



/Panchal

Appeal (L) No.43022 of 2025 & group matters.doc

**IN THE HIGH COURT OF JUDICATURE AT BOMBAY  
ORDINARY ORIGINAL CIVIL JURISDICTION**

**APPEAL (L) NO.43022 OF 2025**

**WITH**

**INTERIM APPLICATION (L) NO.43024 OF 2025**

Bank of Baroda .... Appellant  
V/s  
Anil D. Ambani & Ors. .... Respondents.

**APPEAL (L) NO.43052 OF 2025**

**WITH**

**INTERIM APPLICATION (L) NO.43054 OF 2025**

IDBI Bank Limited. .... Appellant  
V/s  
Anil D. Ambani & Ors. .... Respondents.

**APPEAL (L) NO.43081 OF 2025**

**WITH**

**INTERIM APPLICATION (L) NO.43083 OF 2025**

Indian Overseas Bank  
through the Assistant General  
Manager .... Appellant  
V/s.  
Anil D. Ambani & Ors. .... Respondents.

**APPEAL (L) NO.760 OF 2026**

**WITH**

**INTERIM APPLICATION (L) NO.762 OF 2026**

BDO India LLP ... Appellant  
V/s  
Anil D. Ambani & Ors. .... Respondents.

**APPEAL (L) NO.764 OF 2026**

**WITH**

**INTERIM APPLICATION (L) NO.767 OF 2026**

BDO India LLP ... Appellant  
V/s  
Anil D. Ambani & Ors. .... Respondents.

Digitally  
signed by  
BALAJI  
GOVINDRAO  
PANCHAL  
Date:  
2026.02.23  
23:11:50  
+0530

**APPEAL (L) NO.765 OF 2026  
WITH  
INTERIM APPLICATION (L) NO.768 OF 2026**

BDO India LLP & Anr. ... Appellants  
V/s  
Anil D. Ambani & Ors. .... Respondents.

**APPEARANCES :**

Mr. Tushar Mehta, Solicitor General of India (Through V.C.) a/w Mr. Aspi Chinoy, Senior Counsel (Through V.C.), Mr. Kevic Setalvad, Senior Counsel a/w. Mr. Jehan Lalkaka, Mr. Nishit Dhruva, Ms. Niyati Merchant, Mr. Yash Dhruva, Ms. Rajlaxmi Pawar, Mr. Harsh Sheth i/by MDP Legal for Appellant/ Applicant in APPL/43022/2025 & IAL/43024/2025.

Mr. Tushar Mehta, Solicitor General of India (Through V.C.) a/w Mr. Zal Andhyarujina, Senior Counsel a/w. Mr. Babu Sivaprakasam, Ms. Akansha Agarwal, Ms. Nandita Bajpai, Ms. Rahat Kalpatri and Mr. Vijay Srinivasan, Advocates i/by Yogesh Pirthani for Appellant/ Applicant, in APPL/43081/2025 & IAL/43083/2025.

Mr. Zarir Bharucha, Senior Counsel a/w. Mr. Bimal Rajasekhar i/b Advocate Rishi Thakur, Advocate Dhvani Gala, for Appellant/ Applicant in APPL/43052/2025 & IAL/43054/2025.

Mr. Mustafa Doctor, Senior Counsel a/w Mr. Kunal Dwarkadas, Mr. Rahul Dwarkadas, Ms. Prachi Dhanani, Mr. Raushan Kumar and Mr. Aniket Kharote, i/by RJD and Partners for Respondent nos. 2 and 3 in APPL/43022/2025 & IAL/43024/2025, APPL/43052/2025 & IAL/43054/2025, APPL/43081/2025 & IAL/43083/2025 and Appellant/Applicant in APPL/760/2026 & IAL/762/2026, APPL/764/2026 & IAL/767/2026, APPL/765/2026 & IAL/768/2026.

Mr. Mukul Rohatgi, Senior Counsel (Through V.C.) a/w Dr. Birendra Saraf, Senior Counsel a/w. Mr. Ameet Naik, Mr. Abhishek Kale, Mr. Sanjeevi Seshadri, Mr. Dhruva Gandhi, Mr. Devashish Jagirdar and Mr. Ronit Doshi i/by Naik Naik & Company for Respondent no. 1 in APPL/43022/2025 & IAL/43024/2025.

Mr. Gaurav Joshi, Senior Counsel a/w a/w. Mr. Ameet Naik, Mr. Abhishek Kale, Mr. Anand Mohan, Mr. Devashish Jagirdar, and Mr. Ronit Doshi, Advocates i/by Naik Naik & Company for Respondent no. 1 in APPL/43081/2025 & IAL/43083/2025.

Mr. Ashish Kamat, Senior Counsel a/w. Mr. Ameet Naik, Mr. Abhishek Kale, Mr. Anand Mohan, Mr. Devashish Jagirdar and Mr. Ronit Doshi, Advocates i/by Naik Naik & Company for Respondent no. 1 in APPL/43052/2025 & IAL/43054/2025.

Mr. Mayur Khandeparkar a/w. Mr. Ameet Naik, Mr. Abhishek Kale, Mr. Devashish Jagirdar & Mr. Ronit Doshi, Advocates i/by Naik Naik & Company for Respondent no. 1 in APPL/760/2026 & IAL/762/2026, APPL/764/2026 & IAL/767/2026, APPL/765/2026 & IAL/768/2026.

**CORAM : SHREE CHANDRASHEKHAR, CJ & GAUTAM A. ANKHAD, J.**

**Reserved on : 17<sup>th</sup> January 2026  
Pronounced on : 23<sup>rd</sup> February 2026**

**JUDGMENT**

**Per, Shree Chandrashekhhar, CJ :**

In this batch of Appeals, the Bank of Baroda, IDBI Bank Limited, Indian Overseas Bank and BDO India LLP have challenged the common judgment delivered on 24<sup>th</sup> December 2025 in the Interim Applications filed by the plaintiff vide Interim Application (L) No. 35925 of 2025 in Suit (L) No. 35923 of 2025, Interim Application (L) No. 37575 of 2025 in Suit (L) No.37573 of 2025 and Interim Application (L) No. 37865 of 2025 in Suit (L) No. 37862 of 2025. These Interim Applications filed by the plaintiff under Order XXXIX Rules 1 and 2 of the Code of Civil Procedure, 1908 seeking stay of all actions taken by the defendant-Banks under the Forensic Report

dated 15<sup>th</sup> October 2020 have been allowed and disposed of in terms of paragraph no. 80 of the judgment dated 24<sup>th</sup> December 2025. The defendant-Banks have been restrained to proceed further with the show-cause notice issued by them or to take any further action under the Forensic Report. A learned Single Judge of this Court recorded his *prima facie* satisfaction for granting interim relief in favor of the plaintiff and passed an order, as under: -

*“80. Having prima facie being satisfied for grant of interim relief on the basis of the above observations and findings, the FAR i.e. Forensic Audit Report dated 15.10.2020 appended at Exhibit ‘A’ to the 3 Suit complaints not being in consonance with the RBI Master Directions and for the aforementioned reasons, interim relief is granted to Plaintiff in terms of prayer clause (i) in Suit (L) No.35923 of 2025 and Suit (L) No.37573 of 2025 and in terms of prayer clause (j) in Suit (L) No.37862 of 2025 which read thus:-*

In Suit (L) No.35923 of 2025:-

*“i. That pending the hearing and final disposal of this Suit, this Hon’ble Court be pleased to*

*(i) stay all actions already taken by Defendants under or in reliance upon the Report dated 15 October 2020 (Exhibit “A” hereto) or the Show Cause Notice dated 2 December 2024 (Exhibit “B” hereto); and*

*(ii) restrain the Defendants from taking any further action or proceedings under or in reliance upon the said Report dated 15 October 2020 or the said Show Cause Notice dated 2 December 2024.”*

*(ii) In Suit (L) No.37573 of 2025: -*

*“i. That pending the hearing and final disposal of this Suit, this Hon’ble Court be pleased to*

*(i) stay all actions already taken by Defendants under or in reliance upon the Report dated 15 October 2020 (Exhibit “A” hereto) or the Show Cause Notice dated 31 May 2024 (Exhibit “B” hereto); and*

*(ii) restrain the Defendants from taking any further action or proceedings under or in reliance upon the said Report dated 15 October 2020 or the said Show Cause Notice dated 31 May 2024.”*

*(iii) In Suit (L) No. 37862 of 2025: -*

“j. That pending the hearing and final disposal of this Suit, this Hon’ble Court be pleased to

(i) stay all actions already taken by Defendants under or in reliance upon the Report dated 15 October 2020 (Exhibit “A” hereto) or the Show Cause Notice dated 2 January 2024 (Exhibit “B” hereto) and Fraud Declaration Order dated 2 September 2025 (Exhibit “C” hereto); and

(ii) restrain the Defendants from taking any further action or proceedings under or in reliance upon the said Report dated 15 October 2020 or the said Show Cause Notice dated 2 January 2024.”

2. The plaintiff, namely, Anil D. Ambani (hereinafter referred to as “the respondent”) filed three suits vide Suit (L) Nos. 35923, 37573 and 37862 of 2025 with similar prayers. Except a few changes in some dates, the background facts in these suits are similar and the respondent has raised similar grounds. The respondent states that RCOM<sup>1</sup> and its group companies, namely, RTL<sup>2</sup> and RITL<sup>3</sup> along with their 98 subsidiaries operated as a SEU<sup>4</sup>. There was an unprecedented price war escalated in the Telecom sector when Reliance Jio Infocomm Ltd. made its entry into the Telecom sector by offering free voice and data services nearly for 18 months. A petition under section 9 of the IBC came to be filed by the Ericsson India Pvt. Ltd. before the National Company Law Tribunal, Mumbai against RCOM and its related companies which were admitted into CIRP<sup>5</sup> by an order dated 15<sup>th</sup> May 2018. The said order was challenged before the NCLAT in Company Appeal No.255-260 of 2018 and the CIRP proceedings against the RCOM, RITL and RTL were stayed. The respondent served as a non-Executive Director on the Board of RCOM from February 2006 and his role was confined

---

1. Reliance Communications Limited

2. Reliance Telecom Limited

3. Reliance Infratel Limited

4. Single Economic Unit

5 Corporate Insolvency Resolution Process

strictly to that of a non-Executive Director and he was not involved in the borrowings, financial management or day-to-day affairs of the company.

