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Operation Med-Max: A Legal Case Study on the Enforcement of NDPS Act, Drugs and Cosmetics Act, CGST Act, 2017, Customs Act, 1962 and Prevention of Money Laundering Act, 2002

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ABSTRACT

Operation Med-Mex explores a high-tech, narcotics trafficking network uncovered by the Narcotics Control Bureau, India. The syndicate used encrypted communication, cryptocurrency, and B2B commerce to traffic tramadol globally—deliberately avoiding domestic distribution. Operating through a covert call centre in Udupi, it leveraged educated operatives and decentralized logistics to build an international supply chain. The case examines the convergence of technology, pharmaceutical loopholes, and transnational crime.

Introduction

1. Illicit drug trafficking is a multi-million-dollar enterprise, constantly evolving in its techniques and *modus operandi*. As enforcement agencies and empowered officers intensify their crackdown on those engaged in this unlawful activity, trafficking syndicates respond with increasingly sophisticated and adaptive strategies.

1.1 This article presents a distinct case investigated by the Narcotics Control Bureau, which has indeed opened a Pandora's box into hitherto unknown facets of illicit drug trafficking. We are talking about Operation Med-Max of the Narcotics Control Bureau, New Delhi.

1.2 Operation Med-Max, led by the Narcotics Control Bureau (NCB), exposed a meticulously structured, export-only drug trafficking syndicate operating from a call centre in Udupi, Karnataka. The cartel used encrypted messaging, cryptocurrency, and B2B platforms to coordinate the international shipment of Tramadol—a psychotropic substance—across 10 countries and 4 continents. The case is unique in its digital sophistication, geographic dispersion, and the intentional exclusion of India as a destination market.

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Geographic Spread and Operational Architecture

2. The case throws a unique business model for illicit drug trafficking. The initiation of the case was on account of interception of two B. Pharma graduates studying in a university of repute in NOIDA, an area falling under National Capital Region and is adjacent to East Delhi. A lot of universities are functioning from NOIDA/Greater NOIDA, Uttar Pradesh – Benetton, JP, Galgotia, Sharda, Amity, Gautam Buddha University and Shiv Nadar. The region houses several academic institutions, resulting in a high student population density.

2.1 In the recent past, students studying law from a reputed university were caught by the Police dealing in drugs. They were arrested and sent to judicial custody¹. In the considered opinion of the author, youth—particularly those enrolled in colleges and universities—constitute a significant driver of demand in the illicit drug market."

2.2 Acting on specific intelligence, the Operations Team of the Narcotics Control Bureau (Headquarters), New Delhi, on 25th May 2025, intercepted a vehicle near Mandi House, New Delhi. A search of the vehicle led to the seizure of 3.7 kilograms of Tramadol tablets from two occupants—both Bachelor of Pharmacy graduates from a reputed private university based in Noida. This interception marked the beginning of the present case, which unravelled a complex and well-organized drug trafficking syndicate.

2.3 Before we venture into the other aspects of the case, it is necessary to digress a bit to understand about tramadol.

What is Tramadol?

Tramadol is an opioid that is most often prescribed to treat pain. Available in immediate- and extended-release formulations. Tramadol is part of the opioid class of drugs. Tramadol has valid therapeutic effects, tramadol is sometimes misused for its effects, which can include euphoria and feelings of relaxation

Effects of Tramadol worldwide

3. A few extracts from the World Drug Report 2025 reveal the extent of prevalence of tramadol for the purpose of non-medical use. They can be summarized as under:

- Synthetic opioids pose a **high level of health-related harm** in some regions.
- The **non-medical use of synthetic pharmaceuticals** is a major concern in certain geographical areas.
- **Tramadol misuse** is notably prevalent and harmful in **West and Central Africa**.

- Among synthetic drugs, **tramadol's non-medical use** presents a particularly **high level of drug-related harm** in these regions.

3.1 The chart showing proportion of persons treated with tramadol as their primary drug of concern among all treated in drug-related treatment in Africa, as per the World Drug Report.

3.2 The Word Drug Report 2025 in its findings has been bulletized as under:

Key Findings

- Medicinal substances misused:
 - Widely used medicines like tramadol, codeine, ketamine, fentanyl, methadone, and pregabalin are present in illegal markets.
 - Sources include:
 - Diversion from legal supply chains
 - Illicit manufacturing
- International control distinctions:
 - Tramadol, ketamine, and pregabalin are not currently under such international controls.
- Emergence of illicit pharmaceutical markets:
 - Non-medical use and trafficking of these substances have fuelled large illegal markets in various regions.
 - This is now a major public health issue in those areas.
- Trafficking and usage trends (2015–2023):
 - Marked increase in trafficking and non-medical use of:
 - Pharmaceutical opioids like tramadol

3.3 A combined reading of the above categorically brings out the fact of abuse of tramadol as a drug by users under non-medical category.

