

**IN THE HIGH COURT AT CALCUTTA  
(Constitutional Writ Jurisdiction)  
APPELLATE SIDE**

**Present:**

**The Hon'ble Justice Krishna Rao**

**W.P.A. No. 11390 of 2024**

**Hemant Kanoria & Anr.**

**Vs.**

**Karnataka Bank Limited**

Mr. Ratnanko Banerjee, Sr. Adv.

Mr. Jishnu Chowdhury, Sr. Adv.

Mr. Deepan Kumar Sarkar

Mr. Soumalya Ganguli

Mr. Naman Chowdhury

Mr. Shubrojoyoti Mookherjee

Mr. Samriddha Sen

....For the petitioners.

Mr. Dhruv Dewan

Mr. Deepanjan Dutta Roy

Ms. Arushi Chandra

Mr. Udbhav Nanda

Ms. Sanjana Jha

Ms. Rashi Sharma

Ms. Aditi Rathore

....For the respondent.

Hearing Concluded On : 14.01.2026

Judgment on : 10.02.2026

**Krishna Rao, J.:**

1. The petitioners have challenged the show cause notices dated 19<sup>th</sup> March, 2024 wherein the respondent has directed the petitioners to show cause as to why the accounts of the petitioners shall not be declared as “fraud” under the Reserve Bank of India Master Directions.
2. Mr. Ratnanko Banerjee along with Mr. Jishnu Chowdhury, Learned Senior Advocates representing the petitioners submit that the respondent failed to serve the documents on the basis of which the impugned notices have been issued. He further submits that no Forensic Audit Report is served upon the petitioners before issuance of show cause notices.
3. Mr. Banerjee submits that the show cause notices were issued without supply of Forensic Audit Report or its documents though the respondent has issued show cause notices on the basis of Forensic Audit Report and its documents, thus it is not possible for the petitioners to give proper reply to the respondent to the impugned show cause notices.
4. Mr. Banerjee submits that in the absence of every document on the basis of which the assertions are contained in the show cause notices are being made available to the petitioners and reasonable time is given to the petitioners to consider the same, no meaningful or effective

response can be given to the impugned show cause notices in any manner whatsoever.

5. Mr. Banerjee submits that the show cause notices have been issued in violation of natural justice as the petitioners have not been given an opportunity to explain the conclusion of the Forensic Audit Report.
6. Mr. Banerjee submits that in the absence of each and every documents on the basis of which the allegations have been made against the petitioners in the show cause notices are being made available to the petitioners and a reasonable time is given to the petitioners, the petitioners will not be in a position to give appropriate reply to the show cause notices.
7. Mr. Banerjee in support of his submissions, has relied upon the judgement in the case of ***Hemant Kanoria Vs. Bank of India*** passed in ***WPA No. 28329 of 2023*** dated ***2<sup>nd</sup> February, 2024*** and submits that in the said case, the Coordinate Bench of this Court held that a show cause notice is to be issued, enumerating the exact offences alleged against the borrower/ Director. If any, Forensic Audit Report or other document forms on the basis of the show case notice, the same is to be served along with the show cause notice.
8. Mr. Banerjee further relied upon the judgment in the case of ***Milind Patel Vs. Union Bank of India and Others*** reported in ***2024 SCC OnLine Bom 745*** and submits that the Division Bench of the Bombay High Court held that it is now well settled that due compliance with

principles of natural justice must essentially entail compliance with obligation to provide access to the material on which the allegations are based.

9. Mr. Dhruv Dewan, Learned Advocate representing the respondent submits that show cause notices were issued on 19<sup>th</sup> March, 2024 but the petitioners have not filed any show cause reply.
10. Mr. Dewan has relied upon the judgment in the case of ***Hemant Kanoria (supra)*** and submits that the Coordinate Bench of this Court also held that the balance has to be struck between the limit up to which technicalities should be adhered to on the one hand and speed in reporting is ensured on the other hand. He submits that the time is the essence of the entire Master Directions, which lends an extremely summary character to the process involved therein.
11. Mr. Dewan submits that the respondent has already supplied Forensic Audit Report to the petitioners before issuance of show cause notices and thus there is no requirement to supply of further Forensic Audit Report to the petitioners.
12. The issue raised by the petitioners is that the respondent bank has issued show cause notices to the petitioners without supply of copy of Forensic Audit Report and its documents and it is the contentions of the respondent that Forensic Audit Report is already served upon the petitioners by the respondent. The fact remains that the petitioners

have not submitted any reply to the show cause notices and have filed the present writ application.

- 13.** In the case of ***Hemant Kanoria (supra)***, the Coordinate Bench of this Court framed the guidelines with respect to declaring the accounts “fraud” under the Master Directions keeping in view of the judgment passed in the case of ***Rajesh Agarwal*** and held that:

*“64. First, a show-cause notice is to be issued, enumerating the exact offences alleged against the borrower/Director. If any FAR or other document forms the basis of the show-cause, the same is to be served along with the show-cause notice. (Both the said criteria have, in fact, have been satisfied in the present case in respect of BOI, BOB and UBI.)*

*65. A fortnight thereafter would be ample time to give reply to the showcause notice. In its reply, the noticee shall, apart from addressing the allegations and controverting those specifically, specify the documents which are required to be provided to the noticee by the Banks/financial institutions. If necessary, in the reply, the borrower/Director or promoter can reserve its rights to give a further additional reply upon receiving such documents.”*

- 14.** In the present case, the petitioners have received show cause notices dated 19<sup>th</sup> March, 2024 on 1<sup>st</sup> April, 2024. In the show cause notices, the respondent called upon the petitioners to show cause as to why account(s) of SREI Infrastructure Finance Limited and SREI Equipment Finance Limited should not be classified as “Fraud” under the RBI Master Directions. In the show cause notices, the petitioners have also been given opportunity to provide response to all other findings in the

Forensic Audit Report but the petitioners choose not to give any reply and have filed the present writ application.

15. In the present case, the petitioners after receipt of show cause notices instead of submitting reply have filed the instant writ petition. The petitioners ought to have filed their show cause reply indicating the documents which the petitioners require to give elaborate reply to the allegations in the show cause notices but instead of the same, the petitioners have filed the present application.
16. The Coordinate Bench of this Court in the case of ***Hemant Kanoria (supra)*** also held that a balance has to be struck between the limit up to which technicalities should be adhered to on the one hand and speed in reporting is ensured on the other hand. The time is the essence of the entire Master Directions, which lends an extremely summary character to the process involved therein.
17. Considering the facts and circumstances of the instant case, this Court is of the view that without submitting any reply or without requesting the respondent for supply of documents and the Forensic Audit Report after receipt of the show cause notices, have invoked the writ jurisdiction, thus **writ petition is dismissed.**
18. However, the dismissal of writ petition will not prevent the petitioners to give reply to the show cause notices.

Parties shall be entitled to act on the basis of a server copy of the Judgment placed on the official website of the Court.

Urgent Xerox certified photocopies of this judgment, if applied for, be given to the parties upon compliance of the requisite formalities.

**(Krishna Rao, J.)**