3. For the sake of convenience, we would refer to some of the facts pleaded in the suit filed against the Bank of Baroda. The respondent states that the Forensic Report dated 15<sup>th</sup> October 2020 for RCOM and its group companies was prepared by the BDO in contravention of the Reserve Bank of India Master Directions and the mandate under section 141 of the Companies Act, 2013. The BDO and its erstwhile partner, namely, Mr. Srinivasa Rao acted wrongfully and unlawfully and accepted the offer to prepare the Forensic Report even though they were not qualified or eligible in law to prepare, sign or issue the said Report. He is aggrieved by the show cause notice dated 2<sup>nd</sup> January 2024 and the order dated 2<sup>nd</sup> September 2025 issued by the Bank of Baroda classifying him as fraud. He is also aggrieved by the show cause notices issued to him by the IDBI Bank and Indian Overseas Bank. He claims that he suffered grave injury and loss on account of the unlawful and negligent actions on the part of the appellant-Banks on account of the wrongful show-cause notices and incomplete and unverified Forensic Report. The plaint averments are replete of similar allegations against the defendants and alleged illegal actions taken by them. The respondent seeks compensation/ damages of Rs.25 crores with interest at the rate of 18% per annum from the date of institution of the suits till payment and/or realization. He states that he has filed the suits to seek remedy for the losses, injury and harm suffered by him on account of the wrongful, unlawful and *mala fide* acts of the defendants. He further states that he was classified as fraud by certain other banks under the Reserve Bank of

India (Fraud Risk Management in Commercial Banks (including Regional Rural Banks) and All India Financial Institutions) Directions, 2024 (hereinafter referred to as Master Directions-2024) solely on the basis of the Forensic Report. He has alleged violation of natural justice inasmuch as the appellant-Banks did not afford personal hearing to him and relied upon the materials that were not disclosed to him. The State Bank of India filed a complaint with the CBI<sup>6</sup> which registered a First Information Report and the ED<sup>7</sup> has also registered an ECIR. He has suffered irreparable damage on account of the Forensic Report prepared by the BDO. The Forensic Report is challenged mainly on the following grounds: -

*“10.4. Defendant No.2 itself at internal page 380 of the Report has acknowledged that it is only an "accounting consulting firm" and not an audit firm which is a requirement under the 2024 RBI Master Directions. Accordingly, Defendant No.2 was never qualified or authorized to undertake or carry out any form of audit.*

*10.5. Accordingly, Defendant No.2 is not qualified in law to act as an auditor under the Companies Act, 2013 or the 2024 RBI Master Directions. Defendant No. 2 therefore was neither qualified nor eligible to be appointed as auditor under applicable law or relevant statutes for the purpose of conducting a forensic audit and thereby preparing/issuing the Report.*

*10.6. Further, and separately, the Plaintiff further submits that Defendant No. 2 is the Indian member firm of the global BDO network, and not a registered audit firm under ICAI, thereby rendering the Report unreliable and incapable of being treated as an Auditor's Report.*

*10.7. Furthermore, Section 141(2) of the Companies Act, 2013 provides that "where a firm including a limited liability partnership is appointed as an auditor of a company, only the partners who are chartered accountants shall be authorised to act and sign on behalf of the firm." This provision unequivocally excludes non-charted accountant partners or signatories from acting or signing in the capacity of an auditor. Any report signed in contravention thereof stands ipso jure invalid and non-existent in the eyes of law.*

*10.8. The Report is not an "audit report" which is a mandatory requirement under the 2024 RBI Master Directions. Instead, the Report is*

---

6. Central Bureau of Investigation

7. Enforcement Directorate

*merely a compilation of information and management clarifications, as admitted at internal page 2 of the Report.*

*10.9. Further, the present Report has been prepared / authored / signed for and on behalf of Defendant No. 2 by Defendant No. 3 i.e. an individual named "Mr. Srinivas Rao". The Plaintiff has conducted a bona fide and thorough profile check as to whether Defendant No. 3 is a qualified CA and has a Certificate of Practice. To the best of the Plaintiff's knowledge, information and belief, Mr. Rao is not a qualified CA. This position is clear from his own LinkedIn profile as well as the list of registered / empaneled ICAI members. A copy of Mr. Rao's LinkedIn profile is annexed hereto as Exhibit – "L".*

*10.10. The Plaintiff further submits that the Report does not bear or contain a Unique Document Identification Number (herein after referred to as "UDIN"), which has been made mandatory for all certifications, GST and tax audit reports, and other audit, assurance, and attestation functions undertaken or signed by full-time practicing Chartered Accountants. As per the Council decision taken at the 379th Meeting of the ICAI held on 17 and 18 December 2018, the requirement of UDIN has been made compulsories for all such audit, assurance, and attestation functions with effect from 1st July 2019. Only practicing Chartered Accountants holding a full-time CoP are eligible to register on the UDIN portal and generate UDINs for reports issued by them. The absence of a UDIN on the present Report conclusively establishes that neither Defendant No. 2 nor Defendant No. 3 are qualified Chartered Accountants or a firm of Chartered Accountants within the meaning of the Companies Act, 2013 or the CA Act, thereby rendering the Report invalid, unauthenticated, and devoid of legal sanctity.*

*10.11. Therefore, the Report clearly is authored, prepared, signed or issued who could never have lawfully or validly done so in view of mandatory eligibility criteria prescribed inter alia under Section 141(2) of the Companies Act, 2013, the purported Report is therefore bad in law/non-est/nullity.*

*10.12. Since the Impugned SCN has been issued under the 2024 RBI Master Directions on Frauds, it is pertinent to note that the said Master Directions, at Clause 4.1 read along with Footnote 14, clarify that only auditors qualified to conduct audits under the relevant statutes are eligible to undertake forensic audits. This clarification, being part of the superseding 2016 RBI Master Directions, governs all actions taken thereunder and makes it abundantly clear that unregistered or unqualified entities cannot be engaged for such audits. Accordingly, any reliance on the earlier 2016 RBI Master Directions stands superseded, and the appointment and actions of Defendant No. 2 are wholly contrary to the prevailing regulatory framework.*

*10.13. The Plaintiff further submits that the settled principle laid down by the Privy Council squarely applies to the present case. It was held therein that "where a statute requires a particular thing to be done in a particular manner, it must be done in that manner or not at all other methods of performance are necessarily forbidden." The said ratio applies to the present matter, as the 2024 RBI Master Directions on Frauds prescribe the specific procedure and qualifications for conducting a forensic audit. Consequently, the purported Report undertaken and signed by Defendant No.2 and No.3 who are not qualified under the 2024 Master Directions, as whatever has to be done under the Master Directions must be done strictly in the manner prescribed and not otherwise."*

4. Seeking leave under Order II Rule (2) of the Civil Procedure Code, the respondent filed the Interim Applications in the respective suits. He averred that he has a right to (i) initiate proceedings arising out the publication or circulation, false or misleading material based on the impugned Report; (ii) reserve all rights and contentions on merits for further reliefs on law or equity; (iii) proceed against the banks for any acts undertaken in relation to or derived from the show cause notice dated 2<sup>nd</sup> January 2024; (iv) claim damages for reputational, economic and consequential injury caused by the defendant's wrongful act; (v) seek civil reliefs concerning the Report and/or show cause notice issued solely on the basis of the Forensic Report including the grounds distinct from those already agitated, particularly, violations of the Master Directions-2024; (vi) quantify claim for further damages upon full determination of losses including any further classification of the respondent as fraud; and (vii) initiate appropriate action against the defendant nos.2 and 3 regarding the unauthorized Forensic Report and related issues arising from subsequently discovered facts. He further states that the present suit is confined to the subsequent and distinct causes of action, particularly, those arising from the RTI response dated 24<sup>th</sup> October 2025 and that such facts were not

available at the time of filing of the writ petition, that the Report was prepared without the authority, qualification or statutory mandate under the Master Directions-2024, thereby giving rise to a fresh and independent cause of action. He further states that he has suffered great injury and loss on account of the defendant's unlawful and negligent actions including the wrongful issuance of the show cause notice and the reliance on an incomplete and unverified Forensic Report. The loss of reputation, goodwill and professional standing cannot be quantified and he claimed damages of Rs.15 crores on that count, Rs.7 crores 50 lakhs for mental agony and humiliation, Rs.2 crores for consequential and future losses to reputation and business relationship and Rs.50,000/- on account of legal and administrative expenses.

5. The respondent states that the BDO and the defendant no.3 were ineligible, unqualified and not competent to accept the mandate for preparing the Forensic Report. He refers to the decision in "*Rajesh Agarwal*"<sup>8</sup> and states that he was classified as fraud on the basis of an illegal Forensic Report and without following natural justice. He has adopted independent legal proceedings against the Banks and the present suits are limited to challenge the actions of the appellant-Banks and their reliance on the Forensic Report. He states that he reserves his right to do so and seeks leave to omit to sue in respect thereof. He states thus:

*"6.7. Further, the Plaintiff has been classified as "fraud" by certain other banks in terms of the 2024 RBI Master Directions, solely on the basis of the said Report. These Banks have relied upon the said Report to classify the Plaintiff as 'fraud without adherence to the principles of Natural Justice, inasmuch as the underlying documents relied upon have not been furnished, contrary to the law laid down by the Hon'ble Supreme Court. Further, most Banks have failed to afford the Plaintiff a personal hearing and have not even sought written submissions, and in*

---

8 *State Bank of India v. Rajesh Agarwal: (2023) 6 SCC 1.*

*cases where a hearing was granted, the same was conducted without disclosure of the relied-upon materials. Such conduct constitutes a manifest violation of the 2024 RBI Master Directions on Frauds and the judgment of the Hon'ble Supreme Court in Rajesh Agarwal (supra). For instance, the State Bank of India based on the Report classified the Plaintiff as "fraud" thereafter filed a complaint with the Central Bureau of Investigation (hereinafter referred to as "CBI") and CBI has registered a FIR solely based on the Complaint which in turn is based on the Report. After registration of the FIR by CBI, the Enforcement Directorate has registered an ECIR, this manifests the irreparable damage caused by the Report to the Plaintiff. The Plaintiff has adopted/is adopting independent legal proceedings in respect of the other banks, the list and status of each proceeding are annexed and marked hereto as Exhibit - "E". The present suit is limited to the challenge to the actions of Defendant No.1 and its reliance on the said Report. At the present stage, the Plaintiff is not dealing with the inaccuracies and incorrect findings in the Report, which are also defamatory in nature, in the Report, for which the Plaintiff inter alia reserves his right to do so and seeks leave to omit to sue in respect thereof as set out later. The present suit is based on certain jurisdictional /fundamental issues, as such, it goes to the root of the matter and makes the entire impugned actions of Defendant No.1 illegal, non-est, null and void as particularly set out herein."*

6. The respondent referred to several paragraphs in the Forensic Report and claimed that the Forensic Report is not an audit report which is a mandatory requirement under the Master Directions-2024. The BDO was neither qualified nor eligible to be appointed as an auditor under the applicable laws, and the defendant no. 3 is not a qualified CA having a certificate of practice, as revealed on an inquiry of his LinkedIn profile. It is for this reason that the Forensic Report does not contain a Unique Document Identification Number. He refers to Footnote 14 at Clause 4.1 of the Master Directions-2024 and asserts that the appointment of the BDO was contrary to the prevailing regulatory framework.

