

IN THE DEBTS RECOVERY TRIBUNAL – II AT CHENNAI

Dated this 18th day of June, 2026

PRESENT: SHRI SHARANG DHAR UPADHYAY
Presiding Officer

SA No.381 of 2024 and SA No.410 of 2024

1. M/s Kasuals Clothing
A Partnership firm, Represented by its Partners
P.B. Rajesh & P.B. Sathish
No.7, Nathan Building
North Usman Road, T. Nagar
Chennai – 600 017
2. P.B. Rajesh
S/o Mr. K. Achuthan
No.35/55, Veerapandia Nagar 2nd Street
Choolaimedu, Chennai – 600 094
3. P.B. Sathish
S/o Mr. K. Achuthan
No.35/55, Veerapandia Nagar 2nd Street
Choolaimedu, Chennai – 600 094
4. K. Achuthan (since deceased)
S/o M. Damodaran
No.35/55, Veerapandia Nagar 2nd Street
Choolaimedu, Chennai – 600 094
(Applicants 2 and 3 are recognized as LR's of deceased
4th applicant) (Amended as per orders dated 25.09.2025
in Memo Dy No.6625/2025)

...Applicants

Versus

1. The Authorised Officer
Union Bank of India
Asset Recovery Branch
No.9, "Elcanso building", Casa Major Road
Egmore, Chennai – 600 008
2. Mr. K. Kannan
S/o A.P. Mohan
New No.152, Old No.22, Hunters Road
Choolai, Chennai – 600 112

...Respondents

Counsel on Record / Appeared

Applicant by : M/s R. Venkata Varathan, T. Paranthaman & B. Rajesh
1st Respondent by : Mr. A. Jaishankar
2nd Respondent by: M/s J. Arun Prasad, S. Chella Arumugam & M. Princy

COMMON ORDER

1. These twoSAs are filed under Section 17(1) of the SARFAESI Act for the following reliefs: -

SA No.381 of 2024 - challenging the e-auction sale conducted on 12.06.2024 and consequently set aside the e-auction sale.

SA No.410 of 2024 – Challenging the e-auction sale notice dated 14.05.2024 scheduling the sale on 12.06.2024.

Since the parties in both the SAs are common and the prayers are inter-connected with each other, these SAs are taken up for disposal by a common order.

Facts of the case as averred in the SA

- 2.0 The 1st Applicant is a registered Partnership Firm, represented by its Partners, engaged in sale of fabrics, in wholesale and retail basis for several years. The 1st Applicant had availed loan facility from the Andhra Bank in the year 2016 to the tune of Rs.52 Lakhs and for the due repayment of the amount due under the loan facility, the Applicants 2 to 4 created equitable mortgage over the schedule mentioned properties by executing the Memorandum of Deposit of Title Deed

dated 16.09.2016, registered as Doc. No.3828 of 2016, at S.R.O., Kodambakkam. Subsequently, in view of the amalgamation of Andhra Bank with Union Bank of India, the loan account was taken over by the Union Bank of India.

- 2.1 The Applicants were regular in repayment, however, due to COVID-19 Pandemic and the resultant Lock Down announced by the Government and the recession in the market and the applicants suffered huge loss in business. The applicants, therefore, approached the respondent bank for rescheduling the loan, however, the same was not considered and the bank proceeded to issue the Demand Notice dated 25.08.2020, demanding a sum of Rs.55,79,798.51p.
- 2.2 After receipt of the said Demand Notice, the Applicants 2 to 4 have approached the Respondent Bank and negotiated with the Officials for One Time Settlement, but in vain. The Respondent bank subsequently issued the Possession Notice dated 09.12.2020 under Section 13(4) of the SARFAESI Act read with Rule 8(1) of Security Interest (Enforcement) Rules, 2002 by post on 11.12.2020. The Applicants submit that the Possession Notice dated 09.12.2020 was affixed in the secured asset much prior to the service of the same on the borrowers. Thus, the Possession Notice dated 09.12.2020 is effected in complete violation of the statutory rules and therefore the same is invalid in law. The amount mentioned as due in the said notice is not correct and

further the description of the property therein differed from the description in the Memorandum of Deposit of Title deeds.

- 2.3 Thereafter, the Respondent Bank issued the Sale Notice dated 12.09.2022 under Rule 8(6) of Security Interest (Enforcement) Rules 2002 fixing the date of e-auction sale on 20.10.2022. The amount due was mentioned as Rs.69,26,787.93 as on 31.08.2022. It has also been mentioned that there was no encumbrance known to the secured creditor. The Reserve Price was fixed at Rs.1 Crore 60 Lakhs as against the value of the secured property which is more than Rs.2 Crores. It is significant that the Statement of Account dated 09.03.2023 states that a sum of Rs.58,70,953.49 was the due amount as on 20.07.2022. Therefore, the amount mentioned as Rs.69,26,787.93 in the Sale Notice dated 12.09.2022 is not correct and the same is excessive.
- 2.4 Aggrieved by the same, the Applicants filed SA No.545 of 2022 before this Tribunal and paid a sum of Rs.10 Lakhs on 20.10.2022 in compliance of the conditional order. However, the Applicants could not comply with the subsequent conditional order for payment of Rs.10 Lakhs on or before 20.11.2022 due to financial constraint. Subsequently, the said SA got dismissed as infructuous.
- 2.5 The Respondent Bank again issued the Sale Notice dated 10.11.2022 fixing the date of e-auction sale on 30.11.2022. The Reserve Price was

fixed at Rs.1.44 Crores. The Applicants had therefore filed SA No.620 of 2022 before this Hon'ble Tribunal, in which the Applicants have been directed to pay a sum of Rs.15 Lakhs in two instalments and consequently, the Applicants had paid a sum of Rs.5 Lakhs by Demand Draft dated 28.11.2022 and another sum of Rs.10 Lakhs through WISE transfer (obtained from USA) on 08.12.2022. Subsequently, the said SA was also dismissed as infructuous.

