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* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

\+ W.P.(C) 1869/2026 & CM APPL. 9126/2026

M/S. DHIR INTERNATIONAL PRIVATE LIMITED AND OTHERS .....Petitioner

Through: Mr. M. Dutta Senior Advocate alongwith Mr. Amar Nath, Mr. Brijesh Kumar Jha, Mr. Aditya Guha, Mr. Anand Kumar Soni and Mr. Aayush Goyal Advocates

versus

KARNATAKA BANK LIMITED .....Respondent

Through: Adv Sanjay Bajaj, Adv Rajat Prakash

**CORAM:**
**HON'BLE MR. JUSTICE JASMEET SINGH**

**ORDER**

% **16.02.2026**

1. This is a writ petition filed under Articles 226 and 227 of the Constitution of India seeking the following prayers:-

*"a) issue a writ, order or direction in the nature of certiorari or any other appropriate writ, order or direction that this Hon'ble Court deems fit and proper in the facts and circumstances of the present case, quashing / setting-aside the impugned Communication(s) dated 29.05.2025 and 28.11.2025 passed and issued by the Respondent Bank, declaring the Petitioner(s) Loan Account(s) as "Fraud" as per the RBI Master Direction No. 5/23.04.001/2024-25 dated 15.07.2024, as being wrong, unlawful, illegal and contrary to the aforesaid Directions issued by the Reserve Bank of India;*

*b) issue a writ, order or direction in the nature of mandamus or any other appropriate writ, order or direction that this Hon'ble Court deems fit and proper in the facts and circumstances of the* *present case, directing the deletion and removal of the Petitioner(s) from the List of Fraud / Fraudulent Account(s) / Central Fraud Registry (CFR) and such other / further platforms that may have been intimated / informed pursuant to the classification Order(s) enumerated above;....”*

2. The brief facts are that the petitioner No. 1 i.e., M/s Dhir International Private Limited, is presently under Liquidation. The petitioner No. 2 is the former Managing Director, petitioner No. 3 is the Former Founder and Director, and petitioner No. 4 is an alleged Guarantor, of the petitioner No. 1 and the petitioner No. 5 is alleged Corporate Guarantor of the facilities purportedly availed by the petitioner No. 1.

3. The petitioner No. 1’s account(s) were declared Non-Performing Assets (“NPA”) and *vide* a Demand-Notice dated 11.11.2016 issued under Section 13(2) of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (“***Securitization Act***”) the respondent Bank demanded repayment of its alleged dues. The petitioner No. 1 replied to same *vide* letter dated 12.01.2017 and denied all the claims made by the respondent Bank.

4. Thereafter, the respondent Bank issued Possession Notice dated 17.04.2017 under Section 13(4) of the Securitization Act, seeking possession of the Secured Assets. Aggrieved by the same, the petitioner(s) filed Securitization Application being S.A. 90/2017 before the Debt Recovery Tribunal, Delhi, which was allowed *vide* judgment dated 27.06.2018.

5. Aggrieved by the same, the respondent Bank filed a statutory Appeal No. 451/2018 before the Debt Recovery Appellate Tribunal, New

Delhi, which was allowed *vide* judgment dated 03.04.2025. The petitioner(s) filed Writ Petition (Civil) 8071/2025 challenging the said judgement, which was dismissed *vide* judgment dated 09.01.2026.

6. In amidst all this, the respondent Bank issued the Show Cause Notice dated 15.04.0205, proposing to declare the petitioner(s) as a fraud. The said show cause notice is extracted below:-

**Karnataka Bank Ltd.** 120

Your Family Bank, Across India.

Regd. & Head Office
P. B. No.599, Mahaveera Circle
Kankanady
Mangalore – 575 002

Phone : 0824-2228341
E-Mail : vigilance@ktkbank.com
Website : www.karnatakabank.com
CIN : L85110KA1924PLC001128

**VIGILANCE DEPARTMENT**

(Regd-AD)