7. According to the respondent, the material information constituting a cause of action was revealed to him through the RTI information received by Ms. Siddhi Vohra. He states that the said

RTI information dated 24<sup>th</sup> October 2025 revealed that the BDO India LLP is not a member of the ICAI<sup>9</sup>. The respondent specifically states that the suit does not deal with the inaccuracies and incorrect findings in the Forensic Report and he has based the suit on certain jurisdictional/ fundamental issues which go to the root of the matter and shall render all actions taken by the appellant-Banks illegal, *non-est*, null and void. In paragraph no. 10.3 of the plaint, he states as under: -

*“10.3. Based on information available which the Plaintiff has obtained through bona fide inquiries, Defendant No. 2 i.e. BDO India LLP is not registered with/is not a member of the ICAI. An individual by the name of Siddhi Vora had filed a Right to Information (hereinafter referred to as "RTI") Application dated 29 September 2025, seeking a confirmation / detail in this regard. The Reply dated 24 October 2025 (RTI Reg. No. ICAOI/R/E/25/157133) confirmed that Defendant No. 2 was not registered with / a member of the ICAI. A copy of the RTI application dated 29 September 2025 is annexed hereto and marked as Exhibit - "J". A copy of the Reply dated 24 October 2025 is annexed hereto and marked as Exhibit -"K".*

8. In Suit (L) No.37862 of 2025 titled “Anil D. Ambani v. Bank of Baroda & Ors.”, the respondent prayed for the following reliefs : -

*“a. that this Hon'ble Court be pleased to pass an Order and Permanent Decree against the Defendants, jointly and severally, to pay a sum of INR Twenty Five Crores (INR 25,00,00,000), with interest at 18% per annum from the date of institution of the Suit till payment and / or realization, as and by way of compensation / damages, as more particularly stated in Particulars of Claim (Exhibit - "LL" hereto);*

*b. that this Hon'ble Court be pleased to pass an order and permanent decree to declare that the Report dated 15 October 2020 (Exhibit - "A" hereto) prepared by Defendant No. 2/3 is not lawfully prepared or issued, is invalid, non-est, bad in law, without legal sanctity and is contrary to the 2024 RBI Master Directions;*

*c. that this Hon'ble Court be pleased to pass an order and Mandatory Injunction against the Defendant Nos 2/3 jointly ...and severally, directing them to Recall the Report dated 15 October 2020 (Exhibit - "A" hereto);*

---

9. Institute of Chartered Accountant of India

d. that this Hon'ble Court pass an order and declare that the Show Cause Notice dated 2 January 2024 [Exhibit B] and the Fraud Classification Order dated 2 September 2025 [Exhibit C] issued based on the Report dated 15 October 2020 [Exhibit A] is invalid, non-est, bad in law and/or without legal sanctity for the reasons set out in the suit;

e. that this Hon'ble Court be pleased to pass an order and Mandatory Injunction against the Defendant 1 directing them to Recall the SCN dated 2 January 2024 (Exhibit "B" hereto) and Fraud Classification Order dated 2 September 2025;

f. that this Hon'ble Court be pleased to pass an order directing Defendant No.1 to recall all the actions taken by Defendant No.1 pursuant to Fraud Classification Order dated 2 September 2025 (Exhibit "C");

g. that this Hon'ble Court be pleased to pass an order and Permanent Injunction restraining the Defendants, jointly and severally, and/or any other persons, employees and/or agent whomsoever from taking any steps in furtherance of and/or acting upon, placing reliance upon, disseminating, publishing, sharing:

i. the Report dated 15 October 2020;

ii. the Show Cause Notice and Fraud Declaration Order of the Defendant No. 1 which is solely based on the Report dated 15 October 2020;

h. That pending the hearing and final disposal of this Suit, this Hon'ble Court be pleased to restrain the Defendants jointly and/or severally, by themselves, their servants, agents, officers, affiliates, and/or any other persons claiming through or under them from acting in furtherance of the Report dated 15 October 2020 (Exhibit "A" hereto) or the Show Cause Notice dated 2 January 2024 (Exhibit "B" hereto) & Fraud Declaration Order (Exhibit "C" hereto), or from taking any action against the Plaintiff based thereon or thereunder;

i. That pending the hearing and final disposal of this Suit, this Hon'ble Court be pleased to direct the Defendants to disclose on oath (a) the particulars of all persons and/or entities with whom the Defendants have shared the Report dated 15 October 2020 (Exhibit "A" hereto) and (b) all actions taken by the Defendants in furtherance of the SCN dated 2 January 2024 (Exhibit B hereto) & Fraud Classification Order dated 2 September 2025 (Exhibit C hereto).

j. That pending the hearing and final disposal of this Suit, this Hon'ble Court be pleased to (i). stay all actions already taken by the Defendants under or in reliance upon the Report dated 15 October 2020 (Exhibit "A" hereto) and the Show Cause Notice dated 2 January 2024 (Exhibit "B" hereto) & Fraud Declaration Order dated 2 September 2025 (Exhibit "C" hereto); and

*(ii). restrain the Defendants from taking any further action or proceedings under or in reliance upon the said Report dated 15 October 2020 or the said Show Cause Notice dated 2 January 2024;*

*k. for ad-interim / interim reliefs in terms of prayer clauses (g), (h) and (i) above;*

*l. for costs of this Suit; and*

*m. for such further and other reliefs as this Hon'ble Court may deem fit and proper in the nature and circumstances of the case.*

9. Before the learned Single Judge, the whole thrust of the arguments made on behalf of the respondent was on (i) applicability of the Master Directions-2024 (ii) ineligibility and incompetence of the BDO; and (iii) invalidity of the Forensic Report dated 15<sup>th</sup> October 2020. The learned Single Judge held that the timelines under the Master Directions-2024 were not followed and the Forensic Report was unauthorizedly prepared for a different period. He made remarks on the competence, incapacity and impartiality of the BDO and held that the directions issued by the RBI cannot be given a go-by. He further stated that the proceedings against the respondent on the basis of the Forensic Report shall have serious implications and it would be a civil death for him, if he is not permitted to challenge the Forensic Report and the actions taken against him by the appellant-Banks.

10. The learned Single Judge held that the legality of the Forensic Report must be examined on the basis of the interpretation of Master Directions-2024 and, that, the appointment of the appellant-BDO as Forensic Auditor by the Banks shall have direct relevance in challenging the Forensic Report. According to the learned Single Judge, this aspect of the matter pertains to fundamental issue and goes to the root of the matter. The parties to the proceeding did not raise this issue and the respondent did not plead or argue the same. The appellant-BDO was appointed to conduct the forensic audit for

the period from 1<sup>st</sup> April 2013 to 7<sup>th</sup> May 2019 but the period covered under the Forensic Report was from 1<sup>st</sup> April 2013 to 31<sup>st</sup> March 2017. The Forensic Report was to be submitted within two months and the period covered was last four years but the Forensic Report was prepared after about more than 17 months. The appellant-BDO was an interested party and actively engaged by the lender banks for the external forensic audit and it already had submitted a report to the SBI and the other lender banks. It was not an independent decision by the lender banks and they did not follow the due process under the RBI Master Directions-2016 for an external audit. The minutes of the meeting dated 1<sup>st</sup> March 2019 discloses that the appellant-BDO presented a report to the lender banks and itself suggested for its engagement or appointment as forensic auditor. On these issues, the learned Single Judge made the following observations: -

*25. From the material on record, it appears that Defendant No.2 was already engaged with the Lender Banks as Consultant all throughout. A Forensic Auditor's independentness is extremely crucial for objectivity, ensuring that he is free from bias and external influence to investigate fraud impartially acting as a credible, unbiased expert for courts, boards, and all stakeholders and most importantly not advocating for any specific party but for the truth and for upholding professional standards. He must be free from obligations, interests, or relationship with the client or else it could impair his objectivity. He cannot support a client's predetermined position. In the present case, association of Defendant No.2 with the Lender Banks as Consultant clearly creates a conflicting position as an independent External Forensic Auditor. In essence, the Forensic Auditor serves as an independent truth seeker providing reliable financial analysis for legal or decision making purposes, making independence the bedrock of his professional role.*

*26. It is seen that the timeline for completing the Forensic Audit stipulated in the Appointment order was 2 months. FAR was submitted to Lead Banks on 15.10.2020 i.e. after 1 year, 5 months and 8 days later. This erosion of the stipulated timeline on the face of record itself proves the above issue and clearly shows how Banks have treated the statutory Master Directions and the timeline of six (6) months stated*

*therein for completion of the External Audit process with disdain. I am fully conscious of the fact that the above issue is not argued by the Plaintiff, but in my opinion, it paves the way to the issue on merits which is the interplay of the 2016 and 2024 RBI Master directions qua the qualification of the Auditor appointed for External Forensic Audit argued by both parties.”*

11. The learned Single Judge further held that Footnote-14 to the RBI Master Directions-2024 clarified that the auditors must be qualified under the relevant laws which is the Companies Act. Section 141 (1) of the Companies Act provides that a person shall be eligible for appointment as an auditor of a company if he is a Chartered Accountant. The requirement of qualification of the external auditor under the Master Directions-2024 must relate back to the period during 2016. The appellant-BDO is not signatory to the external forensic report and the same was signed by the defendant no.3, namely, Mr. Srinivasa Rao who is not a registered Chartered Accountant. The learned Single Judge has held as under:-

*“34. In the present case, it is an admitted position by Defendant No. 2 in its Affidavit-in-Reply that Defendant No. 2 though being appointed as statutory External Forensic Auditor is not the signatory of the Report whereas FAR is signed by Defendant No. 3 being one of its then Partner. Most crucial fact is that Defendant No. 3 is admittedly not a qualified Chartered Accountant either which is also admitted by him. It is also an admitted fact that none of the Chartered Accountant Partners of Defendant No.2 at the then time were registered with ICAI. This position is undisputed. If that be the case then there is prima facie violation of the extant statutory provisions namely the RBI Master Directions which refer to the “relevant statutes” and call upon the signatory of the Audit Report to be a Chartered Accountant appointed under the relevant statutes. The submission of Banks that the 2024 RBI Master Directions would not apply to the present case because appointment of Defendant No. 2 was done under the 2016 RBI Master Directions and its Report was submitted in 2020 well before the 2024 RBI Master Directions came into force cannot also be countenanced. This is for the simple reason that 2024 RBI Master Directions have in fact built upon, improvised and consolidated the 2016 RBI Master Directions by clarifying the same. The 2016 RBI Master Directions clearly provide for appointment of External Auditors including Forensic Experts and such*

*External Auditors will have to conform to the qualification standard and construed as having Chartered Accountant qualification. The RBI Master Directions whether 2016 or 2024 have a statutory force since they are issued under Section 35A of the Banking Regulations Act, 1949.*

*35. It is seen that by virtue of enactment of 2024 RBI Master Directions the earlier Directions stood superseded which effectively means that in place of earlier Directions the new 2024 RBI Master Directions would now apply. It cannot be argued by Banks that it is only in 2024 that Footnote 14 giving effective direction for Auditors who are qualified under relevant statutes to conduct Audit is reflected for the first time and thus it would be applicable prospectively. What is important to be noted is the fact that if Clause 4.1 of Chapter 4 in the 2004 RBI Master Directions is juxtaposed with Clause 8.8.2 it will be seen that Banks were permitted to appoint External Auditor including Forensic expert or its internal team for investigation before taking a final view of RFA in 2016 itself. It cannot be argued by Banks that appointment of External Auditor would be de-hors the relevant / applicable statutes and any entity merely having expertise in the field of forensic investigation can be considered for appointment. Use of word "External Auditor" itself signifies that the Auditor that the Bank may appoint will have to be in conformity with the relevant statutes because the Auditor will have to be qualified and conduct audit in accordance with law."*

12. The learned Single Judge further held that the provisions under the Banking Regulations Act, 1949 must be harmoniously read with the Companies Act. Footnote-14 is merely a clarification issued for an omission to supply explanation and nothing more than that. The learned Single Judge emphasized on the disclaimer statements and held that the auditors effectively defeated the very purpose of the forensic audit investigation when they say that they do not own any responsibility for the Forensic Report, and that the Forensic Report is inconclusive and incomplete. The Master Directions-2024 are mandatory and operate within a binding statutory framework under which banks are required to engage auditors strictly in accordance with the applicable law. The learned Single Judge further held that the Forensic Report prepared in the year 2020 was never furnished to the respondent along with

complete documents, and that the same was supplied to him only in January 2024. Therefore, the cause of action can be said to have arisen only upon supply of the complete copy of the report, and the suit is clearly within limitation and maintainable.