- 2.6. The Respondent Bank continued issuing Sale Notices, month after month, in respect of the schedule secured property. The Respondent Bank had issued the Sale Notice dated 02.03.2023 fixing the date of e-auction sale on 28.03.2023. The Reserve Price was fixed at Rs.1,53,75,000/-. No sale took place on 28.03.2023. The Respondent Bank had issued the Sale Notice dated 03.04.2023 fixing the date of e-auction sale on 26.04.2023. The Reserve Price was fixed at Rs.1,38,50,000/-. The Respondent Bank had failed to give 30 days notice prior to the auction sale, as contemplated under Rule 8(6). Similarly, the Respondent Bank had subsequently issued the Sale Notice dated 22.01.2024 fixing the date of e-auction sale on 14.02.2024. The Reserve Price was fixed at Rs.1.25 Crores. Admittedly, the Respondent Bank had failed to give 30 days notice prior to the auction sale, as contemplated under Rule 8(6). The reserve price was fixed by the respondent bank without obtaining proper valuation report.

- 2.7 The Respondent Bank had issued the impugned Sale Notice dated 14.05.2024 scheduling sale on 12.06.2024 fixing the Reserve Price at Rs.1.25 Crores for recovery of a sum of Rs.54,79,739.79p. The Applicants sent an e-mail communication on 11.06.2024 requesting the respondent stop the auction sale and assuring to pay Rs.10 to 15 Lakhs by the end of the month but the same was rejected by reply mail on the same day.
- 2.8 The Applicants have not been given any information about the e-auction held on 12.06.2024. The Applicants have approached the Respondent Bank several times but the Respondent Bank has refused to furnish any details about the e-auction held on 12.06.2024. Therefore, having no other option, they have sent a Petition dated 24.06.2024 under RTI Act to the Public Information Officer/AGM of the Respondent Bank seeking necessary details about the e-auction held on 12.06.2024 and the same though was received on 26.06.2024, the bank refused to give the details.

Grounds of Appeal

- 3.0 The applicant has raised the following grounds in the SA: -
- (a) The demand notice under Section 13(2) of the SARFAESI Act was not issued by the respondent bank.

- (b) The Possession Notice was issued in complete violation of the statutory provisions.
- (c) The description of property is not proper.
- (d) The Respondent has failed to comply with Rule 8(6) of the Security Interest (Enforcement) Rules, 2002.
- (e) The amount claimed in the impugned notice is not correct.
- (f) The property is undervalued.

Documents filed by the Applicants along with SA

4.0 The applicants filed the following documents along with the SA: -

- (a) Memorandum of Deposit of Title deeds dated 16.9.2016 registered as Doc. No.3828 of 2016, SRO, Kodambakkam
- (b) Demand Notice dated 25.8.2020 issued under Section 13(2) of the Act.
- (c) Possession Notice dated 09.12.2020 issued under Section 13(4) of the Act.
- (d) E-auction sale notice dated 12.9.2022 scheduling sale on 20.10.2022.
- (e) Statement of Accounts.
- (f) Sale Notice dated 14.5.2024 scheduling sale on 12.6.2024.

- (g) E-mail sent by applicants dated 11.6.2024.
- (h) Petition given under RTI Act by applicants dated 24.6.2024.
- (i) Letter dated 16.7.2024 by applicants to respondent bank.
- (j) Letter by applicants dated 19.7.2024 to the respondent bank.
- (k) Reply by e-mail by respondent dated 19.7.2024
- (l) Mail communication between applicant and respondent

Counter by 1st Respondent Bank

5.0 Upon notice, the 1st Respondent bank filed its counter contending therein that the present application challenging the Auction Sale held on 12.06.2024. The applicants had earlier challenged the Sale Notice dated 14.05.2024 vide Diary No.2207 of 2024 which was not entertained by this Tribunal as the same was barred by limitation. The applicants have filed this SA only with sole intention to drag the recovery proceeding by the respondent.

5.1 The first applicant is a Partnership firm and second and third applicant are its partners approached erstwhile Andhra Bank and availed Cash Credit facility of Rs. 52,00,000/- on 08.09.2016. The first applicant executed necessary loan documents in favour of the respondent, agreed to repay the said facility together with interest. Further at the request of the applicants, the said loan was renewed, and limit reduced

to 47,00,000/- as per sanction letter dated 17.05.2019 and the same was acknowledged by the applicants. The applicants 2 to 4 also executed Guarantee Agreements in favour of the Bank, thereby guaranteeing due repayment of the facility availed by the first applicant.

