Reportable/Non-Reportable

Judgment reserved on: 20th July, 2026
Judgment delivered on: 30th July, 2026

IN THE DEBTS RECOVERY APPELLATE TRIBUNAL AT KOLKATA

Appeal No. 32 of 2026
(Arising out of S.A. 175 of 2020 in DRT, Visakhapatnam)

HON'BLE MR. JUSTICE ANIL KUMAR SRIVASTAVA
CHAIRPERSON

1. The Authorised Officer, State Bank of India, having office at Stressed Asset Recovery Branch (SARB), Administrative Office Campus, Balaji Nagar, Siripuram Junction, Visakhapatnam – 530 003;

2. The Branch Manager, State Bank of India, Bazaar Branch, D. No. 28-33, Opp. Viswanadh Threater, Kasturibai Road, Chilakaluripeta, Guntur – 522 616, Andhra Pradesh.

... Appellants

-Versus-

1. Pusala Rajesh, S/o P. Sundara Babu, presently residing at Unit 3, 11/13, Water Street, Went Worthville, Sydney, NSW 2145, Australia and permanently residing at Door No. 4-92, Boppudi Village, Chilakaluripeta Mandal, Guntur District – 522 616, Andhra Pradesh.

... Respondent

2. S. Kishore Kumar, S/o Srihari, residing at H. No. 3-7-64/38, 1st Floor, Sai Sapthagiri Colony, Mansoorabad, Hayatnagar, K.V. Ranga Reddy, Hyderabad – 500 068, Talengana.

... Proforma Respondent

Counsel for Appellants	...	Mr. Ajay Gaggar (Virtual)
Counsel for Respondent No.1	...	Mr. D.N. Murthy

JUDGMENT : 30th July, 2026

THE APPELLATE TRIBUNAL:

1. Instant appeal has arisen against Judgment and order dated 15th March, 2025 passed by the Learned DRT, Visakhapatnam allowing S.A. 175 of 2020 (Pusala Rajesh -vs- State Bank of India & Others).

2. As per pleadings of the parties, the Securitization Applicant is a Guarantor of the loan transaction and the loan is availed by the Borrower from the Appellant Bank. An amount of Rs.20.00 lac was availed by the Borrower under Term Loan and Cash Credit in the year 2010. The account

[redacted]

became irregular and was classified as N.P.A. Demand Notice was issued by the Bank which was received by the Securitization Applicant. Possession Notice and other notices were also issued by the Bank. First Sale Notice was issued on 06.9.2019 wherein the OTS was sanctioned but could not be complied with. Accordingly, the Sale Notice was withdrawn. However, on 20th October, 2019 e-auction Sale Notice was issued fixing 14.11.2019 with the Reserve Price at Rs.38,25,000.00. Market Value is Rs.1,08,90,000.00. The secured assets are for agricultural purposes but was converted into industrial land and the market value of land is Rs.2,42,00,000.00.

3. Secured assets were sold to the Auction Purchaser by the Bank in an auction dated 14.11.2019 for Rs.48,50,000.00. Sale Certificate is issued in the name of the Auction Purchaser.

4. Sale is challenged on the ground that the property is sold for under valuation. Notice under Rule 8 (6) of the Security Interest (Enforcement) Rules, 2002 (hereinafter referred to as the 'Rules') is not served upon the SARFAESI Applicant. In the sale certificate the value of the land is shown as Rs.1,08,90,000.00. Sale Notice was also not affixed on the secured assets.

5. Respondent Bank opposed the prayer and stated that loan account was classified as N.P.A. on 30th September, 2016. Demand Notice was issued on 21.6.2018 which was returned and was published in the newspaper 'The New Indian Express' and 'Hans India and

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Andhra Prabha' and 'Nava Telangana' daily newspapers on 6.9.2018 but the Borrower did not respond to the same. Possession was taken on 30.4.2019. Possession Notice was pasted on the secured assets and was published on 4.5.2019 in the 'Andhra Prabha' and 'Hans India' daily newspapers. Notice under Section 8 (6) of the Rules was issued on 10.5.2019. Valuation Report was obtained from the approved Valuer wherein the Market value is assessed at Rs.45,00,000.00 realizable value is Rs.38,25,000.00 and forced/distress value is Rs.31,50,000.00. Accordingly, Reserve Price was fixed at Rs.38,25,000.00. Sale Notice was published in 'The Hindu' and 'Sakshi' daily newspaper on 1.8.2019 which was also affixed on the conspicuous part of the secured assets and was also sent to the Borrowers informing that the sale shall be conducted on 6.9.2019.

