Reportable/Non-Reportable

Reserved on 10th September, 2026
Delivered on 17th September, 2026

Appeal No..31 of 2026 -DRAT-Kolkata

IN THE DEBTS RECOVERY APPELLATE TRIBUNAL AT KOLKATA

HON'BLE MR. JUSTICE ANIL KUMAR SRIVASTAVA
CHAIRPERSON

Appeal No. 31 of 2026
(Arising out of S.A. No. 472 of 2024 in DRT-II Hyderabad)

1. State Bank of India Stressed Asset Management Branch, (SAMB-II), D No. 3-4-1013/A, 1st Floor, CAC, TSRTC Bus Station, Kachiguda, Hyderabad- 500027.

....Appellants

-Versus-

1. M/s. Navneeta Steels Private Limited, Plot No. 152, D. No. 8-2-293/82/PN/152, Road No. 72, Prashasan Nagar Jubilee Hills, Hyderabad, Pin Code -500032.

2. Sri Anuyraag Agarwal, Flat No. 1903, Block -C, 19th Floor, My Home Bhooja, Raidurgam, Serilingampally, Hyderabad – 500032.

3. Sri Shanker Lal Agarwal, Flat No. 1903, Block -C, 19th Floor, My Home Bhooja, Raidurgam, Serilingampally, Hyderabad – 500032.

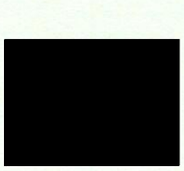
....Respondents

Counsel for Appellants Mr. Pankaj Kumar Mukherjee, Learned Advocate

Counsel for Respondents Mr. Vudiga Ravinder, Learned Advocate

JUDGMENT : 17th September, 2026

THE APPELLATE TRIBUNAL :



Instant Appeal has been preferred against a judgement and order dated 11th February, 2026 passed by Learned DRT-II Hyderabad allowing the S.A. No. 472 of 2024 ***(M/s. Navneeta Steels Private Limited and others versus State Bank of India and another).***

2. As per pleadings of the parties, the Respondent No. 1 is the borrower, Respondent No. 2 and 3 are the directors/ guarantors of the credit facilities availed by the Borrower Company. Repayment to the loan account was being made regularly till 2020. But due to Covid 19 outbreak and lockdown, account became irregular. A Demand Notice dated 25.03.2021 under Section 13(2) of the SARFAESI Act, 2002 (hereinafter referred to as the 'Act') was issued wherein the Respondents came to know about the fact that the Account has been classified as NPA on 19.03.2021 which is against the RBI guidelines and orders of the Hon'ble Supreme Court in Suo Motu Writ Petition (C) No. 825 of 2020 dated 26.08.2020 Gajendra Sharma versus Union of India and another. Interim order was passed on 03.09.2020 by the Hon'ble Apex Court directing all the Banks and Financial Institutions not to declare any account as NPA till further orders. Interim order was vacated on 23.03.2021. Account could also not have been classified as NPA during the moratorium period. Accordingly, Securitisation Application under Section 17 of the 'Act' was filed challenging the classification of the Account as NPA and the action initiated by the Bank under the SARFAESI Act.



3. It is further stated that Possession Notice was issued by the Bank on 16.09.2021 which was neither served through electronic mode nor affixed on the secured assets, nor published in two leading newspapers. Correct Valuation Report was not obtained. There is violation of Rule 8(6) and 9(1) of the Security Interest (Enforcement) Rules, 2002. Benefit of one time restricting of existing loan to MSME was not extended to the Respondents.

4. Secured Creditor Bank opposed the Securitisation Application stating that the loan Account was classified as NPA in accordance with RBI norms. Loan Account was not regularised despite several notices. O.A. No. 193 of 2021 was allowed against the borrower and guarantors. Recovery proceedings are pending.

5. Demand Notice was issued on 25.03.2021 which was duly served. Possession Notice was also served, affixed and published in accordance with law.

