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APHC010356862026

IN THE HIGH COURT OF ANDHRA PRADESH
AT AMARAVATI **[3332]**
(Special Original Jurisdiction)

TUESDAY , THE 24th DAY OF OCTOBER 2026

PRESENT:THE HONOURABLE SRI JUSTICE RAVI CHEEMALAPATI

WRIT PETITION NO: 19071/2026

Between:

1. M/S. OMKARA VIJAYALAKSHMI STRIPS PRIVATE LIMITED, , REPRESENTED BY ITS MANAGING DIRECTOR, MR. KOTA BHANU PRASAD, A COMPANY INCORPORATED UNDER THE PROVISIONS OF THE COMPANIES ACT, 2013, HAVING ITS REGISTERED OFFICE AT D.NO.76-18-45, PLOT NO.45, IRON YARD, BHAVANIPURAM, VIJAYAWADA, KRISHNA DISTRICT, ANDHRA PRADESH - 520 012.

2. MR. KOTA BHANU PRASAD, S/O KOTA SAMBASIVA RAO, MANAGING DIRECTOR OF PETITIONER NO.1 COMPANY, RESIDING AT 76-8/1-13, LALITHANAGAR, KAMAKOTINAGAR, OPPOSITE ALFA HOTEL, VIJAYAWADA - 520 012.

3. MS. KOTA SRAVANI, W/O KOTA BHANU PRASAD, DIRECTOR OF PETITIONER NO.1 COMPANY, RESIDING ATAT 76-8/1-13, LALITHANAGAR, KAMAKOTINAGAR, OPPOSITE ALFA HOTEL, VIJAYAWADA - 520 012.

4. MR. KOTA PRUDHVI VENKATA TEJA, S/O KOTA BHANU PRASAD, ERSTWHILE DIRECTOR OF PETITIONER NO.1 COMPANY, RESIDING AT AT 76-8/1-13, LALITHANAGAR, KAMAKOTINAGAR, OPPOSITE ALFA HOTEL, VIJAYAWADA - 520 012.

5. MR. KOTA RAHUL SAI BALAJI, MR. KOTA RAHUL SAI BALAJI, S/O KOTA BHANU PRASAD, ERSTWHILE DIRECTOR OF PETITIONER NO.1 COMPANY, RESIDING AT AT 76-8/1-13, LALITHANAGAR,

KAMAKOTINAGAR, OPPOSITE ALFA HOTEL, VIJAYAWADA - 520 012.

...PETITIONER(S)

AND

1. THE CHAIRMAN UNION BANK OF INDIA, , HEAD OFFICE, 239, VIDHAN BHAVAN MARG, NARIMAN POINT, MUMBAI - 400021.
2. THE BRANCH MANAGER, UNION BANK OF INDIA, SURYARAOPET BRANCH, DORNAKAL RD, SURYARAOPETA, VIJAYAWADA, ANDHRA PRADESH - 520 002.
3. THE DEPUTY ZONAL HEAD/NODAL OFFICER, ZONAL OFFICE, R.R. APPA RAO STREET, VIJAYAWADA, KRISHNA DISTRICT, ANDHRA PRADESH - 520 001.
4. THE ASSITANT GENERAL MANAGER MLP/MLP HEAD, UNION BANK OF INDIA, MLP, VIJAYAWADA, ANDHRA BANK BUILDING, 3RD FLOOR, RAJA RANGARAYAPPARAO STREET, VIJAYAWADA, ANDHRA PRADESH - 520 001.
5. THE FRAUD MONITORING GROUP / COMPETENT AUTHORITY, , UNION BANK OF INDIA, REPRESENTED BY ITS AUTHORISED OFFICER, ZONAL OFFICE, VIJAYAWADA, ANDHRA PRADESH - 520001.

