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

\+ W.P.(C) 3594/2026, CM APPL. 17449/2026

RAVI KUMAR JAIN & ORS. ....Petitioners

Through: Ms. Priyadarshini Dewan, Ms. Amrita, Ms. Aarohi Mikkilineni and Ms. Soundarya Vats, Advs.

versus

BANK OF BARODA & ORS. .....Respondents

Through: Mr Kush Sharma, SC with Ms Asiya Khan, Ms Niharika Tanwar and Mr Nishchay Nigam, Advs. for R1

85

\+ W.P.(C) 3620/2026, CM APPL. 17532/2026

NEERU JAIN ....Petitioner

Through: Mr. Manik Dogra, Sr. Adv. with Ms. Priyadarshini Dewan, Ms. Amrita, Ms. Aarohi Mikkilineni, Mr. Dhruv Pandey, Ms. Soundarya Vats, Advs.

versus

BANK OF BARODA & ORS. .....Respondents

Through: Mr Kush Sharma, SC with Ms Asiya Khan, Ms Niharika Tanwar and Mr Nishchay Nigam, Advs. for R1

86

\+ W.P.(C) 3623/2026, CM APPL. 17543/2026

M/S RCC INFRAVENTURES LTD. .....Petitioner

Through: Mr. Manik Dogra, Sr. Adv. with Ms. Priyadarshini Dewan, Ms. Amrita, Ms. Aarohi Mikkilineni, Mr. Dhruv Pandey, Ms. Soundarya Vats, Advs.

versus

BANK OF BARODA & ORS. .....Respondents

Through: Mr Kush Sharma, SC with Ms Asiya Khan, Ms Niharika Tanwar and Mr Nishchay Nigam, Advs. for R1

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

**ORDER**

**% 24.03.2026**

1. These are writ petitions filed under Articles 226 read with Article 227 of the Constitution of India seeking the following prayers:

> ***W.P.(C) 3594/2026***
>
> *"i. Pass necessary Order(s) or Direction(s) in the nature of Writ of Mandamus thereby quashing/setting aside the Impugned Declaration made by the Respondent No. 1 Bank vide Notice dated 13.02.2026 bearing REF No. ZO: BAREILLY : RISK/2025-26/117 (Annexure – P1) issued in furtherance of the Incomplete Forensic Audit Report dated 22.05.2022 and all preceding actions thereof whereby the Petitioner has been declared as a Fraud Account;*
>
> *AND/OR*
>
> *ii. Pass such appropriate orders or Directions directing Respondent No. 1 Bank to strictly comply with the directions contained in the Master Circular issued by the Respondent No. 5 dated 01.07.2016, including but not limited to providing a legally tenable forensic audit report along with all relied upon documents, reports, minutes of meetings, queries raised in relation to the forensic audit report, and to duly consider the Petitioner's response to the Show Cause Notice.*
>
> *AND/OR*
>
> *iii. Further direct the Respondent No. 1 Bank to provide the*

*queries for the proposed personal hearing, grant an effective opportunity of personal hearing, and thereafter pass a detailed, reasoned and speaking order.*

*AND/OR*

*iv. Also direct the Respondent No. 1 Bank to furnish all such relevant information and material which culminated in the issuance of the Show Cause Notice dated 28.11.2025 bearing Ref. No. ZOWUPU/RI/SK/2025-26/89 (Annexure – P12), in a manner similar to the directions already issued by this Hon'ble Court to Respondent Nos. 2 and 3 Banks in its Order dated 27.02.2026 in W.P.(C) 2823/2026.*

*AND/OR*

*v. Further direct the Respondents to act in accordance with the inter se agreement governing the consortium arrangement, and ensure that all material decisions and actions are undertaken jointly and unanimously by the consortium lenders, so as to prevent any arbitrary, vindictive, or unilateral action by any individual respondent bank. ..."*