6. Valuation Report was obtained from the approved valuer. Sale Notice dated 14.08.2024 was served, affixed and published on 15.08.2024. One of the Secured Assets was sold in the auction and Sale Certificate was issued on 03.10.2024.

7. Challenge to the classification of the Account as NPA is not a measure under Section 13(4) of the 'Act'. Hence, the Securitisation Application under Section 17 of the 'Act' is not maintainable. Auction of the Bank was taken in accordance with law.

8. Learned DRT framed the following issues for consideration:

(i) Whether the Tribunal can examine the legality of NPA classification under Section 17 of the SARFAESI Act?

(ii) Whether the declaration of the Applicants' account as NPA on 19.03.2021 is in violation of binding Supreme Court orders?

(iii) Whether non-compliance with RBI Covid regulatory framework and MSME restructuring guidelines vitiates the SARFAESI measures?

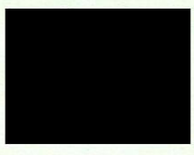
(iv) Whether the consequential measures under Sections 13(2) and 13(4) and Rules 8 & 9 are sustainable?

(v) To what relief?

9. In point No. (i), Learned DRT held that the challenge to NPA classification is within the scope of Section 17 of the SARFAESI Act.

10. In point No. (ii), it was held that the classification of the Account as NPA on 19.03.2021 was not legal in view of the interim order passed by the Hon'ble Apex Court in ***Gajendra Sharma versus Union of India and Another 2020 SCC OnLine SC 1240 Writ Petition No. 825 of 2020*** order dated 3rd September, 2020 wherein the direction was issued that the Accounts not declared NPA till 31.08.2020 shall not be declared NPA until further orders. The interim order was vacated on 23.03.2021 in the case of ***Small Scale Industrial Manufactures Association (Registered) versus Union of India and others (2021) 8 SCC 511.***

11. In point No. (iii), Learned DRT held that Securitisation Applicants could not substantiate the issue that the



Respondents rejected their proposal for restructuring as per RBI guidelines.

12. In point No. (iv), it was held that in the earlier Appeal No. 90 of 2024 the issue of NPA classification was not conclusively adjudicated.

13. Consequently, Learned DRT allowed the S.A. declaring that the classification of the Applicants' loan account as NPA on 19.03.2021 is illegal and consequential measures taken by the secured creditor were declared as null and void.

14. I have heard the Learned Counsel for the parties and perused the records.

15. Learned Counsel for the Appellant would submit that in the Notice under Section 13(2) of the SARFAESI Act, 2002 dated 25.03.2021, although the date of NPA is mentioned as 19.03.2021 but the same was declared on 25.03.2021 which was a date subsequent to the vacation of the stay order passed by the Hon'ble Supreme Court. It is submitted that the stay order passed by the Hon'ble Supreme Court on 3rd September, 2020 was vacated by the Hon'ble Supreme Court on 23.03.2021 in the case of ***Small Scale Industrial Manufactures Association (Registered) versus Union of India and others (supra).*** It is further submitted that accordingly there was no violation of the orders of the Hon'ble Supreme Court in classifying the account as NPA. Learned Counsel for the Appellant would further submit that the date of NPA i.e. 19.03.2021 is a system generated date. Learned Counsel has further placed reliance upon judgment of this Tribunal in ***Misc. Appeal No. 70 of 2025 The***

Authorised Officer L & T Finance Limited versus M/s Sany World and others. Learned Counsel for the Appellant would further submit that the Learned DRT had erred in holding that the classification of the Account as NPA on 19.03.2021 was against the orders of the Hon'ble Supreme Court.