- 5.2 The fourth applicants deposited the title deeds of his property more fully described in Schedule with an intention to create equitable mortgage over the same and executed Memorandum of Deposit of title deeds dated 30.08.2011, 31.10.2012 & 16.09.2016 Reg. Doc. Nos. 2867/2011, 3395/2012 and 3828 / 2016 respectively.
- 5.3 Since the operation of the accounts by the borrower were not satisfactory and as the borrowers defaulted in repayments, the account was classified as NPA on 28.02.2020 as per the guidelines issued by RBI and the demand notice under Section 13 (2) of SARFAESI Act came to be issued on 25.08.2020. The notice was duly served on the applicants and also the borrower and guarantor on 27.08.2020. The applicants had not given any reply to the said Demand Notice.
- 5.4 As the applicants did not come forward to regularize the loan account, the respondent initiated further steps under the SARFEASI Act by issuing a possession notice under Section 13(4) of the SARFAESI Act read with Rule 8 on 09.12.2020 in respect of the Schedule property and the same was duly served on the borrower and guarantors on 11.12.2020, affixed on the secured asset on 09.12.2020 and published

in newspapers “New Indian Express” and Dinamanai”. Thus the bank has complied with the statutory provisions. The applicants have not challenged the said possession notice till now.

- 5.5 The Respondent issued Sale Notice dated 12.09.2022 after obtaining the valuation of the property from the approved valuer. The sale Notice was duly served to the applicants on 15.09.2022 by giving clear 30 days notice. Challenging the same the applicants S.A.No.545 of 2022 before this Tribunal and ultimately the SA came to be dismissed as infructuous as no sale took place on the schedule date.
- 5.6 The respondent bank issued fresh Sale Notice dated 10.11.2022 fixing the sale on 30.11.2022, the applicants had also challenged the said sale notice before this Hon’ble Tribunal in S.A.No.620 of 2022. This Hon’ble Tribunal has directed the applicants to deposit a sum of Rs.15 Lakhs in two installments, for which the first installment of Rs.5 Lakhs to be paid on or before 30.11.2022 and second installment of Rs.10 Lakhs to be paid on or before 09.12.2022. However, the applicants have failed to comply the second condition within time. Since, there was no bids in the said auction sale, the above SA was dismissed by this Hon’ble Tribunal vide order dated 15.12.2022. The above fact has not been brought before this Hon’ble Tribunal by the applicants in the present SA.
- 5.7 This Respondent had issued Sale Notice dated 14.05.2024 for E-Auction Sale fixed on 12.06.2024, after obtaining the valuation of the

property from the approved valuer. The sale notice duly served to the applicants on 16.05.2024, this respondent had duly complied the provisions of Rule 8(6) of the Act. The Respondent bank has also published the sale notice in compliance with Rule 9. The sale notice has also affixed in the said premises. The sale Notice has been duly published in the two leading newspapers on 26.05.2024 in one issue of English daily namely “The New Indian Express” and in one issue of Tamil daily namely “Dinamani” in Chennai Edition. The Authorised Officer has followed all the mandatory provisions of the SARFAESI Act and Rule.

- 5.8 The Auction was conducted on 12.06.2024 by the Respondent, one Mr. M. Kannan, S/o. Mr. AP. Mohan , New N.152, Old No.22 Hunters Road, Choolai, Chennai – 600112, had quoted bid amount of Rs.1,26,00,000/- as against reserved price for Rs.1,25,00,000/- for purchasing the Schedule Property. The said Mr. M. Kannan was declared as Successful bidder by the respondent. The auction purchaser had remitted 25% bid amount on 12.06.2024, the respondent had confirmed the sale in favour of the auction purchaser vide Letter dated 13.06.2024. The auction purchaser remitted entire sale consideration on 27.06.2024 and Sale Certificate has been issued in favour of the auction purchaser on 29.06.2024.
- 5.9 It is incorrect to state that the enforcement of security interest is barred by limitation. It is submitted that the applicants had availing Cash Credit

facility of Rs. 52,00,000/- for their business purpose from the respondent vide Sanction Letter dated 08.09.2016, as per request of the applicants, the said loan was renewed, and limit reduced to 47,00,000/- as per sanction letter dated 17.05.2019 and the same was acknowledged by the applicants. After availing the said facility, the applicant's account became irregular and even interest was not serviced by the applicants. Thereafter, the account was declared as NPA on 28.02.2020 as per the guidelines issued by RBI. The applicant account has declared as NPA much prior to the COVID -19 Pandemic. Hence the Respondent was forced to initiate measures under the provisions of the SARFAESI Act. The Demand Notice and Possession Notice has been duly served to the applicants, however, the respondent had not received any reply to the said Demand Notice from the applicants.

5.10 The Authorized officer has issued possession notice on 09.12.2020 under Section 13(4) of the SARFAESI Act, the said possession notice was duly served to the applicants on 11.12.2020. The Respondent Bank had affixed the possession notice on 09.12.2020 to the said premises and the respondent had also published the Possession Notice on 12.12.2020 in Chennai edition in one issue of English daily namely the New Indian Express and in one issue of Tamil daily namely Dinamani. The Respondent bank has followed all the procedures as prescribed

under SARFAESI Act. The applicants had not chosen to challenge the said possession notice till now.

5.11 The applicants had filed the appeal in S.A.No.545 of 2022 before the Hon'ble DRT-II, Chennai to challenge the said Sale Notice dated 12.09.2022. This Tribunal has granted stay of confirmation of the sale subject to the applicant deposit a sum of Rs. 10 Lakhs in two installments, however, the applicants failed to comply the second condition. Further the applicant had filed another SA before this Hon'ble Tribunal vide S.A.No.620 of 2022 to challenge the Sale Notice dated 10.11.2022. This Hon'ble Tribunal has directed the applicants to deposit a sum of Rs.15 Lakhs in two installments, for which the first installment of Rs.5 Lakhs to be paid on or before 30.11.2022 and second installment of Rs.10 Lakhs to be paid on or before 09.12.2022. However, the applicants have failed to comply the second condition within time.

