IN THE DEBTS RECOVERY TRIBUNAL-II, BANGALORE

Dated this 12th Day of June, 2026

PRESENT: SHRI T. RAJESH
Hon'ble Presiding Officer

S.A. No. 198 of 2024

1. M/s. Arunachaleswara Translogistics India Pvt Ltd
   Rep.by its Director,
   Sri. A Suresh Kumar
   S/o. Late Anjanareddy,
   residing at No.2, 2nd Cross,
   1st Main, Lakkasandra, Bangalore-560030

2. Sri. A Suresh Kumar
   S/o. Late Anjanareddy,
   residing at No.2, 2nd Cross,
   1st Main, Lakkasandra, Bangalore-560030 **. . . Applicants**

Versus

1. The Authorized Officer
   IDFC First Bank Ltd, (Formerly IDFC Bank Ltd)
   Registered office at
   KRM Towers, 7th Floor, No.1
   Kerrington Road, Chelpet, Chennai-600031.

   Also at
   KCA Enclave, 2nd floor,
   No.582, 80 feet Road,
   Police Station road, Koramangala,
   Bangalore-560095.

2. Sri. Radha Krishna
   Chinnappa (auction purchaser)
   S/o. Sri. Channappa,
   Residing at NO.594
   Central Jail Road, 6th Cross,
   Hosaroad, Chennakeshava Nagar
   Bengaluru-560100.

3. Sri. P V Babu (sale agreement holder)
   S/o. Sri. Venkataswamy,
   residing at.No.67, Parappana Agrahara,
   Electronic City Post, Bengaluru-560100.

4. Sri. Kiran H V (sale agreement holder)
   S/o. Late H M Venkatappa Reddy
   Residing at Halanayakanahalli
   Carmelaram Post, Sarjapura Road,
   Bengaluru-560035.

5. Smt. Kavitha V Reddy,
   W/o. Mr. A Rama Reddy,
   Residing No. 479, 13th Main,
   3rd Block, Koramangala, Bengaluru -560034.

   Also at:
   M/s. Reliaable Developers,
   Rep. by its Proprietrix,
   Smt. Kavitha V Reddy,
   3rd and 6th floor, No.16 and 16/2,
   Relliaable Pheonix Tower, Museum Road,
   Bengaluru -560001.

. . . Respondents

Ld. Counsels on record / appeared :-

Counsel for Applicants	:-	M A. Rajendra
Counsel for Respondent	:-	V. Suresh and M.Anitha (for R1)
	:	V.B.Sivakumar (for R2 to R5)

: - O R D E R - :

1. The applicant is filing the present SA (Securitization Application) with a prayer to set aside the entire auction proceedings held in pursuant to sale notice dated 26.04.2022 and held on 31.05.2022, as per the provisions of "Securitization and Reconstruction of Financial Assets and Enforcement of

Security Interest Act, 2002 herein after been referred to as SARFAESI Act or the act.

2. The case of the can be summarized as follows:

The 1st applicant is the private limited company with the 2nd applicant as its director who had offered collateral security by way of mortgage for the credit facility availed by the company. The measures are impugned contending that, there is no proper service of demand notice and respondent did not serve the auction notice purposefully to the 2nd applicant, though the same was published. The applicant admits that, the earlier sale notice issued by the respondent was impugned by filing a SA 476/2020 wherein the reserve price was fixed at Rs.3,30,97,600/- and the said reserve price had been reduced without any justification to Rs.99,29,280/- . it is further contended by the applicant that, immediately after issuing the sale certificate the auction purchaser entered the into an agreement for sale with 2nd and 4th respondent for a consideration of Rs.2,10,00,000/-.