...RESPONDENT(S):

Petition under Article 226 of the Constitution of India praying that in the circumstances stated in the affidavit filed therewith, the High Court may be pleased to issue an appropriate Writ, Order or Direction, more particularly one in the nature of Writ of Certiorari, calling for the records relating to the impugned Private and Confidential Order bearing Ref. No. ZOV/JA/TM and FM/2026-27/94 dated 27.05.2026 issued by Respondent No.3, classifying Petitioner No.1 Company and Petitioners Nos.2 to 5 as Fraud, and quash the same as arbitrary, illegal, non-speaking, internally contradictory, violative of the RBI Master Directions on Fraud Risk Management, violative of Articles 14 and 19(1)(g) of the Constitution of India and vitiated by non-application of mind declare that the impugned fraud classification cannot be sustained by treating the disputed NPA classification dated 23.06.2025 as a concluded

foundation, particularly when the legality of such NPA classification is already pending adjudication before this Hon'ble Court in W.P. No.23842 of 2025 declare that the impugned order is unsustainable insofar as Petitioners Nos.4 and 5 are concerned, they being erstwhile directors and not directors as on the date of default / NPA classification consequently restrain the Respondents from giving effect to the impugned fraud classification order, including reporting or continuation of reporting of the Petitioners as fraud to RBI, CRILC, Credit Information Companies, financial institutions or other financial-regulatory authorities and if any report has already been made to any law-enforcement agency, direct the Respondent Bank to disclose the particulars thereof and mark the same as subject to the result of the present writ petition and pass

IA NO: 1 OF 2026

Petition under Section 151 CPC praying that in the circumstances stated in the affidavit filed in support of the petition, the High Court may be pleased to stay the operation, implementation and all consequential action pursuant to the impugned Private and Confidential Order bearing Ref. No. ZOV/JA/TM&FM/2026-27/94 dated 27.05.2026, including reporting or continuation of reporting of the Petitioners as fraud to RBI, CRILC, Credit Information Companies, financial institutions, law-enforcement agencies or any other authority, enforcement of banking debarment, adverse credit reporting or any consequential coercive action affecting the business, reputation or credit standing of the Petitioners, and pass

Counsel for the Petitioner(S):

1. VADLAPATLA SAI MALLIK

Counsel for the Respondent(S):

1. V DYUMANI

ORDER

This writ petition is filed seeking quashment of the Private and Confidential Order bearing Ref. No. ZOV/JA/TM&FM/2026-27/94, dated 27.05.2026, issued by the respondent Bank, whereby the account of the first petitioner-company and petitioners 2 to 5 were classified as "Fraud", being arbitrary, illegal, non-speaking and contrary to the Reserve Bank of India framework governing fraud risk management, apart from being violative of Articles 14 and 19(1)(g) of the Constitution of India.

2. The contents of the writ petition, in brief, are that the first petitioner is a company engaged in the manufacture of ERW MS Pipes, GP Pipes, roofing sheets and allied steel products and is registered as an Micro, Small, and Medium Enterprises (MSME). Petitioners 2 and 3 are the Managing Director and Director respectively, while petitioners 4 and 5 are erstwhile directors. The respondent Bank sanctioned credit facilities aggregating to about Rs.24.98 crores in February, 2024, comprising a cash-credit facility of about Rs.24 crores and a term loan of about Rs.98 lakhs.

It is the further case of the petitioners that the Bank, after appraisal of the account, renewed the facilities on 17.05.2025. Renewal documentation, including hypothecation documents, was executed on 27.05.2025. That the renewal arrangement recognised an overdue amount of about Rs.42 lakhs and afforded time for regularisation. A sum of Rs.10 lakhs was remitted on

29.05.2025. Notwithstanding the renewal and such payment, the account was classified as NPA on 23.06.2025. The petitioners questioned the classification and the consequential SARFAESI proceedings in W.P. No.23842 of 2025. During pendency of the said writ petition filed questioning legality of the NPA, wherein interim protection not to take further coercive SARFAESI measures vide orders dated 09.09.2025, as the Bank though having full knowledge had proceeded to take further adverse actions on the same disputed foundation, initiated recovery proceedings before the Debts Recovery Tribunal, the petitioner no1. Challenged the said parallel proceedings by filing W.P. No.34363 of 2025 and the same is pending adjudication.

