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

\# **CNR No. DLHC010465292026**

\+ LPA 787/2026, CM APPL. 66928/2026, CM APPL. 66929/2026, CM APPL. 66930/2026, CM APPL. 66931/2026

STATE BANK OF INDIA .....Appellant

Through: Mr. Siddharth Sangal, Ms. Mrinalini Tandon, Ms. Richa Mishra, Ms. Kashish Tewatia and Ms. Mrigna Tyagi, Advs.

versus

M/S JAGAT AGRO COMMODITIES PVT LTD AND ORS .....Respondents

Through:

CORAM:
HON'BLE THE ACTING CHIEF JUSTICE
HON'BLE MR. JUSTICE SANJAY SHARMA

O R D E R

% 28.10.2026

1. The present respondent, at certain intervals, borrowed certain amounts from the appellant in consortium with PNB Bank, which, according to the appellant, swelled up to a liability of Rs.300 cr.

2. There appears to be some settlement arrived at between the parties. As a sequitur, the respondent approached this court through a writ petition, thereby praying for directions for quashing and setting aside the action of the present appellant and the consortium member in declaring/classifying the loan account of the respondent as fraud under the ‘Master Directions on Fraud Risk Management in Commercial Banks (including Regional Rural

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Banks) and All India Financial Institutions', dated 15.07.2024, issued by the Reserve Bank of India.

3. It is the contention of the appellant that even if a no-dues certificate was issued in favour of the respondent/borrower on 18.08.2026, there is no provision in the circular to withdraw the classification of the loan amount of the respondent as a fraud.

4. According to him, merely because the OTS proposal of the respondent was accepted by the appellant bank, that by itself will not give rise to a legal right in favour of the respondent to claim that such a classification is withdrawn or liable to be withdrawn at the behest of the respondent.

5. As against the above, Mr. Tiwari, learned counsel appearing for the respondent, strenuously urged that the criminal prosecution is independent of the aforesaid classification of the loan account to be a fraud. According to him, once a no-dues certificate is issued in favour of the respondent, the consequences will automatically follow, and as such, the learned Judge was justified in quashing the impugned communication dated 04.04.2024 and 13.03.2024 whereby the loan account was classified as fraud. The learned counsel tried to justify his submission based on the Master Circular issued by the Reserve Bank of India on 01.07.2016 (updated as on 03.07.2017), particularly Clause 8.12 onwards.

6. With the assistance of the respective counsel, we have gone through the observations made by the learned Single Judge in the impugned order dated 24.07.2026. The only reason that is recorded in Paragraph Nos. 3 & 4 of the impugned order is that the respondent has repaid the loan amount in terms of the OTS accepted by the appellant.

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7. As to how the respondent is entitled to the relief of quashing of the classification of the loan account of the respondent to be a fraud pursuant to the Master Circular or otherwise or as per any rules and regulations is not at all looked into and appreciated.

8. In our opinion, the impugned order dated 24.07.2026 suffers from the non-recording of reasons for the conclusion drawn.

9. That being so, we deem it appropriate to quash and set aside the impugned order dated 24.07.2026.

10. The writ petition is restored to the file of the learned Single Judge, who is directed to look into the contentions of the appellant and the respondent respectively based on the legal provisions, so also the Master Circular and rules and regulations, if any, and deal with the same in accordance with the law.

11. The Letters Patent Appeal as such stands allowed in the above terms.

NITIN WASUDEO SAMBRE, ACJ

SANJAY SHARMA, J

OCTOBER 28, 2026/sk/is

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