5.12 It is incorrect to state that the schedule property is more than Rs.2Crores,the respondent did not value the property in accordance with law and the respondent was very keen in selling the property alone. It is further state that the schedule property has been sold on 12.06.2024 by the respondent through E-auction after obtaining the valuation of the property from the approved valuer. It is submitted that as per Sec. 13(8) of the act, if the applicant want to settle the dues only prior to the date of

publication of notice for public auction. However, the applicant did not come forward to settle the dues even before auction sale.

5.13 It is incorrect to state that the respondent have not been given any information about the E-auction. It is submitted that the respondent had given reply to their letter dated 19.07.2024 through e-mail on 19.07.2024 and had given information about the e-auction sale held on 12.06.2024. Whenever, the Bank had issued sale notice to bring schedule property for e-auction. They filed application before this Hon'ble Tribunal and obtained interim stay order against the auction sale. Hence, the respondent could not conclude the most of the auction sale. The applicants have no intention to settle the dues and seeking intervention only to delay the recovery process.

5.14 It is incorrect to state that the sale held on 12.06.2024 is fraudulent on the part of the respondent Bank in collusion with Auction Purchaser. It is submitted that the respondent had issued E-auction sale notice on 14.05.2024 public sale and also issued publication in vide circular in two leading newspapers to invite the tender from the public to sale the secured assets for higher price. The above Auction conducted by the respondent only after followed all the procedure laid down under the SARFAESI Act.

5.15 It is submitted that the applicants have filed the present application challenging the sale notice dated 14.05.2024 without complying the

earlier conditional order passed in earlier SAs. The applicant's sole intention is to drag the proceedings. The applicant has not approached this Tribunal with clean hands. Hence, the above SA liable to be dismissed with costs. It is further stated that the schedule property has been sold on 12.06.2024 by the respondent through E-auction after obtaining the valuation of the property from the approved valuer. The respondent has realized the entire claim amount and the same has been appropriated to the loan account and third party interest has been created over the schedule property, hence the question of settlement does not arise at all.

5.16. It is submitted that the this Respondent had issued Demand Notice dated 25.08.2020 under Sec. 13 (2) of the SARFAESI Act and Possession Notice dated 09.12.2020 to the applicants and the same were duly served. The copy of notice and acknowledgement are filed along with typed set. It is submitted that the Authorised officer has followed all the mandatory provisions of the SARFAESI Act.

5.17 It is submitted that the schedule Property had been mentioned as per Rule 8 (7) (a) of the Act, the boundaries of the schedule Properties has been mentioned in the sale notice at presently available as per site as mentioned in the Valuation Report. The copy of Valuation report is filed along with typed set. The sale Notice is duly served to the applicants on 16.05.2024. This respondent had duly complied with Rule 8(6) of the Rules.

5.18 The respondent has clearly mentioned the total outstanding dues as on 31.01.2024 is Rs.54,79,739.70 with further interest from 01.02.2024 in the sale notice dated 14.05.2024. Hence, the amount mentioned in the sale notice dated 12.09.2022 is no way relevant to the present application. It is incorrect to state that the respondent fraudulently colluded with the auction purchaser. The above Auction is conducted by the respondent only after following all the procedure laid down under the SARFAESI Act and the Rules made thereunder. The respondent had given information about the e-auction sale held on 12.06.2024 to the applicants through email dated 19.07.2024. It is further stated that the applicant had not made out any valid ground for restraining the respondent bank to proceed with the auction sale /or setting aside the e-auction sale held on 12.06.2024 which has been done following all the procedure laid down under the SARFAESI Act.

5.19 The respondent had obtained fresh Valuation on 27.10.2023 and thereafter, the respondent had fixed auction sale in various date through Sale Notice dated 15.12.2023 for fixing the reserve price of Rs.1,38,50,000/-, Sale Notice dated 11.01.2024 for Reserve price of Rs.1,38,50,000/-, Sale Notice dated 14.02.2024 for Reserve Price of Rs.1,25,00,000/- and Sale Notice dated 14.03.2024 for Reserve Price of Rs.1,25,00,000/-, however, none of the auction took place due to want of bids. Hence, the respondent Bank had reduced the Reserve price from Rs.1,38,25,000 to Rs.1,25,00,000/-.

5.20 The grounds raised in appeal are false and baseless must be rejected and put the Applicant to strict proof of the same. It is further submitted that if the sale is set aside the respondents will be put to irreparable loss, damage and injury, this respondent has recovered the legitimate dues after putting so many effect by way of sold the secured assets. The SA is liable to be dismissed with costs.

Documents filed by the 1st Respondent along with counter

5.21 The 1st respondent filed the following documents: -

- (a) Demand Notice dated 25.8.2020 issued under Section 13(2) of the SARFAESI Act along with postal acknowledgements.
- (b) Possession Notice dated 09.12.2020 issued under Section 13(4) of the SARFAESI Act along with postal acknowledgements.
- (c) Photograph evidencing affixture of Possession Notice.
- (d) Publication of Possession Notice in “The Indian Express” and Dinamani both date 12.12.2020.
- (e) Order of the Tribunal dated 17.11.2022 in SA No.545 of 2022.
- (f) Order of the Tribunal dated 15.12.2022 in SA No.620 of 2022.
- (g) Valuation report dated 27.10.2023.
- (h) Proof of Affixture of Sale notice.
- (j) Valuation report dated 27.10.2023
- (k) Sale notice dated 14.5.2024 issued by the respondent along with acknowledgement card.
- (l) Affixture of sale notice.