It further states that while those disputes were pending, the Bank issued a show-cause notice dated 10.02.2026 proposing fraud classification. The notice principally referred to the Stock and Receivable Audit Report dated 01.07.2025 and the Credit Investigation Report dated 17.09.2025. The allegations concerned, inter alia, discrepancy between declared and physically available stock, alleged inflation of stock/book debts, transactions with M/s Sri Durga Bhavani Steels and M/s Maruthi Steel Trading, change of directors and non-cooperation. The petitioners submitted a written explanation dated 10.03.2026 denying diversion, siphoning or dishonest conduct and asserting that commercial stress and stock discrepancy, particularly after disruption of operations, could not by themselves establish fraud.

The petitioners had earlier challenged the show-cause notice in W.P. No.7384 of 2026. That writ petition was dismissed on 17.03.2026 on the ground that it was at the show-cause stage, the petitioners having already submitted their explanation, leaving the competent authority to proceed in accordance with law. Thereafter, the impugned order dated 27.05.2026 was passed classifying the first petitioner-company and petitioners 2 to 5 as fraud.

The principal grievance against the final order is that, though it notices the petitioners' explanation, it does not meaningfully deal with the material defences raised therein. The petitioners emphasise the renewal dated 17.05.2025, execution of security documents, payment of Rs.10 lakhs, the pending challenge to the NPA classification, the fact that the stock audit was conducted after the account became NPA and when the unit was substantially non-operational, the monitoring lapses noticed in the Bank's own investigation, and the asserted legitimate utilisation of a substantial part of the facilities. It is further pleaded that the final order does not identify, transaction-wise, the amount allegedly diverted, the beneficiary, the person authorising such diversion, the wrongful gain or the corresponding loss.

A separate challenge is raised by petitioners 2 to 5 on the ground that the order contains no individualised finding as to the role, knowledge, participation or benefit attributable to each of them. Petitioners 4 and 5 specifically plead that they had ceased to be directors before the date of

default/NPA classification and that no particular transaction or act constituting fraud is attributed to them. The petitioners pointed out inconsistency in the chronology mentioned in the fraud proceedings and contend that the final decision is the result of mechanical rather than independent consideration.

3. The respondent Bank filed counter affidavit denying the material averments of the writ petition further contending that the writ petition is not maintainable and that the Bank acted strictly in accordance with the sanction terms, RBI prudential norms and the revised fraud-risk framework. The Bank admits sanction of a cash-credit limit of Rs.24 crores and term loan of Rs.98 lakhs and also admits renewal on 17.05.2025. It, however, states that renewal was subject to payment of the overdue amounts and that, except for Rs.10 lakhs, the petitioners failed to clear the overdues. The Bank relies upon letters dated 15.05.2025, 30.05.2025 and 16.06.2025 demanding regularisation and states that the account became NPA on 23.06.2025 in accordance with RBI norms because interest/instalments remained overdue for the prescribed period.

The Bank further states that the borrower was bound under the hypothecation agreement to furnish full and correct stock and debt statements and supporting particulars. That the petitioners failed to furnish adequate stock statements and relies strongly upon the stock statement dated 28.05.2025 showing stock of about Rs.23.86 crores as against physical stock

of only about Rs.0.25 crore found during the unit visit/stock audit on 01.07.2025. It also relies upon credits aggregating about Rs.67.54 crores involving M/s Sri Durga Bhavani Steels and M/s Maruthi Steel Trading, entities which, according to the Bank, were established in 2024 and were later found closed/non-operational. The Bank treats these circumstances as indicators of artificial turnover, diversion and siphoning of funds.