***W.P.(C) 3620/2026***

*"i. Pass necessary Order(s) or Direction(s) in the nature of Writ of Mandamus thereby quashing/setting aside the Impugned Declaration made by the Respondent No. 1 Bank vide Notice dated 13.02.2026 bearing REF No. ZO: BAREILLY : RISK/2025-26/117 (Annexure – P1) issued in furtherance of the Incomplete Forensic Audit Report dated 22.05.2022 and all*

*preceding actions thereof whereby the Petitioner has been declared as a Fraud Account;*

*AND/OR*

*ii. Pass such appropriate orders or directions directing Respondent No. 1 Bank to strictly comply with the directions contained in the Master Circular issued by the RBI dated 01.07.2016, including but not limited to providing a legally tenable forensic audit report along with all relied upon documents, reports, minutes of meetings, queries raised in relation to the forensic audit report, and to duly consider the Petitioner's response to the Show Cause Notice.*

*AND/OR*

*iii. Further direct the Respondent No. 1 Bank to provide the queries for the proposed personal hearing, grant an effective opportunity of personal hearing, and thereafter pass a detailed, reasoned and speaking order.*

*AND/OR*

*iv. Also direct the Respondent No. 1 Bank to furnish all such relevant information and material which culminated in the issuance of the Show Cause Notice dated 28.11.2025 bearing Ref. No. ZOWUPU/RI/SK/2025-26/89 (Annexure – P12), in a manner similar to the directions already issued by this Hon'ble Court to Respondent Nos. 2 and 3 Banks in its Order dated 27.02.2026 in W.P.(C) 2823/2026.*

*AND/OR*

*v. Further direct the Respondents to act in accordance with the* *inter se agreement governing the consortium arrangement, and ensure that all material decisions and actions are undertaken jointly and unanimously by the consortium lenders, so as to prevent any arbitrary, vindictive, or unilateral action by any individual respondent bank. ...”*

***W.P.(C) 3623/2026***

*“i. Pass necessary Order(s) or Direction(s) in the nature of Writ of Mandamus thereby quashing/setting aside the Impugned Declaration made by the Respondent No. 1 Bank vide Notice dated 13.02.2026 bearing Ref No. ZO: BAREILLY : RISK/2025-26/117 (annexed as ANNEXURE – P1) issued in furtherance of the Incomplete Forensic Audit Report dated 22.05.2022 and all preceding actions thereof whereby the Petitioner has been declared as a Fraud Account;*

*AND/OR*

*ii. Pass such necessary Orders to the Respondent No. 1 Bank to provide the underlying documents, reports, minutes of meet ing, information and all such necessary information which culminated in the issuance of the Show Cause Notice issued by the Respondent No. 1 Bank dated 28.11.2025 bearing Ref. No. ZOWUPU/RI/SK/2025-26/89 (ANNEXURE – P12) similarly as already directed by this Hon`ble Court to Respondent No. 2 & 3 Banks in its Order dated 27.02.2026 in W.P. (C) 2823/2026;*

*AND/OR*

*iii. Remand the Incomplete Forensic Audit Report dated 22.05.2022 drawn up by P V R N & Co. Chartered Accountants* *back to the Forensic Auditor to take appropriate clarifications as well as documentation from the Petitioner Company and submit a revised conclusive Report; ...”*

2. The brief facts of the case are that M/s RCC Infraventures Ltd. was incorporated in the 2011 and is involved in Civil and industrial construction segment and had executed several projects of national importance including some residential and commercial projects for the Ministry of Defence as well.

3. M/s RCC Infraventures Ltd. availed various credit facilities from respondent Nos. 1, 2, 3 and 4 banks, to the tune of an aggregate amount of about Rs. 303 crores.

4. As per the Inter-se agreement executed between the respondent Nos. 1 to 4 banks, the respondent No. 2 namely Union Bank of India was designated the consortium lead. On 18.09.2021, an auditor was appointed by the respondent No. 2 to conduct Forensic Audit of M/s RCC Infraventures Ltd.

5. As per instructions, Mr. Sharma, learned standing counsel for the respondent No. 1, states that the auditor has consented the sharing of the audit report with the Respondent No. 1 Bank.