- (m) Paper publication dated 26.5.2024 in “The New Indian Express” and “Dinamani”.
- (n) Sale certificate dated 29.6.2024 issued by the respondent.

5.22 The respondent filed following documents in 1st additional typed set filed by them:

- (a) Letter of sanction by Andhra Bank dated 8.9.2016
- (b) MSME Udyod Aadhaar dated 29.6.2016
- (c) Sale notices dated 10.11.2022, 02.03.2023, 03.04.2023, 02.05.2023, 07.06.2023, 07.07.2023, 17.08.2023, 24.11.2023, 21.12.2023 and 22.01.2024 issued by the respondent bank.
- (d) Counter dated 15.3.2023 filed by the Respondent in AIR No.412 of 2022.
- (e) Petition filed under Section 14(1) & (2) of the SARFAESI Act in Crl. M.P. No.63882 of 2024 by respondent bank.
- (f) Valuation report dated 3.7.2024 by Er. S. Seenivasagan, Chartered Engineer.
- (g) Reply dated 9.8.2024 to the RTI application dated 24.06.2024 by applicants.
- (h) Reply by respondent bank dated 21.10.2024 enclosing statement of accounts.

- (i) Statement of Accounts – Discrepancies.

5.23 The respondent filed following documents in 2nd additional typed set filed by them:

- (a) Reply by Zonal Office, Union Bank of India dated 27.5.2025.
- (b) Valuation report by B.V. Ramanaa dated 22.03.2016
- (c) Report of valuation of residential building by Er. K.R. Udhayakumar dated 28.7.2021
- (d) Certificate of value by Er. S. Socrates dated 7.3.2022.
- (e) Valuation report dated 12.09.2022 by D. Parthasarathy Associates LLP
- (f) Report on valuation of residential building dated 2.3.2023 by Mr. E.R. Udhayakumar
- (g) Valuation report dated 27.10.2023 by Mr. V. Murugadas
- (h) Reply by applicants dated 5.7.2025 to Dy. Zonal Head & Central Public Information Officer.

Counter by 2nd Respondent

- 6.0 The present SA is not maintainable either in law or on facts and the same is liable to be dismissed in limine. This respondent denies all the allegations in the above SA.
- 6.1 S.A.No.410 of 2024 is filed by the applicant to set aside the Auction Sale Notice dated 14.05.2024 fixing the auction sale on 12.06.2024 as null and void and S.A.No.381 of 2024 to quash the E-Auction Sale conducted on 12.06.2024 and consequently to set aside the E-Auction Sale Notice issued by the first respondent bank.
- 6.2 The 1st Respondent Bank issued E-Auction Sale Notice dated 14.05.2024 and fixed the auction on 12.06.2024 in respect of the secured asset. I respectfully submits that this respondent had participated in the E-Auction Proceedings in respect of the Property namely "All that piece and parcel of the Land and Building bearing New Door No.35, Old Door No.55, Veerapandi Nagar 2nd Street, Choolaimedu, Chennai – 600 094 measuring to an extent of 1800 Sq.Feet, comprised in Old Paimash No.281, New t.S.No.38, Block No.10, situated at Puliyur Village, Egmore-Nungambakkam Taluk, Chennai. This respondent further submits that this Respondent declared as successful bidder of the above said property and the 1st respondent issued a Sale Confirmation Letter on 13.06.2024. This respondent further submits that he was declared as a successful bidder by quoting an amount of Rs.1,26,00,000/- (Rupees One Crore Twenty Six Lakhs Only) and paid 25% of the amount on 13.06.2024 and the balance 75%

of the bid amount on 27.06.2024. This respondent further submits that he had paid the entire sale amount with the 1st Respondent Bank in a stipulated period. The applicants have not taken any steps to redeem their property in time even though the 1st respondent granted sufficient opportunity. The above said sale notice is a 8th sale notice. The applicant's intention is only to mislead this Tribunal and to drag the proceedings. This respondent further submits that after depositing the entire bid amount the first respondent bank issued Sale Certificate to in my favour.

- 6.3 This respondent is given to understand that the borrower's account was declared as NPA on 28-02-2020 as per the guidelines issued by RBI and the borrower has not taken any steps to regularize the account. Hence the 1st Respondent Bank issued a Demand Notice to Principal Borrowers/Guarantors under Sec.13(2) of SARFAESI Act on 25.08.2020. The notice was duly served on the applicants and also the borrower and guarantor on 27.08.2020. The respondent bank through the Authorized officer has initiated further steps under the SARFEASI Act by issuing a possession notice under Section 13(4) of the SARFAESI Act read with Rule 8 on 09.12.2020 in respect of the Schedule mentioned property, the said possession notice was duly served to the borrower and guarantors on 11.12.2020. The 1st Respondent Bank had affixed the possession notice on 09.12.2020 on the premises and the same was published on 12.12.2020 in Chennai

edition in one issue of English daily namely the Indian Express and in one issue of Tamil daily namely Dinamani. Hence the 1st Respondent bank has followed all the procedures as prescribed under The SARFAESI Act. The applicants have not challenged the said possession notice till now.

- 6.4 The applicants admit that they received all the notices issued by the 1st Respondent Bank under the SARFESI Act. But the applicant has not taken any steps to clear the debt which shows that the applicant is not at all interested in closing the loan account. This respondent further submits that as per the terms and conditions of the E-Auction Sale Notice this respondent had paid the entire sale amount with the 1st respondent bank in time, despite the same this respondent unable to enjoy the same.
- 6.5 1st respondent bank has complied with all the procedures under the SARFAESI Act and the Rules made thereunder. Hence the applicant is not entitled to any reliefs as prayed for and the SA filed by the applicant is not maintainable in the eyes of law and liable to be dismissed in limine.
- 6.6 This respondent having purchased the said property, more than 6 months ago is unable to enjoy the same. The present SA is liable to be dismissed along with costs.

