ACARA INSIGHTS

"In the instant case, the prosecution/CBI has failed to establish that any of the act of accused persons in relation to the present case is illegal. In absence thereof, there is neither any evidence on record nor any justifiable reason to infer that they entered into criminal conspiracy to commit any illegal act including the offence of criminal breach of trust or cheating. Therefore, they are entitled to be discharged for the said offence."

SPECIAL JUDGE, (PC ACT) (CBI), (COAL BLOCK CASES)

Special Judge, (PC Act) (CBI) discharges all accused in a decade old case registered by CBI in a coal block allocation case

Date: June 4, 2026

Dear Reader,

The Special Court (CBI) in *CBI v. Hindalco Industries Ltd. & Ors.* on 30.05.2026, has discharged all accused in a coal block allocation matter concerning the Talabira-I coal block. The Court held that alleged violations of conditions contained in an allocation letter could not give rise to criminal liability where such conditions were not incorporated into the mining lease.

Facts:

Hindalco Industries Ltd. was allocated the Talabira-I coal block in 1994 for use in proposed captive power plants.

A mining lease was subsequently executed in 2003, pursuant to statutory approvals, permitting extraction of coal for captive consumption, without distinguishing between existing and proposed power plants.

The company commenced mining operations in October 2003 and utilized coal for its existing captive power plant.

The CBI alleged that:

- Coal was used in violation of the allocation letter conditions;
- Misrepresentations were made during approval of a revised mining plan; and
- The acts constituted offences of criminal breach of trust, cheating, and conspiracy.

Findings:

1. Allocation Letter Not Binding Entrustment Document:

The Court held that an allocation letter does not confer any vested right or create entrustment of property. Rights arise only upon execution of the mining lease, which governs the legal relationship. The impugned restriction was not incorporated in the lease and could not be enforced.

2. No Criminal Breach of Trust:

Since the mining lease did not prohibit use of coal in the existing plant, utilization of coal did not amount to dishonest misappropriation or violation of entrustment. Accordingly, offences under Sections 406/409 IPC were not made out.

3. Alleged Misrepresentations Not Material:

The Court found that statements made in 2006 regarding statutory approvals and coal linkage were either factually correct or immaterial. There was no evidence that such representations induced approval of the revised mining plan.

4. No Cheating or Conspiracy:

In absence of deception causing inducement or any underlying illegal act, offences under Sections 420 IPC and 120B IPC were not attracted.

5. No Proven Loss to the State Entity:

The prosecution failed to demonstrate actual loss to MCL or wrongful gain to the accused, further weakening the case.

Relief:

All accused were **discharged of all charges**.

Conclusion:

The ruling reaffirms that criminal liability cannot be founded on conditions in preliminary allocation instruments unless such conditions are incorporated into the governing statutory contract. It also underscores the necessity of establishing clear elements of entrustment, inducement, and dishonest intent in prosecutions involving economic and regulatory offences.

Acara Law LLP represented all the accused.

Yours sincerely,

Acara Law LLP.