IN THE HIGH COURT OF JUDICATURE AT BOMBAY

ORDINARY ORIGINAL CIVIL JURISDICTION

WRIT PETITION NO. 3745 OF 2024

1. Rajratan Babulal Agarwal
10/868, Koik Building, Vardhaman Chowk,
Ichalkaranji Kolhapur, Maharashtra-416 115

2. Nidhi Rajratan Agarwal
10/868, Koik Building, Vardhaman Chowk,
Ichalkaranji Kolhapur, Maharashtra-416 115 .....Petitioner

Vs.

1. State Bank of India
Stressed Assets Resolution Group,
Corporate Centre, 2nd Floor,
The Arcade World Trade Center,
Cuffe Parade, Mumbai-400 005

2. Reserve Bank of India,
set up under the Reserve Bank of India Act, 1934
having its office at 16th Floor, Central Office
Building, Shahid Bhagat Singh Marg
Mumbai- 400 001 .....Respondents

WITH

WRIT PETITION NO. 3747 of 2024

1. Honest Derivatives Pvt. Ltd.
10/868, Koik Building, Vardhaman Chowk,
Ichalkaranji Kolhapur, Maharashtra-416 115

2. Rajratan Babulal Agarwal
10/868, Koik Building, Vardhaman Chowk,
Ichalkaranji Kolhapur, Maharashtra-416 115

3. Nidhi Rajratan Agarwal
10/868, Koik Building, Vardhaman Chowk,
Ichalkaranji Kolhapur, Maharashtra-416 115

Vs.

1. State Bank of India
Stressed Assets Resolution Group,
Corporate Centre, 2nd Floor,
The Arcade World Trade Center,
Cuffe Parade, Mumbai-400 005

2. Reserve bank of India
set up under the Reserve Bank of India Act, 1934
having its office at 16th Floor Central Office
Building, Shahid Bhagat Singh Marg
Mumbai- 400 001 .....Respondents

Mr. Ranjeev Carvalho, with Mr. Aadil Parsurampuria, Mr. Tejas Agarwal, Ms. Hanishi Shah, i/b IC Legal for the Petitioner.
Mrs. Rathina Maravarman (through VC), with Mr. Dheer Sampat, for Respondent No.1-State Bank of India.
Mr. Prasad Shenoy, with Ms. Aditi Phatak, Ms. Kirti Ojha i/b BLAC Co, for Respondent No.2-RBI.

CORAM : REVATI MOHITE DERE &
DR. NEELA GOKHALE, JJ.
DATE : 28th MARCH 2025.

P.C.:-

1. The Petitioners in Writ Petition No.3745 of 2024 are the Managing Director and former Non-Executive Director respectively of Shri Tradco India Private Limited ('STIPL'). The Petitioner No.1-Shri

Rajratan Babulal Agarwal in Writ Petition No.3745 of 2024 is also the Managing Director of the Petitioner No.1-Company in Writ Petition No.3747 of 2024 namely, Honest Derivatives Private Limited. The Petitioner No.2-Ms. Nidhi Agarwal in Writ Petition No.3745 of 2024 is also a Non-Executive Director of Honest Derivatives Private Limited, which is Petitioner No.1 in Writ Petition No.3747 of 2024. The challenge in both the Petitions is identical with Mr. Rajratan Agarwal, being Managing Director of both the companies and hence, the Petitions are being disposed off by this common judgment and order.

2. It is the grievance of the Petitioners in both the Petitions that the impugned order is passed in complete breach of principles of natural justice, *firstly*, as a copy of the Forensic Audit Report ('FAR') was not given to them and *secondly*, the Petitioners state that they were not afforded a personal hearing before passing the impugned order. Thus, the Petitioners say that the said order is contrary to the directions given by the Apex Court in the case of ***State Bank of India v. Rajesh Agarwal & Ors.***[1] as well as the latest RBI's Master Circular.

1 (2023) 6 SCC 1

3. Mr. Ranjeev Carvalho, learned counsel appears for the Petitioners in both Petitions and Ms. Rathina Maravarman, appears for the Respondent-State Bank of India ('SBI'). Mr. Prasad Shenoy represents the Reserve Bank of India ('RBI').

4. During the course of arguments in the matter, it transpired that admittedly, the Respondent - SBI had failed to furnish a copy of the FAR, on the basis of which the Petitioners' accounts were classified as '*fraud*'. So also, they were not afforded a personal hearing before the impugned order dated 28th February 2024 was passed. Thus, it is clear that the directions issued by the Apex Court in ***Rajesh Agarwal (Supra)*** have not been followed by the SBI. Similarly, the SBI has not acted in aide of the RBI's Master Circular.

5. Mrs. Maravarman was unable to demonstrate that the FAR copy was furnished to the Petitioners. In these circumstances, we deem it appropriate to quash and set aside the order dated 28th February 2024 issued by the Respondent-State Bank of India. The said order is accordingly, quashed and set aside.

6. Needless to state, that the Respondent-State Bank of India shall be at liberty to initiate fresh proceedings against the Petitioners herein by adhering to the directions issued by the Supreme Court in ***Rajesh Agarwal (Supra)*** and RBI's Master Circular applicable in this regard.

7. Needless to also, state that all consequential actions initiated by the Respondents pursuant to the order dated 28th February 2024 shall also stand quashed. At this stage, Mr. Carvalho informs us that there is a Look Out Circular ('LOC') issued at the behest of the Respondent-State Bank of India against the Petitioners. It is made clear that the Petitioners are at liberty to initiate appropriate proceedings before a Court of competent jurisdiction seeking to quash the said LOC.

8. It is also made clear that we have not heard the matter on merits of the show-cause notice issued by the State Bank of India and as such, all contentions of all the parties are kept open to be agitated in appropriate proceedings.

9. Petitions are accordingly disposed off on aforesaid terms.

10. All parties to act on an authenticated copy of this order.

(DR. NEELA GOKHALE, J.) **(REVATI MOHITE DERE, J.)**

SHAMBHAVI
NILESH
SHIVGAN

Digitally signed by SHAMBHAVI NILESH SHIVGAN
Date: 2025.04.02 16:12:52 +0530