



HC-KAR

NC: 2026:KHC:18704
WP No. 13563 of 2025
C/W WP No. 5349 of 2023

IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 6TH DAY OF APRIL, 2026

BEFORE

THE HON'BLE SMT. JUSTICE LALITHA KANNEGANTI

WRIT PETITION NO. 13563 OF 2025 (GM-DRT)

C/W

WRIT PETITION NO. 5349 OF 2023 (GM-DRT)

IN WP No. 13563/2025

BETWEEN:

1. M/S BALAJI ELECTRICALS
REP BY ITS PROPRIETOR
MR. KANTHEYALAL PATEL
ADD NO. 43, UTTARAHALLI MAIN ROAD,
SUBRAMANYA POST BANGALORE
REP BY KANHEYALAL PATEL
2. MR. KANHEYALAL PATEL
(GURANTOR AND MORTGAGOR)
S/O MR GEPARRAMJI
AGED 43 YEARS
R/A. NO. 6, CHANNASANDRA LAYOUT
KENGARI MAIN ROAD
BANGALORE - 560061
3. SMT. SUSHEELA PATEL
(GUARANTOR AND MORTGAGOR)
W/O KANHEYALAL PATEL
AGED 40 YEARS
R/A. NO. 6, CHANNASANDRA LAYOUT
KENGARI MAIN ROAD
BANGALORE-560061





HC-KAR

NC: 2026:KHC:18704
WP No. 13563 of 2025
C/W WP No. 5349 of 2023

4. MR MANOHAR KUMAR
(GUARANTOR) R/A. NO. 6,
CHANNASANDRA LAYOUT
KENGARI MAIN ROAD
BANGALORE - 560061

...PETITIONERS

(BY SRI. M A RAJENDRA., ADVOCATE)

AND:

1. THE AUTHORISED OFFICER
CFM ASSETS RECONSTRUCTION PVT LTD.
835 SG HIGHWAY MAKARABA
AHMEDABAD - 380 051
ALSO AT BLOCK NO. A/1003,
WEST GATE, A 35/1+3, SARKHEJ-GANDHINAGAR
HWY, NEAR YMCA CLUB, SUR, MAKARBA,
AHMEDABAD, GUJARAT - 380051

2. THE AUTHORISED OFFICER
INDUSIND BANK LIMITED,
3RD FLOOR, 13/12, EMBASSY HEIGHTS
UNIT NO.101 AND 101 M B BLOCK,
MARGATH ROAD,
BANGALORE - 560 025

...RESPONDENTS

(BY SRI. NARAYANA SHENOY.,ADVOCATE FOR R1)

THIS WP IS FILED UNDER ARTICLES 226 AND 227 OF THE CONSTITUTION OF INDIA PRAYING TO SET ASIDE THE ASSIGNMENT AGREEMENT DATED 01.10.2020, REGISTERED BEFORE THE OFFICE OF THE SUB-REGISTRAR, OF OTHER STATE, ON THE ASSETS AND LIABILITIES SITUATED IN THE STATE OF KARNATAKA, DEPRIVING THE LEGITIMATE STAMP DUTY PAYABLE TO THE GOVERNMENT OF KARNATAKA, WHICH HAS CAUSED LOSS TO THE STATE EXCHEQUER.

IN WP NO. 5349/2023

BETWEEN:

1. M/S DEVAR POWER LTD
REGISTERED/ADMINISTRATIVE OFFICE



SANTHRUPTHI, KODI KANYANA
VIA SASTHANA-576226
UDUPI DISTRICT
REPTD BY ITS MANAGING DIRECTOR
SRI S M ANAND
PRIVATE LTD COMPANY UNDER
COMPANIES ACT, 1956.

...PETITIONER

(BY SRI. M.A.RAJENDRA, ADVOCATE)

AND:

1. THE AUTHORIZED OFFICER
KARNATAKA BANK LTD
ASSET RECOVERY MANAGEMENT BRANCH
III FLOOR, KARNATAKA BANK BUILDING,
KODIALBAIL, MANGALURU-575003
2. CHIEF MANAGER
ASSET RECONSTRUCITON
COMPANY (INDIA) LTD.,
BRANCH OFFICE NO.305, 3RD FLOOR,
KEDIA ARCADE, NO.92, INFANTRY ROAD
BENGALURU-560001
PVT LTD COMPANY UNDER
COMPANIES ACT, 1956.

...RESPONDENTS

(BY SRI. K.V.SHYAMA PRASADA, ADVOCATE FOR R1;

SMT. SHARVARI.N., ADVOCATE FOR

SRI. MAHABALESHWAR.G.C., FOR R2)

THIS WP IS FILED UNDER ARTICLES 226 AND 227 OF THE CONSTITUTION OF INDIA PRAYING TO-SET ASIDE THE ILLEGAL ORDERS DTD 21/12/2022, ANNEXURE-C PASSED BY THE HONBLE DRT-II, BANGALORE, ALLOWING ASSIGNMENT OF O.A. 166/19, IN FAVOUR OF R-2 IN THE PLACE OF R-1 WITHOUT HEARING THE PETITIONERS ARGUMENTS., AND ETC.