HO: VD: FRGC: OR: 11 :2025-26 April 15, 2025

| | |
|---|---|
| **1.M/s Dhir International Pvt Ltd**<br>Directors:1. Mr Mahendra Kumar Dhir<br>2. Mr Harsh Dhir<br># 299-300, Udyog Vihar Phase II<br>Gurgaon-122016, Haryana State | **2. Mr Mahendra Kumar Dhir**<br>S/o Late Dalip Chand Dhir<br>#14, Navjivan Vihar, Near Aurobindo College, Malviya Nagar, South Delhi<br>Delhi-110017 |
| **3. Mr Harsh Dhir**<br>S/o Mahendra Kumar Dhir<br>#14, Navjivan Vihar, Near Aurobindo College, Malviya Nagar, South Delhi<br>Delhi-110017 | **4. Mrs Shilpi Dhir**<br>W/o Harsh Dhir<br>#14, Navjivan Vihar, Near Aurobindo College, Malviya Nagar, South Delhi<br>Delhi-110017 |
| **5. M/s Dhir Global Industria Pvt Ltd**<br># 375, Udyog Vihar, Phase V,<br>Gurgaon-122016, Haryana State | |

Madam/Sir,

**Sub: Notice to Show Cause with respect to Fraud Classification pursuant to the Reserve Bank of India Master Directions on Fraud Risk Management in Commercial Banks (including Regional Rural Banks) and All India Financial Institutions dated July 15, 2024 bearing no. RBI/DOS/2024-25/118 DOS.CO.FMG.SEC. No.5/23.04.001/2024-25.**

We, Karnataka Bank Limited a company incorporated under the Companies Act, 1913 and carrying on its banking business under the Banking Regulation Act, 1949 and having its registered office at Mangaluru issue this Show Cause Notice as under:

You had approached the Bank at our New Delhi Overseas Branch for availing credit facilities as more particularly described below, and after due consideration, the Bank sanctioned the below mentioned credit facilities on terms and conditions as mentioned in the financing documents. The terms & conditions of the said sanction order were duly acknowledged and accepted by you.

| Sanction Reference | Loan account no. and date | Amount (Rs in lakhs) | Bal as on 10-04-2025 (Rs in lakhs) | Due Date |
|---|---|---|---|---|
| MDS/LCFD/253/2012-13 Dt 28.01.13 | 5427001600067901 Dt 06-02-2013 | 1628.00 | 1654.28* | 06-02-2020 |
| MDS(LCFD)113 Dt 09-03-2015 | 5427000100109901 Dt 31-03-2015 | 125.00 | 452.70* | 28-02-2016 |
| | Pre-Shipment | 1925.00 | 1915.87* | 29-02-2016 |
| | Post-Shipment | 800.00 | 397.11* | 31-05-2016 |
| MDS LCFD 23 Dt.15-07-2016 | 5427004400012701 Dt 15-07-2016 | 175.00 | 203.87* | 15-09-2016 |
| | Total | 4653.00 | 4623.83 | |

*plus, interest

Internally while scrutinising the accounts, various irregularities were observed accordingly we have investigated the irregularities and post investigation, and it is decided to declare the account as fraud by the Committee for scrutiny of frauds of the Bank on 11.04.2025. As per the master direction of RBI, we hereby call upon you to show cause as to why the credit facilities should not be classified as fraud and further action (including regulatory & law enforcement reporting) should not be taken in accordance with the Reserve Bank of India Master Direction on Frauds.

**Reasons for identifying the account as fraud:**

1) Director Mr M D Dhir has sold part of the property mortgaged to bank in favour of 3 different parties [Mrs Sudha Khandelwal, Mr Harsh Kandelwal and M/s J L Tandon and Sons (HUF), Sh. Joginder Lal Tandon and Smt Kiran Tandon] without informing the bank and without clearing the dues, in respect of the below mentioned property.

"Land and building property situated at no.2467-2469, St.No.10, Ajmal khan Road, Karol Bagh. New Delhi standing in the name of Mr. M.K.Dhir"

2) You (Borrower Company) had opened current accounts with other banks without consent of Bank and received the post shipment proceeds through those accounts which is clearly diversion of funds

3)The unit is closed, and stocks are disposed without clearing the bank dues

As per the Directions of the Reserve Bank of India, Banks have to give opportunity to the borrower for hearing/submission before declaring their account as fraud. Accordingly, we hereby give you an opportunity to offer your remarks as to why your account should not be declared as fraud. Should you desire to attend to represent yourself/ respond with your submissions to this Show Cause Notice, we request you to please revert within **07.05.2025** at the following address:

7. The petitioner(s) gave a detailed reply dated 06.05.2025 to the said Show Cause Notice and the same is extracted below:-

**AKMD LEGAL**
**Advocates & Advisors,** ANNEXURE-
**3356, Second Floor, Sector-23, Gurgaon-122017,**
**National Capital Region, (Haryana).**
**Tel: 0124-4016932, 4208630, 9810072932.**
**Email: akmdlegal01@gmail.com**

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**BY E-MAIL/SPEED POST/COURIER.**

May 06, 2025.