13. The learned Single Judge held that the respondent and the directors of RCOM and its subsidiary companies shall be declared fraud if the proceedings against them are not stayed and they would suffer drastic and disastrous consequences. The learned Single Judge held as under :-

*"76. The consequences of allowing the Banks to proceed further and declaring the Plaintiff and Directors of the three Companies as fraud are already discussed hereinabove. They are virtually drastic and lead to disastrous consequences like being black listed, barred from new Bank loans / credit for years, criminal FIR filing, reputation damage, impacting fundamental rights to financial access and civil death. However, in view of all the above observations and findings, the Forensic Audit Report being a highly contentious document, qualification of the author of the Report being inadequate and it not having been authored by a qualified Chartered Accountant as External Auditor, role of the External Auditor in the present case when he being actively engaged before his appointment with the Lender Banks as Consultant and he himself suggesting and canvassing for his own appointment as Forensic Auditor before the Banks in the JLM, his participation in the JLM on 01.03.2019 and acting as Consultant to Lender Banks well before his appointment as External Auditor and most importantly he stating in writing through his Advocates that no fraud or criminal breach of trust has been observed by him in the FAR, the Plaintiff has made out a reasonably strong case for trial."*

14. On irreparable injury and balance of convenience, the Court held as under :-

*"63. On irreparable injury I would like to quote the decision of Supreme Court in the case of Best Sellers Retail (India) Private Limited Vs. Aditya Birla Nuvo Limited and Others, wherein the words of Alderson B. in Attorney General Vs. Hallett are quoted:-*

*"...I take the meaning of irreparable injury to be that which, if not prevented by injunction, cannot be afterwards compensated by any decree which the court can pronounce in the result of the cause."*

*64. In the decision of Supreme Court in the case of Gujarat Bottling Ltd and Others Vs. Coco Cola Co. and Others in paragraph No.47, the Court*

has held thus:-

*“47. In this context, it would be relevant to mention that in the instant case GBC had approached the High Court for the injunction order, granted earlier, to be vacated. Under Order 39 of the Code of Civil Procedure, jurisdiction of the Court to interfere with an order of interlocutory or temporary injunction is purely equitable and, therefore, the Court, on being approached, will, apart from other considerations, also look to the conduct of the party invoking the jurisdiction of the Court, and may refuse to interfere unless his conduct was free from blame. Since the relief is wholly equitable in nature, the party invoking the jurisdiction of the Court has to show that he himself was not at fault and that he himself was not responsible for bringing about the state of things complained of and that he was not unfair or inequitable in his dealings with the party against whom he was seeking relief. His conduct should be fair and honest. These considerations will arise not only in respect of the person who seeks an order of injunction under Order 39 Rule 1 or Rule 2 of the Code of Civil Procedure, but also in respect of the party approaching the Court for vacating the ad interim or temporary injunction order already granted in the pending suit or proceedings.”*

*65. In the above case, Court has introduced a fourth parameter namely conduct of the party apart from consideration of the triple test of prima facie case, balance of convenience and irreparable loss for considering injunctive reliefs. Court has held that Court may refuse to interfere unless the conduct of the party was free from blame because the relief of injunction is only equitable in nature and the party invoking jurisdiction of the Court has to show that he himself was not at fault and that he himself was not responsible for bringing all state of things complained of and that he was not unfair or inequitable in his dealings with the parties against whom he was seeking relief.”*

15. Mr. Tushar Mehta, the learned Solicitor General, Mr. Aspi Chinoy and Mr. Kevic Setalvad, the learned senior counsels appeared for the Bank of Baroda in Appeal (L) No.43022 of 2025. Mr. Tushar Mehta, the learned Solicitor General contended that the interim injunction granted by the learned Single Judge shall cause disastrous effects on the entire banking system. The interim injunction order has brought into force a kind of *status-quo ante* situation and the proceedings against the respondent have come to a standstill. The learned Solicitor General contended that there is a

presumption in law that every statute shall operate prospectively unless provided otherwise and the Master Directions-2024 does not specifically make the directions thereunder to operate retrospectively (refer : “Zile Singh”<sup>10</sup> and “Vatika Township Private Limited”<sup>11</sup>). The learned Solicitor General referred to the repeal provision under Clause 10 of the Master Directions-2024 and submitted that a conscious decision is taken by the RBI not to put every action under the Master Directions-2016 at a naught and the Master Directions-2024 shall operate with effect from 15<sup>th</sup> July 2024. The learned Solicitor General contended that the procedure laid down in the Master Directions are directory in nature and the appellant-Bank of Baroda was entitled under Clause 8.8.2 of the Master Directions-2016 to use an external auditor for investigation before taking a final view on the Red Flagged Accounts ("RFA"). The learned Solicitor General further submitted that the Forensic Report dated 15<sup>th</sup> October 2020 was made available to the respondent but he never challenged the qualification or eligibility of the BDO to conduct the forensic audit. The suit is hopelessly barred by limitation and an illusory cause of action has been pleaded to overcome the bar in law on the ground that ineligibility of the BDO came to his knowledge through the RTI response received by Ms. Siddhi Vora. However, there is no pleadings by the respondent as to who is Ms. Siddhi Vora and how and when the respondent could receive information from her as regards ineligibility of the BDO. The learned Solicitor General referred to experience of Mr. Srinivas Rao and submitted that there was no requirement under Clause 8.8.2 to employ a Chartered Accountant for conducting the investigation and preparing a Forensic Report. The learned Solicitor General

10 *Zile Singh v. State of Haryana & Ors.* : (2004) 8 SCC 1

11 *Commissioner of Income Tax (Central-I), New Delhi v. Vatika Township Pvt. Ltd.*: (2015) 1 SCC 1

further submitted that the BDO was appointed in a transparent manner through a bidding process and its independence and impartiality were never in dispute.

16. Mr. Aspi Chinoy, the learned senior counsel contended that any claim for compensation on account of alleged action taken by the Bank of Baroda is barred under section 35A of the Banking Regulation Act, 1949. The Master Directions-2016 do not contemplate an investigation under Clause 8.8.2 only by a registered Chartered Accountant and the external forensic auditor like the BDO is competent to carry the forensic audit. The learned senior counsel submitted that there is a marked distinction between an external audit and a statutory audit under the Companies Act. Footnote-14 which refers to an external audit is referable to the SEBI Act and Regulations framed thereunder and there is no requirement for conducting a forensic audit by a Chartered Accountant registered with the ICAI. It is submitted that there is no dichotomy in the appointment of two sets of auditors, one for a statutory audit and another for the external forensic audit. They assume different roles and perform functions in different spheres. The learned senior counsel submitted that the statutory auditor conducts audit of the company's account as envisaged under the Companies Act whereas the external forensic auditor examines various other aspects and its role is essentially investigative. The Master Directions-2024 shall operate prospectively and cannot invalidate the things done under the previous Master Directions. Clause 10 of the Master Directions-2024 specifically says that the instructions and guidelines contained in the circulars issued by the Reserve Bank of India listed in the Appendix shall stand repealed and the Master Directions-2016 is not included in the Appendix. By

reading a requirement under the Master Directions to include a Forensic Report by the Chartered Accountant, the learned Single Judge introduced a new condition which is not referable to the Master Directions-2016 under Clause 8.8.2.

17. The learned senior counsel criticized the findings recorded by the learned Single Judge and submitted that the findings on invalidity of the Forensic Report about four years after the report was submitted is patently illegal and not a sound exercise of discretion by the Court. The learned Judge has introduced a new requirement under the Master Directions-2016 that the external forensic audit must be conducted by a registered Chartered Accountant. The learned senior counsels submitted that there was no challenge to the Forensic Report dated 15<sup>th</sup> October 2020 and the eligibility and competence of the BDO were never questioned by the respondent in any previous proceedings. The suit filed by the respondent seeks a similar relief which was already declined to him by the writ Court vide order dated 3<sup>rd</sup> October 2025 and now under the guise of claim for compensation and damages the respondent seeks to challenge the Fraud Declaration Order dated 2<sup>nd</sup> September 2025. It was submitted that the learned Single Judge failed to exercise his jurisdiction in consonance with the settled legal principles and acted arbitrarily in recording several findings on the issues which are beyond the pleadings and not even argued before him. He recorded damaging findings on appointment of the BDO to the effect that its appointment was not independent and undoubtedly compromised. The reference to disclaimers in the Forensic Report to hold that the forensic report is *prima facie* inconclusive and incomplete is on a clear misconstruction of the disclaimers.

18. This is the submission made on behalf of the Bank of Baroda that the order passed by the learned Single Judge is not based on justice, equity and good conscience and the respondent has succeeded in a belated challenge to stall the processes in law initiated by the Bank of Baroda. The learned Single Judge acted in excess of the jurisdiction vested in him by going into the merits of the Forensic Report and holding that the said report is inconclusive and incomplete. No *prima facie* case has been established by the respondent and the filing of a belated and baseless suit is a *mala fide* attempt by him to delay the proceedings initiated against him for fraudulently diverting huge funds made available to him by the lender banks. The learned senior counsel referred to the decision in "*Kashi Math Samsthan*"<sup>12</sup> to submit that the considerations of balance of convenience and irreparable loss and injury shall be immaterial where a party to the suit fails to prove that he has a *prima facie* case to go for trial. Moreover, the learned Single Judge failed to appreciate that there is no factual foundation laid by the respondent in the plaint to plead the balance of convenience and irreparable injury to him. The submissions made before the Court were quite sketchy and do not indicate in any manner how the balance of convenience lies in favor of the respondent and he shall suffer irreparable loss and injury if an interim injunction is not granted in his favor.

19. Mr. Kevic Setalvad, the learned senior counsel mainly emphasized on delay in laying a challenge to the Forensic Report and questioning the eligibility and competence of the BDO and the defendant no.3 to conduct a forensic audit of RCOM and its related companies.

---

<sup>12</sup> *Kashi Math Samsthan & Anr. v. Shrimad Sudhindra Thirtha Swamy & Anr.*: (2010) 1 SCC 689.

20. Mr. Zarir Bharucha, the learned senior counsel appearing for the appellant-IDBI Bank Ltd. referred to paragraph nos.39 and 40 of the judgment under challenge and submitted that the authorship of the Forensic Report under Clause 4.1 of the Master Directions-2024 or its validity are not the relevant considerations to grant interim injunction in favor of the respondent. The respondent did not challenge the underlying suspected and fraudulent transactions reported in the Forensic Report and it is not open to the trial Judge to question the Forensic Report at an interim stage. Therefore, the findings recorded thereunder could not have been questioned by the learned Single Judge on the ground that not all 594 accounts were audited or only 24 CA's certificates were made available. Footnote-14 in Clause 4.1 does not state or imply that the external audit shall be conducted by a Chartered Accountant but the learned Single Judge has effectively re-written the Master Directions-2016. It was submitted that there is no warrant to hold that the respondent shall be remediless for all practical purposes if an interim relief is denied to him. The learned senior counsel submitted that the suit filed by the respondent is basically a tortious action for damages as loss of reputation. The conduct of the respondent is a crucial factor in a proceeding for the injunctive relief but the learned Single Judge ignored his belated challenge to the competence of the BDO after venturing into multiple legal proceedings. The learned Single Judge recorded that the defendant no.3 possesses vast experience and holds certificates and citations from various institutes around the world in the field of forensic investigation but erroneously held that the Forensic Report cannot be relied upon by the appellant-Banks to issue show-cause notices to the respondent and take steps in furtherance thereof. The learned Single Judge failed to appreciate

that the respondent's failure to raise any grievance with respect to the Forensic Report clearly militates against any balance of convenience in his favor. The qualification of the auditor or frailty of the Forensic Report can never be a ground to hold that a *prima facie* case and balance of convenience shall shift in favor of the respondent.

