HC-KAR

NC: 2026:KHC:56915
WP No. 35567 of 2019
C/W WP No. 64053 of 2016

CNR: KAHC010240222019

IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 9TH DAY OF OCTOBER, 2026

BEFORE

THE HON'BLE MR. JUSTICE SACHIN SHANKAR MAGADUM

WRIT PETITION NO. 35567 OF 2019 (GM-RES)
C/W
WRIT PETITION NO. 64053 OF 2016 (GM-RES)

IN WP No. 35567/2019
BETWEEN:

1. HARKIRAT SINGH BEDI
S/O LATE I S BEDI
AGED ABOUT 61 YEARS,
RESIDING AT 10TH FLOOR,
17, DELTA BLOCK, SINGMA SOFT TECH PARK
WHITEFIELD MAIN ROAD, VARHTUR KODI
BANGALORE – 560066.

...PETITIONER

(BY SRI. AJESH KUMAR .S, ADVOCATE)

AND:

1. ORIENTAL BANK OF COMMERCE
RRL CLUSTER NO 92/95,
HJS CHAMBERS, RICHMOND ROAD,
BANGALORE - 560025
REPRESENTED BY ITS CHIEF MANAGER /
AUTHORISED OFFICER
MR D M DORA

ALSO AT

ORIENTAL BANK OF COMMERCE
HARSHA BHAVAN, E BLOCK
CONNAUGHT PLACE NEW DELHI - 110001
REPRESENTED BY ITS AUTHORISED OFFICER

2. M/S STATE BANK OF INDIA
STATE BANK OF TRAVANCORE
SINCE AMALGAMATED WITH SBI
STRESSED ASSETS MANAGEMENT GROUP BRANCH
2ND FLOOR, OFFICE COMPLEX BUILDING LOCAL
HEAD OFFICE, ST MARKS ROAD
BANGALORE - 560001
REPRESENTED BY ITS AUTHORISED OFFICER
…RESPONDENTS

(BY SMT. NAYANA TARA .B.G, ADVOCATE FOR R2;
V/O DATED 08.09.2026, SRI. VIGNESH SHETTY, ADVOCATE FOR R1)

THIS W.P. IS FILED UNDER ARTICLES 226 AND 227 OF THE CONSTITUTION OF INDIA, PRAYING TO QUASH THE LETTER DATED 14.3.2011 AND 18.5.2012 AND OTHER LETTERS ISSUED BY THE RESPONDENT BANK DECLARING THAT THE PETITIONER IS A WILLFUL DEFAULTER IN VIOLATION OF THE PROCEDURE PRESCRIBED BY THE RESERVE BANK OF INDIA AS PER ANNEXURE-A AND B RESPECTIVELY; AND ETC.

IN WP NO. 64053/2016
BETWEEN:

1. M/S IDEB PROJECTS PRIVATE LIMITED
A COMPANY INCORPORATED UNDER
THE INDIAN COMPANIES ACT,1956
HAVING ITS REGISTERED OFFICE AT
NO.9TH AND 10TH FLOOR,
7, DELTA BLOCK, SIGMA SOFT TECH PARK,
WHITEFIELD MAIN ROAD, VARTHUR KODI
BANGALORE-560 066
REPRESENTED BY ITS MANAGING DIRECTOR
MR H S BEDI

2. HARKIRAT SINGH BEDI
S/O SRI I.S. BEDI,
AGED ABOUT 58 YEARS
OFFICE AT:
NO.9TH AND 10TH FLOOR,

7TH, DELTA BLOCK, SIGMA SOFT TECH PARK,
WHITEFIELD MAIN ROAD, VARTHUR KODI,
BANGALORE-560 066.

3. AVNEET BEDI
W/O SRI HARIKIRAT SINGH BEDI,
AGED ABOUT 57 YEARS
NO.9TH AND 10TH FLOOR,
7TH, DELTA BLOCK, SIGMA SOFT TECH PARK,
WHITEFIELD MAIN ROAD, VARTHUR KODI,
BANGALORE-560 066.

...PETITIONERS

(BY SRI. AJESH KUMAR .S, ADVOCATE)

AND:

1. RESERVE BANK OF INDIA
SHAHID BHAGAT SINGH MARG FORT,
MUMBAI-400 001
BY ITS GOVERNOR
ALSO AT:
RESERVE BANK OF INDIA,
NRUPATHUNGA ROAD,
BANGALORE-560 001.

