IN THE HIGH COURT OF GUJARAT AT AHMEDABAD

R/SPECIAL CIVIL APPLICATION NO. 4329 of 2026

With
CIVIL APPLICATION (FOR DIRECTION) NO. 1 of 2026
In R/SPECIAL CIVIL APPLICATION NO. 4329 of 2026

FOR APPROVAL AND SIGNATURE:

HONOURABLE MR. JUSTICE NIKHIL S. KARIEL

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Approved for Reporting	Yes	No
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BHARAT CHATRABHUJ VEDANT & ORS.
Versus
INDIAN OVERSEAS BANK
==
Appearance:
KURVEN K DESAI(7786) for the Petitioner(s) No. 1,2,3,4
TIRTH NAYAK(8563) for the Petitioner(s) No. 1,2,3,4
HARSHADA K DARJI(7537) for the Respondent(s) No. 1
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CORAM:**HONOURABLE MR. JUSTICE NIKHIL S. KARIEL**

Date : 10/07/2026

ORAL JUDGMENT

1. Heard learned Advocate Mr. Tirth Nayak for the petitioners and learned Advocate Ms. Harshada K. Darji for the respondent-Bank.

2. **Rule**. Learned Advocate Ms. Darji waives service of Rule on behalf of the respondent.

3. By way of this petition, the petitioners have sought for the

following prayers :

> "7. The petitioners therefore pray that this Hon'ble Court may be pleased to pass an appropriate writ, order or direction to:
>
> (A) Quash and set aside the Impugned Show Cause Notice dated 05/02/2025 (at **Annexure -A**) issued by the Respondent;
>
> (B) Quash and set aside the Communication dated 31/07/2025 (i.e. the First Impugned Communication) (at **Annexure – B)** issued by the Respondent
>
> (C) Quash and set aside the Communication dated 30/01/2026 (i.e. the Second Impugned Communication) (at **Annexure – C**)
>
> (D) Quash and set aside the Impugned Action of the Respondent of declaring the Petitioners herein as 'Willful Defaulters', in terms of the Willful Defaulters Master Circular issued by the Reserve Bank of India;
>
> (E) During the pendency and final disposal of this petition,
>
> i. stay the implementation, operation and execution of the Impugned Action of the Respondent of declaring the Petitioners as 'Willful Defaulters', in terms of the Willful Defaulters Master Circular issued by the Reserve Bank of India
>
> ii. direct the Respondent not to take any coercive steps against the Petitioners and suspend the action of the Respondent whereby the Petitioners have been declared as willful defaulters.
>
> (F) Grant ex-parte ad-interim relief in terms of para (E) above be granted;
>
> (G) Award cost of this petition;
>
> (H) Pass such other and further orders as may be deemed just and expedient, in facts of the present case, in favour of the Petitioners."

4. It is the case of the petitioners that the respondent-Bank through its Identification Committee has declared the petitioners as willful defaulters and the Review Committee has upheld the decision of the Identification Committee. The petitioners challenge the same before this Court, more particularly contending that the decisions of the Identification Committee and the Review Committee were based a forensic audit report dated 22.06.2022 by one M/s. C.P. Jain & Company. It is the case of the petitioners that while the orders passed by the Identification Committee and the Review Committee, were of the year 2025 and 2026 respectively, yet, after the Review Committee passed its order on 30.01.2026, in an application filed by the Liquidator of the Company, in which the petitioners were Directors, before the National Company Law Tribunal, Ahmedabad (NCLT), vide an order dated 13.03.2026, the learned NCLT has inter alia declared that the report of the auditor could not be accepted since the forensic auditor has not conducted the forensic audit as per the prescribed procedure and has not given any definite opinion.

4.1 It is the case of the petitioners that since the veracity of the forensic audit report itself now being rendered questionable by the decision of the learned NCLT, therefore the proceedings against the petitioners which were solely based on the report of the forensic audit, may be interfered with by this Court.

5. As against the same, it is the case of the respondent-Bank that it is not the forensic audit report, which was the sole basis for declaring the petitioners as willful defaulters by the Identification Committee and later confirmation of such declaration by the Review Committee.

6. Learned Counsel appearing for the respondent-Bank has taken this Court through the show-cause notice as well as the orders passed by the Identification Committee as well as the Review Committee, and has tried to submit that there were independent material, based upon which, the decisions were taken. It is further submitted by learned Advocate for the respondent-Bank that the petitioners had been given appropriate opportunity on all stages, i.e. by issuing a show-cause notice, giving a personal hearing before the Identification Committee as well as before the Review Committee, before the impugned orders were passed.