7.0 Both the applicants and the 1st Respondent Bank filed their written submissions along with judgments relied upon. The applicants also filed reply to the written arguments filed by the 1st Respondent Bank.

Points for consideration

8.0 Having heard the Ld. Counsels appearing on behalf of both the parties and after perusing the entire records including the written submissions filed by the parties, the following points arises for consideration.

(i) Whether the measures initiated by the 1st Respondent Bank under the SARFAESI Act suffer from any illegality or procedural irregularity warranting interference under Section 17 of the Act?

(ii) Whether the Applicants have established that the secured asset was undervalued or sold for a grossly inadequate price?

(iii) Whether the alleged discrepancy in property boundaries vitiates the sale proceedings?

(iv) Whether the sale notice dated 14.05.2024 and the e-auction conducted on 12.06.2024 are liable to be set aside?

(v) To what relief are the parties entitled?

Answers to Points for consideration

8.1 The factual matrix is largely undisputed. The 1st Applicant Firm availed Cash Credit facilities from the erstwhile Andhra Bank. Applicants 2 to 4

stood as guarantors and created mortgage over the secured asset. Due to persistent default, the account was classified as NPA on 28.02.2020.

- 8.2 Records disclose that Demand Notice under Section 13(2) of the SARFAESI Act dated 25.08.2020 was issued and served upon the Applicants. Thereafter Possession Notice dated 09.12.2020 under Section 13(4) was issued, served upon the borrowers and guarantors, affixed on the secured asset and published in two newspapers on 12.12.2020. The Applicants have not challenged either the Demand Notice or the Possession Notice within the prescribed period.
- 8.3 The materials placed before this Tribunal further reveal that the Respondent Bank had repeatedly attempted to sell the secured asset through public auction. Sale notices were issued on several occasions from the year 2022 onwards. The Applicants themselves admit filing S.A. No.545 of 2022 challenging the Sale Notice dated 12.09.2022 and S.A. No.620 of 2022 challenging the Sale Notice dated 10.11.2022. Both proceedings ultimately became infructuous as no sale materialised.
- 8.4 The record further shows that the Tribunal had granted conditional interim protection in the earlier proceedings directing the Applicants to deposit substantial amounts. The Applicants admittedly failed to fully comply with the conditions imposed by the Tribunal. Despite obtaining

opportunities over a prolonged period, the Applicants failed to regularize the account or redeem the secured asset.

8.5 The principal challenge in the present S.A. is directed against the Sale Notice dated 14.05.2024 and the auction sale conducted on 12.06.2024.

8.6 As regards the alleged non-service of demand notice, it is to be stated that though a ground has been raised that the demand notice was not issued, the same is directly contradicted by the documents placed by the Respondent Bank. The Demand Notice dated 25.08.2020 along with postal acknowledgements evidencing service has been produced. In fact, the Applicants themselves have annexed a copy of the Demand Notice along with the S.A. Therefore, the contention that no Demand Notice under Section 13(2) was issued is factually incorrect and liable to be rejected.

8.7 In so far as the challenge to possession notice is concerned, the Applicants contend that the Possession Notice was affixed prior to service upon them and therefore the proceedings are vitiated. This contention cannot be accepted. Rule 8 of the Security Interest (Enforcement) Rules, 2002 requires affixture of the possession notice on the property and publication in newspapers. The records disclose that the Possession Notice was issued on 09.12.2020, affixed on the secured asset, served upon the borrowers and published on

12.12.2020. Even assuming that service upon the borrowers was effected subsequently, no prejudice has been demonstrated by the Applicants. More importantly, the Applicants did not challenge the Possession Notice for nearly four years and have sought to raise such challenge only after the successful completion of auction sale. This Tribunal therefore finds no merit in the challenge directed against the Possession Notice.

Non-compliance of Rule 8(6) and Rule 9 of the Security Interest (Enforcement) Rules

8.8 In so far as the alleged violation of Rule 8(6) and Rule 9 of the Security Interest (Enforcement) Rules, 2002 is concerned, it is the contention of the applicant that the same are not complied with. The impugned Sale Notice is dated 14.05.2024 and the auction was conducted on 12.06.2024. The sale notice was admittedly served on the Applicants on 16.05.2024 and published in newspapers on 26.05.2024. The records further disclose proof of service, publication and affixture. Thus, the Applicants had due notice of the proposed sale. The Applicants were fully aware of the auction proceedings and even addressed communications to the Bank on 11.06.2024 seeking time for settlement. Further, this is not the first sale notice that is issued by the 1st Respondent Bank. The respondent bank had issued several sale notice earlier and the applicants have filed SAs challenging the same, which all came to be dismissed as infructuous as no sale took place. In these

circumstances, the Tribunal is satisfied that the mandatory requirements under Rules 8 and 9 were substantially complied with by the Respondent Bank.