6. Notice under Rule 9 (1) read with Rule 8 (6) of the Rules was issued on 7.9.2019. Sale Notice was published in the 'New Indian Express' and 'Eenadu' daily newspaper on 20.10.2019 which was also affixed on a conspicuous part of the secured assets and was sent to the Borrower fixing 14.11.2019 for sale. Secured assets were auctioned in favour of the Auction Purchaser. Sale Certificate was issued and registered on 12.02.2020.

7. Learned DRT allowed the SARFAESI Application by recording a finding that account was rightly classified as N.P.A. Demand Notice and Possession Notice were also duly issued and served. Notice under Rule 8 (6) of the Rules was issued on 10.5.2019 which was duly served. Learned DRT also held that the Sale Notice dated 20.10.2019, fixing the e-auction on 14.11.2019, was duly issued and served upon the Borrowers. Notice was also affixed on the schedule property on the conspicuous place. Sale Confirmation Advice was issued on 15.11.2019 to the successful Auction Purchaser and the Certificate of Sale was also issued in accordance with the Rules.

8. At this stage, it is pertinent to observe that all these findings have not been challenged by the Securitization Applicant in the appeal rather the Bank preferred an appeal against the order of the Learned DRT.

9. Learned DRT, however, held that the property has been under-valued. On this count alone Learned DRT allowed the Securitization Application.

10. Learned Counsel for Appellant would submit that the valuation of the secured assets was made on the basis of the valuation report obtained by the Bank from Paler Sinngaiah Valuer wherein the value of the property was assessed at Rs.45,00,000.00 which was the fair market value but the realizable value of Rs.38,25,000.00 and distress value was Rs.31,50,000.00. Accordingly, the Reserve Price was fixed at Rs.38,25,000.00 and the property was sold at Rs.48,50,000.00.

11. Learned Counsel for Appellant would further submit that the valuation, as assessed by the Learned Valuer, was well considered in his report wherein justification of the same was given.

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12. Per contra, Learned Counsel for Respondent would submit that in the Sale Certificate itself, the value of the property is assessed at Rs.1,08,90,000.00. Further, Learned Counsel has placed reliance upon the Certificate of A.P. Government Revenue Department wherein the nature of the land was shown as Dry Land. Accordingly, it is submitted that the property is under-valued by the Bank.

13. At the very outset, Learned DRT has made its own assessment regarding valuation of the property. Learned DRT has placed reliance upon a judgment of Hon'ble High Court of Andhra Pradesh at Amravati passed in W.P. 298 of 2025 decided on 20th January, 2025 which was completely on a different set of facts and is not at all applicable to the facts of the present case. However, Learned DRT held that the Valuer has not considered the guideline value and has not given any reason for fixing the price at Rs.15.00 lac per acre in Navya Andhra Pradesh where market value of the property is increased compared to the guideline value. This finding of the DRT is merely based on surmises and conjectures. There is no material on record to observe that the value of the property is being increased. In the Valuation Report, Learned DRT described the description of the secured assets as a 'vacant site' to an extent of Ac.3.00 cents wherein the justification was given as:

> *"In view of the bifurcation of combined Andhra Pradesh state, the real estate market rates around Navya Andhra Pradesh state is gone up. That's why the Market values of the properties are increased tremendously compared to the Guideline value. This area is located in developing Residential area and is easily accessible to all civic amenities. There is demand for sites in this area. This is the reason why the site rates are much higher than the Guideline value issued by Government."*

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Accordingly, Guideline Value of the land was Rs.7.50 lac but the Learned Valuer assessed the value at Rs.15.00 lac per acre. In the photographs attached shows that it is a barren land. A down loaded printout is also annexed wherein the value of the Dry Land is shown as Rs. 7,50,000.00 per acre while the agricultural, land fit for housing society, was shown as Rs.36,30,000.00 per acre. Admittedly, there is no material on record to show that the secured assets are agricultural land, fit for secured assets. Accordingly, the value of the Dry Land was considered by the Valuer. In the Form 1B, issued by the Andhra Pradesh Government, Review Department Tehsildar, the secured assets is shown as Dry Land with an extent of 3 acres. Accordingly, the Reserve Price was fixed at Rs.38,25,000.00 as realizable value assessed by the Learned Valuer and the secured assets were auctioned.