The counter affidavit further states that, as to procedure, its Fraud Risk Management Division-02, in the meeting held on 09.01.2026, considered the adverse observations in the Stock and Receivable Audit Report dated 01.07.2025 and Credit Investigation Report dated 17.09.2025 and directed issuance of show-cause notice. The notice dated 10.02.2026 was stated to have been accompanied by the relevant reports and to have offered personal hearing if specifically requested. The petitioners sought time and thereafter submitted their explanation dated 10.03.2026 but did not seek a personal hearing. The Bank states that the FRMD/FMG, in its meeting dated 07.05.2026, considered the explanation and the reports and resolved to classify the account as fraud, which decision was communicated on 27.05.2026.

The Bank also raises an objection arising from the insolvency proceedings. It states that C.P. No.13/7/AMR/2026 was admitted by the NCLT on 23.06.2026, CIRP commenced and the Board of Directors stood suspended

under Section 17 of the Insolvency and Bankruptcy Code. On that basis, it questions the competence of the suspended management to maintain the writ petition on behalf of the company. The Bank further relies on the grievance-redressal mechanism mentioned in the impugned order and contends that the petitioners approached this Court without exhausting that remedy.

4. Heard Sri Vadlapatla Sai Mallik, learned counsel for petitioners and Smt. V.Dyumani, learned counsel for respondent bank.

5. Sri Vadlapatla Sai Mallik, learned counsel for the petitioners, while reiterating the contents of the writ affidavit would submit that fraud classification carries consequences far beyond an ordinary recovery action. It attaches serious stigma, affects access to institutional finance and credit, and exposes the borrower and individuals to regulatory and investigative consequences. Therefore, the minimum safeguards of a clear notice, disclosure of relied-upon material, real consideration of the explanation and a reasoned decision are substantive requirements and not empty formalities.

The learned counsel would further contend that the impugned order merely reproduces the substance of the petitioners' reply and then rejects it in general terms without answering the central defence. According to learned counsel, the Bank renewed the facility on 17.05.2025, accepted hypothecation documentation on 27.05.2025 and received Rs.10 lakhs on 29.05.2025. The

petitioners contend that the Bank cannot ignore this contemporaneous conduct while drawing an inference of dishonest intention from events that followed. The legality of the NPA classification is, in any event, pending in W.P. No.23842 of 2025 and should not be prejudged in these proceedings.

Learned counsel would further contend that the stock audit of 01.07.2025 was conducted after the NPA classification and when the unit was substantially non-operational. A difference between a prior stock statement and stock physically found later, without reconciliation of purchases, production, sales, job work, GST/e-way bills, transport records and receivables, may raise suspicion or justify investigation but does not, by itself, establish fraud. Similar submissions are made concerning the transactions with the two trading entities: unless the Bank traces the funds, identifies sham invoices or non-supply of goods, and demonstrates the beneficiary and dishonest purpose, the conclusion of diversion or siphoning is said to be unsupported.

Learned counsel for petitioner further submits that an individual cannot be branded fraudulent merely because he was at some point a director of the borrower-company. The decision must identify his relevant tenure, role, knowledge, participation and connection with the impugned transactions. In the absence of such findings, a collective classification of all directors is arbitrary.

The learned counsel for the petitioner further contended that the availability of an internal grievance mechanism is no bar where the very order under challenge being violative of natural justice and non-speaking. The learned counsel for the petitioners, accordingly, prayed to quash the impugned order.

6. On the other hand, Smt. V.Dyumani, learned counsel for respondent bank, while reiterating the contents of the counter affidavit would submit that the petitioners seek to convert a fraud-classification challenge into a collateral adjudication of the NPA dispute. She would further submit that it is the specific case of the Bank that default and NPA classification followed the prudential norms and that the mere renewal of facilities will not wipe out existing overdues or relieve the borrower of the obligation to maintain drawing power by eligible stock and receivables. But, repeated demands by the bank for regularisation were ignored.

The learned standing counsel by placing reliance on the magnitude of the stock discrepancy, contended that a stock statement dated 28.05.2025 allegedly reflected Rs.23.86 crores, whereas the stock auditor found physical stock of only about Rs.0.25 crore on 01.07.2025. It is further contended that large-value transactions with entities which were subsequently found non-operational and the cumulative effect of both offered sufficient material to

examine and ultimately conclude that the account involved artificial inflation, diversion and siphoning.