16. Per contra, Learned Counsel for the Respondents would submit that admittedly the Account was classified as NPA on 19.03.2021. Demand Notice under Section 13(2) of the SARFAESI Act, 2002 was issued on 25.03.2021. Learned Counsel for the Respondent has drawn my attention towards Para No. 5.3 of the Memo of Appeal wherein it was categorically admitted that the Account was classified as NPA on 19.03.2021. Learned Counsel for the Appellant would further submit that the classification of the Account as NPA before the date of vacation of the stay order i.e 23.03.2021 is against the law. Learned Counsel for the Respondent would further submit that there is no provision for declaration of the Account as NPA. Rather, the Account has to be classified as NPA as per the guidelines of the Reserve Bank of India. There is nothing on record to show that there is any provision for declaration of the Account as NPA by the secured creditor.

17. Learned Counsel for the Respondent would further submit that the judgment of earlier S.A. filed by some other party could not be treated as res judicata as the Respondent herein was not a party to those proceedings. Hence, it cannot be operated as res judicata.

18. Undisputedly relationship of borrower and creditor is not in dispute between the parties. It is also clear from the records that defaults were committed by the Respondents. Account of the Respondent was classified as NPA on 19.03.2021. Demand Notice under Section 13(2) of the 'Act' was issued on 25.03.2021. It is admitted by the Appellants in ground III of the Memo of Appeal that –

"FOR THAT the said Respondent No.1 is the borrower of credit facility / loan availed from State Bank of India. Subsequently due to default in payment terms of the dues of State bank of India, the account was classified as Non Performing Asset on 19.03.2021 by declaring the same vide issuance of 13(2) notice on 25.03.2021, in accordance with the prudential norms and guidelines issued by the Reserve Bank of India (RBI) from time to time and the same was classified as NPA only after the final order dated March 23, 2021, passed by the Hon'ble Apex Court."

19. Further, in Para No. 5.3 of the Memo of Appeal it is admitted that –

"5.3 That the said Respondent No. 1 is the borrower of credit facility, loan availed from State Bank of India. Subsequently, due to default in payment terms of the dues of State Bank of India, the account was classified as Non Performing Asset on 19.03.2021 by declaring the same vide issuance of 13(2) notice on 25.03.2021, in accordance with the prudential norms and guidelines issued by the Reserve Bank of India (RBI) from time to time and the same was classified as NPA only after the final order dated March, 23, 2021, passed by the Hon'ble Apex Court."

20. In ***State of U.P thr. Secretary and Others versus Prem Chopra 2022 SCC OnLine SC 1770***, Hon'ble Apex Court in Para No. 24 held that –

"24. From the above discussion, it is clear that imposition of a stay on the operation of an order means that the order which has been stayed would not be operative from the date of passing of the stay order. However, it does not mean that the stayed order is wiped out from the existence, unless it is quashed. Once the proceedings, wherein a stay was granted, are dismissed, any interim order granted earlier merges with the final order. In other words, the interim order comes to an end

with the dismissal of the proceedings. In such a situation, it is the duty of the Court to put the parties in the same position they would have been but for the interim order of the court, unless the order granting interim stay or final order dismissing the proceedings specifies otherwise. On the dismissal of the proceedings or vacation of the interim order, the beneficiary of the interim order shall have to pay interest on the amount withheld or not paid by virtue of the interim order."

21. Interim order was passed on 03.09.2020 to the effect that –

ORDER

1. At the request of the Mr. Tushar Mehta, learned Solicitor General, the matter is adjourned for 10.09.2020.

2. Mr. Harish Salve, learned Senior Advocate, submitted that no account shall become NPA atleast for a period of two months.

3. In view of the above, the accounts which were not declared NPA till 31.08.2020 shall not be declared NPA till further orders.

22. Interim order was vacated by the Hon'ble Apex Court in the case of ***Small Scale Industrial Manufactures Association (Registered) versus Union of India and others (2021) 8 SCC 511*** wherein it was held that –

"102. In view of the above and for the reasons stated hereinabove, the present petitions seeking reliefs, namely, (i) total waiver of interest during the moratorium period; (ii) to extend the period of moratorium; (iii) to extend the period for invocation of the resolution mechanism, namely, 31-12-2020 provided under the 6-8-2020 circular; (iv) that there shall be sector-wise reliefs provided by RBI; and (v) that the Central Government/RBI must provide for some further reliefs over and above the relief packages already offered stand dismissed. Connected IAs stand disposed of."