Situation in India with reference to Tramadol

4. The Union Ministry of Finance realizing the situation, vide Notification S. O. 1761(E) dated the 26th April, 2018 has brought tramadol within the ambit of the NDPS Act, 1985 by declaring it as a psychotropic substance. The small and commercial quantity has also been notified vide Notification S. O. 1762(E) dated the 26th April, 2018. Quantity less than 5 grams and quantity greater than 250 grams qualify for small and commercial quantity respectively.

Although tramadol is treated as New Psychoactive Substance (NPS) globally, yet we treat it as a psychotropic substance post the issuance of Notification *ibid*.

5. Now, reverting to the facts of the case, we find the drug syndicate operated a well oiled machinery spanning the NCT of Delhi, Roorkee, Jaipur, Udupi and 10 countries and 4 continents. The syndicate followed a hub-and-spoke model:

Location	Function
Udupi, Karnataka	Call centre for order coordination
Delhi (Mayur Vihar)	Logistics and routing
Jaipur & Roorkee	Packaging, stockist, and dispatch
Noida	Origin of pharma graduates managing digital storefronts
UAE	Location of the kingpin and financial controller
USA & Australia	Re-shippers and clandestine pill factory operators

Methodology: A New Type in Illicit Drug Trafficking

6. As already observed that the drug syndicate was extremely careful and meticulous in their operations. The Orders were placed *via* B2B platforms, darknet, and social media and payments thereof were routed through cryptocurrency and digital wallets. Communications were established *via* encrypted apps like Telegram. The syndicate also used anonymous drop-shipping and re-shippers used to mask origin. Overall, it was ensured by the syndicate that there was no local distribution/sale and they used Indian territory as a launchpad

Tramadol: A Strategic Choice

7. India's pharmaceutical industry has gained international recognition as the "*Pharmacy of the World*". To dig deep into the case, we find the use of tramadol as a strategy. It is a legitimate drug with high abuse potential and it can be procured easily via licensed chemists and wholesaler. That is precisely the reason, the interrogation of the B. Pharma graduates to Roorkee to the chemist. The other reason for tramadol is that it is high in demand, especially in restricted international markets.

Role of Educated Operatives

8. The syndicate strategically roped in Bachelor of Pharmacy graduates from a reputed university in Noida, whose academic background in pharmaceuticals gave them both the

credibility to avoid suspicion and the fluency needed to handle technical orders. Their arrest, following the interception of a vehicle near Mandi House, New Delhi with 3.7 kg of tramadol, became the critical breach point in dismantling the syndicate. Their interrogation also led officers to key suppliers and the Roorkee chemist.

9. Violation by the Roorkee-Based Chemist – Key Points

- **Unlawful Supply of Tramadol:**
 - The chemist supplied tramadol without proper documentation.
 - This led to the B. Pharma graduates having no valid possession documents during the interception.
- **Further Observations:**
 - No licit possession documents were recovered or seized during official search proceedings.
- **Violation of Statutory Provisions:**
 - By supplying tramadol without accountal or invoice, the chemist breached the Drugs and Cosmetics Act, 1940 and associated rules.
- **Application of Dual Legal Framework:**
 - As per Section 80 of the NDPS Act, 1985, the provisions of the NDPS Act operate in addition to, not in derogation of, the Drugs and Cosmetics Act, 1940
- **Judicial Validation – Supreme Court Ruling:**
 - Referencing **U.O.I. & Anr v. Sajeer V. Deshpande** (AIR 2014 SC 3625), the Hon'ble Supreme Court stated:
 - The Drugs and Cosmetics Act governs the general manufacture, sale, and purchase of drugs.
 - The NDPS Act applies specifically to narcotic drugs and psychotropic substances.

Digital Deception and Global Reach: The Nexus of Tech and Trafficking

10. The syndicate's operation showcased a high degree of digital sophistication, with its order management system anchored on a prominent B2B platform. By subscribing to premium vendor tiers, the handlers increased their digital visibility and credibility, effectively attracting international buyers. To manage the growing influx of orders, they established a dedicated call

centre—**Med Max Digital Centre**—in Hayagreevanagara, Kunjeebettu, Udupi. This modest team of about ten employees, most of whom were reportedly unaware of the illicit nature of their activities, was carefully curated for their non-suspicious personal profiles—reflecting a classic model of operational compartmentalization.

10.1 Payments were collected in cryptocurrency upon order confirmation, then routed to supply module operators after deducting a 10–15% commission. These operators further retained a 10% cut before transferring the remaining funds to re-shippers across various countries who facilitated the final delivery of the controlled substances. Encrypted messaging apps like Telegram were used for internal coordination, reinforcing secrecy and making tracking extremely difficult. Importantly, during enforcement searches, no tramadol or other contraband substances were found at the Udupi call centre, and none of the employees were arrested, underscoring the deliberate opacity of their roles.