6. In 2020, the account of M/s RCC Infraventures Ltd. due to several defaults was declared as a Non-Performing Asset ***(“NPA”)*** and in November 2022, the account of M/s RCC Infraventures Ltd. was declared as a “fraud” by the respondent No. 2, which was subsequently set aside by a Coordinate Bench of this Court *vide* judgment dated 29.08.2025 in ***W.P.(C) 16953/2022*** titled as ***M/s RCC Infraventures Ltd & Ors. v. Reserve Bank of India & Ors.***

7. On 28.11.2025, a show cause notice was issued by the respondent No. 1 based on the Forensic Audit Report ***(“FAR”)*** dated 22.05.2022.

8. The show cause notice dated 28.11.2025 was duly replied by the

petitioners. The petitioners also filed a writ petition which by the time was to be listed had already become infructuous *qua* the respondent No. 1.

9. It is stated by the learned counsel for the respondent No. 1, that the respondent called the petitioner for personal hearing at two instances but the same was not availed by the petitioner on the ground that no documents were supplied to the petitioners along with FAR.

10. Thereafter, the present petition has been filed challenging the impugned notice dated 13.02.2026 wherein the petitioners have been declared as "fraud".

11. Mr. Dogra, learned senior counsel and Ms. Panda, learned counsel for the petitioner, have primarily based their arguments on violation of principles of natural justice on the ground that underlying documents relied upon in the FAR have not been supplied.

12. Mr. Sharma, has handed over a short counter affidavit today in Court wherein it has been expressly stated by the respondent No. 1 in paragraph No. 4 as under:

> *"4. That in compliance with the aforesaid directions, it is respectfully submitted that there are no other documents, apart from those already forming part of the record i.e. Forensic Audit Report ("FAR") dated 22.05.2022, being relied upon by Respondent No. 1 Bank only for the purpose of declaring the account of the Petitioner as fraud."*

13. He urges that for declaration of fraud no document other than the FAR dated 22.05.2022 has been relied upon.

14. I have heard learned counsels for the parties.

15. A perusal of paragraph No. 3 under the heading of Limitations in FAR

reads as under:

> *"3. We have made the following key assumptions while carrying out the assignment:-*
>
> *(a) ....*
>
> *(b) Financial Information, details and other documents provided to us are materially correct, complete, and genuine."*

16. Additionally, the company profile deals with the charge of assets of the companies, list of directors, financial highlights based on analysis of balance sheets.

17. Under the heading of statutory auditor's observation contained in the said FAR, it is stated as under:

> *"1. The accompanying standalone financial statements include unaudited financial Information as regards company's share of Profit/Loss in two JV's amounting to Rs. NII for the year ended 31$^{st}$ March 2018. The unaudited financial information has been furnished to us by the management and the Company's share of Profit/Loss of JV's Investment included in the accompanying standalone financial statements solely based on such unaudited financial information. Our opinion is not modified in respect of this matter.*
>
> *2. According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including provident fund, income-tax, sales tax, value added tax, duty of customs, service tax, cess and other material statutory dues, at times, have not*

*been regularly deposited during the year by the Company with the appropriate authorities.*

*According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income tax, sales tax, value added tax. duty of customs, service tax, cess and other material statutory dues were in arrears as at 31 March 2018 for a period of more than six months from the date they became payable. However, the amounts payable in respect of service tax, GST, Income Tax, Provident Fund, Employers State insurance Corporation was outstanding at the year-end for a period of more than six months from the date they became payable mentioned as under:*

| | ***[Rs. In Lakhs)*** |
|---|---|
| ***Particular's*** | ***Amount*** |
| *Service Tax* | *6.58* |
| *Goods and Service Tax* | *32.65* |
| *Tax deducted at source* | *0.67* |
| *Employees State Insurance Corporation* | *10.13* |
| *Employees Provident Fund* | *3.83* |
| ***Total*** | ***53.86*** |

18. A perusal of the aforesaid paragraphs clearly shows that the FAR has relied upon numerous underlying documents which have resultantly led the opinion of the Forensic Auditor.