THESE PETITIONS, COMING ON FOR ORDERS, THIS DAY,
ORDER WAS MADE THEREIN AS UNDER:

CORAM: HON'BLE SMT. JUSTICE LALITHA KANNEGANTI

ORAL ORDER

IN W.P. No.13563/2025

The present writ petition is filed seeking the following
prayers:

"(A) To Set Aside the Assignment Agreement dt.01.10.2020, Registered before the office of the Sub-Registrar, of other state, on the assets and liabilities situated in the State of Karnataka, depriving the legitimate Stamp Duty payable to the Government of Karnataka, which has caused "Loss to the State Exchequer.

(B) Grant such other relief, which this Hon'ble Court deems fit under the facts and circumstance and on question of law, as stated Supra and in the Interest of Justice."

2. It is the case of the petitioners that the first respondent/company has invoked measures under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act (for short 'SARFAESI Act') pursuant to the Assignment Agreement dated 01.10.2020. Prior



thereto, the second respondent/Bank had issued a Demand Notice dated 10.06.2020 under Section 13(2) of the SARFAESI Act. It is stated that the first respondent Company ought to have reclassified the account as 'Non-Performing Assets' (for short 'NPA') subsequent to assignment of debt, by virtue of the Assignment Agreement dated 01.10.2020. The petitioners state that they had availed a credit facility of Rs.5,30,00,000/- from the second respondent/Bank in the year 2018 for the purpose of developing their Electrical Goods and Equipment business. Due to the COVID-19 pandemic, the petitioners were unable to repay the loan and consequently, the loan account was classified as NPA on 03.02.2020. Thereafter, the second respondent Bank assigned the debt in favour of the first respondent, namely CFM Assets Reconstruction Private Limited, by executing an Assignment Agreement dated 01.10.2020.

3. It is the case of the petitioners that the first respondent/company ought to have reclassified the account as NPA and it cannot continue the proceedings from the stage at which the second respondent/Bank had left. Thereafter, an order came to be passed under Section 14 of the SARFAESI Act



by the ACMM Court in Crl. Misc. No. 5026/2023 dated 22.10.2023.

4. It is contended by the learned counsel for the petitioner that the first and second/respondents, without paying the requisite stamp duty as prevailing in the State of Karnataka, proceeded to issue the Possession Notice. It is also the case of the petitioners that, without appreciating these facts and the questions of law, the Debts Recovery Tribunal dismissed S.A. No. 105/2023 by order dated 29.04.2023.

5. The petitioners contend that unless and until the said Assignment Agreement is duly stamped and registered in the State of Karnataka, the same is not enforceable in law. Hence, the petitioners have approached this Court seeking to set aside the Assignment Agreement dated 01.10.2020, which was registered before the office of the Sub-Registrar in another State, in respect of assets and liabilities situated within the State of Karnataka.

6. Learned counsel appearing for the petitioners has relied upon the judgment of the High Court of Madras in **M/s. Veena Textiles Limited and Anrother vs. The Authorised**



Officer, IFCI Limited and Another arising out of **W.P. No. 8761/2014 along with M.P. Nos. 2 and 3 of 2014**. He has specifically drawn the attention of this Court to Paragraph Nos. 13, 14, and 15 of the said judgment, which read as under:

13. It is not in dispute that the above properties, thus, assigned under the Deed of Assignment dated 25.5.2011, are admittedly situated in Tamil Nadu and not within the jurisdiction of the Registering Authority at Calcutta. Therefore, it is very clear that the said Assignment Deed made at Calcutta in respect of property situated in Tamil Nadu and got registered before the Registering Authority, Calcutta was against Section 28 of the Registration Act as amended by the Tamil Nadu Act 19 of 1997 with effect from 29.3.1997, which reads as follows:

"28. Place for registering documents relating to land:- Save as in this part otherwise provided-

(a) Every document mentioned in Clauses (a), (b), (c), (d) & (e) of sub-section (1) and sub-section (2) of Section 17, in so far as such document affects immovable property and in Clauses (a), (b), (c) & (cc) of Section 18, shall be presented for registered in the office of a Sub-Registrar within whose sub-district the whole or some portion of the property to which such document relates is situate in the State of Tamil Nadu; and

(b) Any document registered outside the State of Tamil Nadu in contravention of the provisions of Clause (a) shall be deemed to be null and void.



