IN THE DEBTS RECOVERY TRIBUNAL – II AT HYDERABAD

DATED THIS THE 15TH DAY OF JUNE, 2026

PRESENT: SH. RAMESHWAR KOTHE, B.Com., L.LB. (Hons.), M.A.
PRESIDING OFFICER

SECURITISATION APPLICATION No.172 OF 2020

M/s Ramson Food Processing Industries
Rep. by its Partner Ramgiri Dheeraj Kumar
S/o R. Bhaskar, Aged Major, Occ:Business
R/o Flat No.404, Sree Nilayam, Sree Ganesh Nagar
Vanasthalipuram, Hyderabad ....*Applicant.*

Versus

1. Bank of Baroda
   ZOSAR Branch:6-1-84/13, 1st Floor
   Khusru Jung House, Secretariat Road
   Saifabad, Hyderabad
   Rep by its Authorized Officer

2. Mr. Manyam Randhir Reddy
   S/o Channa Reddy Manyam
   Aged about 35 years
   R/o H.No.9-123, Laxmi Nagar Colony
   Boduppal, Hyderabad

....*Respondents.*

Counsel for the Applicant	:	*Mr. D. Raghavulu*
Counsel for 1st Respondent	:	*M/s Trivikram Chitturu*
Counsel for 2nd Respondent	:	*Ex parte*

-: ORDER :-

1. The Applicant filed the present Securitisation Application u/s.17 of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (hereinafter referred to as "SARFAESI Act 2002") to set aside all the measures taken by the 1st respondent bank including e-auction proceedings dated 21.11.2020 pursuant to e-auction sale notice dated 02.11.2020 in respect of SA schedule properties.

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2. The averments of the application, briefly, are that the applicant availed credit facilities from erstwhile Vijaya Bank (now Bank Baroda) against mortgage of properties including the SA schedule properties. The applicant had been regularly repaying the amounts however, due to loss in the business and resultant weakened financial position, applicant could not pay some of the instalments. The respondent bank classified the account as NPA without issuing any prior notice. Till date, no notice u/s 13(2) of the Act has been served. Even without serving 30 days notice u/r 8(6) of the Security Interest (Enforcement) Rules, 2002 ("Rules" for short) providing opportunity to redeem the property, the respondent bank issued the impugned e-auction sale notice. Respondent bank also failed to follow Rules 8(7) and 9(1) of 2002, in maintaining mandatory 30 days gap between the dates of publication and e-auction sale as held by Hon'ble Apex Court in *Mathew Varghese vs. M. Amritha Kumar (2014) 5 SCC 610*. Conducting the auction on "AS IS WHERE IS BASIS AND AS IS WHAT IS BASIS" is against the principle of law laid down by Hon'ble Apex Court. A common reserve price was fixed deliberately in respect of all the three schedule properties thereby prevented participation of more number of bidders and deprived fetching market value. Description of machinery and equipment of the plant was not given in the sale notice whereas in the sale certificate it was given. No Panchanama and inventory prepared at the time of taking physical possession. The auction purchaser did not deposit the EMD or sale consideration as per Rules. Though sale certificate says that the auction purchaser paid sale consideration of Rs.2,68,23,000/- only in respect of item nos.1 and 2 and Rs.1,35,25,000/- for item no.3 property , details of such payment is not mentioned therein. The respondents violated all the Rules hence this SA to set aside all the measures.

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3. The 1st respondent bank filed reply statement along with documents. The submissions, briefly, are that the account of applicant was declared as NPA on 22.08.2025 as per RBI norms. A demand notice was issued on 11.12.2017 for Rs.6,83,34,968/- served on some borrowers and published as not served on some guarantors. Thereafter on 15.02.2018 issued possession notice, served, affixed and published on 16.02.2018 in 'Sakshi' and 'Hans India' Telugu and English newspapers respectively. 30 days redemption notice was given prior to sale notice. Since first sale fixing auction on 02.09.2020 did not materialize for want of bidders, the impugned auction sale notice was issued on 02.11.2020 fixing auction on 21.11.2020, published the same in 'Eenadu' and 'The Economic Times' and also got affixed on schedule property. 2nd respondent is the successful bidder for Rs.6,49,15,000/-, upon confirmation of sale he paid 25% bid amount on 23.11.2020. Vide letter dated 02.12.2020, auction purchaser requested for extension of time to pay 75% bid amount and accordingly respondent bank gave time and he paid balance amount. Respondent bank denied averments of undervaluation, improper description of property in the notice, irregularity in the process of fixing common reserve price thereby depriving participation of more bidders etc., as baseless and incorrect.

