DEBTS RECOVERY TRIBUNAL-I, CHANDIGARH

SA No. 355 of 2024
M/s S.G.K. Industrial Corporation and Others
Versus
Authorized Officer, Indian Bank and Others

Dated: 22.05.2026
Supplementary Item No.1

Argued by: Mr. Vineet Bali, Counsel for the Applicants.
Mr. Ashok Kumar Verma, Counsel for Respondent Bank.
Mr. M.K. Garg, Counsel for Auction Purchasers (on VC).

M/s SGK Industrial Corporation and others (Applicants) have filed this Securitization Application under Section 17 of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act), against the Authorized Officer, Indian Bank and others (Respondents).

2. The case of Applicants, as set up in the SA, is that Applicant No.2, is the sole proprietor of Applicant No.1 which had availed C.C. limit of Rs.70.00 lacs; vehicle loan of Rs.18.00 lacs, and FITL of Rs.10.95 lacs. Late Sidharath Grover was the guarantor, who had mortgaged his plot of land measuring 7 Marlas 252.½ sq. ft., situated at Village Raowali. Applicant No.2 had also mortgaged his plot measuring 8 Marlas 50 sq. ft., which he had purchased vide sale deed dated 28.05.2010. Applicant No.1 and 2 suffered huge financial losses due to COVID. On 28.10.2021, Bank declared the account NPA. On 08.11.2021, Bank served a notice under Section 13(2), calling upon the Applicants and Sidharath Grover to repay the loan. As on 07.11.2021, the following amounts were due: -

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Sr. No.	Nature of Facility	Account No.	Limit (in Rs.)	Outstanding Dues (in Rs.)
1.	Cash Credit A/c	50046233043	70,00,000	72,44,285.00
2.	Vehicle Loan	50410855663	18,00,000	10,52,305.00
3.	FITL	7007378418	10,95,000	1184282.00
			Total Outstanding Dues	9480872.00

On receipt of the demand notice dated 08.11.2021, Applicant No.2 approached the Bank with a request for withdrawal of the demand notice and restructuring of the loan. On 15.02.2022, Bank issued the notice under Section 13(4) and took the symbolic possession. On 06.05.2022, Bank issued an auction notice for 08.06.2022. However, there was no bidder. Respondent No.1 approached the DM under Section 14. Applicants adjusted the vehicle loan. On 07.09.2022, Bank took the physical possession of the properties and also took possession of the installed machinery. In fact, the said machinery and equipment had not been hypothecated. In para No.5.8, Applicants have given the particulars of the machinery which had not been hypothecated with the Bank. On 13.09.2022, Applicant No.1 and 2 approached the Bank for the release of the above-mentioned machinery/equipment. On 15.09.2022, they also submitted an OTS proposal for Rs.28.00 lacs. However, the Bank did not respond to the same. On 21.09.2022, the Bank again issued an auction notice. However, there was no bidder. On 30.09.2022, the Applicants again submitted an OTS proposal offering to settle the account for Rs.42.00 lacs in full and final settlement. They also deposited a sum of Rs.10.00 lacs as an upfront amount. The Bank acknowledged the same. However, the Bank did not respond to the same. On

07.01.2023, the Bank again issued an auction notice for 30.01.2023. Applicant No.2 kept on negotiating with the Bank. The Bank again issued an auction notice on 13.03.2024 for 29.03.2024 with the reserve price of Rs.33.42 lacs against the reserve price of Rs.48.00 lacs which had been fixed in the sale notice dated 07.01.2023 and Rs.55,93,000/- as mentioned in the sale notice dated 06.05.2022. The sale notice was served upon the Applicants on 15.03.2024. On 10.04.2024, Applicant No.2 was shocked to receive an SMS from the Bank stating that a sum of Rs.33.52 lacs had been credited to their account. On the next day, Applicant No.2 approached the Bank to seek information regarding the e-auction. However, the Bank did not provide the information except stating that the properties had been sold for Rs.33.52 lacs. Applicant No.2 visited the branch many times, but the Bank did not respond. On 20.04.2024, Applicant No.1 and 2 again approached the Bank and offered to deposit a sum of Rs.35.00 lacs. However, there was no response. It is submitted that, as per the valuation report dated 14.03.2019, the market value of the property was assessed at Rs.55.93 lacs (Annexure A-25). The market value of the property has appreciated over the years. However, the Bank sold it for Rs.33.52 lacs. The Bank had also taken possession of the machinery and equipment. The Bank ignored the proposal of the Applicants for Rs.42.00 lacs. It is stated that Sidharath Grover had died on 03.05.2023 (Annexure A-26). Applicant No.2 is the sole surviving legal heir of Sidharath Grover. The Bank was aware of the death of Sidharath Grover but still addressed the notice to Sidharath Grover without impleading his legal heirs. On these facts, the