2. STATE BANK OF INDIA
STRESSED ASSETS MANAGEMENT BRANCH,
2ND FLOOR, OFFICE COMPLEX BUILDING,
LHO CAMPUS, #65, ST.MARKS ROAD,
BANGALORE-560 001
REPRESENTED BY ITS AUTHORIZED OFFICER

...RESPONDENTS

(BY SRI. A. RAVISHANKAR, ADVOCATE FOR R2;
R1 SERVED)

THIS WP IS FILED UNDER ARTICLES 226 AND 227 OF THE CONSTITUTION OF INDIA, PRAYING TO QUASH THE IMPUGNED NOTICES BOTH DATED 7.12.2016 ISSUED BY RESPONDENT AS PER ANNEXURE-A AND A1; AND ETC.

THESE PETITIONS, COMING ON FOR DICTATING ORDERS, THIS DAY, ORDER WAS MADE THEREIN AS UNDER:

CORAM: HON'BLE MR. JUSTICE SACHIN SHANKAR MAGADUM

ORAL ORDER

The captioned writ petition is filed by the petitioner seeking to quash the communication dated 14.03.2011 issued by the respondent-State Bank of Travancore, whereby the petitioner was informed of the decision of the competent authority to classify him as a "wilful defaulter" and to include his name in the list of wilful defaulters to be forwarded to the Reserve Bank of India.

2. The facts leading to the filing of the present petition, as pleaded, are that during the year 2007, M/s. IDEB Projects Private Limited ("IDEB") approached the respondent-Bank and five other banks seeking sanction of various financial facilities. The respondent-Banks agreed to extend working capital facilities, comprising fund-based as well as non-fund-based facilities, aggregating to a sum of Rs.380 crores to IDEB under a consortium lending

arrangement. Pursuant to the said arrangement, various agreements and other financial documents came to be executed between IDEB and the consortium of banks. The respondent-State Bank of Travancore was designated as the lead bank of the consortium. Various securities were created and requisite documents were executed by the parties in connection with the said facilities.

3. The principal grievance of the petitioner is that the procedure prescribed by the Reserve Bank of India under the Master Circular dated 01.07.2010 for identification and declaration of a person as a "wilful defaulter" has not been followed in the present case. According to the petitioner, the proceedings culminating in his classification as a wilful defaulter were initiated through the respondent-State Bank of Travancore. The petitioner was issued a communication dated 14.03.2011 calling upon him to show cause as to why he should not be declared a wilful defaulter. The petitioner claims to have

submitted his reply thereto on 24.03.2011, which is produced at Annexure-E.

4. It is the further case of the petitioner that, notwithstanding the reply submitted by him, the respondent-State Bank of Travancore, by communication dated 02.04.2011, proceeded to declare him as a wilful defaulter, which communication is produced at Annexure-F. The petitioner thereafter submitted a further representation dated 12.04.2011, produced at Annexure-G, requesting that he be afforded an opportunity of personal hearing/meeting so as to place the requisite clarification before the competent authority. It is alleged that the said request was not considered in accordance with the procedure prescribed under the Master Circular and that, subsequently, by communication dated 18.05.2012, the petitioner was again communicated the decision declaring him as a wilful defaulter, which is produced at Annexure-H.

5. Learned counsel appearing for the petitioner, reiterating the grounds urged in the writ petition, would contend that the respondents have failed to adhere to the procedure prescribed by the Reserve Bank of India under the Master Circular dated 01.07.2010 governing identification and declaration of wilful defaulters. It is contended that the petitioner was not afforded an effective and meaningful opportunity to place his case before the competent authority and, consequently, the impugned decision stands vitiated for violation of the principles of natural justice.

6. Learned counsel would further contend that the consequences of such classification are serious and far-reaching. In particular, reference is made to Section 29A of the Insolvency and Bankruptcy Code, 2016, and it is submitted that, so long as the petitioner continues to be classified as a wilful defaulter, he would be rendered ineligible to submit a resolution plan in respect of M/s.

IDEB Projects Private Limited. It is therefore contended that the classification cannot be sustained unless the procedure prescribed by the RBI is strictly complied with.

7. It is also contended that the audit report does not disclose any material establishing siphoning or diversion of funds by the petitioner. According to learned counsel, in the absence of any finding or material indicating siphoning of funds, the essential ingredients required for classification of the petitioner as a wilful defaulter are not made out. The petitioner seeks to rely upon the material on record, including the audit report and the correspondence exchanged between the parties, to contend that the requisite conditions for such classification were not satisfied.