4. The 2nd respondent-auction purchaser made no representation despite service of notice. Accordingly he has been set *ex parte* to the proceedings as called absent and no representation.

5. Heard learned counsel appearing for the applicant and learned counsel for the 1st respondent bank. Perused the written arguments filed for both parties and also perused the material brought on record.

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6. Learned counsel for the applicant contended that the respondent bank acted in violation of the mandatory provisions of the SARFAESI Act, 2002 and the Security Interest (Enforcement) Rules, 2002 while proceeding against the secured assets. It was argued that the loan account was classified as NPA without prior notice and that no valid demand notice under Section 13(2) of the SARFAESI Act was ever served upon the applicant. It was further submitted that before conducting the auction sale, the bank failed to issue the mandatory thirty days' individual notice contemplated under Rule 8(6) of the Security Interest (Enforcement) Rules, 2002, thereby depriving the applicant of the statutory right of redemption. The applicant further contended that the respondent bank violated Rules 8(7) and 9(1) of the Rules by not maintaining the mandatory thirty days' gap between publication of the sale notice and the date of auction. Reliance was placed upon the decision of the Hon'ble Supreme Court in Mathew Varghese v. M. Amritha Kumar [(2014) 5 SCC 610], wherein strict compliance with the statutory requirements governing sale of secured assets was held to be mandatory. It was also argued that the auction was conducted on an "As Is Where Is Basis" and "As Is What Is Basis", contrary to the principles governing sale of secured assets. The bank deliberately fixed a common reserve price for all the three schedule properties, thereby discouraging wider participation by prospective purchasers and preventing realization of the true market value of the properties.

7. Learned counsel further submitted that the sale notice did not contain particulars of the machinery and equipment situated in the industrial unit, though such particulars were later mentioned in the sale certificate. According to the applicant, no Panchanama or

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inventory was prepared at the time of taking possession of the secured assets, rendering the possession proceedings illegal. It was additionally contended that the auction purchaser did not deposit the earnest money deposit (EMD) and sale consideration in the manner prescribed under the Rules. Though the sale certificate mentioned the amounts allegedly paid towards the purchase of the properties, it did not disclose the particulars of such payments. Therefore, the entire auction process stood vitiated by procedural irregularities and statutory violations and was liable to be set aside.

8. Per contra, learned counsel for the respondent bank submitted that all measures taken by the bank were strictly in accordance with the provisions of the SARFAESI Act and the Rules framed thereunder. It was contended that the borrower's account was classified as NPA in accordance with RBI guidelines. Thereafter, a demand notice under Section 13(2) of the Act dated 11.12.2017 was issued demanding payment of the outstanding dues. The notice was served on the borrowers and, wherever service could not be effected, publication was resorted to in accordance with law.

9. Learned counsel submitted that upon failure of the borrowers to discharge the liability, possession notice dated 15.02.2018 was issued under Section 13(4) of the Act. The said notice was duly served, affixed on the secured assets and published on 16.02.2018 in widely circulated Telugu and English newspapers, namely 'Sakshi' and 'Hans India'. It was further argued that prior to the sale proceedings, the bank had issued the requisite thirty days' redemption notice. The first auction scheduled on 02.09.2020 could not be conducted successfully due to lack of bidders. Consequently, a fresh e-auction sale notice dated 02.11.2020 was issued fixing the auction on 21.11.2020. The notice was duly published in 'Eenadu'

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and 'The Economic Times' newspapers and was also affixed on the secured properties.

10. The respondent bank further submitted that the second respondent emerged as the highest bidder for a sum of Rs.6,49,15,000/- and, upon confirmation of the sale, deposited 25% of the bid amount on 23.11.2020. Subsequently, by letter dated 02.12.2020, the auction purchaser sought extension of time for payment of the balance amount. The bank, exercising its powers under the Rules, granted such extension and the auction purchaser paid the remaining sale consideration within the extended period.