21. The learned senior counsel for the IDBI Bank further contended that the lender banks are authorized to declare an account as fraud and this is not the jurisdiction or responsibility of the auditor to determine if the account of the respondent was fraud (*vide, "Avantha Holdings"*<sup>13</sup>). The learned senior counsel contended that the respondent cannot complain of the proceedings against him for the fraudulent transaction of Rs.31,580 Crores and no harm, loss, injury or prejudice would have caused to the respondent if the appellant-IDBI Bank Ltd. proceeds with the show-cause notice which specifies and enumerates in considerable details the irregularities in the accounts of the companies. He has an opportunity at the show-cause stage to explain his position and dispute the allegations against him. The learned Single Judge incorrectly applied the ratio in "*Best Sellers Retail (India) Private Limited*"<sup>14</sup>. The respondent has no cause of action and the suit is not maintainable. The learned senior counsel referred to the decision of the Hon'ble Supreme Court in "*C. Bright*"<sup>15</sup> and contended that the timeline for performing a public duty is directory. The learned senior counsel referred to the decision of Court of Appeal in "*Murphy*"<sup>16</sup> and submitted that the learned Single Judge was required to give opportunity to the parties before adverting to the issues which he

13 *Avantha Holdings Limited & Anr. v. Union of India & Ors.* :WP (C) 274 of 2023

14 *Best Sellers Retail (India) Private Limited v. Aditya Birla Nuvo Limited & Ors.*: (2012) 6 SCC 792.

15 *C. Bright v. The District Collector*: (2021) 2 SCC 392.

16 *Murphy v. Wyatt*: (2011) 1 WLR 2129.

termed as “the core of the matter”.

22. Mr. Zal Andhyarujina, the learned senior counsel appearing for the appellant-Indian Overseas Bank submitted that the Master Directions-2024 does not expressly or by necessary implications invalidate the actions taken under the Master Directions-2016. The learned senior counsel further submitted that the appointment of a forensic auditor, BDO report and FMR reporting were all done prior to 2024 directions. The actions taken under the Master Directions-2016 shall remain valid and can be relied on for further proceedings under the Master Directions-2024. The learned senior counsel submitted that Appendix-A to the Master Directions-2024 enlists the circulars, guidelines etc. issued by the RBI which are repealed but the Master Directions-2016 are not included in the Appendix-A. Even so, the supersession of a previous Notification becomes effective from the date of subsequent Notification and the previous Notification is not abrogated retrospectively (refer N. S. Bindra’s General Clauses Act, 10<sup>th</sup> Edition and the decision in “*Glaxo India Limited*”<sup>17</sup>). The Master Directions are in the nature of a consolidating statute and the Master Directions-2024 do not intend to alter the existing legal position with a retrospective date. The learned senior counsel referred to the dictionary meaning of the expressions “Forensic”, “Audit” and “Auditor” and submitted that the word “Forensic” does not in present case refer to a statutory audit. The learned senior counsel further submitted that the auditors referred to in sections 139 to 145 of the Companies Act are not auditors who are appointed under section 139 to undertake an audit of the company under section 143.

23. Mr. Mustafa Doctor, the learned senior counsel appearing for the BDO in Appeal (L) Nos.760, 764 and 765 of 2026 submitted that

<sup>17</sup> *Union of India v. Glaxo India Limited & Anr.*: 2011 6 SCC 668.

the learned Single Judge rendered findings on a fundamental misunderstanding in law that the external audit report is akin to a statutory audit under the Companies Act which is conducted by a registered Chartered Accountant. The learned Single Judge made uncharitable remarks on the independence of the BDO which was not even questioned by the respondent. The learned Single Judge was required to record his findings on the basis of the materials before him and the findings recorded by him *dehors* the pleadings are without jurisdiction and liable to be set aside. The previous engagement of the BDO was for a different purpose and restricted to the fund flows and it was engaged in a transparent manner to conduct the forensic audit of the RCOM and other related companies. The findings recorded by the learned Single Judge that the BDO had a vital role in its appointment are *ex-facie* erroneous and liable to be set aside. The BDO was appointed under the Master Directions-2016 which expressly permitted under Clause 8.8.2 for appointment of the forensic expert for conducting the investigations and forensic audit of the company. The learned senior counsel referred to a few decisions to fortify his submission that no retrospective effect should be given to a statutory provision so as to impair or take away an existing right unless the statute directs so either expressly or by necessary implications [refer, “A. A. Carlton”<sup>18</sup> “Sri Vijayalakshmi Rice Mills”<sup>19</sup> and “P. Mahendran”<sup>20</sup>].

24. The learned senior counsel further submitted that there is no pleadings as to balance of convenience and no argument on this aspect was raised on behalf of the respondent. The findings recorded by the learned Single Judge causes reputational damage to the BDO

---

18 A. A. Carlton v Director of Education & Anr. : (1983) 3 SCC 33

19 Sri Vijayalakshmi Rice Mills, New Contractors Co. & Ors. v State of Andhra Pradesh : (1976) 3 SCC 37

20 P. Mahendran & Ors. v State of Karnataka & Ors.: (1990) 1 SCC 411

which shall seriously affect its professional engagements, present and future. Such findings are prejudicial to the standing of the BDO which is an empanelled forensic auditor for conducting forensic audits by the Indian Banks Association, Securities Exchange and Board of India and Serious Fraud Investigation Office. The disclaimers appended to the Forensic Report are standard/routine disclaimers and such disclaimers do not render the Forensic Report invalid and do not diminish its value. The loans were not used for sanctioned purpose rather used to pay connected/related parties and to pay other bank loans and siphoned off but the learned Single Judge ignored this material fact and held that this issue may not be directly relevant or important to decide the interim relief.

25. The learned senior counsel further submitted that the Forensic Accounting and Investigation Standards, 2023 (in short, FAIS) recognizes the right of professionals other than the Chartered Accountant to conduct forensic audit and investigations. The BDO was appointed in May 2019 under the Master Directions-2016 which expressly permits under Clause 8.8.2 for appointment of the forensic experts for conducting the forensic audit. The learned senior counsel adopted the arguments made on behalf of the lender banks and submitted that the findings recorded by the learned Single Judge and, that too, at the interlocutory stage are patently illegal and liable to be set aside. In paragraph no. 74 of the impugned judgment, the learned Single Judge relied on certain directions and letters issued by the RBI which are not part of the pleadings, not tendered in the Court and not cited by the parties in course of the arguments.

26. On the other hand, Mr. Mukul Rohatgi, the learned senior counsel for the respondent submitted that the issues relating to limitation etc. are ancillary aspects and the core of the matter is that

the Forensic Report is not legal and valid. It has no sanctity in the eyes of law in the face of Footnote-14 in Clause 4.1 of Master Directions-2024 which provides that the Forensic Report shall be prepared by an auditor appointed under the relevant statute. The learned senior counsel referred to the provisions under the Companies Act, Chartered Accountants Act and Income Tax Act and submitted that a Forensic Report means a report prepared by the auditor under the relevant statute. The relevant statute envisaged under the Footnote-14 in Master Directions-2024 is the Companies Act and an auditor for the purpose of Clause 4.4.1 can only be a registered Chartered Accountant. The learned senior counsel further submitted that what is implicit in Master Directions-2016 is made explicit in Master Directions-2024. The Master Directions-2024 shall apply having regard to the fact that the show-cause notice was issued to the respondent on 2<sup>nd</sup> January 2024 which was not accompanied by a complete copy of the Forensic Report and the full copy thereof was supplied on 30<sup>th</sup> May 2025 and the Fraud Declaration Order was issued on 2<sup>nd</sup> September 2025. In Writ Petition No. 3037 of 2025, the respondent laid a challenge to the Fraud Declaration Order on the basis of the Forensic Report obtained from a private expert body and the Bank of Baroda took a specific stand that the respondent may file a suit. Therefore, it cannot raise the issue of maintainability of suit on any ground whatsoever. The learned senior counsel tendered in the Court a copy of the affidavit dated 15<sup>th</sup> January 2026 and submitted that Ms. Siddhi Vora is not a stranger. She is a professional engaged by the RCOM etc. and the RTI response received by her provided information to the respondent regarding the qualification, eligibility and competence of the BDO and the signatory of the Forensic

Report, which shall constitute a valid cause of action to institute a suit. A declaration of fraud has serious and series of repercussions. It causes loss to reputation and exposes the party to inquiry, investigation and prosecution. The order declaring the respondent as a fraud by the Bank of Baroda on the basis of an invalid and illegal Forensic Report provided a sound foundation for an interim injunction and no interference is warranted by this Court with the impugned order dated 24<sup>th</sup> December 2025 having regard to the limited powers exercisable in an appeal against the interim injunction [*vide*, “*Wander Ltd.*”<sup>21</sup>]. Mr. Mukul Rohotgi, the learned senior counsel further submitted that this Court should take cognizance of these aspects under Order XLI Rule 22 of the Code of Civil Procedure and decline to interfere with the impugned order dated 24<sup>th</sup> December 2025.

27. Dr. Birendra Saraf, the learned senior counsel supplemented the arguments of Mr. Mukul Rohatgi, the learned senior counsel. Dr. Saraf submitted that the Forensic Report is incomplete, inconsistent and not as per the mandate. The general guidelines of the FAIA shall apply to its own members and not to the BDO. This is a case where the respondent has claimed compensation on account of failure of the defendants not to comply with the directions of the RBI and, in view thereof, the only remedy available to the respondent is to file a suit seeking damages. Clause 8.8.2 of Master Directions-2024 does not relate to a single entity and the reliance placed thereon is completely misplaced. There shall be separate consequences on account of fraud declaration orders issued by different banks and this is a significant factor which tilts the balance of convenience in favor of the respondent. Dr. Saraf referred to

---

21 *Wander Ltd. & Anr. v. Antox India Pvt. Ltd.: 1990 (Supp.) SC 727.*

“*Saroj Kumar Mishra*”<sup>22</sup> and “*Banarsi*”<sup>23</sup> to fortify his submissions.

28. Mr. Gaurav Joshi, the learned senior counsel for the respondent submitted that there is no reason for furnishing an incomplete report and the BDO could have obtained complete materials from the Resolution Professional. The BDO had access to limited data and there is no conclusive finding regarding the detection of fraud and mere use of the expressions “suspicious nature” and “potential diversion of loan” etc. cannot lay a foundation for issuing show-cause notice. The learned senior counsel submitted that none of 47 partners of the BDO holds a valid certificate of practice, the BDO is not registered with the ICAI and the signatory of the report is not registered with the ICAI. The BDO and the signatory of the report distanced themselves, disowned the report and made a disclaimer as regards the actions taken on the basis of the report. The learned senior counsel referred to various communications between the advocates for the parties and submitted that no sanctity can be attached to the Forensic Report. Section 6 of the General Clauses Act has no application in this case [*vide*, “*Kolhapur Canesugar Works Ltd.*”<sup>24</sup>] and the proceedings under the Master Directions-2016 cannot continue in absence of a saving clause. The expression “supersession” shall mean repeal [*vide*, “*Titaghur Paper Mills Co. Ltd.*”<sup>25</sup>] and all actions under the Master Directions-2016 shall be nullified and an order passed thereunder shall be *ex-facie* illegal. The learned senior counsel submitted that the Master Directions-2024 superseded the previous directions and this is very clear from the covering page circulating the said directions. Mr. Gaurav Joshi, the learned senior counsel submitted

---

22 *Coal India Ltd. & Ors. v Saroj Kumar Mishra* (2007) 9 SCC 625

23 *Banarsi & Ors. v Ram Phal* (2003) 9 SCC 606

24 *Kolhapur Canesugar Works Ltd. & Anr. v. Union of India & Ors.*: (2000) 2 SCC 536.

