal activity relating to the scheduled offence concerned. This distinction must be borne in mind while reckoning any property referred to in the scheduled offence as proceeds of crime for the purpose of the 2002 Act. Dealing with proceeds of crime by way of any process or activity constitutes offence of money laundering under Section 3 PMLA.

(emphasis supplied)

x x x x x

*109. Tersely put, it is only such property which is derived or obtained, directly or indirectly, as a result of criminal activity relating to a scheduled offence that can be regarded as proceeds of crime. The authorities under the 2002 Act cannot resort to action against any person for money laundering on an assumption that the property recovered by them must be proceeds of crime and that a scheduled offence has been committed, unless the same is registered with the jurisdictional police or pending inquiry by way of complaint before the competent forum. For, the expression "derived or obtained" is indicative of criminal activity relating to a scheduled offence already accomplished. Similarly, in the event the person named in the criminal activity relating to a scheduled offence is finally absolved by a court of competent jurisdiction owing to an order of discharge, acquittal or because of quashing of the criminal case (scheduled offence) against him/her, there can be no action for money laundering against such a person or person claiming through him in relation to the property linked to the stated scheduled offence. This interpretation alone can be countenanced on the basis of the provisions of the 2002 Act, in particular Section 2(1)(u) read with Section 3. Taking any other view would be rewriting of these provisions and disregarding the express language of the definition clause "proceeds of crime", as it obtains as of now."*

Further, the Apex Court clearly held as follows:-

*"170. Be it noted that the attachment must be only in respect of property which appears to be proceeds of crime and not all the properties belonging to the person concerned who would eventually face the action of confiscation of proceeds of crime, including prosecution for offence of money laundering. As mentioned earlier, the relevant date for initiating action under the 2002 Act—be it of attachment and confiscation or prosecution, is linked to the inclusion of the offence as scheduled offence and of carrying on the process or activity in connection with the proceeds of crime after such date. The pivot moves around the date of carrying on the process and activity connected with the proceeds of*

*crime; and not the date on which the property has been derived or obtained by the person concerned as a result of any criminal activity relating to or relatable to the scheduled offence."*

In conclusion, it was held as follows: -

*"382.4. The Explanation inserted to clause (u) of Section 2(1) of the 2002 Act does not travel beyond the main provision predicating tracking and reaching up to the property derived or obtained directly or indirectly as a result of criminal activity relating to a scheduled offence.*

*382.5. Section 3 of the 2002 Act has a wider reach and captures every process and activity, direct or indirect, in dealing with the proceeds of crime and is not limited to the happening of the final act of integration of tainted property in the formal economy. The Explanation inserted to Section 3 by way of amendment of 2019 does not expand the purport of Section 3 but is only clarificatory in nature. It clarifies the word "and" preceding the expression projecting or claiming as "or"; and being a clarificatory amendment, it would make no difference even if it is introduced by way of the Finance Act or otherwise.*

*382.6. Independent of the above, we are clearly of the view that the expression "and" occurring in Section 3 has to be construed as "or", to give full play to the said provision so as to include "every" process or activity indulged into by anyone. Projecting or claiming the property as untainted property would constitute an offence of money laundering on its own, being an independent process or activity.*

*382.7. The interpretation suggested by the petitioners, that only upon projecting or claiming the property in question as untainted property that the offence of Section 3 would be complete, stands rejected.*

*382.8. The offence under Section 3 of the 2002 Act is dependent on illegal gain of property as a result of criminal activity relating to a scheduled offence. It is*

*concerning the process or activity connected with such property, which constitutes the offence of money laundering. The authorities under the 2002 Act cannot prosecute any person on notional basis or on the assumption that a scheduled offence has been committed, unless it is so registered with the jurisdictional police and/or pending enquiry/trial including by way of criminal complaint before the competent forum. If the person is finally discharged/acquitted of the scheduled offence or the criminal case against him is quashed by the court of competent jurisdiction, there can be no offence of money laundering against him or any one claiming such property being the property linked to stated scheduled offence through him."*

30. In the instant case, it is an admitted fact that an FIR has been registered against Winzo Games Private Limited, which is admittedly the parent entity of the respondent herein. As a matter of fact, there were four FIRs registered earlier which according to the respondent have ended either in quashing or closure of the FIRs. Be that as it may, as on today, there is an FIR registered by the Cyber Crime Police Station, Gurugram, where a specific allegation of cheating has been made as against the parent entity.