11. Learned counsel denied the allegations regarding undervaluation, improper fixation of reserve price, inadequate description of the property, non-preparation of inventory, and procedural irregularities. He further submitted that Panchanama and Inventory was prepared on 15.02.2018 in respect of machinery with details of invoice and invoice value and the same are being filed along with written arguments. It was submitted that the applicant had failed to establish any violation of the statutory provisions or any prejudice suffered on account of the sale proceedings. Accordingly, the Securitization Application was liable to be dismissed.

12. Now the points that arise for adjudication are: -

i) Whether the Applicant made out any valid ground for quashing the measures initiated by the 1st respondent bank against the SA schedule properties including the auction proceedings dated 21.11.2020 pursuant to auction sale notice dated 02.11.2020 under the provisions of Securitisation Act?

ii) To what relief?

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Point No.(i):-

13. It is an admitted fact that the applicant availed credit facilities from the 1st respondent bank (erstwhile Vijaya Bank) and defaulted in repayment due to financial distress. Hypothecation or mortgage of SA schedule properties is not in dispute. Hence initiation of action against the secured assets under the Act, 2002, cannot be faulted with. OTS is within the powers of the secured creditor and settlement thereunder is exclusive between the secured creditor and the borrower. Hence intervention of this Tribunal is not warranted.

14. Admittedly the demand notice was issued on 11.12.2017 but mentioned as 04.12.2017 in possession notice. Even assuming that it is a typographical mistake, a careful perusal of the demand notice dated 11.12.2017 discloses that the 1st respondent bank gave 60 days time to pay the outstanding amount of Rs.4,93,61,097/- within 60 days **from the date of receipt of the notice** (as at page 6 of material documents annexed to the reply statement). The actual verbatim is as hereunder:-

> *"In the premises we the Vijaya Bank hereby call upon you all jointly & severally to pay to Vijaya Bank within a period of 60 days from the date of receipt of this notice the aggregate sum of* ***Rs.4,93,61,097/- (Rupees Four Crore Ninety Three Lakhs Sixty One Thousand Ninety Seven Only)*** *together with further interest thereon with effect from 01.12.2017 at the contractual rates together with costs, charges, other monies until payment or realisation."*

15. One cover in respect of the above demand notice dated 11.12.2017 was served on applicant on 20.12.2017 and another on 30.12.2017, as evidenced by date stamp on the postal acknowledgement cards. Even if the earliest date i.e., 20.12.2017 is

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taken into consideration, the possession notice was issued on 15.02.2018 i.e., before expiry of 60 days. Thus, issuance of possession notice prematurely, vitiates all further proceedings and makes the entire recovery process *void ab initio*. Accordingly all Securitization proceedings right from demand notice are liable to be set aside on this very count.

16. As regards service of possession notice, despite specific contention of non-service, the respondent bank has failed to establish service by filing postal receipts at least, as proof of sending the possession notice by registered post to the borrower as mandated under Rule 8(1) of the Rules, 2002. Though proof of affixture and publication of possession notice are filed, non-service of the same vitiates the proceedings.

17. The other important contention of the applicant is improper and undervaluation, and fixing common reserve price basing on the same. A perusal of the material papers filed by the 1st respondent bank makes it clear that one valuation report dated 08.06.2020 obtained from one DD Associates has been filed only in respect of SA schedule no.3 property of an extent of 2783 square yards (open plot) whereas there are two distinct land properties apart from hypothecated plant and machinery. No explanation offered by the respondent bank for obtaining only one valuation report and not obtaining valuation in respect of other immovable property as well as plant and machinery. There is clear violation of Rules 5 and 8(5) of the Rules, 2002.

18. It appears from the record that, demand notice, possession notice and Rule 8(6) notice were issued in respect of applicant i.e., M/s Ramson Food Processing Industries and its guarantors, whereas

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the impugned sale notice dated 02.11.2020 was issued in respect of M/s Ramson Food Processing Industries and also M/s Milleto Food Industries with a common reserve price. As per schedules of impugned e-auction sale notice, the immovable property pertaining to M/s Milleto Food Industries is a distinct property altogether with H.No.10-65 whereas, the immovable property no.2 in the name of M/s Ramson Food Processing Industries (applicant herein) is bearing H.No.10-64. Clubbing of the irrelevant property and fixing a common reserve price denote the sheer negligence of the authorized officer in following the proper procedure and conducting the proceedings.