25 *State of Orissa & Ors. v. Titaghur Paper Mills Co. Ltd.*: (1985) SCC (Supp.) 280.

that section 50 creates a bar to a claim for the compensation arising out of any directions issued or order passed in compliance of the RBI directions and does not preclude a claim for compensation on account of the illegal Forensic Report and the actions taken thereof.

29. Mr. Ashish Kamat, the learned senior counsel also referred to several communications, defendant's affidavit filed in the suit and observations in the Forensic Report. He submitted that there is no scope for any argument that the Forensic Report is not incomplete, inconsistent and inconclusive. The BDO lacked eligibility and qualification under the relevant statute and the Forensic Report did not record a conclusive finding on fraud. The learned senior counsel referred to various paragraphs in the plaint, letters dated 19<sup>th</sup> January 2021, 3<sup>rd</sup> February 2021 and 24<sup>th</sup> February 2021 and submitted that the Forensic Report could not have been relied upon to issue a show-cause notice to the respondent on 31<sup>st</sup> May 2024, about 3 years after the said Report was submitted. The learned senior counsel submitted that the covering letter to the Master Directions-2024, absence of a saving clause and the decision in "*Rajesh Agarwal*" clearly indicate that the Master Directions-2016 have been superseded and the appointment of a Forensic Expert must be under the Companies Act. This Court in "*Anil D. Ambani*"<sup>26</sup> clearly held that the Master Directions-2024 were clarificatory and the processes initiated by the Bank and the show-cause notice shall merge with the subsequent process. Therefore, the appointment of the BDO and the validity of the Forensic Report must be tested on the basis of the Master Directions-2024. The BDO was appointed by SBI which is the lead Bank in the Consortium to furnish a conclusive Forensic Report and the Master Directions-2024 contemplate a Forensic Audit and not an internal or any other audit.

26 *Anil D. Ambani v. State Bank of India & Anr.*: 2025 SCC OnLine Bom 3755.

The SEBI Act or the Regulations framed thereunder do not provide qualifications for an Auditor or a Forensic Auditor. The respondent does not deal with stock markets and the SEBI Act which does not deal with Banking/lending transactions is not the relevant statute. The provisions under the Banking Regulation Act, 1949 supports the position that the relevant statute shall be the Companies Act, 2013. Footnote-14 is merely clarificatory in nature and makes it explicit what is implicit under the Master Directions-2016 [*vide*, “*Tarasingh v. State of Rajasthan*”<sup>27</sup>]. The FAIS are mere guidelines and cannot override the statutory mandate.

30. The learned senior counsel referred to the letters dated 19<sup>th</sup> June 2024, 17<sup>th</sup> January 2025, 26<sup>th</sup> June 2025, 23<sup>rd</sup> July 2025 and 5<sup>th</sup> August 2025 and submitted that a complete copy of the Forensic Report was not furnished to the respondent and there are admissions in the communications dated 17<sup>th</sup> January 2025 and 5<sup>th</sup> August 2025 to the effect that the show-cause notice was issued only on the basis of the Forensic Report. The show-cause notice was issued on the basis of the Forensic Report and there was no independent application of mind. The lack of qualification of the BDO is a jurisdictional fact and the Forensic Report cannot be the sole basis to initiate any action under the Master Directions. The actions taken by the appellant-IDBI Bank are vitiated on account of lack of jurisdiction and the same cannot be saved on any ground whatsoever. This is also not correct to say that the decision in Writ Petition No.3037 of 2025 shall constitute constructive *res-judicata*. Both the proceedings are entirely different and the appellant-IDBI Bank was not a party before the writ Court. There is no substance in the appellant’s contention that the claim is barred by limitation and, moreover, this issue can be tested only at the trial. The learned

---

27 *Tarasingh v. State of Rajasthan & Ors.*: (1975) 4 SCC 86.

senior counsel referred to “*Banarsi & Ors.*”<sup>28</sup> and the judgment dated 28<sup>th</sup> April 2025 in Appeal No.66 of 2012 titled “*Uto Nederland B. V.*”<sup>29</sup> and submitted that the impugned order does not warrant any interference having regard to the limited scope of inquiry by the appellate Court. The learned senior counsel further submitted that the discussions in paragraph nos.65, 77 and 78 in the impugned order clearly tilts the balance of convenience in favor of the respondent and there is every likelihood of irreparable injury to the respondent (*vide*, paragraph nos.63, 65 and 78).

31. A somewhat lengthy written submissions were tendered in the Court and several judgments were referred to and relied upon by the learned senior counsels for the parties. However, we are confining our decision to the fundamental issues arising from the impugned judgment dated 24<sup>th</sup> December 2025. As noticed above, in these Appeals the rival parties projected their respective stand on the very same issues with added vigor and force which were addressed before the learned Single Judge. The gist of the arguments advanced on behalf of the appellant-Banks are summarized thus; (i) Master Directions-2024 shall operate prospectively and the actions taken under the Master Directions-2016 by the appellant-Banks shall remain valid and subsist for all future purposes, (ii) validity of the Forensic Report cannot be challenged on the basis of Footnote-14 under Clause 4.1 of the Master Directions-2024, (iii) Forensic Report prepared by the BDO is a valid report prepared under Clause 8.8.2 of the Master Directions-2016, (iv) challenge to the eligibility of the BDO or inconclusiveness of the Forensic Report is grossly delayed and could not have been entertained (v) inadmissible evidence was taken into consideration and (vi) judgment dated 24<sup>th</sup> December

---

28 *Banarasi & Ors. v. Ram Phal: (2003) 9 SCC 606.*

29 *Uto Nederland B. V. & Anr. v. Tilaknagar Industries: 2025 SCC OnLine Bom 6140.*

2025 is based on the issues and materials which were neither produced nor argued by the parties. The learned senior counsels appearing for the appellant-Banks submitted that no *prima facie* case has been made out by the respondent and the balance of convenience also does not lie in his favor and he would not suffer any irreparable loss or injury if the interim injunction is not granted in his favor. *Per contra*, the learned senior counsels appearing for the respondent submitted that the Forensic Report is incomplete, inconclusive and illegal. No reliance can be placed on the Forensic Report which is not prepared and signed by a Chartered Accountant registered with the ICAI. The Master Directions-2016 have been superseded and all actions taken thereunder on the basis of the Forensic Report should lapse. The learned senior counsels for the respondent submitted that it shall cause serious prejudice to the respondent and irreparable harm and injury would visit him if the appellant-Banks are permitted to proceed against the respondent on the basis of the Forensic Report prepared by the BDO. Lastly, the learned senior counsels stressed on the limited jurisdiction of the appellate Court in these matters and supported the impugned judgment dated 24<sup>th</sup> December 2025.

32. The judgment dated 24<sup>th</sup> December 2025 contains contradictory findings and is based on flawed assumptions of fact and in law. The learned Single Judge completely misunderstood the primary object behind the Master Directions and the basic theme running through "*Rajesh Agarwal*". The Master Directions are issued by the RBI in the interest of Banking Policy. These Master Directions are intended at securing public money and to provide a framework for early detection of frauds and recovery of public money through timely identification, control, reporting and mitigation of

fraud risk. These directions provide guidelines to the Banks and Financial Institutions for effective investigation of the fraud cases and reporting of the fraud cases to appropriate regulatory and law enforcement authorities. The classification of fraud cases mainly refers to the criminal activities under the Indian Penal Code, such as, misappropriation and criminal breach of trust, fraudulent encashment through forged instruments, manipulation of books of accounts cheating and forgery, fraudulent transactions involving foreign exchange etc. The Master Directions-2024 expanded the applicability of the directions issued by the RBI and included several new banking entities and regional rural banks which were excluded under the Master Directions-2016. It has included the Foreign Banks, Local Area Banks, a Small Finance Bank, Exim Bank, NABARD, National Housing Banks etc. Through these directions, the Reserve Bank of India disseminates information to the banks on the details of frauds, unscrupulous borrowers and related parties so that the banks are able to take timely action and protect their interest. These directions cannot be interpreted in a different manner so as to cause prejudice to the lender banks and harm their interest. Every violation of the Master Directions shall not be amenable to judicial scrutiny.

33. The learned Single Judge recorded contradictory findings as to applicability of the Master Directions-2016. The learned Single Judge held that the Master Directions-2024 are built upon, improvised and consolidated the provisions under the Master Directions-2016. However, he has also held that the Master Directions-2016 were superseded through the Master Directions issued in 2024 which provide comprehensive and robust framework to the Banks for prevention, early detection and timely reporting of

the incidents of fraud. In our opinion, the actions taken under the Master Directions-2016 which are not repealed shall remain alive for all future purposes. There is no force in the submission that the Master Directions-2016 are not preserved through a saving clause. The executive decisions and the actions taken by the appellant-Banks under the Master Directions-2016 are not invalidated on coming into force of the Master Directions-2024. Another significant aspect of the matter is that the RCOM and other related companies have not challenged the actions taken by the appellant-Banks. The arguments raised on behalf of the respondent that the “relevant statute” shall mean the Companies Act are without a factual foundation and any basis in law. It is not pleaded by the respondent nor argued on his behalf that a policy decision was taken by the Board of the appellant-Banks that the Companies Act shall be the relevant statute as to Footnote-14 under Clause 4.1 of the Master Directions-2024. The introduction of certain measures of natural justice in the Master Directions-2024 as per the observations in “*Rajesh Agarwal*” shall not affect the concluded proceedings. An opportunity of hearing was given by the appellant-Bank of Baroda to the respondent against whom the allegation of fraud is being examined and the rules of natural justice were followed. The appellant-Banks issued show-cause notices to the respondent on different dates and the show-cause notices issued by the appellant-Indian Overseas Bank and IDBI Bank are pending a final decision by them. There is no allegation that an opportunity to file show cause reply was not given or hearing was not provided to the respondent before the appellant-Bank of Baroda took a decision to declare him as fraud. This is the stand taken by the IDBI Bank and the Indian Overseas Bank that the respondent shall be given proper

opportunity of hearing and he is at liberty to put forth his defence.