23. Interim order passed by the Hon'ble Apex Court ultimately merged with the final order and the interim protection granted by the Hon'ble Apex Court comes to an end with the dismissal of the proceedings.

24. Main ground taken by the Appellants are that the Account was classified and declared as NPA after the vacation of the interim order. Vacation order was passed on 23.03.2021. Notice under Section 13(2) of the 'Act' was issued on 25.03.2021. Hence, the classification of the Account as NPA would not be covered under the protection of the Hon'ble Supreme Court order. However, we are unable to accept the contentions raised by the Learned Counsel for the Appellants. As has been observed in the earlier part of the judgment that there is a categorical admission by the Appellants that the Account was classified as NPA on 19.03.2021. This fact is undisputedly mentioned in the Demand Notice under Section 13(2) of the 'Act'. It is also admitted in the memo of Appeal. It is also admitted that the Notice under Section 13(2) of the 'Act' was issued on 25.03.2021 while the Account was classified as NPA on 19.03.2021.

25. Learned Counsel for the Appellant would submit that the date 19.03.2021 is a system generated date. Hence, no benefit of the same can be taken by the Respondents herein. Interim order passed by the Hon'ble Supreme Court on 03.09.2020 was very clear that the Accounts which were not declared NPA till 31.08.2020 shall not be declared NPA till further orders. This order, although merged in the final order passed in the case of ***Small Scale Industrial Manufactures Association*** (supra) dated 19.03.2021, but as long as the interim order continues, it was binding upon the Appellants. If we accept the submission that 19.03.2021

is a system generated date, even then when there was an order of the Hon'ble Supreme Court to the effect that the Account should not be declared NPA till further orders, in that case, it was incumbent upon the Appellants to modify the system accordingly as per the orders of the Hon'ble Supreme Court. A defence cannot be taken to bypass the orders of the Hon'ble Supreme Court by submitting that 19.03.2021 was a system generated date. Had it been so, then there was nothing on record to show as to what was the actual date of classification of Account as NPA if 19.03.2021 was a system generated date.

26. Reliance is also placed upon judgment of Hon'ble High Court of Karnataka, ***Dharwad Bench in Writ Petition No. 100897 of 2022 dated 31st March, 2023*** which would not be applicable to the facts of the present case as admittedly the Account was classified as NPA on 19.03.2021 in this case.

27. Accordingly, it is clear from the records that the Account was classified as NPA on 19.03.2021 wherein the orders of the Hon'ble Supreme Court directing not to declare the Account as NPA till further orders were in force. As far as issue No. (i) and (iii) of the order of the DRT regarding challenge to the classification of the Account as NPA under Section 17 of the SARFAESI Act, 2002 is concerned, it was held that it is within the scope of Section 17 of the 'Act'. We do not find any illegality in the impugned finding. Issue of restructuring is not raised in the Appeal by the Respondents.

[redacted]

28. On the basis of discussions made above, we are of the considered view that the impugned judgment does not suffer from any illegality or impropriety. Appeal lacks merit and is liable to be dismissed.

ORDER

Appeal is dismissed. Impugned judgement and order dated 11th February, 2026 passed by Learned DRT-II Hyderabad in S.A. No. 472 of 2024 ***(M/s. Navneeta Steels Private Limited and others versus State Bank of India and another)*** is confirmed.

No Order as to costs.

File be consigned to Record Room.

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

Order signed and pronounced by me in the open Court on this the 17th day of September, 2026.

[redacted]

(Anil Kumar Srivastava,J)
Chairperson

17.09.2026

Dated 17th September, 2026
/tp