The Deputy General Manager and Convenor,
Vigilance Department and Convenor,
The Committee for Scrutiny and Frauds,
Karnataka Bank Limited,
Head Office - Mahaveera Circle,
Kankanady, Mangalore-575002,
Karnataka.
E-mail: vigilance@ktkbank.com

**Reg:** Your Notice to Show Cause dated 15.04.2025 bearing Number HO/VD/FRGC/OR11/2025-2026 addressed to our Client(s) – M/s.Dhir International Private Limited, Mr. M. K. Dhir, Mr. Harsh Dhir, Mrs. Shilpi Dhir and M/s. Dhir Global Industria Private Limited at the Address(es) mentioned therein.

***Under instructions and on behalf of our aforesaid Client(s), we respond and reply to the answering Show Cause Notice dated 15.04.2025 as under -***

Sir,

1. The answering Show Cause Notice, requires our aforesaid Client(s) to respond to the three following respective allegation(s), namely –

   i) that our Client(s) proceeded to sell a mortgaged property, described as land and building located at 2467-2469, Street No.10, Ajmal Khan Road, Karol Bagh, New Delhi;

   ii) that our Client(s) had opened current Account(s) with other Bank(s) without the consent of Karnataka Bank and proceeded to receive post shipment funds, resulting in diversion of funds; and

   iii) that stocks lying in the Factory / Unit have been disposed without clearing the due(s) of Karnataka Bank.

***On behalf of our Client(s), we proceed to answer them in seriatim as under –***

On Allegation No.1 – In re – Sale of mortgaged property:

2. In so far as, land / building identified as - 2467, Street No.10, Ajmal Khan Road, Karol Bagh, New Delhi is concerned, my Client(s) inform that the said property has not been sold. It has always been and continues to be in possession of a Shop named "Karol Bagh Saree House". It is a fact, which is well within the knowledge of Karnataka Bank for various years. The Ownership of "Karol Bagh Saree House" do not vest with our Client(s). It has always been under the Ownership of Shri S.K. Dhir.

3. It is therefore, incorrect to say that the said property has been sold to any person, including those mentioned in the answering Notice.

4. The property described as - 2468, Street No.10, Ajmal Khan Road, Karol Bagh, New Delhi admeasures an area of 350 sq.feet. To the knowledge of the Bank, it was under the tenancy of "Chotey Lal & Sons", even prior to partition. Since, the said tenant was lodged for various years and their likely eviction was remote, it was sold to the said tenant in the Year 2012. This is again a fact, well within the knowledge and awareness of the Bank.

5. The property described as - 2469, Street No.10, Ajmal Khan Road, Karol Bagh, New Delhi admeasures an area of 150 sq. feet. To the knowledge of the Bank, it was under the tenancy of "Lakshmi Stores / Lakshmi Cloth House". Since, the said tenant was lodged for various years and their likely eviction was remote, it was sold to the said tenant in the Year 2002. This is again a fact, well within the knowledge and awareness of the Bank.

6. Consequently, our Client(s) inform that it is both wrong and incorrect to state and / or conclude that our Client(s) have sold any mortgaged property "without informing the Bank". The Bank was always aware of the aforesaid and continued to engage with our Client(s), till they unlawfully and illegally declared their Account(s) "non-performing".

<u>On Allegation No.2 – In re – Diversion of Funds:</u>

7. Our Client(s) were accused / alleged of the same offence by way of Notice(s) dated 14.10.2019 and 03.08.2024. They had responded to the said Notice(s) by their Replies 12.11.2019 and 06.09.2024. In particular, by their Reply dated 12.11.2019, they had informed and intimated as under -

> "13. Secondly, you may note that it has never been alleged by the Bank in either – a) the proceedings initiated under the Securitisation Act; b) the proceedings initiated under the Recovery Act, 1993 by way of Original Application 530/2017; and c) or in any other proceeding whatsoever initiated by the Bank till this date, that we have not –
>
> > "utilized the finance from the lender for the specific purposes for which finance was availed of but has diverted the funds for other purposes".
>
> 14. Such an allegation, has been stated / or made for the first time in this Notice.
>
> 15. Our Accounts with the Bank were open and consistently / regularly scrutinized and inspected. In our last two decades of relationship, the Bank has never made such an allegation of "diversion". They have never questioned our Accounts or sought any response to any purported "diversion". Every amount that was sanctioned or released, was in complete compliance and satisfaction of applicable Banking Rules & Guidelines.
>
> 16. Evidently, even the answering Notice does not state or specify – when, how, where or what were such "diversion" of funds and to whom?
>
> 17. The second allegation is undoubtedly an after-thought, motivated, created and concocted to prejudice and compromise our case. We vehemently and vociferously protest and resist such allegation. While doing so, we challenge the Bank to specify and particularize, what is the evidence or proof in their possession to allege –

True Copy

a) that we have "not utilized the finance from the lender for the specific purposes for which finance was availed of"; and

b) that we have "diverted the funds for other purposes".