34. The learned Single Judge held that the Master Directions-2024 are statutory and mandatory in nature and have binding force in law but the lender banks did not adhere to the timeline under the Master Directions-2016 which provide that the bank has to take appropriate action within six months after red-flagging the account on detection of the fraud. According to the learned Single Judge, this issue goes to the root of the matter though directly not germane for entertaining the interim application. The learned Single Judge held that the declaration of an account as fraud or classification of the loan account as fraud shall ensue very serious consequences and the promoters/directors would be liable to penal measures and would be debarred from raising funds and seeking credit facilities in future. He further held that the respondent did not waive his right to challenge the Forensic Report and he is entitled to challenge the same in accordance with law, otherwise he would be rendered remediless for all practicable purposes. The learned Single Judge has held as under :-

*"56. In the present case it is seen that though the FAR was received by the lead bank in the year 2020, the same was never given to the Plaintiff along with its annexures and exhibits. Admittedly it was given to Plaintiff only in the year 2024, the earliest being in January 2024. There is substantial correspondence placed on record to this effect. Therefore, argument on limitation pleaded by banks cannot be prima facie countenanced. Once the Plaintiff had the complete report he has filed multiple proceedings in this Court but it is an admitted position which is not denied by the Banks that the issue regarding validity and legality of the FAR and qualification of the author and signatory of the Report was never challenged by Plaintiff in any of those proceedings. This issue as discussed above goes to the root of the matter. Once it is an admitted position that Defendant No.3 is the sole author and signatory of the report and he is not a qualified Chartered Accountant though he may possess vast experience and hold certificates and citations from various Institutes around the world in the field forensic investigation, but he still does not qualify to be an Auditor within the*

*requisite qualification under the relevant statutes to sign the FAR in India. Once this is the prima facie admitted position, there is absolutely no room for doubt and no matter whatsoever be concluded in the FAR, the FAR cannot be relied upon by the Banks before me to issue the Show Cause Notices and take steps in furtherance thereof. Hence the FAR and all consequential action based thereupon with which Plaintiff is aggrieved will have to be interfered with by this Court as the FAR forms the foundation of the Show Cause Notices and all consequential steps adopted by the Banks. In Clause 4 of the FAR at internal page No.3 it categorically stated that information contained in the Report is not an advise and should not be treated as such.*

*57. It is seen that FAR is the sole basis and foundation for issuance of the Show Cause Notices dated 02.01.2024 (Bank of Baroda), 31.05.2024 (IDBI Bank) and 02.12.2024 (Indian Overseas Bank) issued by Defendant No.1 Banks and all consequential actions thereafter. Once it is confirmed that full copy of the Report was given to the Plaintiff only in the year 2024 for the first time, the cause of action can only arise thereupon to challenge the Report and in turn the Show Cause Notices which rely on the said Report and therefore under Article 58 of the Limitation Act, the Suit is clearly within limitation and therefore maintainable. It is seen that because the Plaintiff has filed a multitude of proceedings in the last one (1) year it cannot be argued that Plaintiff has waived his right to challenge the FAR on the ground of its validity and competency to which challenge is maintained in the present Suit proceedings for the first time. Admittedly, when the Plaintiff has not taken the said grounds in any of the previous proceedings, certainly it entitles the Plaintiff to challenge the same in accordance with law, otherwise the Plaintiff would be rendered remediless for all practical purposes."*

35. The delay caused in supplying documents to the respondent and in issuing the show-cause notice to him are not the relevant considerations for examining the balance of convenience and a probable irreparable loss and injury to the respondent. The delay in taking actions under the Master Directions-2016 or the delay in preparation of the Forensic Report could not have caused any prejudice to the respondent. On the contrary, the appellant-Banks which permitted the respondent and the SEU to use the fund would have suffered further losses. The impartiality of the BDO has been examined by the learned Single Judge on a wrong factual premise.

Moreover, it was not a relevant consideration because a similar allegation can be levelled even against the investigation by the internal team of the appellant-Banks. What is important to consider is whether the appellant-Banks could have proceeded in the matter on the basis of the Forensic Report prepared by the BDO. Under Clause 8.8.2 of the Master Directions-2016, the appellant-Banks were entitled to engage an external auditor or a forensic expert or an internal team for investigations. Clause 8.8.2 of the Master Directions-2016 reads as under:-

*“8.8.2 The bank may use external auditors, including forensic experts or an internal team for investigations before taking a final view on the RFA. At the end of this time line, which cannot be more than six months, banks should either lift the RFA status or classify the account as a fraud.”*

36. Clause 8.8.2 of Master Directions-2016 provided that the banks may use external auditors, including forensic experts or an internal team for investigations before taking a final view on the RFA. Whereas, Clause 4.1.1 of Master Directions-2024 provides that the banks shall use external audit or internal audit for further investigation in such accounts as per their policy approved by the Board when a credit facility or loan account is classified as red-flagged. Footnote-14 to the expression “external audit” in Clause 4.1.1 suggests that the external audits shall be conducted by the auditors who are qualified to conduct audit under the relevant statutes. However, this is also relevant to note that the Companies Act does not use the expression “external auditor” or “forensic expert”. Clause 8.8.2 also does not make a distinction between the external auditor or a forensic expert or an internal team. The meaning of these expressions are not restricted in any clause under the Master Directions-2016. The appellant-Banks were entitled to engage an external auditor, including a forensic expert or an

internal team for investigation. The BDO report is prepared by the external auditors who are also forensic experts. At the relevant time, the investigations into the accounts of the respondent for the purpose of Clause 8.8.2 could have been conducted by the external auditors or the forensic experts or an internal team of the appellant-Banks. This was also open to the appellant-Banks to take a final view in the matter on the basis of the materials available with them without any investigation by the external auditor or an internal team. Clause 8.8.2 of the Master Directions-2016 uses the expression “may” and does not contemplate a mandatory Forensic Report before taking a final view in the matter.

37. It was contended by Dr. Saraf that separate cases may be registered against the respondent on the basis of the Fraud Declaration Orders passed by the appellant-Banks. In our opinion, this is also not a relevant consideration at interlocutory stage having regard to the facts of the case. In Writ Petition No. 3037 of 2025, the respondent laid an unsuccessful challenge to the show-cause notice dated 20<sup>th</sup> December 2023 and the order dated 13<sup>th</sup> June 2025 passed by the State Bank of India. The writ petition was dismissed vide order dated 3<sup>rd</sup> October 2025. As noticed above, the proceedings initiated by the IDBI Bank and Indian Overseas Bank against the respondent are at the stage of show-cause notice. The Bank of Baroda gave sufficient opportunity to the respondent to defend himself and proceeded in the matter under the Master Directions-2016. In the background of these facts, it is not difficult to arrive at a conclusion that no irreparable injury would be caused to the respondent if the proceedings against him are continued.

38. The case of the respondent revolves around the Forensic Report which was made available to him way back in the year 2021.

The respondent raised grievance against preparation of the Forensic Report which according to him is contrary to the applicable regulatory framework. According to the respondent, the appellant-Banks failed to adhere to the essential procedural safeguards as no EWS reports, RFA classification or internal alerts were ever issued to the borrower at any stage prior to the initiation of the CIRP. The respondent states that he was handicapped in absence of the necessary records to respond to the show-cause notice, which were issued in relation to stale transactions. He further states that he had no access to the records as the Board of Directors of RCOM was superseded and everything came in the custody of RP. However, what is important to note is that these facts were known to him prior to instituting the suits and he was unsuccessful in the previous proceedings instituted by him.

39. The basis for granting interim relief in favor of the respondent is *prima facie* findings on the Forensic Report dated 15<sup>th</sup> October 2020 which according to the learned Single Judge was not prepared in consonance with the Master Directions-2024. The learned Single Judge picks up a hole in the mandate to the BDO on the ground that the Forensic Report of the BDO covered additional two financial years and thus the same was not prepared as per the term and the period. The learned Single Judge held that the BDO was engaged by the lenders Banks and had submitted a report to the SBI and the lenders Banks, which was circulated in the Joint Lender's meeting and a detailed presentation was made by the BDO. The BDO was actively involved with the lender Banks before its appointment as External Forensic Auditor on 7<sup>th</sup> May 2019 and it was an interested party. The learned Single Judge held that there should have been some independent, neutral and duly qualified entity to conduct the

external audit of the respondent's companies. However, the impartiality of the BDO was not open to be questioned by the learned Single Judge and, more so, for examining the merits of the Forensic Report. The correspondences between the lawyers representing the respondent and the appellants cannot be utilized against the banks to seek interim injunction. The learned Single Judge referred to several internal pages of the Forensic Report and relied on the disclaimer statements at page no.378 to 380 of the said report and held that the said report *prima facie* does not appear to be a Forensic Report. In our opinion, such findings are clearly perverse and liable to be set aside. A “Note” to the main provision may provide some indication to understand the legal expression used in the main provision. A “Note” may explain the meaning of the main provision and has to be read in the context thereof. The term “disclaimer” is not expressly defined under the Indian Contract Act, 1872, though recognized in the contract law through general principles governing the contracts. The “disclaimer” is a term used by a party who seeks to limit or exclude his liability and is enforceable only if it is lawful and not oppose to public policy. There may be warranty disclaimer which excludes any implied warranty, such as, “as is where is clause”. The warranty disclaimer, liability disclaimer, representation disclaimer and risk disclaimer are some of the commonly recognized forms of disclaimers in contract term. A disclaimer is essentially aimed at ensuring that the author of the document is not held responsible for any consequences. It essentially places the parties on notice of being obliged to exercise due diligence and caution. The learned Single Judge quite clearly misconstrued the object and true meaning of a “Note” and the “disclaimer” and arrived at a wrong finding that the BDO is ineligible

and incompetent to conduct a forensic audit and the Forensic Report which has been disowned by its author cannot be relied upon by the appellant-Banks.

40. There is no dispute that the appellant-BDO is an Accounting Consultancy Firm which is impaneled by the Indian Banks Association for conducting forensic audit. The BDO is impaneled by the SEBI as Forensic Auditor for carrying out forensic audits of listed companies. The learned Solicitor General submitted that Mr. Srinivas Rao who is the defendant no.3 in the suit has enormous experience of about 600 Risk Consulting Assignments. He is a highly experienced forensic audit practitioner who worked with Hill and Associates Private Limited and other consulting firms, such as, KPMG India, KPMG Nigeria and PWC India. He has specialization in Fraud and Misconduct Investigations, Investigative due diligence, Computer Forensics and Fraud Risk Assessments etc. and he is a member of the Association of Certified Fraud Examiners, USA. He possesses experience of more than two decades in forensic audit and is associated with the Forensic and Risk Advisory Services at Nangia Anderson LLP. It is stated in the Forensic Report that the RCOM and related companies paid about 41% of Rs.31580 crores received from the Banks to the connected and related parties, Rs.6265 crores was utilized for the repayment of Banks' loan and Rs.1883 crores again to the related and non-related parties through dubious method. These findings are not challenged by the respondent. The account of the RCOM was categorized as the Non Performing Assets on 5<sup>th</sup> June 2017 and the CIRP proceedings were initiated against it under the Insolvency and Bankruptcy Code. The learned Single Judge overlooked these relevant aspects of the matter and proceeded in the matter on a wrong premise that some very crucial and fundamental

issues were not pointed out or argued before him.

41. The learned Single Judge bestowed his attention to "a very crucial factor" concerning the appointment of the BDO as a forensic auditor. The learned Single Judge says that this material issue of fact was not pointed out to him in course of the hearing but, according to him, this issue is of a fundamental importance and that goes to the root of the matter as to the appointment of the BDO as an external forensic auditor. The learned Single Judge records that the issue of impartiality of the BDO was not argued before him and several other documents which are available in public domain were not produced by the parties. By referring to certain notices, notifications etc. which are not part of the pleadings and some fundamental issues, which according to him go to the root of the matter, the learned Single Judge has rewritten the plaint. The learned senior counsels for the appellant-Banks rightly contended that the impugned decision of the learned Single Judge undermines the public confidence in banking system and other persons who are subjected to such proceedings shall seek reopening of the case on the basis of his decision. In our opinion, this is an issue of public importance and concerns the financial system in the country. The grant of interim injunction in a matter like this and, that too, on the aforementioned grounds is patently illegal. The decision in "*Saroj Kumar Mishra*" cited by Dr. Saraf, the learned senior counsel to counter the argument on "opening of floodgate" is clearly distinguishable. This is not as a matter of right that the respondent can claim an order of interim injunction. This is a remedy in law and not a right that flows to the respondent under any statute.