8. Learned counsel would further contend that the correspondence exchanged between the petitioner and the respondent-Bank itself demonstrates that a valid notice, in the manner contemplated under the Master Circular dated

01.07.2010, was not issued to the petitioner before the decision to classify him as a wilful defaulter was taken. It is therefore urged that the impugned action is contrary to the procedure prescribed by the RBI and is consequently liable to be set aside on the ground of violation of principles of natural justice.

9. In view of the rival submissions and having heard the learned counsel appearing for the petitioner and the learned counsel appearing for respondent No.2, the following points arise for consideration:

> "(i) Whether the petitioner has made out that the decision to classify him as a wilful defaulter was taken in violation of the procedure prescribed under the applicable RBI Master Circular and in breach of the principles of natural justice?
>
> (ii) Whether the petitioner was afforded an effective opportunity to submit his representation

against the proposed classification and, if so, whether the failure on his part to avail such opportunity disentitles him from challenging the classification at this belated stage?

(iii) Whether the petitioner has satisfactorily explained the delay and laches in challenging the communication/classification made in the year 2011?

(iv) Whether the Master Circular dated 17.02.2015 relied upon by the petitioner can be invoked to examine the validity of a classification made in the year 2011?

(v) Whether the subsequent initiation of the corporate insolvency resolution process and the alleged rejection of the petitioner's resolution plan under Section 29A of the Insolvency and Bankruptcy Code, 2016, furnish a valid ground for

the petitioner to assail the classification as a wilful defaulter after such lapse of time?

(vi) Whether the petitioner is entitled to the reliefs sought in the present writ petition?"

Finding on Point Nos.(i) and (ii):

10. Since Point Nos.(i) and (ii) are interrelated, they are taken up together for consideration. Before examining the rival contentions, it would be apposite to refer to the grievance redressal mechanism prescribed under the Master Circular on Wilful Defaulters, produced at Annexure-C. The Master Circular prescribes a structured mechanism for identification and classification of a borrower as a wilful defaulter. The procedure contemplates that the decision to classify a borrower as a wilful defaulter must be duly considered and documented and supported by the requisite material. The reasons for such classification are required to be clearly spelt out with reference to the guidelines issued by the Reserve Bank of

India. The concerned borrower is thereafter required to be suitably advised of the proposed classification and afforded a reasonable opportunity, including a period of fifteen days, to submit his representation/explanation.

11. The material placed before this Court, particularly Annexures-R2, R3 and R4, clearly demonstrates that the Identification Committee issued separate communications dated 14.03.2011 to IDEB Projects Private Limited, the petitioner herein and Mrs. Avneet Bedi, informing them of the proposed decision to classify them as wilful defaulters and calling upon them to submit their representations in writing within fifteen days from the date of receipt of the respective communications.

12. Thus, the contention of the petitioner that no notice was issued to him cannot be accepted. The record establishes that the petitioner was individually put on notice and was specifically afforded an opportunity to submit his explanation before the proposed classification

was acted upon. The further contention that the petitioner was denied an opportunity of hearing is equally untenable, since the prescribed mechanism first contemplated an opportunity to the concerned person to submit his representation against the proposed classification. Significantly, the petitioner has not placed any material before this Court to establish that he submitted an individual representation in response to the communication dated 14.03.2011 within the stipulated period of fifteen days. On the contrary, the record indicates that the response dated 24.03.2011 was submitted by IDEB through its counsel. The petitioner, in his individual capacity, did not avail the opportunity afforded to him by the Identification Committee.

13. The significance of this omission assumes considerable importance. The grievance redressal mechanism under the Master Circular is not an empty formality. It provides an opportunity to the concerned

borrower/director to controvert the proposed classification by placing relevant facts and material before the competent authority. The representation, if any, would thereafter form the basis for consideration by the Grievance Redressal Committee in accordance with the mechanism prescribed under the Master Circular. In the present case, the petitioner, despite being individually notified, chose not to submit his representation within the stipulated period. Consequently, the petitioner cannot now contend that the subsequent stages contemplated under the Master Circular were not followed. Those stages necessarily arise upon the concerned borrower making a representation against the proposed classification. Where the petitioner himself failed to avail the opportunity expressly afforded to him, the mere non-invocation of the subsequent grievance redressal mechanism cannot render the final classification illegal.