31. It is also not in dispute that cheating is a scheduled offence. Therefore, the ECIR, registered by the appellant - Authority as well as the Prosecution Complaint

cannot be said to be without authority of law, since there is a predicate offence in existence, as on today, to justify the registration of an ECIR and a Prosecution Complaint.

32. It is also clear that the procedure under the PMLA has been set in motion by the appellant on the basis of the FIR and the ECIR registered in the case. The specific case of the respondent is that the fact that a Board Resolution had been adopted by the parent entity - Winzo Games Private Limited and the respondent - Zo Private Limited to advance an inter corporate loan from Winzo Games Private Limited to Zo Private Limited, which is not involved in any of the activities complained of, *inter alia*, in order to meet the salary liabilities of both the Companies is not in dispute. The said resolutions were dated 13.07.2023, 07.08.2025 and 24.11.2025.

33. It is contended by the respondent that these matters were specifically placed before the appellant - Authority at the initial stage of investigation itself and even before the procedure under Section 5 of the PMLA was

initiated as against Winzo Games Private Limited and Zo Private Limited. It is submitted that there is no contention that the entire amounts in the accounts of respondent - Zo Private Limited are generated from the amount involved in the sole surviving FIR which involves only an amount of Rs.42 Lakhs. It is contended that the argument of the appellant is clearly that there may be other amounts which would answer the definition of 'proceeds of crime', if more FIRs are registered and that therefore, the entire amount in account of the respondent is to be held hostage for further FIRs that are likely to be filed.

34. Having considered the contentions advanced and the decisions of the Apex Court on the point, especially in ***Vijay Madanlal Choudhary***'s case (supra), we notice that the Apex Court has clearly held that the proceeds of crime have to be linked to a predicate offence and it is only such property which is derived or obtained directly or indirectly as a result of criminal activity relating to a scheduled offence that can be regarded as 'proceeds of crime'.

35. The Apex Court has further held that the Authorities under the PMLA cannot resort to action against any person for money laundering or an assumption that the property recovered by them must be proceeds of crime and that a scheduled offence has been committed, unless the same is registered with the jurisdictional police or pending enquiry by way of complaint before the competent forum.

36. In the instant case, there is no such allegation as against the respondent. The predicate offence being one involving Rs.42 Lakhs and having been registered with reference to an incident which occurred on 20.09.2024, the contention of the learned ASGI that the entire amount in the possession of the respondent - Zo Private Limited as well as its parent entity - Winzo Games Private Limited represents proceeds of crime cannot be accepted. Further, it is admitted before us today that the Adjudicating Authority under Section 8 of the PMLA has no power to issue any interim directions or to make any payments from the amounts which are frozen under Section 17(1A) of the PMLA.

37. The Apex Court, in the case of ***OPTO Circuit India Ltd. v. Axis Bank and others*** by Order dated **03.02.2021** passed in ***Crl.A.No.102/2021***, had considered the question as to when an order of freeze of accounts can be carried out and it held as follows:-

*"9. A perusal of the above provision would indicate that the prerequisite is that the Director or such other Authorised Officer in order to exercise the power under Section 17 of PMLA, should on the basis of information in his possession, have reason to believe that such person has committed acts relating to money laundering and there is need to seize any record or property found in the search. Such belief of the officer should be recorded in writing. Subsection (1A) to Section 17 of PMLA provides that the Officer Authorised under subsection (1) may make an order to freeze such record or property where it is not practicable to seize such record or property. Sub section (2) provides that after search and seizure or upon issuance of a freezing order the Authorised Officer shall forward a copy of the reasons recorded along with material in his possession to the Adjudicating Authority in a sealed envelope. Subsection (4) provides that the Authority seizing or freezing any record or property under subsection (1) or (1A) shall within a period of thirty days from such seizure or freezing, as the case may be, file an application before the Adjudicating Authority requesting for retention of such record or properties seized.*

x x x x x

*11. The scheme of the PMLA is well intended. While it seeks to achieve the object of preventing money laundering and bring to book the offenders, it also safeguards the rights of the persons who would be proceeded against under the Act by ensuring fairness in procedure. Hence a procedure, including timeline is provided so as to ensure that power is exercised for the purpose to which the officer is vested with such power and the Adjudicating Authority is also kept in the loop. In the instant case, the procedure contemplated under*