14. No doubt, in the Sale Certificate the value of the land is shown as Rs.1,08,90,000.00 but that was the value assessed for the purpose of payment of the stamp duty because in the Sale Certificate itself, the sale consideration was mentioned as 48,50.000.00. In ***Ram Kishun & Others -vs- State of Uttar Pradesh & Others [(2012) 11 SCC 511]*** it was held by the Hon'ble Apex Court in paragraphs 13, 14, 17 and 24 that:

> *"13. Undoubtedly, public money should be recovered and recovery should be made expeditiously. But it does not mean that the financial institutions which are concerned only with the recovery of their loans, may be permitted to behave like property dealers and be dispose of the secured assets in any unreasonable or permitted further to arbitrary manner in flagrant violation of the statutory provisions."*
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> *"14. A right to hold property is a constitutional right as well as a human right. A person cannot be deprived of his property except in accordance with the provisions of a statute. (Vide Lachhman Dass vs.Jagat Ram and State of M.P.V. Narmada Bachao*

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Andolano) Thus, the condition precedent for taking away someone's property or disposing of the secured assets, is that the authority must ensure compliance with the statutory provisions."

"17. Therefore, it becomes a legal obligation on the part of the authority that property be sold in such a manner that it may fetch the best price. Thus essential ingredients of such sale remain a correct valuation report and fixing the reserve price. In case proper valuation has not been made and the reserve price is fixed taking into consideration the inaccurate valuation report, the intending buyers may come forward treating the property as not worth purchase by them, as a moneyed person or a big businessman may not like to involve himself in small sales/deals."

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"24. It is evident that law requires a proper valuation report, its acceptance by the authority concerned by application of mind and then fixing the accordingly and acceptance of the auction bid taking into reserve price consideration that there was no possibility of collusion of the bidders. The authority is duty bound to decide as to whether sale of part of the property would meet the outstanding demand. Valuation is a question of fact and valuation of the property is required to be determined fairly and reasonably."

15. In ***Leelamma Mathew -vs- Indian Overseas Bank & Others (2023 20 SCC 459)*** it was held that:

"24. Rule 8 of the 2002 Rules cast a duty on the authorised officer to take all precautions before putting the secured asset to sell. As per sub-rule (5) of Rule 8 before effecting sale of the immovable property (secured assets) the authorised officer shall obtain valuation of the property from an approved valuer and in consultation with the secured creditor and fix the reserve price of the property and may sell the whole or any part of such immovable secured asset."

16. As observed earlier, Learned DRT has not recorded any valid reason in setting aside the sale for under valuation.

17. No doubt, the law is well settled that the best possible value should be fetched in the public auction. But at the same time, law is also well settled that once a sale is confirmed, Sale Certificate is issued and registered, the right of the Auction Purchaser should also have to be protected by the Tribunal.

18. In such circumstances, we should be cautious of the fact that the order must be a reasoned order; simply by making its own assessment, without considering the material on record, Learned DRT has transgressed its power in setting aside the sale. Learned DRT should have exercised

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powers in accordance with law after following the settled principles of law.

19. Accordingly, we are of the considered view that the valuation fixed by the Valuer was in accordance with law. Auction was conducted even at a much more value than that of the Reserved Price which could not in any case be said to be an auction for under-valuation. Learned DRT has misdirected itself in recording the finding for setting aside the sale which is liable to be set aside the sale which is liable to be set aside. Appeal deserved to be allowed.

ORDER

Appeal is allowed. Judgment and order dated 15th March, 2025 passed by the Learned DRT, Visakhapatnam is hereby set aside. Consequently, S.A. 175 of 2020 (Pusala Rajesh -vs- State Bank of India & Others) stands dismissed.

File be consigned to Record room.

Copy of the Judgment/Final Order be uploaded in the Tribunal's Website.

Order signed, dated and pronounced in open Court.

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(Anil Kumar Srivastava,J)
Chairperson
30.07.2026

Dated: 30th July, 2026
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