

**IN THE HIGH COURT OF JUDICATURE AT BOMBAY
ORDINARY ORIGINAL CIVIL JURISDICTION**

WRIT PETITION NO. 2092 OF 2026

Zusak Agro Pvt Ltd)
Through its Authorised signatory)
Address:- 19, 1st Orchid Avenue)
Above Hi-tech Tyres, Panchkutir)
Powai, Mumbai 400076) ...Petitioner

Versus

State Bank Of India)
Through Asst. General Manager)
FMC, Address: Mumbai Metro)
Synergy, 1st floor, C-6, G Block,)
Bandra Kurla Complex,)
Bandra (east) Mumbai 400051) ...Respondent

Mr. Partho Sarkar, Mr. Pratik Sarkar, Mr. Prashant Thakre, Mr.
Ranjit Verma i/b Vidhi Legal for Petitioner.
Mr. Vivek Sawant for Respondent.

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

DATE : 10th SEPTEMBER 2026.

JUDGMENT :

1. Rule. Rule made returnable forthwith, with the consent of
the parties.

2. The Petition is filed for directions to set aside the impugned order dated 13th January 2026 declaring the Petitioner company as fraud and further mentioning that the Petitioner's name would be reported to Reserve Bank of India (RBI) as per the RBI guidelines.

3. Heard Mr. Sarkar, learned counsel for the Petitioner and Mr. Sawant, learned counsel for the Respondent.

4. The Petitioner company was served with a show cause notice dated 22nd October 2024. It was mentioned in the show cause notice that Respondent State Bank of India had extended cash credit facility to the Petitioner to the tune of Rs.9.50 crores. It was sanctioned on 13th July 2018. According to Respondent Bank, at the time of sanction, the value of the property based on which the cash credit was given, was Rs.9.52 crores, as per the valuation report dated 7th April 2018 given by Shri Sunil Deshpande. However, as per the valuation report dated 19th November 2020 issued by M/s Vastukala Consultants Pvt Ltd., the value of the collateral security had declined to Rs.4.73 crores. The erosion in valuation was more than 50%, and consequently, the Bank

initiated proceedings in accordance with the RBI Circular dated 15th July 2024 for declaring the Petitioner company as fraud.

5. Shri Vivek Kumar Mathur, Director of the Petitioner company through a letter dated 8th November 2024 made submissions in response to the show cause notice. After that, the impugned order was passed on 13th January 2026, pursuant to the meeting held on 29th December 2025 by the Review Committee for identification of the account as fraud.

6. Learned Counsel for the Petitioner relied on the Master Directions on Fraud Risk Management, issued by RBI on 15th July 2024 bearing No. RBI/DOS/2024-25/118/ DOS.CO. FMG. SEC. No.5/23.04.001/2024-25. He submitted that in the said circular, Chapter II provision 2.1 lays down the provisions and in particular provision 2.1.1.4 which requires the bank to pass a reasoned order containing the relevant facts / circumstances and submissions made against the show cause notice. He submitted that the impugned order does not satisfy any of these requirements.

7. Learned Counsel for the Petitioner also relied on an order dated 3rd July 2026 passed by a Division Bench of this Court in

Writ Petition No.2969 of 2025 in the case of ***Kishore Biyani & Anr. Vs. Bank of India***, in support of his contention.

8. In response, learned counsel for the Respondent bank relied on the affidavit in reply filed on their behalf. He submitted that there was clear fraud played on the bank because the valuation on the basis of which the credit facility was extended to the Petitioner itself was fraudulent and, therefore, the impugned order was correctly passed. He submitted that the impugned order has all the necessary ingredients as mentioned in the said circular issued by the RBI. He relied on the averments made in the affidavit in reply that the impugned order was not an unreasoned order.

9. We have considered these submissions. The circular referred to hereinabove lays down the provisions and requirements for declaring the fraud. The relevant provisions are as follows:

2.1 Governance Structure in banks for Fraud Risk Management

2.1.1 There shall be a Board³ approved Policy on fraud risk management delineating roles and responsibilities of Board / Board Committees and Senior Management of the bank. The Policy shall also incorporate measures for ensuring compliance with principles of natural justice in a time-bound manner which at a minimum shall include:

2.1.1.1 Issuance of a detailed Show Cause Notice (SCN) to

the Persons, Entities and its Promoters / Whole-time and Executive Directors against whom allegation of fraud is being examined. The SCN shall provide complete details of transactions / actions / events basis which declaration and reporting of a fraud is being contemplated under these Directions.

2.1.1.2 A reasonable time of not less than 21 days shall be provided to the Persons / Entities on whom the SCN was served to respond to the said SCN.

2.1.1.3. Banks shall have a well laid out system for issuance of SCN and examination of the responses / submissions made by the Persons /Entities prior to declaring such Persons / Entities as fraudulent.

2.1.1.4 A reasoned Order shall be served on the Persons / Entities conveying the decision of the bank regarding declaration / classification of the account as fraud or otherwise. Such Order(s) must contain relevant facts / circumstances relied upon, the submission made against the SCN and the reasons for classification as fraud or otherwise.

10. Thus, it can be seen that the provision 2.1.1.4 required that such order to be a reasoned order and that the order must also contain relevant facts/circumstances relied upon. Importantly, it must also contain the submission made against the show cause notice for classification as fraud.