10.2 In an effort to organically scale, repeat customers were gradually absorbed into the network as re-shippers or stockists, enabling a seamless and decentralized expansion across borders. Several of these actors have already been identified by international agencies, and coordinated actions are currently underway. This operational framework highlights a growing convergence of digital commerce, decentralized finance, and transnational logistics in modern illicit trade—emphasizing the urgent need for international regulatory synchronization and intelligence-sharing mechanisms.

Secrecy and the Illusion of Legitimacy

11. The syndicate’s use of B2B platforms created a façade of legality. The call centre team managed international sales inquiries *via* the B2B portal and accepted advance payments in cryptocurrency, which were then routed to supply module operators overseas. Further investigation revealed that the Udupi connection played a key role in coordinating these operations.

Global Footprint and Market Intelligence

12. From Udupi, the Narcotics Control Bureau (NCB) unearthed critical data linked to 50 international consignments, as under”

No. of packages	Destination
29	shipments routed within the United States of America

18	shipments within Australia
1	Spain
1	Switzerland
1	Estonia

Sharing of intelligence with foreign counterparts

13. This intelligence was promptly shared with international partners and Interpol, culminating in the arrest of a major bulk re-shipper and money launderer in Alabama, USA, by the U.S. Drug Enforcement Administration (DEA). The operation also led to the seizure of a significant cache of controlled pharmaceuticals.

An Encrypted Empire

14. The syndicate operated with precision and discretion, leveraging encrypted platforms such as Telegram for communication. Financial transactions were conducted through cryptocurrency, PayPal, and Western Union, while anonymous international drop shippers were employed to obscure the trail.

14.1 Digital forensic analysis further led to the arrest of two Indian nationals from New Delhi and Jaipur, who were responsible for logistics and supply-side coordination. Notably, the operators never shipped within their own countries, instead relying on a network of third-party drop shippers* to minimize legal exposure.

14.2 The mastermind behind the operation—responsible for orchestrating international linkages and financial flows—has been identified and traced to the United Arab Emirates. The NCB is working in close coordination with UAE authorities to pursue further action.

Multi-Agency and International Coordination

Agency	Role
NCB (India)	Lead investigation
Delhi, Jaipur, Udupi Police	Local enforcement
U.S. DEA	Arrested re-shipper in Alabama
Australian Federal Police	Dismantled the illegal factory

Interpol	Intelligence sharing
MHA (India)	Strategic oversight

Clandestine Operations in Australia

15. Further investigations uncovered a covert pill manufacturing facility in Australia directly linked to the syndicate. Australian law enforcement has since dismantled the illegal unit. Related operations in other jurisdictions remain ongoing, with additional leads under active investigation.

Major Breakthrough in the United States

16. In a significant development following intelligence shared by India's NCB, the U.S. Drug Enforcement Administration (DEA) apprehended Joel Hall, a key re-shipper* based in Alabama. The arrest led to the seizure of over 17,000 tablets of controlled substances, marking a major disruption to the syndicate's U.S. operations. Authorities also discovered multiple cryptocurrency wallets and active parcels tied to the network, pointing to a highly organized, tech-enabled trafficking system. In a parallel breakthrough, an Indian-American individual identified as a central figure in the network's money laundering operations has been indicted in the United States—striking a critical blow to the financial infrastructure of the enterprise. Additionally, the DEA intercepted five parcels containing approximately 700 grams of Zolpidem tablets, a sedative frequently misused and trafficked, further underscoring the scale and reach of the operation.

Legal and Regulatory Implications

17. The licensed chemist, in violation of the provisions of Drugs and Cosmetics Act, 1940 and upon entering into conspiracy had supplied 3.7 kilograms of seized tramadol from the B. Pharm graduates.

17.1 The seized tramadol sold by the Roorkee chemist can be compartmentalized into different segments:

- Obtained legally from the distributor of the legal manufacturer and sold illegally by the chemist without proper accountal and without a cover of an invoice.
- Obtained legally from the distributor of the legal manufacturer and sold illegally by the chemist without proper accountal and without a cover of an invoice to the B. Pharma graduates for squaring off the entries by showing cash sales to various persons.

- Obtained illegally from the distributor of the illegal manufacturer and sold illegally by the chemist without proper accountal and without a cover of an invoice

The chemist exploited the loopholes under the Drugs and Cosmetics Act, 1940 as there are few checks at the level of chemists. Notwithstanding the above, the Roorkee chemist also played a vital role in the entire chain of events that unfolded during the entire operation. Hence, it is a case where the provisions of section 80 of the NDPS Act, 1985 are applicable and since the offences under the NDPS Act, 1985 are predicate* offences, the provisions of Prevention of Money Laundering Act, 2002 would also be pressed into service. It is in this context, the need for integration of pharma compliance with Anti-money laundering and Counter Financing of Terrorism frameworks becomes very significant and is the call of the day.