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Applicants filed the present SA wherein they challenged the SARFAESI action as well as the auction.

3. Bank, in reply to the SA, denied the case of the Applicants. It is admitted that the account was classified as NPA on 28.10.2021. It is stated that a sum of Rs.95,38,185/- was due. Applicant No.2 had created a mortgage in respect of 8 Marlas 40 sq. ft. Sidharath Grover had mortgaged 7 Marlas 252-½ sq. ft. Applicant No.2 and 3, along with Sidharath Grover, were the guarantors. The loan was sanctioned vide sanction letter dated 17.12.2013. On 19.12.2013, Applicants had executed the documents. On 28.04.2022, the Bank had the property valued through an approved valuer at Rs.51,45,000/- (Ex. R-28). Thereafter, the Bank had put the property to sale on 08.06.2022 for Rs.55,93,000/-; on 28.10.2022 for Rs.50,34,000/-; on 31.01.2023 for Rs.48.00 lacs; on 26.06.2023 for Rs.48.00 lacs; on 14.12.2023 for Rs.35.00 lacs; on 06.03.2024 for Rs.35.00 lacs; and on 29.03.2024 for Rs.33.42 lacs vide sale notice dated 13.03.2024. The sale notice was served upon the Applicants. It was pasted on the mortgaged properties and published in two newspapers, *Hindustan Times* and *Punjabi Jagran*, dated 17.03.2024. The property was purchased by Himanshu Bansal for a sum of Rs.33.52 lacs. The Authorized Officer issued the sale certificate in his favour. Thereafter, the Authorized Officer put the hypothecated plant and machinery to sale for Rs.6,06,000/- vide sale notice dated 24.07.2024 for 30.08.2024. Finally, the machinery was sold for Rs.6.66 lacs on 30.09.2024. Accordingly, it is stated that there is no merit in the SA and the same deserves to be dismissed.

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4. Auction Purchasers in a separate reply, also denied the case of the Applicants. They stated that they had purchased the property in the e-auction held on 29.03.2024. On 26.03.2024, they had deposited Rs.3,34,200/- as earnest money. On 30.03.2024, they deposited Rs.5,03,800/-, and on 09.04.2024, they deposited the balance amount of Rs.25.14 lacs. They had purchased the property on "as is where is" and "as is what is" basis. Even the sale deed was executed in favour of the Auction Purchasers. On 20.08.2025, the Auction Purchasers obtained an estimate for repair work from Rahul Batra, Architect, who submitted that a total cost of Rs.3.50 lacs would be incurred on civil work and Rs.1.00 lac on paint work. They had also applied for electricity connection of 91 KW load vide application dated 16.09.2025, which was accepted, and they had paid Rs.3,90,990/- for the same. They stated that they are bona fide purchasers.

5. Mr. Bali, counsel for the Applicants, argued that the Bank has not followed proper procedure while auctioning the property. He submitted that the Applicants had not hypothecated the machinery. However, the Bank sold the machinery as well. Further, the property belonging to Sidharath Grover was auctioned even though he had died on 03.05.2023, and no notice has been issued to his legal heirs. Applicants had submitted an OTS proposal for Rs.42.00 lacs. However, the Bank did not accept the same and sold the property for Rs.33.52 lacs. He further argued that there were two mortgaged plots; one belonging to Kunal Grover and the other to Sidharath Grover. As a rule, the Bank ought to have fixed separate reserve prices. However, the Bank sold the same by fixing a single reserve price. He also

argued that no 15 days' notice was published in the newspapers. The publication was made on 17.03.2024, and the sale was conducted on 29.03.2024. Accordingly, the borrower was not given 15 days' notice. Mr. Bali, submitted that, on these grounds, the auction is liable to be set aside.