*Section 17 of PMLA to which reference is made above has not been followed by the Officer Authorised. Except issuing the impugned communication dated 15.05.2020 to AML Officer to seek freezing, no other procedure contemplated in law is followed. In fact, the impugned communication does not even refer to the belief of the Authorised Officer even if the same was recorded separately. It only states that the Officer is investigating the case and seeks for relevant documents, but in the tabular column abruptly states that the accounts have to be 'debit frozen/stop operations'. It certainly is not the requirement that the communication addressed to the Bank itself should contain all the details. But what is necessary is an order in the file recording the belief as provided under Section 17(1) of PMLA before the communication is issued and thereafter the requirement of Section 17(2) of PMLA after the freezing is made is complied. There is no other material placed before the Court to indicate compliance of Section 17 of PMLA, more particularly recording the belief of commission of the act of money laundering and placing it before the Adjudicating Authority or for filing application after securing the freezing of the account to be made. In that view, the freezing or the continuation thereof is without due compliance of the legal requirement and, therefore, not sustainable.*

*x x x x x*

*16. Apart from the above consideration, what has also engaged the attention of this Court is with regard to the plea put forth on behalf of the appellant regarding the need to defreeze the account to enable the appellant to pay the statutory dues. The appellant in that regard has relied on the certificate issued by the Chartered Accountant, (Annexure-P/38 at page 231) which indicates the amount payable towards ITDS, PF, ESI, Professional Tax, Gratuity and LIC employees' deductions, in all amounting to Rs.79,93,124/-. Since we have indicated that the freezing has been done without due compliance of law, it is necessary to direct the respondents No.1 to 3 to defreeze the respective accounts and clear the cheques issued by the appellant, drawn in favour of the Competent Authority towards the ITDS, PF, ESI, Professional Tax, Gratuity and LIC employees' deductions, subject to availability of the funds in the account concerned. Needless to mention that if*

*any further amount is available in the account after payment of the statutory dues and with regard to the same any action is to be taken by the respondent No.4 within a reasonable time, it would open to them to do so subject to compliance of the required procedure afresh, as contemplated in law."*

38. The learned senior counsel appearing for the respondent has also brought to our notice the decisions of the High Court of Delhi in ***Abdullah Ali Balsharaf and Anr's*** case (supra), as well as the High Court of Calcutta in ***M/s. Rashmi Metaliks Limited and Anr's*** case (supra).

39. Having considered the contentions advanced and in view of the settled position that the Adjudicating Authority, under Section 8 of the PMLA has no power to order a partial defreeze in order to pay the salary due to the employees, we are of the opinion that the exercise of discretion by the learned Single Judge while relegating the respondent to its statutory remedy cannot be said to be perverse or unwarranted.

40. The judgment of the Apex Court in ***Mangal Rajendra Kamthe's*** case (supra), on which reliance is placed by the learned ASGI, was a case where the writ

petitioner had been relegated to the statutory authority which had the powers to deal with the situation. This is not the case in the instant case. Since the issue of payment of salaries from the frozen accounts could not have been considered by the Adjudicating Authority, we are of the opinion that the exercise of discretion by the learned Single Judge cannot be said to be incorrect.

41. In the above view of the matter, the appeal fails and the same is accordingly ***dismissed***.

No order as to costs.

All pending interlocutory applications shall also stand *disposed of*.

**Sd/-  
(ANU SIVARAMAN)  
JUDGE**

**Sd/-  
(VIJAYKUMAR A. PATIL)  
JUDGE**