Tracing the Source: Legal and Illegal Pharma Factories

18. It is with the sense of urgency, keeping in view the above, investigation is to be caused with reference to scrutinize batch numbers, trademarks, and packaging for signs of forgery. Further, investigation has to be caused regarding the use of illegal factories or deceptive branding. Hence, the audit of the licensed manufacturers to verify production vs. sales becomes imperative.

19. ITC Abuse, Shell Entities, and Corporate Fraud

Diversion of Inputs and GST Violations

- **Legal entitlement:**
 - Factories registered under the Drugs and Cosmetics Act, 1940 and with the Narcotics Commissioner, Gwalior are eligible to claim **Input Tax Credit (ITC)** on raw materials.
- **Misuse of inputs:**
 - Inputs meant for **authorized production** were allegedly used for **diverted or excess production**, leading to **excess ITC claims**.
 - This results in **recoverable tax liability** under **GST laws**.
- **Fraudulent invoicing practices:**
 - Use of **bogus invoices** and **non-existent buyers** was likely adopted to **mask the diversion**.

- **Directors of such companies may route diverted goods through related firms**, raising red flags during investigation.
- **Illustrative precedent:**
 - Example: **M/s Ardor Drugs Private Limited, Surat**
 - Illegally attempted to export **16 containers of tramadol** manufactured beyond authorization.
 - Export facilitated using a **partnership firm owned by company directors**.
 - Booked by **Directorate of Revenue Intelligence, Ahmedabad Zonal Unit**.
 - R/Criminal Misc. Application NO. 17496 of 2020 decided on 01.02.2021 by the Hon'ble High Court of Gujarat in the case of Harshal Prafulbhai Desai v. State of Gujarat refers.
- **Potential broader implications:**
 - Similar **fraudulent schemes** may exist in the current case and must not be ruled out without scrutiny.

Corporate Governance and Legal Consequences

- **Triggering of Companies Act, 2013 provisions:**
 - Facts of the case indicate applicability of **Section 447** (fraud-related offenses).
 - Justifies an **in-depth investigation by the Serious Fraud Investigation Office (SFIO)**.
- **Potential penalties:**
 - May lead to **disqualification of directors** and **criminal prosecution** under corporate fraud laws.

GST Implications: Intermediary Services and Tax Evasion

20. Keeping in view the above, Udupi call centre acted as an intermediary under Section 2(13) of CGST Act, 2017. Assuming but not admitting, under Section 13(8)(b) of IGST Act, place of supply is India and is liable to GST compliance and the absence of GST registration or tax payment constitutes a compliance violation.

Export Violations: NDPS and Customs Act, 1962 Interplay

21. It has been reported that there has been no domestic transaction found during the course of initial investigation. The investigation may span many fronts. It cannot be ruled that there was no “export” at all. Export of Tramadol without authorization from the Narcotics Commissioner, Gwalior is a violation of section 23 of the NDPS Act, 1985 read with section 12 of the NDPS Act, 1985. If the export has indeed taken place, misdeclaration of goods triggers Section 135 of the Customs Act, 1962. In respect of the Indian citizen based out of UAE, who is the kingpin, the provisions of the NDPS Act, 1985 would apply by virtue of section 1(2)(a) of the NDPS Act, 1985

Arrests and further proceedings.

22. Eight arrests have been made to date, authorities are actively tracing the financial trail, which includes cryptocurrency wallets and suspected hawala transactions.

Chapter VA Proceedings under NDPS Act, 1985 – seizure of illegally acquired property

23. The members of the syndicate by putting B2B model would have earned illegally and would have acquired property using the drug route. The proceedings for seizure of property under Chapter VA of the NDPS Act, 1985 would have to be initiated for the illegally acquired property and such illegally acquired property have to be traced immediately and seizing/freezing order issued at the earliest and the Competent Authority be informed within the statutory period and thereafter defend the case before the Competent Authority for obtaining a confirmatory order within the period of 30 days.

Conclusion

24. Operation Med-Max is not just a successful enforcement story—it is a strategic case study in how digital tools, regulatory gaps, and global logistics can be exploited to build a low-visibility, high-impact drug cartel. The syndicate’s intentional exclusion of India as a destination market, its use of educated operatives, and its crypto-encrypted infrastructure marks a new frontier in narcotics crime. The case underscores the need for cross-sector vigilance, digital intelligence capabilities, and international cooperation to combat the evolving face of organized crime.
