

**IN THE HIGH COURT OF JUDICATURE AT BOMBAY
CIVIL APPELLATE JURISDICTION
WRIT PETITION NO.8111 OF 2026**

GSR Marketing Limited)
Through its director / authorized)
representative Mr. Suresh Kumar)
Chitlangya)
having its registered office at)
2-2-5, Flat No.1 and 6, 1st floor,)
Ushakiran Arcade, Vidya Nagar,)
Hyderabad, Telangana, India-500044) ...Petitioner

Versus

Union Bank of India)
Having Zonal Office at, 1st floor,)
103-104, Stellar Enclave, Do Road,)
Near Parihar Chowk, Aundh,)
Pune 411009) ...Respondent

Mr. Pranav Avhad a/w Ms. Darshna Naval a/w Mr. Amit Rathi for Petitioner.
Mr. Anup Khaitan a/w Mr. Harsh Gutka, Ms Akshita Rathodi, Mr. Aayush
Khanvilkar for Respondent Bank.

**CORAM : SARANG V. KOTWAL &
RANJITSINHA RAJA BHONSALE, JJ.**

DATE : 13th OCTOBER 2026.

JUDGMENT: (PER SARANG V. KOTWAL, J.)

1. Heard Mr. Pranav Avhad, learned counsel for the Petitioner and Mr. Anup Khaitan, learned counsel for the Respondent-Union Bank of India.

2. Rule. Rule made returnable forthwith with the consent of the parties.
3. The Petition is filed for quashing and setting aside the Show Cause Notice dated 23rd March 2026 and Fraud Examination / Classification order dated 2nd June 2026, passed by the Respondent-Bank.
4. The Petitioner company is a public limited company incorporated on 6th September 2007, having its office address at Hyderabad. The Petitioner Company is engaged in the business of commercial trading of cement and the export of agricultural commodities. The petition is filed through its Director/Authorized Representative, Mr. Suresh Kumar Chitlangya.
5. For the purpose of its business operations, the Petitioner approached the Respondent Bank and availed a sanctioned credit facility to the tune of Rs. 9 Crores on 8th January 2015, which was subsequently replaced by an Open Cash Credit Facility to the tune of Rs.6 Crores sanctioned on 30th July 2016. For the purpose of availing of this facility, the Petitioner company had offered immovable properties located at Gat No.22/1 and Gat No.22/4, Loni Kalbhor, Taluka Haveli, Pune. The properties were owned by other persons who had stood personal guarantors. However, after sometime, there was some default in the payment of the Petitioner and the Petitioner company submitted various proposals for one time settlement. However, nothing came out of those proposals.
5. Respondent-Bank issued Show Cause Notice dated 23rd March 2026, which is impugned in this Petition calling upon the Petitioner company and its Directors, to show cause as the bank intended to declare their company as

fraud as per the Master Directions on Fraud issued by the RBI.

6. As the next stage, the Respondent-Bank issued order dated 2nd June 2026 and conveyed the decision that the Petitioner company's account was classified as fraud. This order is also under challenge in the present petition.

7. Learned Counsel for the Petitioner submitted that it was mandatory on the part of the Respondent-Bank to have furnished copies of the audit report, forensic report and investigation report to the Petitioner company alongwith Show Cause Notice to enable them to respond to the allegations in the Show Cause Notice. In the present case, no such report was supplied to the Petitioner. Learned counsel for the Petitioner relied on the observations of the Hon'ble Supreme Court in the case of *State Bank of India Vs. Amit Iron Private Limited & Ors decided on 7th April 2026 in Civil Appeal Nos.4243-4244 of 2026*. He submitted that the Hon'ble Supreme Court has held that supplying of such reports are mandatory.

8. Learned counsel for the Petitioner, therefore, submitted that there is violation of this important mandatory requirement. The Show Cause Notice as well as the impugned order are required to be quashed and set aside.

9. Learned counsel for the Respondent-Bank submitted that fraud committed by the company and its guarantors is clear on the face of the record. The guarantors had furnished securities of the lands which were already sold and, therefore, it was not necessary to furnish any report.

10. We have considered these submissions. The Petitioner has taken a specific pleading in paragraph 8 as follows:

“Pertinently, neither the foundational Internal Investigation/Audit Report dated 11.09.2025 nor the Title Search Report dated 23.12.2023, nor any other material document, was provided or enclosed by the Respondent Bank along with the Impugned SCN.”

11. A specific ground was raised in Ground (C) as follows:

“It is submitted that in view of the decision of the Hon'ble Supreme Court in Rajesh Agarwal, the right to be provided with material documents underlying the show cause notice including and, most specifically, the audit report has been further explicitly recognized as an integral part of the right of borrower to be provided with the opportunity to be heard. Most recently, it has been held by the Hon'ble Supreme Court in State Bank of India v. Amit Iron Private Limited that a meaningful opportunity to be heard is an indispensable prerequisite before passing an order of fraud classification. That to make such opportunity to be heard effective, it is incumbent upon the Respondent Bank to supply copy of audit report, which form the bedrock of the allegations, so as to enable the Petitioner to comprehensively rebut the allegation.”