3. This SA is filed as parties are relegated by the Hon'ble High court to this Tribunal, this Tribunal by the order dated 13.06.2026 disposed off and the order passed by this Tribunal was assailed before the High Court by filing a Writ Petition No. 2441/2025 and the Hon'ble High Court set aside the order of this Tribunal holding that there is no delay in filing the SA and relegated

the matter. The applicant had produced the following documents along with the SA:

1. Copy of the impugned auction sale notice dated 26.04.2022
2. Order passed by the hon'ble High Court of Karnataka in WP.18025 of 2022
3. Partition deed dated 25.08.2016
4. Copy of the sanction letter dated 24.01.2018
5. Copy of the valuation report
6. Copy of the auction sale notice dated 26.11.2020
7. Certificated copy of the death certificate of applicant father, aunty and mother.
8. Sale certificate dated 29.06.2022
9. Copy of the guideline value issued by the Government of Karnataka.
10. Copy of the endorsement issued by the Grama Panchayath dated 24.06.2021.
11. Copy of the sale agreement dated 11.07.2022

4. The respondents No.3 to 5 who are the subsequent purchasers of the property from the auction purchaser were impleaded as additional respondent 3 to 5. The 1st respondent had filed their objections contending that the present SA is not maintainable either in law or maintainable, according to the 1st respondent they have complied all statutory requirements in issuance of sale notice and in conduct of the sale. It is also stated that, due to the defaults in the repayments, the account has been treated as NPA and the demand notice was issued and published as required

under statute, only as the amount remain un-paid, the possession notice dated 21.11.2019 was issued and published as required under the statute. In respect of the impugned sale notice also, it is the case of the 1st respondent that, the sale notice was issued, served and published as mandated under the act and there is no force in contention as against the sale. In respect of the valuation the 1st respondent has contended that, the reserve price is fixed in accordance with the valuation of the property as the valuation procured by the respondent has given RS.1,24,11,600/- as the market value of the property and the forced sale value was given at Rs.93,08,700/-. It is pointed out that, the bid was fixed at Rs.99,29,280/- which according to the 1st respondent is above the forced sale value given by the approved valuer. It is also pointed out that, the sufficient opportunity had already been given to the applicant to pay off the liability and only as the applicant had failed in doing so, the measures are culminated at the point of sale and the conduct of sale. Along with the objections, the 1st respondent had produced the following documents:

1. Copy of the valuation report
2. Copy of the sale notice published in news paper
3. Copy of the bid confirmation letter
4. Copy of the sale certificate
5. Copy of the valuation report dated 04.12.2017

5. The 5th respondent had filed their objections contending that, they are the owner of the schedule property having purchased the same by virtue of a registered sale deed dated 20.03.2024.

6. Heard the both counsels and perused the available records. The following issues arise for consideration in this matter.

i) Whether the auction proceedings held on 31.05.2022 is vitiated by procedural flaws and liable to be interfered with.

ii) Whether the securitization application is liable to be dismissed on the ground of delay.

7. The applicant is impugning the measures contending that, there is no proper service of demand notice and possession notice and compliance of rule 9. It is specifically contended that, the sale notice is not served on the borrower in particular the 2nd applicant who is the owner of the property. The 1st respondent had filed the objection denying the averments. Despite a specific contention in this regard taken by the applicant as to the service of demand notice, possession notice and the sale notice no document is produced by the first respondent to prove the compliance of Rule 3(8) and 8(1) and 8(2) Security Interest (Enforcement) Rules. In the absence of any supporting documents proving the compliance as to the mandate of service of demand notice, possession notice and the sale notice, this Tribunal is of the view that, the contention of the applicant in this regard stands un rebutted which leads to the finding that, the 1st respondent had failed to

prove the due compliance of statutory mandates in their measures leading to the issuance of impugned sale notice.

8. It is pertinent to note that, the applicant is admitting the issuance of earlier sale notice and filing of SA.No.476/2020, even though the pleadings and proceedings which are not available on record, it is clear that, the applicant should have taken the contention as to the non-service of demand notice and possession notice in that SA and got redressal on their grievance therein on that ground. Having failed to put forth the contention which was available to them while filing SA.No.476/2020. It is clear that, the applicant has failed such a claim and said waiver of the applicant in their case as to the non-service of demand notice and possession notice leads to this Tribunal to the finding that, the measures are not liable to be set aside on the mere ground of non-production of proof as to the service demand notice and possession notice.