18. If the Bank is in possession of any such evidence or proof to support and corroborate the aforesaid allegations, we request the Bank to place them before this Committee and allow us to respond accordingly. Otherwise, the Bank must necessarily be called upon to immediate and forthwith withdraw / recall such unfounded, motivated and baseless allegation/(s)".

6. That likewise, by their subsequent Reply dated 06.09.2024 they had again inform, clarify and explained as under –

"7. Further, in response to the Answering Notice, we also submit once again, for your kind consideration, that –

i) we have used all funds for the purpose they were obtained and there has never been any diversion of funds. In our previous Replies, we have categorically conveyed and dealt with such baseless allegations as being manifestly wrong, incorrect and untrue;

ii) it is incorrect, that we have not responded to Notice(s) in accordance with principles of natural justice. On the contrary, we have responded and answered every Notice received by us. We have also attended physical meetings at your Regional Office, Pusa Road, New Delhi – explaining and expressing as to why we may not be declared as "Wilful Defaulters". Reference may be made to our Responses, as recorded above;

iii) as stated, we have attended personal hearings at your Regional Office and elaborately explained in exhaustive details, as to why any such classification would be unlawful and illegal;

iv) we have also in earlier instances, again explained that the finance, if any, if availed was used and utilized for it's specific purpose and there was no diversion of any funds. The allegation of diversion as levelled by the Bank is illusory, imaginary and without any substance / proof. The Bank was well aware of every transaction and Bank Account(s) maintained by us. In no circumstance, such a bogus and absurd allegation was ever made on any prior occasion, previous to these proceedings;

v) the Account maintained with Indusind Bank was always to the knowledge of the Bank and utilized for retaining utility deposit(s), used and utilized for day to day / daily running and operational expenses. Also, the said Account had to be opened to keep the operations running and alive, as the Bank contrary to terms would arbitrarily and unilaterally deduct from the proceeds received by us, leaving us with little or no funds to meet our daily and routine expenses;

vi) such unilateral and arbitrary action of the Bank had already commenced in 2013, which in turn seriously endangered and threatened the survival and existence of our Company; and

vii) consequently, it would be both incorrect and unfair to state that we diverted funds, to evade our obligations towards the Bank.

8. In the aforesaid backdrop, we proceed to respond in detail to your Order dated 09.05.2024, as under –

i) Account(s) maintained with Indusind Bank, Mumbai and State Bank of India, Delhi were always known to your Bank. As stated, the Account with Indusind Bank was only to keep operations functional, since Karnataka Bank was appropriating deposit(s), otherwise not to be appropriate;

ii) all payment(s) received from the Buyer M/s. Peacock Stores, U.K. in SBI and Indusind Bank were verified payment(s) and to the knowledge of Karnataka Bank;

iii) payment(s) in the State Bank of India Account, were primarily and pertained to ECGC and duty drawback payment(s), which we were to receive from the Government sources, and therefore it was easy to facilitate receipt of such payment(s) at the State Bank of India Account; and

iv) all financial statement(s) of our Company was duly audited and filed in accordance with law.

9. Prior to Karnataka Bank, M/s. Dhir International was banking with State Bank of India, since 1983 and all receivables from the Government of India by way of duty drawback, incentives, subsidies, etc were received and operated through the Account at State Bank of India, as it was otherwise the Primary Government Bank responsible for distribution of such schemes, incentives, subsidies, etc to various Exporter(s)".

9. That the aforesaid responses as issued by our Client(s) were duly appreciated by the Bank and consequently accepted. No further response(s), replies or explanation(s) were sought thereafter.

10. Consequently, our Client(s) inform that it is both wrong and incorrect to state and / or conclude that our Client(s) have indulged in any "diversion of funds". The Bank was always aware of our Client(s) bonafide activities. It was never questioned, till the Bank unlawfully and illegally declared their Account(s) "non-performing". Undoubtedly, it is an act dehors bonafides.