The learned Standing Counsel would further contend that the petitioners were served with a detailed show-cause notice and they relied-upon reports, obtained extension of time and filed a written explanation. Though the notice offered a personal hearing upon request, they did not come forward. The competent committee thereafter considered the explanation and reports and communicated its decision. Reliance is placed upon the pronouncements of the Hon'ble Supreme Court in In ***State Bank of India v. Rajesh Agarwal***[1], the Supreme Court recognised the serious civil consequences of fraud classification and read the requirements of natural justice into the regulatory process. In ***State Bank of India v. Amit Iron Private Limited & Ors.***[2], in support of her contention that personal/oral hearing is not an invariable requirement in fraud-classification proceedings and that notice, disclosure of relevant material, consideration of the written representation and a reasoned order satisfy the requirement of fairness.

The learned Standing Counsel would further contend that after commencement of CIRP the erstwhile Board stood suspended, and therefore the writ, insofar as it is prosecuted on behalf of the company through the former management, is not maintainable. It is also argued that the petitioners

[1].(2023) 6 SCC 1
[2]. 2026 INSC 323

had an internal grievance-redressal avenue and ought to have invoked the same before approaching this Court. Accordingly, prayed to dismiss the writ petition.

7. Perused the material available on record and considered the submissions made by learned counsel for the parties.

8. Fraud classification cannot be equated with a mere accounting description of default. Default may furnish the occasion for closer scrutiny, but fraud imports an allegation of deception or dishonest conduct and carries distinct civil and reputational consequences. Equally, the Court must recognise that fraud-risk examination is a specialised banking function involving assessment of financial records, audit findings, transaction trails and commercial conduct. In judicial review, the Court does not sit as an appellate forensic auditor. Its task is to examine legality of the process, relevance of the material, fairness of opportunity, application of mind and whether the conclusion is supported by intelligible reasons.

9. In ***State Bank of India v. Rajesh Agarwal (supra 1)***, the Supreme Court recognised the serious civil consequences of fraud classification and read the requirements of natural justice into the regulatory process. In ***State Bank of India v. Amit Iron Private Limited & Ors.(supra 2)***, the Supreme Court clarified that a personal/oral hearing is not an indefeasible

requirement in every fraud-classification case. What is indispensable is a meaningful show-cause process: the noticee must know the case and relevant material relied upon, must have a reasonable opportunity to submit a response, that response must be genuinely considered, and the final decision must be reasoned, setting out the relevant facts/circumstances, the submissions and the reasons for classifying the account as fraud or otherwise.

10. By testing the contentions of the petitioners on that standard, the petitioners cannot succeed merely on the ground that no personal hearing was held. As per the Bank, the notice itself permitted a personal hearing if sought; the petitioners sought extension of time and filed their written explanation but did not ask for an oral hearing. In view of the observations made in ***Amit Iron***, absence of oral hearing, by itself, does not invalidate the decision. The real question is whether the written defence was meaningfully considered and whether the final order demonstrates the reasoning that led from the evidentiary material to the finding of fraud.

11. There is material on record which warranted serious examination by the Bank. The alleged difference between stock of Rs.23.86 crores reflected in the statement dated 28.05.2025 and physical stock of about Rs.0.25 crore found on 01.07.2025 is substantial and cannot be brushed aside as insignificant. The large-value transactions with the two trading entities also called for scrutiny. This Court therefore cannot accept a broad proposition

that the Bank lacked any basis whatsoever to commence or continue fraud examination.

12. But the existence of suspicious circumstances is not the same as a reasoned adjudicatory finding of fraud. Where the borrower gives a specific explanation, namely that the audit occurred after operational disruption, that prior stock requires reconciliation against intervening purchases, production, sales and receivables, that part of the facilities was used for identified legitimate purposes, and that the Bank's own investigation noted monitoring lapses, the final authority must address those defences to the extent they are material. The order must disclose reasons why the explanation is unacceptable and how the relied-upon material establishes the fraud category invoked.