19. The clause No. 4.1.4 of the Reserve Bank of India's Master Directions (MD) on Fraud Risk Management in Commercial Banks reads as under:

*"4.1.4 The bank (in case of sole lending) or the individual banks (in case of multiple banking arrangement or consortium lending) shall ensure that the principles of natural justice17 are strictly adhered to before classifying / declaring an account as fraud."*

20. I am of the view that declaration of fraud has serious consequences. It affects the financials of a company/its directors and brings the financial dealings to a grinding halt. The respondent No. 1 bank cannot be permitted to take such harsh measures without complying with the principles of natural justice and without any application of mind. It is the basic requirement that the principles of natural justice must be followed in letter, spirit and intent.

21. The reproduced portions of the FAR clearly demonstrates that substantial documents have been relied upon in the FAR for the Financial Auditors to arrive at their conclusion. Non-supply of these underlying documents, which led the auditor to come to its conclusion, definitely needs to be shared with the petitioners to ensure a meaningful response to the show cause notice.

22. The denial of the same to my mind is violation of principles of natural justice as held by the Hon'ble Supreme Court in ***SBI v. Rajesh Agarwal, (2023) 6 SCC 1.*** The relevant paragraphs of the said judgment reads as under:

*"55. Classification of the borrower's account as fraud under the Master Directions on Frauds virtually leads to a credit freeze for the borrower, who is debarred from raising finance from financial markets and capital markets. The bar from raising finances could be fatal for the borrower leading to its "civil death" in addition to the infraction of their rights*

*under Article 19(1)(g) of the Constitution. Since debarring disentitles a person or entity from exercising their rights and/or privileges, it is elementary that the principles of natural justice should be made applicable and the person against whom an action of debarment is sought should be given an opportunity of being heard.*

*…*

*62. Classification of a borrower's account as fraud has the effect of preventing the borrower from accessing institutional finance for the purpose of business. It also entails significant civil consequences as it jeopardises the future of the business of the borrower. Therefore, the principles of natural justice necessitate giving an opportunity of a hearing before debarring the borrower from accessing institutional finance under Clause 8.12.1 of the Master Directions on Frauds. The action of classifying an account as fraud not only affects the business and goodwill of the borrower, but also the right to reputation.*

*…*

*81. Audi alteram partem, therefore, entails that an entity against whom evidence is collected must : (i) be provided an opportunity to explain the evidence against it; (ii) be informed of the proposed action, and (iii) be allowed to represent why the proposed action should not be taken. Hence, the mere participation of the borrower during the* *course of the preparation of a forensic audit report would not fulfil the requirements of natural justice. The decision to classify an account as fraud involves due application of mind to the facts and law by the lender banks. The lender banks, either individually or through a JLF, have to decide whether a borrower has breached the terms and conditions of a loan agreement, and based upon such determination the lender banks can seek appropriate remedies. Therefore, principles of natural justice demand that the borrowers must be served a notice, given an opportunity to explain the findings in the forensic audit report, and to represent before the account is classified as fraud under the Master Directions on Frauds.*

…

*98.6. The principles of natural justice demand that the borrowers must be served a notice, given an opportunity to explain the conclusions of the forensic audit report, and be allowed to represent by the banks/JLF before their account is classified as fraud under the Master Directions on Frauds. In addition, the decision classifying the borrower's account as fraudulent must be made by a reasoned order."*

23. From a conspectus of the aforesaid judgment it is clear that the importance of principles of natural justice cannot be undermined in any case and especially while imposing such harsh measures. The same needs to be effectively ensured in its true letter, spirit and intent.

24. For the said reasons, the impugned declaration cannot be sustained in law and the same is consequently set aside. However nothing prevents the

respondents from supplying the underlying documents relied upon in the FAR and initiating the proceedings in strict compliance with law.

25. The petitions are disposed of in the aforesaid terms, along with pending applications, if any.

26. The counter affidavit on behalf of the respondent No. 1, handed over today in court is taken on record.

27. *Dasti*

**JASMEET SINGH, J**

**MARCH 24, 2026/AS**