9. In respect of the impugned sale notice the picture is entirely different as the non-service of the sale notice and non-compliance of mandate of service of the sale notice vitiates the sale and subsequent action by the secured creditor. The applicant though had put forth the specific contention that, the sale notice is not served on them, no proof as to the service of the sale notice is forth coming from the part of the 1st respondent. It is settled law that the secured creditor is obliged to serve the statutory notice of 30/15 days to the borrower regarding the intended sale and the order of this

service required to done in accordance with the rule, as held by the hon'ble supreme court in MATHEW VARGHESE Vs M.AMRITHA KUMAR & ORS in AIR 2015 SC 50

> *43. A reading of the proviso to R.9(1) of the Rules makes it explicit that the authorized officer must serve, affix and publish the notice of sale of not less than 15 days to the borrower, for any subsequent sale. The word 'serve' relates to personal service of notice, affixture relates to the notice being affixed on the property and the publication relates to the publication of notice in the newspaper dailies. The conjunction 'and' employed in the proviso also indicate the mandatory nature of all three methods of notice. Further, in spite of the amendment to S.13(8) of the Act, the proviso to R.9(1) mandates the three methods of serve, affix and publish the notice to be carried out, with 15 days clear notice. In the instant case, there is a failure on the part of the respondent to produce the proof as to the service of sale notice on the borrowers, even after a specific contention is taken that the sale notice leading to the impugned sale was not served. Therefore, it is evident that the impugned sale is not accordance with the statute and flawed by procedural irregularities.*

10. The failure of the first respondent in producing the proof as to the service of sale notice pertaining to the impugned sale leads only to the conclusion that the issuance of sale notice and sale if any conducted in pursuant to the sale notice are flowed by procedure irregularities and are liable to be interfered. When the applicant is alleging about the procedural irregularity the burden is on the secured creditor/authorized officer to prove this statutory compliance by production of necessary documents. In the

case in hand the respondent had failed to produce any proof as to the service of sale notice leading to the impugned sale.

11. In respect of specific contention taken by the applicant as to the alleged under valuation, the respondent had produced the valuation report procured by them by their own approved valuer wherein the approved valuer is valued the property for Rs.1,24,11,600/- and the forced sale value is fixed at Rs.93,08,700/-. Even though the first respondent contends that, the reserve price is fixed in accordance with the forced sale value given by the approved valuer the same is not a justification for the reduction of reserve price drastically from what has been fixed in the earlier sale notice. The Hon'ble Supreme Court in *"Rajiv Subramaniyan J and another v/s. M/s. Pandiyas and others (AIR 2014 SC 1710/2014(5) SCC 651* had reiterated as follows.

> ***"17. It must be emphasized that generally proceedings under the SARFAESI Act, 2002 against the borrowers are initiated only when the borrower is in dire - straits. The provisions of the SARFAESI Act, 2002 and the Rules, 2002 have been enacted to ensure that the secured asset is not sold for a song. It is expected that all the banks and financial institutions which resort to the extreme measures under the SARFAESI Act, 2002 for sale of the secured assets to ensure, that such sale of the asset provides maximum benefit to the borrower by the sale of such asset. Therefore, the secured creditors are expected to take bonafide measures to ensure that there is maximum yield from such secured assets for the borrowers. In the present case, Mr. Dhruv Mehta has pointed out that sale consideration is***

only Rs.10,000/- over the reserve price whereas the property was worth much more. It is not necessary for us to go into this question as, in our opinion, the sale is null and void being in violation of the provision of S.13 of the SARFAESI Act, 2002 and R.8 and R.9 of the Rules, 2002".