19. As regards contention on violation of Rules 9(3) and 9(4) of the Rules, 2002, the auction was conducted on 21.11.2020 and as per own admission of the respondent bank, balance 25% of purchase price (inclusive of EMD) was paid on 23.11.2020. Rule 9(3) mandates payment of 25% purchase price either on the same day of auction or not later than the next working day. Respondent bank has not reported if 21.11.2020 happened to be a bank holiday. In case 21.11.2020 and 22.11.2020 were not closed/public holidays, receipt of payment on 23.11.2020 was illegal and also against the terms of auction sale notice dated 02.11.2020.

20. It is manifest from the correspondence between the 1st respondent bank and 2nd respondent auction purchaser that the auction purchaser paid Rs.1,62,92,023.60 ps towards 25% of bid amount and sought extension of time for payment of Rs.4,86,22,976.40 ps towards 75% of the purchase price. These two amounts aggregate to Rs.6,49,15,000/- which was exactly equivalent to the reserve price. However, the tabulation of payments reflect the amount paid as Rs.6,49,45,451.22 ps. The

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inconsistency is not explained by the respondent bank. In the absence of the same, it is to be concluded that the 1st respondent bank misrepresented before the Tribunal about the payments and that the properties were sold on par with the reserve price without any enhancement in the bid.

21. It is also noted from the record that the auction purchaser addressed a request letter on 02.12.2020 for extension of time till 17.02.2021 and vide letter dated 01.01.2021 bank conveyed its approval and granted time upto 17.02.2021 for payment of 75% bid amount. It is pertinent to note from the tabulation of payments in the reply statement as well as written arguments that the latest payment was done on 18.03.2021. If actually amount was paid on 18.03.2021, it was much beyond the time of 90 days period stipulated under Rule 9(4) of the Rules, 2002. On presumption that it was a repeated typographical mistake in mentioning the month, the time had already elapsed on 17.02.2021. No payment receipts have been filed by the respondent bank. The auction purchaser, as stated *supra*, remained *ex parte* to the SA proceedings. In the absence of any explanation or conclusive proof of receipts within timelines, it is to be concluded that the 25% and 75% of the purchase price were not paid as per prescribed timelines under Rules 9(3) and 9(4) of the Rules, 2002.

22. Although there is contention by the applicant on non-drawal of Panchanama and Inventory in respect of movable items, the 1st respondent bank did not bother to file the same but filed copies of the same along with the written arguments, which is against the court procedure. However, cognizance or otherwise of the Panchanama and Inventory is not being discussed as unnecessary

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on account of illegality and irregularity in the procedure adopted by the 1st respondent bank as observed in the preceding paragraphs.

23. In view of the above discussion, I have no hesitation to find that the 1st respondent bank failed to follow due procedure prescribed under the Act, 2002 and Rules thereunder from the initial stage of proceedings, and that the applicant made out valid grounds to quash all the measures initiated by the 1st respondent bank including the auction sale held on 21.11.2020 pursuant to sale notice dated 02.11.2020 in respect of the SA schedule properties and consequential sale confirmation and sale certificate issued in favour of the 2nd respondent and physical possession.

Point No. (ii):

24. In the result, SA is allowed by quashing all the measures initiated by the 1st respondent bank including the auction sale held on 21.11.2020 pursuant to sale notice dated 02.11.2020 in respect of the SA schedule properties and consequential sale confirmation and sale certificate issued in favour of the 2nd respondent.

25. However, this order does not preclude the 1st respondent bank to initiate measures afresh against the SA schedule properties strictly in accordance with law.

26. The 1st respondent bank is directed to refund the bid amounts deposited by the 2nd respondent with interest @6% p.a. simple from the respective of dates of deposits till payment.

27. The applicant is entitled for the physical possession of the SA schedule properties and accordingly the 1st respondent bank is directed to forthwith redeliver the physical possession of the SA schedule properties to the applicant.

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28. Consequently, Interlocutory Applications pending if any, shall stand closed.

29. No order as to costs.

30. Communicate a copy of this order to the parties concerned and upload in the official website.

(Typed to my dictation by the Steno, corrected, signed and pronounced by me in the open court on this the 15th day of June, 2026).

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(RAMESHWAR KOTHE)
PRESIDING OFFICER