Undervaluation of the property

- 8.9 The principal contention of the applicants is that the secured asset was grossly undervalued and sold for a sum of Rs.1,26,00,000/- though according to them the market value exceeded Rs.2 Crores. It is contended that the reserve prices fixed in various sale notices fluctuated without any rational basis and that the respondent bank ignored the valuation report dated 27.10.2023.
- 8.10 The applicants relied upon the decisions in Vasu P. Shetty v. Hotel Vandana Palace, Ram Kishun v. State of Uttar Pradesh, Pochiraju Industries Ltd. v. Punjab National Bank, Skytone Electricals (India) Ltd. v. Canara Bank and R. Arumugasamy v. Authorised Officer, United Bank of India to contend that proper valuation and application of mind while fixing reserve price are mandatory requirements.
- 8.11 There can be no quarrel with the proposition laid down in the above decisions. The secured creditor is duty bound to obtain valuation from an approved valuer and fix the reserve price in accordance with Rule

8(5) of the Security Interest (Enforcement) Rules, 2002. The secured asset cannot be sold for a song.

8.12 However, in the present case, the respondent bank has produced valuation reports obtained from approved valuers on different occasions. The records disclose valuation reports dated 12.09.2022, 02.03.2023 and 27.10.2023. The valuation report dated 27.10.2023 assessed the fair market value at Rs.1,75,00,000/-, realizable value at Rs.1,57,50,000/- and distress/forced sale value at Rs.1,40,00,000/-.

8.13 The records further disclose that several auction attempts made between 2022 and 2024 failed for want of bidders despite reserve prices ranging from Rs.1.60 Crores to Rs.1.38 Crores. The respondent bank has explained that after repeated failure of auctions, the reserve price was reduced to Rs.1.25 Crores.

8.14 The Tribunal is unable to accept the contention that every reduction of reserve price necessarily requires a fresh valuation report. The valuation report dated 27.10.2023 itself was available when subsequent sale notices were issued. The reserve price of Rs.1.25 Crores was fixed after repeated unsuccessful auction attempts and cannot be said to be arbitrary merely because it was lower than the fair market value indicated by the valuer.

8.15 Significantly, the applicants have not produced any contemporaneous valuation report available prior to the auction date establishing that the

market value on 12.06.2024 was substantially higher. The valuation report dated 03.07.2024 relied upon by the applicants came into existence after the sale and therefore cannot by itself invalidate the auction already concluded.

- 8.16 Mere disparity between market value and sale price is not sufficient to set aside an auction sale unless substantial injury and material irregularity are established. In the present case no evidence has been produced to show that the reserve price was fixed without reference to valuation reports or that the property could have fetched a substantially higher price if the impugned sale had not taken place. Accordingly, the contention regarding undervaluation is rejected.

Discrepancy in property boundaries

- 8.10 The applicants next contend that the boundaries mentioned in the MODT, Demand Notice, Possession Notice, Sale Notice and Sale Certificate are not identical and therefore Rule 8(7)(a) stands violated.

- 8.11 The Tribunal has carefully compared the property descriptions. It is seen that the property description consistently refers to the same property bearing Door No.35 (Old No.55), Veerapandi Nagar 2nd Street, Choolaimedu, Chennai measuring 1800 sq.ft. situated in Puliur Village. The discrepancy pointed out by the applicants is only with regard to the boundary descriptions. The respondent bank has

explained that the boundaries in the sale notice were based upon the physical features and prevailing site conditions as noted by the valuer.

8.12 Further, the applicants have not established that any prospective bidder was misled regarding the identity of the property or that any prejudice was caused due to variation in boundary descriptions. No evidence has been produced to show existence of another property answering the same municipal description.

8.13 It is settled law that only such defects as materially affect the conduct of sale and result in substantial injury can vitiate the auction. In the present case, the identity of the property remained certain and unmistakable throughout. Hence the contention based on Rule 8(7)(a) fails.

Single Bidder in Auction

8.11 The Applicants have attempted to challenge the sale on the ground that only one bidder participated. There is no statutory prohibition against acceptance of a bid merely because only one bidder participated. The material consideration is whether adequate publicity was given and whether the bid amount was above the reserve price. In the present case, the auction was publicly advertised, several earlier auctions had failed, and the successful bidder offered Rs.1,26,00,000/- as against reserve price of Rs.1,25,00,000/-. Therefore, the challenge on this ground also fails.

Outstanding Amount

8.12 The Applicants have referred to figures mentioned in earlier sale notices and statement of accounts. The impugned Sale Notice specifically mentions the outstanding dues as on 31.01.2024. The Respondent Bank has also furnished statement of account. Minor variations arising from accrual of interest and charges cannot by themselves invalidate an auction sale. The Applicants have not demonstrated any material prejudice on this score.

Allegedly Defective Sale Notice

8.13 The applicants contend that the sale notice did not contain the correct amount due and that reduction of reserve price required issuance of a fresh 30-days notice. The sale notice dated 14.05.2024 clearly specifies the outstanding dues as Rs.54,79,739.79 as on 31.01.2024 together with further interest and charges. Therefore, the contention that the sale notice did not disclose the amount due is factually incorrect.

8.14 As regards the contention relating to reserve price, the Tribunal finds that the impugned sale notice dated 14.05.2024 itself granted more than 30 days' notice prior to the auction scheduled on 12.06.2024. Hence the statutory requirement stood satisfied.

Discrepancies in Statement of Accounts

8.15 The applicants have attempted to point out discrepancies between different statements of account and amounts mentioned in earlier sale

notices. The Tribunal finds that the present challenge concerns the auction conducted on 12.06.2024 pursuant to the sale notice dated 14.05.2024. The alleged discrepancies relate largely to earlier sale notices issued in 2022 and 2023. Even assuming there were accounting variations arising from interest reversals, appropriation of deposits, unapplied interest or subsequent corrections, the applicants have failed to establish how such discrepancies affected the validity of the impugned auction sale. The statement of account also reflects credit of the amounts paid by the applicants pursuant to interim orders passed by this Tribunal. Therefore, the contention that the bank suppressed those payments is not borne out by the records. Accordingly, this ground is rejected.