13. The same principle applies to the alleged diversion/siphoning through M/s Sri Durga Bhavani Steels and M/s Maruthi Steel Trading. If the Bank's conclusion rests on the nature and flow of those transactions, the order must disclose the essential reasoning, as to what transactions were considered, why those transactions were held to be non-genuine or diversionary, how the funds moved, and how the inference of fraudulent conduct was reached. A conclusion cannot be sustained merely because the counterparties were subsequently found closed or non-operational; that circumstance may be

relevant, but the nexus between that fact and the alleged fraudulent conduct must be articulated.

14. The petitioners' reliance on renewal of the facilities also requires careful treatment. Renewal does not, by itself, immunise a borrower from a later fraud inquiry, nor does it conclusively establish that every prior or subsequent transaction was genuine. Conversely, where renewal, acceptance of fresh security documents and receipt of payment are relied upon by the borrower as contemporaneous circumstances inconsistent with the Bank's later theory, the decision-maker must notice and deal with the submission. This Court is not deciding whether the NPA classification dated 23.06.2025 was correct. As submitted that issue is pending in W.P. No.23842 of 2025 and left open. The fraud decision must stand or fall on the material and reasons legally relevant to fraud classification; it cannot be sustained merely by treating the disputed NPA classification as proof of fraud.

15. The Bank cannot punish a whole group of company directors together without looking at what each person actually did. Just holding a title at a company is not enough to prove someone is guilty of wrongdoing. When a decision carries serious penalties, authorities must clearly show exactly when a director was in charge, which specific transactions they were involved in, and how they knew about or participated in the mistake. This careful check is especially important for individuals who claim they left the company before

any financial default even happened, meaning their official timelines and actual responsibilities must be verified independently.

16. The objection based on CIRP does not justify dismissal of the entire writ petition. Commencement of CIRP and suspension of the Board may affect who is competent to represent and act for the corporate debtor. That question must be respected in any further proceedings concerning the first petitioner-company. However, petitioners 2 to 5 are themselves named in the impugned fraud classification and assert personal civil and reputational prejudice. Their individual challenge does not disappear merely because the company has entered CIRP. Accordingly, while any fresh participation on behalf of the corporate debtor shall be through the person lawfully authorised under the IBC framework, the individual petitioners remain entitled to question the adverse classification made against them.

17. The plea of alternative remedy is also not sufficient to non-suit the petitioners in the circumstances. The remedy referred to is an internal grievance-redressal mechanism and not shown to be a statutory appellate remedy excluding or materially restricting the constitutional jurisdiction of this Court. More importantly, the challenge is directed to alleged failure of the decision-making authority to comply with the mandatory requirements of natural justice and a reasoned order. The existence of such an internal remedy does not bar judicial review, though ordinarily a Court may insist upon

exhaustion where the remedy is efficacious and the dispute is purely factual, more so discretionary in nature.

18. The chronology pleaded by the parties also requires clarification. The Bank's counter states that FRMD-02 decided on 09.01.2026 to initiate the show-cause process and that the FRMD/FMG meeting of 07.05.2026 considered the petitioners' objections and resolved upon fraud classification. For clarity, the same is extracted hereunder:

> "That, the internal investigation Report dt. 17.09.2025 was placed before the empowered Committee of the Bank i.e. the Fraud Monitoring Group (FMG), to examine the observations made in the aforesaid Report, from the angle of fraud. The committee in its meeting dated 07.05.2026, carefully examined the aforementioned observations in the investigation Report and found prima facie elements of fraud in the operations/actions of the borrower company & its directors and directed the Deputy Zonal Head, Zonal office, Vijayawada to issue show cause notice (SCN) to the borrower and directors of the sai company, as to why the borrower company/directors of the said company, who are responsible for its operations & affairs, should not be classified and reported as Fraud."