12. The Hon'ble High Court of Kerala in "K./T. Unnikrishnan Vs. The Authorised Officer, U C O Bank and others (2018 SCC online Ker 692: (2018) 1 KLJ 796) had reiterated as follows:

in absence of any formula to arrive at the correct market price of a property for the purpose of showing the same as the minimum sale price in a sale notice, the banks and financial institutions may commit errors while arriving at the minimum sale price of the properties to be sold, but such errors shall not go to the extent it has gone in the instant case. Even if the price shown in Ext.P6 agreement is taken as the true price of the property, I have no hesitation to hold that the bank has acted in an unfair and unreasonable manner in arriving at the minimum price of the property for its sale. Needless to say that the entire proceedings for sale of the property of the petitioner is thus vitiated. I hold so also for the reason that the counter affidavit filed by respondents 7 to 11 indicates that the very same bank through the very same branch has extended personal loans to the buyers to purchase the property, making the whole transaction suspicious

13. The Hon'ble Supreme Court in "Om Sakthi Sekar Vs V. Sukumar & Ors in Civil Appeal No.3362 of 2026 has reiterated as follows:

> *15. While there can be no quarrel with the settled proposition that the rights of a bona fide auction purchaser deserve due protection and that confirmed court sales should not ordinarily be interfered with, it is equally well established that such protection is not absolute. Where credible issues are raised regarding the adequacy of valuation or the fairness of the process leading to the fixation of the reserve price, the supervisory jurisdiction of the Court may be invoked to ensure that the recovery proceedings have been conducted in a manner that secures the best possible value of the property. The objective of recovery proceedings is not merely to complete the sale but to realise the maximum value of the secured asset so as to balance the interests of the creditor and the borrower. In this regard, reference may be made to the decision of this Court in Rajiv Kumar Jindal v. BCI Staff Welfare Association, wherein, it was observed that the purpose of an auction is to obtain the most remunerative price for the property by affording an opportunity to intending purchasers to participate in a process of competitive bidding, thereby ensuring transparency and fairness in the sale. The Court further emphasized that if the process of competitive bidding is curtailed or compromised, the possibility of underbidding or securing an inadequate price cannot be ruled out. In such circumstances, the court is required to exercise its discretion with circumspection so as to safeguard the legitimate interests involved in the sale process.*

14. From the pleadings of the case, it is clear that, the reserve price once fixed was Rs.3,30,97,600/- when the sale notice was issued in the year 2020 had been reduced drastically to Rs.99,29,280/- resorting to the forced sale value given by the approved valuer this Tribunal is of the view that, there is sufficient force in the contention of the applicant that, no earnest effort had been made by the secured creditor to get the maximum value of the secured asset. It is not the case of the 1st respondent that they had reduced the reserve price periodically in successive sale noticed on the sale notice impugned in the SA appears only to be the 2nd sale notice. Hence, it is evident that, the property which is valued at Rs.3crore in the year 2020 has been sold for partly a sum of 99,29,280/- . Therefore, on the basis of above it can be safely concluded that, there is gross under valuation of the property while slotting the property for sale at the present reserve price.

15. The discussion as held above and findings as entered therein leads to the un disputed conclusion and that there are procedural flaws in issuance of sale notice leading to the same and fixing the reserve price. It is evident that, the property is grossly undervalued and sold by fixing the reserve price unjustifiably at the forced sale value.

16. On the basis of the above discussions, this Tribunal is satisfied that the applicant is succeeded in this SA.

17. Accordingly,

i) SA.No.198/2024 stands allowed.

ii) The impugned sale conducted on 31.05.2022 in pursuant to the sale notice dated 26.04.2022 and the subsequent sale certificate issued in respect of the above stands cancelled, needless to say the subsequent documents if any executed by the auction purchasers or subsequent purchasers in favour of 3rd parties placing reliance on sale certificate stood cancelled.

iii) The 1st respondent bank is directed to communicated the concerned SRO for implementation of the above order within a period of two month from the date of receipt of this order.

iv) In the fact and circumstances of the case, no order as to costs this order.

(Dictated to the Stenographer (PR), after her transcription and necessary corrections, signed and Order passed on this 12th day of June 2026)

Sd/-

(T. RAJESH)
PRESIDING OFFICER
DRT-II, BENGALURU