On Allegation No.3 – In re – Disposal of Stocks lying in Factory / Unit:

11. The Bank was always aware that the Factory / Unit operated from a rented premises, located at 299, Phase-II, Udyog Vihar, Gurgaon-122005, Haryana.

12. Post the unlawful and illegal declaration of their Account(s) as "non-performing", which were frozen, the business operations our Client(s) came to an abrupt end.

13. Resultantly, all the Work Order(s) that were in progress and waiting to be completed to meet the various export and other commitments, also stood terminated, with our Client(s) failing to meet their Work Order(s).

14. With the work coming to an immediate halt, our Client(s) were unable to meet their financial commitments, including their rental due(s) towards their landlord, namely one Shri Jitender Lalwani. On default of rent, the landlord filed Company Petition 505/2016 before the Hon'ble High Court of Delhi at New Delhi seeking initiation of proceedings under Section(s) 433, 434 and 439 of the Companies Act, 1996.

15. By an Order dated 08.10.2018, the Hon'ble High Court of Delhi at New Delhi directed winding-up of M/s. Dhir International Private Limited. Subsequent thereto, pursuant to eviction measures our Client(s) were removed from the Factory / Unit and in the process all material including both finished and unfinished goods were either removed or sold at the value of scrap.

16. That this too was well intimated and in the complete knowledge of the Bank. It is a fact, that our Client(s) suffered immense and substantive losses with the declaration of their Account(s) as "non-performing".

17. Consequently, our Client(s) inform that it is both wrong and incorrect to state and / or conclude that our Client(s) have indulged in any "disposal of stocks" without knowledge of the Bank. The Bank was always aware of our Client(s) bonafide activities. It was never questioned, till the Bank unlawfully and illegally declared their Account(s) "non-performing". Undoubtedly, it is an act dehors bonafides.

18. This reply is issued under the instructions and on behalf of our aforesaid Client(s). Our Client(s) expect that you queries and allegations have been satisfactorily answered. They equally expect that the Notice under Reply would be duly withdrawn, recalled and no proceedings as threatened initiated / pursued against our Client(s).

8. Thereafter, a virtual hearing was granted to the petitioner(s) on 28.05.2025 and subsequently, the impugned order dated 29.05.2025 was passed, which reads as under:-

# Karnataka Bank Ltd.

Your Family Bank Across India

Regd. & Head Office
P. B. No.599, Mahaveera Circle
Kankanady
Mangalore - 575 002

Phone : 0824-2228341
E-Mail : vigilance@ktkbank.com
Website : www.karnatakabank.com
CIN : L85110KA1924PLC001128

## VIGILANCE DEPARTMENT

(Regd-AD)

HO: VD: FRGC: OR: 13 :2025-26 29-05-2025

| | |
|---|---|
| **1.M/s Dhir International Pvt Ltd**<br>Directors:1. Mr Mahendra Kumar Dhir<br>2. Mr Harsh Dhir<br># 299-300, Udyog Vihar Phase II<br>Gurgaon-122016, Haryana State | **2. Mr Mahendra Kumar Dhir**<br>S/o Late Dalip Chand Dhir<br>#14, Navjivan Vihar, Near Aurobindo<br>College, Malviya Nagar, South Delhi<br>Delhi-110017 |
| **3. Mr Harsh Dhir**<br>S/o Mahendra Kumar Dhir<br>#14, Navjivan Vihar, Near Aurobindo<br>College, Malviya Nagar, South Delhi<br>Delhi-110017 | **4. Mrs Shilpi Dhir**<br>W/o Harsh Dhir<br>#14, Navjivan Vihar, Near Aurobindo<br>College, Malviya Nagar, South Delhi<br>Delhi 110017 |
| **5. M/s Dhir Global Industria Pvt Ltd**<br># 375, Udyog Vihar, Phase V,<br>Gurgaon-122016, Haryana State | |

**Madam/Sir,**

**Sub: Intimation of Fraud Classification of your credit facilities**
**Ref: HO: VD: FRGC:OR 11 :2025-26 Dt 15-04-2025**

With reference to the above, you had approached the Bank at our New Delhi Overseas Branch for availing credit facilities and Bank sanctioned the below mentioned credit facilities on terms and conditions as mentioned in the sanction order. The terms & conditions of the said sanction order were duly acknowledged and accepted by you.