7. Considering the submissions made by the learned Counsels for the respective parties and having perused the documents on record including the show-cause notice issued to the petitioners by the respondent-Bank on 05.02.025 and the order of the Identification Committee dated 31.07.2025 and the decision of the Review Committee dated 30.01.2026 as well as

the decision of the learned NCLT referred to hereinabove, it would prima facie appear to this Court that the report in question had been referred to in the show cause notice as being the only the documentary proof, which was being relied upon by the respondent-Bank. This Court has also perused the order dated 31.07.2025 and found that the Identification Committee has stated that the petitioner did not submit any documents/evidence to rebut the allegation made by the Bank, but only for the personal hearing opportunity, which was denied, since the same was not contemplated as per the RBI Guidelines. Thus, it would appear that the Identification Committee had proceeded on the basis of the Forensic Audit Report, while referring the case to the Review Committee. This Court has also perused the order dated 30.01.2026 passed by the Review Committee and whereas it is revealed that the decision of the Review Committee was based upon the Forensic Audit Report. It also appears that the Forensic Audit Report was the prime consideration, which had weighed with the Review Committee, while declaring the petitioners as willful defaulters. Thus, it would appear to this Court that the Forensic Audit report was the prime consideration, which had weighed with the respondent Bank, while declaring the petitioner as willful defaulters.

8. This Court has also perused the judgment passed by the learned NCLT dated 13.03.2026, albeit, under the Insolvency and Bankruptcy Code, whereby the Liquidator had sought for relief against the respondents therein i.e. inter alia the petitioners herein, more particularly to direct the respondents therein to contribute proportionally to the assets of the corporate debtor, the proportion being with regard to the wrongful transaction entered into by them. It also appears that the application was primarily filed on basis of the Forensic Audit Report referred to hereinabove. It would appear in this regard that the learned NCLT had evaluated the Forensic Audit Report and had come to a conclusion that the Forensic Auditor had not conducted the Forensic Audit as per the prescribed procedure and has not given any opinion. It would thus, appear that when the Forensic Audit Report based upon which the action of declaring the petitioners as willful defaulters had been taken and whereas the validity and veracity of the report has been deemed as reasonable by the competent forum, then it would necessarily imply that the Forensic Audit Report could not have been material, based upon which the petitioners could have been declared willful defaulters by the respondent. While it is attempted to be submitted by the learned advocate for the respondent that the Forensic Audit Report was just one of the material, which had been looked into by the Identification Committee and the

Review Committee, while declaring the petitioners as willful defaulters, yet, perusal of the above order, as noticed hereinabove by this Court, clearly reveals that if not the sole consideration, the Forensic Audit Report was the prime consideration which had weighed with the Identification Committee and the Review Committee. To this Court, it would appear that once a report, which was prime consideration taken into account by the Committees, while declaring the petitioners as willful defaulters, has been declared as not being prepared as per the proper procedure, then consequently the recommendations of the Identification Committee and the Review Committee based upon such report, could not be permitted to hold a field any further. Again, while learned Advocate for the respondent has submitted that the petitioners had been provided appropriate opportunity, yet to this Court, it would appear that the lacuna which has arisen on account of judgment of the learned NCLT is not one, which could be ignored merely on account of principles of natural justice having been followed. To this Court, it would appear that when the report basis which a recommendation had been issued by the Identification Committee and the Review Committee has lost its efficacy following observations of the learned NCLT, then consequently, the order of the Identification Committee and the Review Committee could be deemed to have lost their substratum. Thus, it would appear to this Court, that appropriate interference is required, albeit, leaving it open for the respondent-Bank to take out fresh proceeding in accordance with law. Hence, the following directions:

(i) The show-cause notice dated 05.02.025, the order passed by the Identification Committee dated 31.07.2025 and the order passed by the Review Committee dated 30.01.2026, are hereby quashed and set aside.

(ii) The respondent-Bank is at liberty to take appropriate steps against the petitioners, if at all the Bank is inclined to have the petitioners declared as willful defaulters.

(iii) It is clarified that the respondent-Bank is not precluded from taking any fresh action against the petitioners herein and whereas it would be open for the Bank to finish the proceedings as expeditiously as possible, subject to the condition that appropriate opportunity is afforded to the petitioners.

(iv) All contentions of all parties are kept open.

9. With the above observations and directions, the present petition stands disposed of as allowed. Rule is made absolute. Consequently, the Civil Application stands disposed of.

10. It is further clarified that this Court has not gone into the merits of the issue and whereas the interference as above, is only on a limited ground and not on the merits of the issue.

(NIKHIL S. KARIEL,J)

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