6. *Per contra*, Mr. Verma, submitted that a confirmed auction cannot be set aside on false grounds. The Hon'ble Supreme Court of India, in the *Bafna* case, held that a confirmed auction cannot ordinarily be set aside. In the present case, the auction was fixed many times, but unfortunately there was no bidder. He further argued that Applicants did not intimate the Bank regarding the death of Sidharath Grover. Kunal Grover, being one the legal heir of Sidharath Grover, had already been served with the notice. Further, the secured assets are adjoined each other. Accordingly, the Bank sold them as one unit. Mr. Verma submitted that there is no merit in the SA and the same deserves to be dismissed.

7. Mr. Garg, counsel for the Auction Purchasers, argued that the Auction Purchasers are bona fide purchasers. They had participated in the e-auction and made payments in accordance with the auction terms. Further, they have spent substantial amounts on improvements.

8. I have considered the rival contentions.

9. It is admitted that Applicant No.2 is the proprietor of Applicant No.1. However, the Applicants state that Applicant No.3 has nothing to do with the case. On the other hand, the case of the Bank is that Applicant No.3 is a guarantor. Admittedly, the secured assets comprise two plots one owned by Kunal Grover and the other owned

by Sidharath Grover. It is also admitted that Sidharath Grover had died much prior to the auction. However, the Bank did not serve any notice upon his legal heirs. Be that as it may, the Bank had put both plots to auction as one unit. I am of the considered view, that this certainly prejudiced the case of the Applicants. A smaller plot would fetch more buyers and better value than a larger combined plot. The Bank failed to consider this aspect. Further, though the Applicants were ready to settle the account for Rs.42.00 lacs, the Bank did not respond and instead sold the property for Rs.33.52 lacs. I am of the considered view, that the auction is liable to be set aside. I am further of the considered view, that the Bank by acting in a clumsy manner while selling the property, caused inconvenience to the Auction Purchasers. The Bank did not publish the auction notice 15 days prior to the auction. The publication was made on 17.03.2024, and the auction was fixed for 29.03.2024. The Hon'ble Punjab and Haryana High Court in M/s Hoshiarpur Roller Flour Mills Private Limited held as under: -

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> *The stand of respondent No.1 that there was a first sale through an auction to be held on 11.01.2019, notice of the said sale auction was duly published in the newspaper on 10.12.2018 and notice to the petitioners was issued on 07.12.2018 and so statutory requirement of 30 days referred to in proviso of Sub Rule 6 of Rule 8 and Rule 9 (1) of the Rules is complied with cannot be countenanced because as per the proviso to Rule 9(1) of the Rules in the case of a subsequent sale (such as the one held on 15.12.2020) minimum 15 days gap is required to be maintained between the date of the notice and the date of the sale and even the said requirement is not fulfilled in the instant case.*
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> *Xxx*
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> *It may be that there were about six such previous attempts to sell the properties of the petitioners and they had not fructified into a*

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completed sale. But that is no reason for respondent No.1 (Bank) to violate the provisions of the Act and Rules framed under it which are mandatory, and also act contrary to the law laid down in the decision of the Supreme Court in Mathew Verghese Vs. M. Amritha1".

Xxx"

The Auction Purchasers have alleged that they had spent substantial amounts on improvements. In view of the above, the auction dated 29.03.2024 is hereby **set aside**. The Bank is directed to refund the total sale consideration along with stamp duty and registration charges to the Auction Purchasers, along with interest @12% per annum from the date the Auction Purchasers deposited the money till the date of payment. The Auction Purchasers are also awarded compensation of Rs.30.00 lacs for the unnecessary inconvenience caused to them by the illegal act of the Bank. The Bank shall make the aforesaid payment within one month from today. Upon such payment being made, the Auction Purchasers shall hand over all title documents to the Bank and restore possession to the Bank. Needless to mention, the Bank shall be at liberty to auction the property again. All the pending IAs, if any, are also disposed of, accordingly.

Registrar is directed to send a copy of this order to all the parties, as per rule. Thereafter, file be consigned to record room after due compliance.

(A S Narang)
Presiding Officer
DRT-I, Chandigarh

Pronounced in open court
Dated: 22.05.2026
Pankaj

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