| Sanction Reference | Loan account no. and date | Amount (Rs in lakhs) | Bal as on 10-04-2025 (Rs in lakhs) | Due Date |
|---|---|---|---|---|
| MDS/LCFD/255/2012-13 Dt 28.01.13 | 5427002600067900 Dt 08-02-2013 | 1628.00 | 1654.28* | 06-02-2020 |
| MDS(LCFD)113 Dt 09-03-2015 | 5427000100109901 Dt 31-03-2015 | 175.00 | 457.70* | 28-02-2016 |
| | Pre-Shipment | 1925.00 | 1915.87* | 29-02-2016 |
| | Post-Shipment | 800.00 | 397.11* | 31-05-2016 |
| MDS LCFD 23 Dt 15-07-2016 | 5427004400012701 Dt 13-07-2016 | 175.00 | 203.57* | 15-09-2016 |
| | Total | 4653.00 | 4628.53 | |

*Plus Interest

Earlier Bank had sent a Show Cause Notice through registered letter Dt 15-04-2025 to you by giving you an opportunity to offer your remarks as to why your account should not be declared as Fraud. You have submitted your reply vide letter Dt 06-05-2025(received by us on 14-05-2025). Your reply letter was placed before the Committee for scrutiny of frauds on 16-05-2025.The committee decided to provide you a personal hearing. The same was communicated to you vide our letter Dt 17-05-2025.

Accordingly, you have appeared before the Committee for Scrutiny of frauds in its meeting held on 28-05-2025, Join through online 'Team meets' meeting.

Since your reply and justifications were not satisfactory the same are not accepted by the committee. The committee decided to report your loan accounts as fraud to RBI for the reason "Misappropriation of funds and criminal breach of trust" as per RBI Master Direction DOS.CO.FMG.SEC. No.5/23.04.001/2024-25 dated 15.07.2024

**Reasons for identifying the account as fraud:**

**1)** Director Mr M D Dhir has sold part of the property mortgaged to bank(as admitted in letter Dt06-05-2025) in favour of 3 different parties [Mrs Sudha Khandelwal, Mr Harsh Kandelwal and M/s J L Tandon and Sons (HUF), Sh. Joginder Lal Tandon and Smt Kiran Tandon] without informing the bank and without clearing the dues, in respect of the below mentioned part of properties.

"Part/Portion of the Land and building properties bearing No.2468 and No 2469, St.No.10, Ajmal khan Road, Karol Bagh, New Delhi standing in the name of Mr. M.K.Dhir"

**2)** You (Borrower Company) had opened current accounts with other banks without consent of Bank and received the post shipment proceeds through those accounts which is clearly diversion of funds

**3)**The unit is closed, and stocks are disposed without clearing the bank dues

We will report your accounts as fraud to RBI

9. Hence, the present petition.

10. I have heard learned counsels for the parties.

11. The learned counsel for the petitioner(s) has handed over in the Court

today page No. 121 of the file of the present petition, as the same was missing from the Court file.

12. The "Master Directions on Fraud Risk Management in Commercial Banks (including Regional Rural Banks) and All India Financial Institutions (AIFIs)" ("***Master Directions on Fraud***"), under which a party can be declared as fraud sets out in detail the procedure required thereunder. The relevant clause from the same reads as under:-

> *"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."*

13. A perusal of the aforesaid clauses from the Master Directions on Fraud, shows that the bank is required to pass reasoned orders containing relevant facts, circumstances, submissions and reasons for classification as fraud.

14. In the present case, the detailed reply dated 06.05.2025 submitted by the petitioner(s), though may have been considered in the impugned order but the defence raised by the petitioner(s) in the said reply have not formed part of the reasons provided in the impugned order.

15. A perusal of the impugned order (extracted above), shows that it is a

cryptic order and in fact does not show due application of mind or consideration of the defence raised by the petitioner(s). In my opinion, the same falls foul of the directions given in the Master Directions on Fraud.

16. In this view of the matter, it is directed that the respondent Bank shall give a personal hearing to the petitioner(s) within 2 weeks from today and thereafter, pass a detailed order in terms of Master Directions on Fraud within 4 weeks thereafter.

17. Consequently, the impugned order dated 29.05.2025 is hereby set aside, with the aforesaid directions.

18. The petition is disposed of in the aforesaid terms, along with pending application(s), if any.

19. The page No. 121 of the file handed over in the Court today is taken on record.

**JASMEET SINGH, J**

**FEBRUARY 16, 2026 / (MS)**