14. It is equally relevant that the petitioner was classified as a wilful defaulter in the year 2011, whereas the present writ petition came to be instituted only in the year 2019. Thus, there is an unexplained delay of nearly eight years in challenging the classification. The petitioner, having remained silent for several years despite being individually notified of the proposed action, cannot seek to reopen the matter after such an extraordinary lapse of time. The plea of violation of natural justice, in the circumstances of the present case, therefore, cannot be accepted. The petitioner was put on notice, was informed of the proposed classification and was granted fifteen days' time to submit his explanation. Having failed to avail the opportunity, he cannot subsequently contend that the decision was rendered in breach of the principles of natural justice. A person who, despite being afforded an opportunity, elects not to respond cannot ordinarily complain of denial of an opportunity merely because the ultimate decision has operated to his prejudice.

15. The subsequent conduct of the petitioner also assumes significance. The present challenge has been instituted in the backdrop of the corporate insolvency resolution process concerning IDEB Projects Private Limited. It is not in dispute that the resolution proposal submitted by the petitioner came to be declined on the ground that the petitioner was subject to the statutory disqualification arising from his subsisting classification as a wilful defaulter. The timing of the present proceedings, therefore, lends considerable support to the contention of respondent No.2 that the challenge was instituted only after the consequences of the earlier classification became material in the CIRP proceedings.

16. This Court is conscious that the existence of a subsequent consequence, by itself, would not validate an otherwise illegal classification. However, in the present case, the petitioner had knowledge of the classification as early as in 2011 and had the opportunity to question the

same at the relevant point of time. He did not do so. The present challenge, raised only after the classification became an impediment to his participation in the insolvency resolution process, cannot be permitted to revive a stale cause of action.

17. The record also indicates that the petitioner was pursuing other proceedings before this Court and was, therefore, not prevented by any legal impediment from questioning the classification, if he was genuinely aggrieved by the same. Nothing prevented the petitioner from challenging the action of the respondent-Bank within a reasonable period. His silence for nearly eight years is therefore a material circumstance which disentitles him from invoking the extraordinary and discretionary jurisdiction of this Court under Article 226 of the Constitution.

18. The contention of the petitioner that Clauses 4 and 5 of the Master Circular were not complied with also

cannot be considered in isolation. The mechanism under the Master Circular has to be understood as a sequential process. The petitioner was duly served with the communication contemplated at the initial stage and was afforded the prescribed opportunity to submit his representation. Having failed to submit any individual representation, the petitioner cannot subsequently rely upon the non-occurrence of the subsequent stages of the mechanism, which would have been triggered upon his contesting the proposed classification.

19. In the absence of any representation from the petitioner controverting the proposed classification, there was no occasion for the competent authority to consider a representation made by him before the Grievance Redressal Committee. The petitioner cannot take advantage of his own failure to invoke the mechanism and thereafter contend that the mechanism was not followed.

20. It is also necessary to distinguish between the merits of the classification and the procedural challenge now raised. The petitioner seeks to contend that the material, including the audit report, did not establish siphoning or diversion of funds and that, therefore, the ingredients of wilful default were not satisfied. Such a challenge ought to have been raised before the competent authority by submitting a representation when the petitioner was specifically called upon to do so. Having consciously failed to place his case before the authority at the relevant stage, the petitioner cannot, after several years, invite this Court to undertake a fresh examination of disputed factual matters in exercise of its extraordinary jurisdiction.

21. The principles governing exercise of jurisdiction under Article 226 also assume significance. The writ jurisdiction is discretionary and equitable. Although delay and laches do not constitute an inflexible bar in every

case, a person seeking discretionary relief must satisfactorily explain the delay, particularly where the impugned action had been communicated to him and had operated for several years. In the present case, no satisfactory explanation is forthcoming for the petitioner's failure to challenge the classification from 2011 until 2019.

22. The subsequent relevance of the classification in the CIRP proceedings cannot furnish a fresh cause of action so as to reopen the original classification. The fact that the classification subsequently produced an adverse consequence in the insolvency proceedings does not efface the petitioner's failure to challenge the original decision within a reasonable period.

23. In that view of the matter, this Court finds that the petitioner was duly notified of the proposed classification and was afforded the opportunity contemplated under the applicable Master Circular. The petitioner failed to submit his individual representation

within the stipulated period. Consequently, the plea of violation of natural justice or non-compliance with the grievance redressal mechanism cannot be accepted.

Accordingly, Points No.(i) is answered in the '***negative'*** and Point No.(ii) is answered in the '***affirmative'*** and against the petitioner and in favour of respondent No.2.

Finding on Point No.(iii):

24. The next question is whether the writ petition is liable to be dismissed on the ground of delay and laches. As already noticed, the petitioner was individually notified of the proposed classification by communication dated 14.03.2011. He did not submit his individual representation within the prescribed period and thereafter allowed the classification to remain unchallenged for nearly eight years. The present petition was instituted only in 2019, after the classification had remained operative for a substantial period.