Alleged collusion between the bank and auction purchaser

8.16 The applicants allege collusion principally on the grounds that only one bidder participated; the bid amount exceeded reserve price by only Rs.1,00,000/-; details of the auction purchaser were not immediately furnished. The Tribunal finds no merit in the above submissions.

8.17 Merely because only one bidder participated does not establish collusion. There is no statutory requirement that more than one bidder should participate. What is required is due publication and opportunity to the public to participate.

- 8.18 The auction purchaser deposited 25% of the bid amount immediately and remitted the balance within the stipulated period. Sale certificate was thereafter issued. No material has been placed to establish any relationship between the bank officials and the auction purchaser.
- 8.19 As regards furnishing of auction details, the records show that the bank subsequently furnished information and disclosed the details of the auction purchaser. Delay in furnishing information cannot by itself establish fraud or collusion. Fraud is required to be specifically pleaded and strictly proved. The applicants have failed to discharge such burden.

Excessive Execution

- 8.20 The applicants contend that only a portion of the property ought to have been sold because the dues were approximately Rs.55 Lakhs whereas the property sold for Rs.1.26 Crores. The contention cannot be accepted. Though Rule 8(5) empowers the Authorised Officer to sell the whole or any part of the secured asset, the provision is enabling and not mandatory. The secured asset in question consists of land and building forming a single mortgaged security. The applicants have not produced any material to establish that the ground floor and first floor constituted separately marketable and independently transferable units capable of separate sale. The Tribunal therefore finds no illegality in sale of the entire secured asset.

Bonafides of the Applicants

8.21 The applicants have highlighted payments aggregating Rs.25 Lakhs made pursuant to earlier interim orders and have contended that they were always willing to settle the account. The Tribunal takes note of the payments made by the applicants. However, despite several opportunities granted from 2022 onwards, the applicants did not clear the outstanding dues before the auction date. Even the e-mail dated 11.06.2024 merely promised payment of Rs.10 to 15 Lakhs and not liquidation of the entire liability. The right of redemption under Section 13(8) was not exercised before completion of the auction. Therefore, bona fide intention alone cannot invalidate a sale otherwise conducted in accordance with law.

No Prejudice to the Auction Purchaser

8.22 The applicants finally contend that the auction purchaser can be compensated by refund of money with interest. The submission cannot be accepted. Once a public auction has been concluded, full consideration paid and sale certificate issued, valuable third-party rights stand created. Such rights cannot be disturbed merely because the borrower is subsequently willing to settle the dues. Unless a fundamental illegality or fraud is established, a concluded sale cannot be set aside. The applicants have failed to establish any such illegality in the present case.

Rights of the Auction Purchaser

8.23 The auction purchaser has been impleaded as 2nd Respondent. Records show that he participated in the auction, was declared successful bidder, deposited 25% of the bid amount immediately and paid the balance consideration within the stipulated time. Thereafter, Sale Certificate dated 29.06.2024 was issued in his favour and third-party rights have crystallized. The Hon'ble Supreme Court in **CELIR LLP vs. Bafna Motors (Mumbai) Pvt. Ltd.** has held that once a sale is duly concluded, courts should not normally interfere except in cases involving fraud, collusion, material illegality or substantial injury. In the present case, no evidence of fraud, collusion or material irregularity has been established by the Applicants. The conduct of the Applicants is also relevant. Despite repeated opportunities over several years, and despite obtaining interim protection in earlier proceedings, they failed to redeem the property or discharge the outstanding dues. The present challenge has been made only after the sale stood concluded and sale certificate was issued. This Tribunal finds considerable force in the contention of the Respondent Bank that the Applicants have repeatedly approached the Tribunal whenever sale notices were issued, but failed to avail the opportunities granted for repayment.

8.24 The Tribunal is therefore of the considered view that the Applicants have failed to establish any violation of the SARFAESI Act or the Security

Interest (Enforcement) Rules, 2002 warranting interference under Section 17 of the Act.

8.25 The measures adopted by the Respondent Bank are found to be in accordance with law. The auction sale conducted on 12.06.2024 and the Sale Certificate issued on 29.06.2024 do not suffer from any legal infirmity.

Conclusion

9.0 In view of the foregoing discussion and findings, this Tribunal holds that:

(a) The Applicants have failed to establish any illegality in the Demand Notice, Possession Notice, Sale Notice dated 14.05.2024 or the e-auction sale conducted on 12.06.2024.

(b) The plea of undervaluation, discrepancy in boundaries, non-compliance of Rule 8(6), incorrect outstanding amount and alleged procedural violations are devoid of merit.

(c) The auction sale conducted on 12.06.2024 and Sale Certificate dated 29.06.2024 issued in favour of the 2nd Respondent are valid and binding. Third-party rights have already crystallized in favour of the auction purchaser.

10. Accordingly, the following: –

ORDER

- (a) SA Nos. 381 of 2024 and 410 of 2024 are dismissed. No order as to costs.
- (b) All pending IAs, if any, stands closed.
- (c) Registry is directed to communicate a copy of this order to the parties concerned.

**Sd/-
(SHARANG DHAR UPADHYAY)
PRESIDING OFFICER
DRT-II, CHENNAI**

(Dictated to PS, who typed in the system directly, corrected, signed and pronounced by me in Open Court, on this 18th day of May, 2026)