42. The provisions relating to pleadings in civil cases are intended to give to each party intimation of the case of the other party so that

the other party has an opportunity to meet the same. The rules of pleadings enable the Courts to determine what is really at issue between the parties. A Court cannot direct or dictate the parties as to what should be their pleadings or how they should prepare their pleadings. The parties have the freedom to make appropriate averments and formulate the relief in the manner most suited to them. With this predominant purpose, the Courts do not permit the parties to deviate from the course of litigation on a particular cause of action. This is, therefore, absolutely necessary that all basic and primary facts are stated in the plaint. Cotton. L.J. held in “*Philipps*”<sup>30</sup> as under: -

*“What particulars are to be stated must depend on the facts of each case. But in my opinion it is absolutely essential that the pleading, not to be embarrassing to the defendants, should state those facts which will put the defendants on their guard and tell them what they have to meet when the case comes on for trial.”*

43. “*Philipps*” was referred by Scott, L.J. in “*Bruce*”<sup>31</sup> wherein he observed that a statement of claim must disclose the material facts. He made the following observations: -

*“The cardinal provision in Rule 4 is that the statement of claim must state the material facts. The word ‘material’ means necessary for the purpose of formulating a complete cause of action; and if any one ‘material’ statement is omitted, the statement of claim is bad; it is ‘demurrable’ in the old phraseology, and in the new is liable to be ‘struck out’ under RSC Order 25 Rule 4 (see *Philipps v. Philipps*); or ‘a further and better statement of claim’ may be ordered under Rule 7.”*

44. There are well established rules of procedure governing the civil suits. The Civil Procedure Code lays down the procedure in detail which a civil Court is required to strictly follow. In a civil suit, the application for interim injunction must be decided on the basis of the plaint averments. The aggrieved party must base his claim for interim injunction on the basis of the pleadings before the Court.

<sup>30</sup> *Philipps v. Philipps* : (1878) 4 QBD 127.

<sup>31</sup> *Bruce v. Odhams Press Ltd.* : (1936) 1 KB 697.

The relief in the nature of a permanent declaration as to invalidity of the Report dated 15<sup>th</sup> October 2020, mandatory injunction against the appellant-Bank to recall the show cause notice dated 2<sup>nd</sup> January 2024, a declaration that the show cause notice dated 2<sup>nd</sup> January 2024 and the fraud classification order dated 2<sup>nd</sup> January 2025 is invalid, non est and bad in law, are matters for trial. The order dated 24<sup>th</sup> December 2025 granting interim injunction staying all actions taken by the appellant-Banks and restraining them from taking any further action or proceedings under the Forensic Report dated 15<sup>th</sup> October 2020 or the show-cause notices issued to him by the appellant-Banks shall necessarily amount to granting mandatory injunctions and declarations which are the main reliefs in the suit.

45. The settled principles of law governing the grant or refusal of interim injunction require the Court to bestow its considerations to the materials available on record. The predominant considerations in application for injunction are (i) *prima facie* case (ii) balance of convenience; and (iii) irreparable loss. The Court, while arriving at a finding on *prima facie* case, is required to arrive at the conclusion that a case for trial has been made out and the other factors requisite for grant of injunction are in favor of the party seeking interim injunction. A reference to *prima facie* in common law jurisdictions is taken as, and signifies a particular proposition or fact unless rebutted. The modern legal position seems to be that the expression "*prima facie*" is used to signify a state of affairs as to existence of sufficient corroborative evidence to support a case. There must be a serious question for trial and not a frivolous or delayed claim. The Court should assess the irrecoverable loss and irretrievable injury. A finding on *prima facie* case touches upon the

prospect of success in the trial and this assessment is made on the basis of the pleadings of the parties and the clinching materials in support thereof. A mere triable issue is not a ground to grant an interim injunction the effect of which would be to interrupt the pending proceedings and thereby causing greater inconvenience to the other party. The appellant-Banks raised objections on the ground that the doctrine of waiver and estoppel shall apply against the respondent, who had knowledge of the Forensic Report and its signatory and a complete copy thereof was furnished to him by the State Bank of India. However, the objections raised on behalf of the appellant-Banks are rejected on the ground that the entire edifice for issuing the show-cause notice is palpably dubitable. The learned Single Judge held as under:-

*"79. Banks' case that interfering with the Show Cause Notices and further consequential action will derail investigation cannot be countenanced if the edifice on which it is based is itself palpably dubitable. Allowing the impugned action to proceed will lead to disastrous consequences in such cases where it leads to a certain civil death without trial. Hence on the parameter of grave and irreparable harm / loss, Plaintiff's case deserves to be accepted for grant of interim relief for all the above reasons, legal and factual, and in accordance with the principles of natural justice. Principles of natural justice is based on the maxim – "Justice should not only be done but should manifestly be seen to be done". It provides for a fair hearing, unbiased decision-making and presenting proper evidence before taking any action."*

46. The jurisdiction of the Civil Court to pass an order of interim injunction is purely equitable and the conduct of the party seeking interim injunction is a relevant consideration. The respondent was afforded sufficient opportunity before the Fraud Declaration Order was passed against him. He challenged the show-cause notice, sought adjournments of hearings, gave undertakings to attend the hearings and never challenged the Forensic Report on the ground of

incompetence or ineligibility of the BDO or its signatory. He approached different Tribunals, different Forums and the writ Court. He prevaricated his stand from stage to stage and took different stand in different proceedings. Before this Court, he tried to project Ms. Siddhi Vora as his employee after the appellants concluded their arguments. There is no explanation as to why a similar RTI inquiry was not made when a copy of the Forensic Report dated 15<sup>th</sup> October 2020 was made available to him. This is also in the realm of speculation as to why Ms. Siddhi Vora moved the RTI application, and on whose behalf or instance did she do so.

47. There is no *prima facie* reason to grant an interim injunction in favor of the respondent. The consequences of the Forensic Report to the respondent are continuing ever since his account was red-flagged by the State Bank of India. There are criminal investigations going on which shall be directly affected by the order of injunction granted by the Court. There is no suit by the respondent to challenge the order passed by the SBI. The respondent cannot now contend that he would suffer irreparable loss if an order staying the implementation and operation of the Forensic Report and his classification as fraud are not granted. There is no balance of convenience in favor of the respondent for seeking interim injunction. The Court was required to keep in mind the consequence that might follow on passing of the interim injunction order in favor of the respondent.

48. A show-cause notice was issued to the respondent by the Bank of Baroda on 2<sup>nd</sup> January 2024 which was received by him on 9<sup>th</sup> January 2024. He made correspondences to the appellant-Bank for supply of documents and a copy of the Forensic Report was supplied to him on 27<sup>th</sup> June 2024. By a communication dated

22<sup>nd</sup> August 2024, the respondent was directed to file his reply by 16<sup>th</sup> September 2024 but he did not file his reply and engaged himself in a series of communications to the appellant-Bank. His request for extension of time to file reply was rejected whereafter he filed detailed reply on 14<sup>th</sup> January 2025. Along with his reply, the respondent provided an expert opinion prepared by NPV Insolvency Professionals Private Limited. After he received a communication through letter dated 7<sup>th</sup> March 2025 that his show-cause reply has been rejected, he again exchanged correspondences with the appellant-Bank in respect of the proposed personal hearing and made a complaint to the RBI regarding breaches committed by the appellant-Bank. The respondent challenged the show-cause notice in Writ Petition No.5342 of 2025 which was withdrawn by him on 17<sup>th</sup> April 2025. On 18<sup>th</sup> July 2025, the respondent appeared before the appellant-Bank for personal hearing and made his oral submissions and filed written submissions on 22<sup>nd</sup> July 2025. Thereafter a second show-cause notice was issued to the respondent on 29<sup>th</sup> August 2025 and the final order was issued on 2<sup>nd</sup> September 2025, classifying the account of RCOM and the respondent as fraud.

49. According to the respondent, in the proceedings of Writ Petition (L) No.29095 of 2025 a statement was made on behalf of the appellant-Bank of Baroda on 17<sup>th</sup> September 2025 that it shall not act in furtherance of the order dated 2<sup>nd</sup> September 2025 and therefore, the appellant-Bank should not take any coercive steps till final disposal of the suit. In view thereof, the respondent cannot seek an order of injunction staying further proceedings against him pursuant to the order dated 17<sup>th</sup> September 2025. After resorting to multiple legal proceedings, the respondent now seeks to challenge

the Forensic Report, the necessary facts whereof were known to him since 2021. In Writ Petition No. 3037 of 2025, the respondent laid a challenge to the show-cause notice dated 20<sup>th</sup> December 2023 and the FCO dated 13<sup>th</sup> June 2025 passed by the State Bank of India. A Division Bench of this Court dismissed the writ petition vide order dated 3<sup>rd</sup> October 2025. This is also a very significant aspect of the matter that all the proceedings pursuant to the show-cause notices issued to the respondent by the IDBI Bank and IOB are also stayed by the learned Single Judge.

50. A cause of action which is constituted by the whole bundle of essential facts must be antecedent to the institution of the suit. If any essential fact is absent in the averments of the plaint, the cause of action will be defective and any attempt to supply the omission may be viewed as introducing a new cause of action. The appellants have contested the matter on the ground of delay, laches, estoppel etc. emphasizing that the respondent was supplied a copy of the Forensic Report way back in the year 2021 but he remained silent and did not raise objection to the findings recorded thereunder. There are legal issues raised on the question of *res judicata*, constructive *res judicata*, cause of action, discovery of new fact, etc. The Court is required to keep in mind the host of legal issues raised by the parties before it takes a decision on the petition for interim injunction. The question of limitation was contested by the defendants on the ground that an illusory cause of action was incorporated by the respondent on the basis of the RTI response dated 24<sup>th</sup> October 2025. Certainly, there are host of legal issues which the learned Single Judge was required to keep in mind before granting interim injunction in favor of the respondent. These issues have, however, been overlooked by the learned Single Judge and the

result is that an unmerited, illegal and improper order of interim injunction has been passed on 24<sup>th</sup> December 2025.

51. The restrictions on the powers of the appellate Court to interfere with an order of interim injunction do not extend to the matters where the Court has committed procedural impropriety and illegality while passing the order. In summation, the judgment dated 24<sup>th</sup> December 2025 is held perverse. While entertaining the Interim Applications filed by the respondent, the learned Single Judge adopted a procedure which cannot be countenanced in law. The impugned judgment dated 24<sup>th</sup> December 2025 has been delivered in breach of natural justice and takes the appellant-Banks by surprise. The learned Single Judge overlooked the relevant considerations for the grant of interim injunction and took into consideration the irrelevant materials. The impugned judgment suffers from procedural irregularity and impropriety, and is illegal.

52. In the result, Appeal (L) Nos.43022 of 2025, 43052 of 2025, 43081 of 2025, 760 of 2026, 764 of 2026 and 765 of 2026 along with the Interim Applications are allowed. The impugned judgment dated 24<sup>th</sup> December 2025 passed by the learned Single Judge is set aside. Consequently, the Interim Application (L) No.35925 of 2025 in Suit (L) No.35923 of 2025, Interim Application (L) No.37575 of 2025 in Suit (L) No.37573 of 2025 and Interim Application Application (L) No.37865 of 2025 in Suit (L) No.37862 of 2025 are dismissed. The pending suits shall proceed in accordance with law without being influenced by the findings recorded by the learned Single Judge in the judgment dated 24<sup>th</sup> December 2025.

**[GAUTAM A. ANKHAD, J.]**

**[CHIEF JUSTICE]**