IN THE HIGH COURT OF PUNJAB AND HARYANA AT CHANDIGARH

155 **CWP-7318-2026**
Date of decision:16.03.2026

M/S AKSHAT AGRO FOODS AND ORS ...PETITIONERS

VERSUS

RESERVE BANK OF INDIA AND ANR ...RESPONDENTS

CORAM: HON'BLE MR. JUSTICE SUVIR SEHGAL
HON'BLE MR. JUSTICE DEEPAK MANCHANDA

Present: Ms. Sidhi Bansal, Advocate,
Ms. Ridhi Bansal, Advocate and
Mr. Kartik K. Patial, Advocate
for the petitioners.

Mr. Gaurav Goel, Advocate
for respondent No.2-Punjab and Sind Bank.

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SUVIR SEHGAL, J.

1. Petitioners have approached this Court, *inter alia*, for issuance of a writ in the nature of certiorari for quashing impugned show cause notice dated 15.05.2025 and order dated 18.02.2026, Annexure P-13, as well as all consequential proceedings arising therefrom, whereby petitioners have been declared as fraud.

2. This case has a chequered history. Shorn of details, suffice it to notice that petitioner No.1 was constituted as a partnership firm with petitioners No.2 and 3 as its partners. Subsequently, firm was dissolved and became a sole proprietorship firm of Sh. Krishan Kumar with effect from 17.02.2020. Petitioner No.1 availed various loan facilities from Punjab and

Sind Bank for running a rice sheller, however, due to outbreak of the pandemic and losses in business, there was a default in repayment. Account of petitioner No.1 was declared as Non-Performing Asset (NPA) on 30.06.2020. One of borrowers approached this Court by filing a writ petition, which is stated to be pending and by order dated 18.07.2022, Annexure P-7, this Court directed that no coercive action be taken against the said borrower. The loan account of petitioner-firm was classified as fraud and reported to Reserve Bank of India. Petitioner No.1 filed a writ petition before this Court, which was allowed alongwith a bunch of other petitions on 27.05.2024, Annexure P-11, whereby declaration of fraud was set aside on account of violation of principle of *audi alteram partem*, while granting liberty to bank to take appropriate action against petitioners.

3. Counsel for the petitioners asserts that impugned show cause notice dated 15.05.2025 was issued to petitioners without copies of documentary evidence. In particular, she states that show cause notice is based on a forensic audit conducted by a private firm, however, its copy was never supplied and petitioners never had sufficient opportunity to meet the grounds taken in show cause notice. Counsel urges that in breach of instructions dated 15.07.2024, Annexure P-12, circulated by RBI, bank proceeded to classify the loan account of petitioners as fraud by virtue of impugned order, Annexure P-13. Placing reliance upon judgment of the Supreme Court in ***State Bank of India and others Vs. Rajesh Agarwal and others*** ***(2023) 6 SCC 1*** and drawing strength from the observations of the Division Bench in Annexure P-11, counsel has argued that petitioners were never afforded with an opportunity of hearing before passing the impugned order.

4. On an advance notice, Mr. Gaurav Goel, Advocate, has appeared on behalf of respondent No.2-bank on 11.03.2026. On his request, matter was kept for today. He has not been able to produce any material to satisfy the Court that copy of audit report was supplied to petitioners. He is not in a position to dispute that petitioners were never given an opportunity of hearing before passing of impugned order. He has asserted that bank was not able to serve all petitioners as their addresses were not available with it.

5. Both the counsel have been heard.

6. In ***SBI's case (surpra)***, Supreme Court has held that rule of *audi alteram partem* ought to be read in the instructions circulated by RBI. The lender bank should provide an opportunity to borrower by furnishing a copy of audit reports and allow borrower a reasonable opportunity to submit a representation before classifying the account as fraud. Supreme Court further observed that a reasoned order has to be issued on objections addressed by borrower and an opportunity of hearing has to be given to them before classifying his account as fraud.

7. A Division Bench of this Court vide judgment, Annexure P-11, had given an opportunity to bank and financial institutions to adhere to principles of natural justice in view of judgment of Supreme Court in ***SBI's case (supra)***, before concluding any proceedings against borrowers. When examined in the light of the above dictum, it is clear that bank has neither supplied complete incriminating material to petitioners nor afforded them an opportunity of hearing before passing the impugned order, Annexure P-13. As a result, impugned order, Annexure P-13, cannot be sustained.

8. As a consequence of the above discussion, order dated 18.02.2026, Annexure P-13, is quashed. Liberty is granted to bank to

proceed further in accordance with law. Respondent(s)/Bank shall supply copies of all documents relied upon by them in show cause notice dated 15.05.2025 to petitioners as well as provide them with an opportunity of filing response as well as an opportunity of hearing before passing an order keeping in view of the judgment of the Supreme Court in ***SBI's case (supra)***.

9. As Mr. Goel has expressed an apprehension that it may not possible to serve documents upon petitioners. Counsel for the petitioners states that petitioners are available at the addresses mentioned in memorandum of parties. She has also supplied their mobile numbers with an assurance that the numbers shall not be de-activated till the time proceedings are concluded. The phone numbers are reproduced as under:-

Petitioner No.1	*98883-52111*
Petitioner No.2	*98726-23460*
Petitioner No.3	*85291-40385*

10. Writ petition is disposed of.

(SUVIR SEHGAL)
JUDGE

(DEEPAK MANCHANDA)
16.03.2026 **JUDGE**
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Whether Speaking/reasoned	Yes/No
Whether Reportable	Yes/No