25. No convincing explanation is forthcoming for this prolonged silence. The petitioner was aware of the proceedings and, as noticed above, was pursuing other proceedings before this Court. The challenge therefore cannot be treated as one brought at the earliest available opportunity. The writ petition seeks to unsettle a decision which had remained unquestioned for nearly eight years and which had acquired significant consequences in the intervening period.

26. The subsequent initiation of the CIRP and the petitioner's inability to participate in the resolution process on account of the subsisting classification cannot constitute a satisfactory explanation for the delay in challenging the original action. The cause of action, if any, arose when the petitioner was classified as a wilful defaulter and not when the consequences of that classification subsequently became adverse to him in the CIRP.

27. The Court cannot permit a stale challenge to be revived merely because a subsequent proceeding has exposed the consequences of an earlier decision. Such an approach would unsettle concluded actions and would defeat the requirement that a person invoking the extraordinary jurisdiction of this Court must approach the Court with reasonable promptitude.

Accordingly, Point No.(iii) is answered in the '***negative'*** and against the petitioner, holding that the writ petition suffers from unexplained delay and laches and that the petitioner is not entitled to discretionary relief under Article 226 of the Constitution.

Finding on Point No.(iv):

28. The petitioner has also sought to rely upon the Master Circular dated 17.02.2015. The classification in the present case, however, was made in the year 2011. The petitioner cannot seek to test the validity of an action taken in 2011 by applying a regulatory framework issued

subsequently, unless the later circular is shown to have retrospective operation. No such retrospective application has been demonstrated in the present case. The validity of the classification must therefore be examined with reference to the regulatory framework applicable at the time when the classification was made. The Master Circular dated 17.02.2015, having been issued subsequent to the impugned action, cannot retrospectively govern the validity of the classification made in 2011.

Accordingly, Point No.(iv) is answered in the '***negative'*** and against the petitioner.

Finding on Point No.(v):

29. The petitioner seeks to contend that the subsequent consequences flowing from his classification, particularly in the proceedings under the Insolvency and Bankruptcy Code, justify interference by this Court. The contention cannot be accepted. The consequence arising under Section 29A of the Insolvency and Bankruptcy Code

is distinct from the validity of the original classification as a wilful defaulter. The petitioner's resolution proposal came to be declined in the CIRP proceedings on account of the statutory disqualification attributed to his subsisting status as a wilful defaulter. That subsequent consequence cannot, by itself, confer upon the petitioner a fresh cause of action to challenge a classification which he had knowledge of since 2011 and which he did not question for nearly eight years.

30. If the petitioner was aggrieved by the classification, the appropriate course was to challenge it within a reasonable period after being notified thereof. Having failed to do so, he cannot invoke the writ jurisdiction merely because the classification has subsequently operated against him in the insolvency proceedings. The Court is therefore unable to accept the submission that the pendency of the CIRP or the rejection

of the petitioner's resolution proposal furnishes sufficient justification to reopen the classification.

Point No.(v) is accordingly answered in the '***negative***' and against the petitioner.

Finding on Point No.(vi):

31. In view of the findings recorded on Points Nos.1 to 5, the petitioner has failed to establish that the impugned classification was made in violation of the procedure prescribed under the applicable RBI Master Circular or in breach of the principles of natural justice. He has also failed to explain the extraordinary delay in challenging the classification. More importantly, the petitioner, having been duly notified and afforded an opportunity to submit his representation, failed to avail the same. The subsequent challenge is therefore not only belated but is also founded upon an opportunity which the petitioner had himself failed to utilise. The petitioner cannot approbate and reprobate by remaining silent when

the opportunity was available and subsequently questioning the procedure only after the classification became an impediment to his participation in the CIRP.

32. The discretionary jurisdiction under Article 226 of the Constitution of Indai cannot be exercised to revive such a stale challenge or to unsettle a classification which remained unchallenged for nearly eight years. The petitioner has consequently failed to make out a case for interference with the impugned action.

Point No.(vi) is accordingly answered in the '***negative***' and against the petitioner.

33. In view of the foregoing discussion, the petitioner is not entitled to the reliefs sought in the present writ petition. Accordingly, Point No.(vii) is answered by passing the following:

ORDER

(i) The writ petition is ***dismissed***.

(ii) No order as to costs.

(SACHIN SHANKAR MAGADUM)
JUDGE

ALB
List No.: 1 Sl No.: 52