19. To the extent the impugned communication contains language capable of suggesting that the meeting of 07.05.2026 directed issuance of a show-cause notice already issued on 10.02.2026, the Bank must correct and clarify the record in the fresh decision. A clerical error, if it is one, need not by itself nullify otherwise lawful proceedings; but in a matter carrying serious consequences, the institutional chronology should be clear and internally consistent.

20. For the above reasons, this Court is of the view that the proper course is not to pronounce upon the truth or falsity of the fraud allegations. The materials relied upon by the Bank raise issues requiring examination, but the final order must demonstrate that the petitioners' material defence and the individual role of each person were actually considered. The impugned order, does not sufficiently disclose such analysis. The defect goes to the quality of the decision-making process and can appropriately be cured by reconsideration by the competent authority. The observations made in the decisions relied on by the learned counsel for the learned Standing Counsel for respondent offer help to the petitioners' case rather than that of the respondent.

21. Accordingly, the Writ Petition is disposed of with the following directions:

(i) The impugned Private and Confidential Order bearing Ref. No. ZOV/JA/TM&FM/2026-27/94 dated 27.05.2026, insofar as it classifies the first petitioner-company and petitioners 2 to 5 as "Fraud", is set aside, without expressing any opinion on the merits of the allegations, and the matter is remitted to the competent FRMD/FMG authority of the respondent Bank for fresh consideration.

(ii) The show-cause notice need not be reissued merely by reason of this order. The petitioners shall, however, be permitted to submit a concise supplementary representation, together with documents specifically answering the stock discrepancy, the transactions with M/s Sri Durga Bhavani Steels and M/s Maruthi Steel Trading, the alleged diversion/siphoning, and the individual role and tenure of petitioners 2 to 5, within three (03) weeks from receipt of a copy of this order.

(iii) Insofar as the first petitioner-company is under CIRP, any representation or participation on behalf of the corporate debtor shall be made through the Interim Resolution Professional/Resolution Professional or such person as is competent under the Insolvency and Bankruptcy Code, 2016. This direction shall not prevent petitioners 2 to 5 from making representations in their individual capacity against the classification made personally against them.

(iv) The competent authority shall consider the show-cause notice, the audit/investigation material already supplied, the reply dated 10.03.2026, the supplementary representation, if any, and the relevant Bank records. It shall pass a fresh reasoned order dealing with the material defences and recording separate or sufficiently

individualised findings concerning each person proposed to be classified as fraud.

(v) A personal hearing is not mandatory as a matter of right merely because the proceeding concerns fraud classification. Nevertheless, it shall be open to the competent authority, having regard to the complexity of the transactions or any specific request showing why written submissions are insufficient, to grant a brief personal hearing in its discretion.

(vi) The competent authority shall complete the exercise and communicate the fresh order as expeditiously as possible, preferably within eight weeks from the date on which the supplementary representation is received or the time granted for filing it expires, whichever is earlier.

(vii) Until the fresh decision is communicated, the respondent Bank shall not give further effect to the impugned classification dated 27.05.2026. If the classification has already been reported to RBI, CRILC, Credit Information Companies, financial institutions or any other regulatory body, the Bank shall communicate that the order dated 27.05.2026 has been set aside and that the matter is under fresh consideration pursuant to this order. This direction shall not

be construed as restraining any independent investigation already lawfully commenced by a competent law-enforcement agency.

(viii) It is made clear that this Court has not adjudicated the correctness of the NPA classification dated 23.06.2025, the validity of SARFAESI/DRT/IBC proceedings, the existence or quantum of debt, or the merits of the alleged fraud. All such questions are left open to be decided in the appropriate proceedings in accordance with law.

(ix) No order as to costs.

Pending miscellaneous applications, if any, shall stand closed.

JUSTICE RAVI CHEEMALAPATI

24th November, 2026. RR

Whether the order is :

Speaking Yes/No ✓ / Reasoned Yes/No ✓

Reportable Yes/No ✓ / Non-Reportable Yes/No ✓