11. The Division Bench of this Court in the case of **Kishore Biyani** has also considered the same issue. Paragraphs 5 and 6 of the said order are important, which are as follows:

5. We have heard the learned counsel for the parties at length. We have also perused the papers and proceedings in the above Writ Petition. After hearing the respective counsels, we are clearly of the view that dehors any other arguments canvassed by Mr. Joshi, the above Writ Petition ought to be allowed on the ground that the Fraud Master Circular of 2024 mandates the 1st Respondent Bank to issue a reasoned order, and which is absent in the present case. Chapter II of the Fraud Master Circular of 2024 deals with the Governance Structure in Banks for Fraud Risk Management. Clause 2.1.1.4 clearly stipulates that a reasoned order shall be served on the Persons /Entities conveying the decision of the bank regarding declaration /classification of the account as fraud or otherwise. For the sake of convenience, Clause 2.1.1.4 is reproduced hereunder and reads thus:-

"2.1.1.4 A reasoned Order shall be served on the Persons/Entities conveying the decision of the bank regarding declaration/classification of the account as fraud or otherwise. Such Order(s) must contain relevant facts/circumstances relied upon, the submission made against the SCN and the reasons for classification as fraud or otherwise."

6. As can be seen from this Clause, as per the Master Fraud Circular of 2024, Banks are mandated to give reasons for the order classifying or declaring an account as "fraud".

12. In this background we examined the impugned order. The impugned order in the first part mentions the details wherein there are averments in consonance with the show cause notice about the erosion in valuation to the tune of more than 50% and the allegations that there was misappropriation of funds. After mentioning those facts, it is further mentioned as follows:-

“The Committee has gone through the

representation(s) of Mr. Vivek Kumar Mathur (Director) letter dated 08.11.2024 carefully vide which the (Director) has made their submissions and averments in response to the Show Cause Notice (SCN) dated 22.10.2024. No response received from any other director/Guarantor.

The Committee has also perused various records relied upon in detecting and identifying the suspicious transactions leading to the apprehension of fraud.”

Thereafter, a chart is provided. First column mentions misappropriation of funds and criminal breach of trust. Second column mentions response received from Mr. Vivek Kumar Mathur (Director) on 12th November 2024 and the third column mentions final decision “Fraud” (FIC did not concur with the justification provided in the response). Thereafter, it is mentioned that on a careful examination of the record and in the light of the representations submitted by Shri Vivek Kumar Mathur (Director), the Committee decided to identify the account as Fraud. We do

not find any reason recorded in the order in reaching that conclusion. There is absolutely no reference to the issues raised by the Petitioner's director in response to the show cause notice. The impugned order is in clear breach of the guidelines issued in the Master Circular.

13. A vague reply is given by the Respondent Bank in paragraphs 14, 15 and 16 of the affidavit in reply, which read as follows:

"14. It is denied that the impugned order dated 13.01.2026 (Exh.-A) is an unreasoned or non-speaking order. I say that the said order, on a plain reading sets out the credit facility extended, the date of sanction, and the amount due, records both grounds of suspected fraud with full particulars - namely, the valuation figures, names of valuers, dates of the respective reports and the extent of erosion in value and the date and substance of the unit inspection report, records the issuance of the Show Cause Notice dated 22.10.2024, records that the response of the Director, Shri Vivek Kumar Mathur, was received and considered, and that no response was received from the other Director/Guarantor, records the Committee's conclusion that it did not concur with the justification furnished in the response, and gives reasons for that conclusion by reference to the material set out therein.

15. I say that Clause 2.1.1.4 of the Master Directions requires that the order convey "relevant facts / circumstances relied upon, the submission made against the SCN and the reasons for classification as fraud or otherwise." Each of these three elements is expressly present in the impugned order, which accordingly satisfies the requirement of a reasoned order within the meaning of the Master Directions.

16. I further say that the Review Committee / Fraud Identification Committee is a departmental/administrative body constituted under the Master Directions and is not a court or a tribunal exercising judicial power. The standard of reasons expected of such an administrative body - namely, that it disclose application of mind to the material on record and to the borrower's response - is necessarily distinct from, and less exacting than, the standard applicable to judicial orders, upon which line of authority the Petitioner has misplaced reliance. Read as a whole, together with the Show Cause Notice and the material referred to therein, the impugned order discloses due application of mind and cannot be faulted as unreasoned."

14. As we have discussed, this response is quite unsatisfactory. The impugned order does not give any reason and does not refer to the issues raised by the Petitioner in response to the show cause notice. Therefore, we are inclined to allow this Petition and set aside the impugned order. Learned Counsel for the Respondent submitted that in such event, the Respondent be permitted to initiate fresh proceedings by issuing a fresh show cause notice.

15. Considering these submissions and the above reasons, the following order is passed:-

ORDER

(i) Rule is made absolute in terms of prayer clause (A), which reads as follows:-

A. Be pleased to issue mandamus &/or any other appropriate writ/directions to set aside the

impugned order of Respondent 1 under Exh. - A, classifying the petitioner's account as "Fraud."

(ii) The impugned order dated 13th January 2026 declaring the Petitioner as fraud is set aside.

(iii) Respondent Bank shall take consequent steps, as a result of setting aside of the impugned order.

(iv) Respondent Bank would be at liberty to initiate fresh proceedings by issuing a fresh show cause notice in the present subject matter.

16. We make it clear that we have not made any observations on the merits of the matter.

17. With the aforesaid observations, the Petition is disposed of.

(RANJITSINHA RAJA BHONSALE, J.) (SARANG V. KOTWAL, J.)