12. In response to these particular pleadings, the Respondent-Bank has merely stated in the reply that Show Cause Notice was duly served upon last known address of the company, to all concerned persons. It is further mentioned in paragraph (k)(iii) that the Show Cause Notice referred to the Forensic/Internal Audit/Internal Investigation Report which had been placed before the Fraud Monitoring Group. In paragraph (k)(iv) it is specifically mentioned that without prejudice, in the event, this Hon'ble Court holds that the report was required to be furnished before passing the impugned order, the appropriate course would be to permit the Respondent to furnish the relevant report to the Petitioner and permit the Petitioner to submit its representation, followed by a fresh reasoned decision rather than quashing

the proceedings with a finding that no fraud-related issue exists.

13. In this background, the observations of the Hon'ble Supreme Court in State Bank of India Vs. Amit Iron Pvt Ltd., are important. Paragraph 126 of the said judgment reads as follows:

“126. In view of the discussion hereinabove, we hold: -

a) Rajesh Agarwal (supra) did not recognize any right in the borrower to a personal hearing by the banks before classifying their account as a fraud account;

b) The RBI in its Master Directions of 15.07.2024 correctly understood the scope of Rajesh Agarwal (supra) and incorporated Clause 2.1.1.1, 2.1.1.2, 2.1.1.3, and 2.1.1.4 as the procedure to be followed before classifying an account as a fraud account;

c) The procedure set out in Rajesh Agarwal (supra) which has been incorporated in the Master Directions of 2024 strikes a fair balance between promptitude and fairness and duly comports with the principles of natural justice ensuring fairness to the borrower whose account is likely to be classified as a fraud account.

d) Wherever audit reports are available, including forensic audit reports, the same shall be furnished to the borrower and their representation on the report, including on the findings and conclusions be elicited, in case the banks consider the audit report relevant for classifying the account as fraud account. In view of the same, disclosure by furnishing copies of the audit report, including the forensic audit report to the borrower is mandatory. Supply of reports in digital form will be valid compliance;

e) As held in T. Takano (supra), if the banks, for reasons to be recorded establish that the disclosure of any part of the report would effect the privacy of third parties, in that exceptional situation banks would be justified to withhold those portions of the report which concern third party rights;

f) We reiterate that the rule is to supply the audit reports,

including the forensic audit reports since even under Clause 4 of Chapter IV of the 15.07.2024 Master Directions post the red-flagging of the account banks use the audit mechanism for further investigation. Even in the exceptional cases we hope and expect that the banks will not unreasonably use the power of redaction since that will only end up delaying the culmination of proceedings. Clause 4.1.4 also reiterates that banks shall ensure the principles of natural justice. That this was the legal position even under the 2016 Master Directions is clear from para 95 of Rajesh Agarwal (supra);

g) The judgments of the High Courts which have taken a contrary view to what we have held hereinabove would stand overruled.”

In particular clause (d) is important, where it is held that furnishing copies of the audit report, including the forensic audit report to the borrower is mandatory.

14. The Show Cause Notice specifically mentions that the forensic audit / internal audit / internal investigation report dated 11th September 2025 was placed before the Fraud Monitoring Group on 20th February 2026 and this particular report was in fact taken into consideration. The impugned order mentions that based on deliberation and material available on records the order was passed. In this view of the matter, we are of the opinion that it was mandatory for the Respondent-Bank to have supplied the reports to the Petitioner company based on which the impugned order was passed. Therefore, relying on the observations of the Hon'ble Supreme Court in the aforementioned judgment, we find that there was failure on the part of the Bank to comply with this mandatory requirement.

15. In this view of the matter, the Petition succeeds. It is made clear that though we are quashing the impugned order, the Respondent-Bank would be at liberty to issue fresh Show Cause Notice by providing all the necessary documents including the reports which the Respondent-Bank intends to rely on in taking forward the proceedings for declaring the Petitioner company's account as fraud. Hence, the following order:

ORDER

(i) Rule is made absolute in terms of prayer clause (I), which reads thus:

“I Call for the records and proceedings concerning the Impugned Show Cause Notice dated 23.03.2026 bearing No. the ZO/PUNE/RMD/1394/2025-26 and Fraud Examination/Classification Order dated 02.06.2026 bearing No. ZOPUNE:RMD(FM):999:2026-27 issued and passed by the Respondent Bank, and after examining the legality, validity, and propriety thereof, be pleased to quash and set aside the same;”.

16. Petition is disposed of accordingly with the aforesaid liberty to the Respondent-Bank.

(RANJITSINHA RAJA BHONSALE, J.)

(SARANG V. KOTWAL, J.)