HC-KAR

NC: 2026:KHC:18704
WP No. 13563 of 2025
C/W WP No. 5349 of 2023

14. A perusal of the above said provision of law would show that the document registered outside the State of Tamil Nadu in contravention of the provisions of Clause (a) of Section 28 of the Registration Act shall be deemed to be null and void. Therefore, there cannot be any doubt that the Deed of Assignment dated 25.5.2011 is deemed to be null and void, since the same was made in violation of Section 28(b) of the Registration Act. Consequently, the First Respondent, having not empowered to act legally against the Petitioners in pursuant to the said Deed of Assignment dated 25.5.2011, was not entitled to initiate the proceedings before the Second Respondent under the SARFAESI Act, which has resulted in passing the impugned Order by the Second Respondent under Section 14(3) of the SARFAESI Act.

15. It is further to be noted that after knowing fully well that the Deed of Assignment executed on 25.5.2011 is not valid in the eye of law, the parties to the said document have once again entered into another Deed of Assignment on 4th October, 2012, at Kumarapalayam of Tamil Nadu State and got it registered at the Sub-Registrar office of Kumarapalayam. Therefore, if at all the First Respondent can initiate any proceeding against the Petitioners, such right should commence only from the date of the Said Deed of Assignment dated 4.10.2012 and not before that. Admittedly, in this case, the impugned proceedings has emanated consequent upon the said invalid and non est Assignment Deed on 25.5.2011 only and therefore, it can not be sustained. Therefore, we are of the view that the impugned proceedings are liable to be quashed.

7. It is submitted that, in similar circumstances, the High Court of Madras has held that an assignment, which is not registered before the Sub-Registrar within whose jurisdiction



the property is situated, is not enforceable in the eye of law. It is further submitted that, in the present case, the Assignment Agreement has been registered at Mumbai, whereas the properties are situated in Bengaluru. As such, the said assignment is bad in law and is liable to be set aside.

8. Learned counsel appearing for the respondent/Bank has drawn the attention of this Court to Section 28(b) of the Registration Act, 1908, which reads as under:

"28. Place for registering documents relating to land. - Save as in this Part otherwise provided, every document mentioned in section 17, sub-section (1), clauses (a), (b), (c) [(d) and (e)], section 17, sub-section (2), insofar as such document affects immovable property,] [Substituted by Act 33 of 1940, Section 3, for "and (d)" .] and section 18, clauses (a), (b), [(c) and (cc)] [Substituted by Act 33 of 1940, Section 3, for "and (c)" .], shall be presented for registration in the office of a Sub-Registrar within whose sub-district the whole or some portion of the property to which such document relates is situate."

9. He has also relied upon Section 19(a) of the Karnataka Stamp Act, 1957, which reads as under:

"Section 19: Payment of duty on certain instruments liable to increased duty in the State of Karnataka:

(a) the amount of duty chargeable on such instrument shall be the amount of duty chargeable under the Schedule on a document of the like description executed in the [State of Karnataka] [Adapted by the Karnataka Adaptations of Laws Order, 1973 w.e.f. 1.11.1973] less the amount of duty, if



HC-KAR

NC: 2026:KHC:18704
WP No. 13563 of 2025
C/W WP No. 5349 of 2023

any, already paid on such instrument in any other State in India,"

10. Relying on the aforesaid provisions, it is submitted that the judgment relied upon by the petitioners is not applicable to the facts of the present case. It is contended that Section 28(b) of the Registration Act, which specifically applies to the State of Tamil Nadu, specifically says that any document registered outside the State of Tamil Nadu, in contravention of provisions of Section 28(a), shall be deemed to be null and void. It is submitted that such, a Clause is not there as far as the State of Karnataka is concerned, and the judgment has been rendered in the light of Section 28(b).

11. It is submitted by the learned counsel appearing for the respondent that, insofar as the State of Karnataka is concerned, the document in question was registered prior to the year 2020. It is further submitted that, now there is an amendment to the Karnataka Stamp Act. According to the same, the stamp duty has been enhanced to Rs.5,00,000/-, whereas at the relevant point of time it was Rs.1,00,000/-.

12. It is submitted that the petitioners have paid the requisite stamp duty and have duly registered the document



HC-KAR

NC: 2026:KHC:18704
WP No. 13563 of 2025
C/W WP No. 5349 of 2023

and therefore, the same cannot be set aside. It is further submitted that when the petitioners cannot come before this Court, questioning the impugned order as they have an efficacious alternative remedy before the Debts Recovery Tribunal (for short 'DRT').

13. Having heard the learned counsel on either side, perused the material on record.

14. The petitioners are questioning the Assignment Deed. It is an admitted fact that they had availed a loan from the second respondent/Bank and that the said debt was subsequently assigned to the first respondent. One of the contentions urged by the petitioners is that, after the issuance of a notice under Section 13(2) of the SARFAESI Act upon classification of the account as a NPA, the first respondent, upon assignment of the debt, ought to have initiated the proceedings afresh. That submission has no legs to stand, as when the debt is assigned to the first respondent company, it is entitled to proceed from the steps taken by the second respondent Bank.



15. Coming to the contention with regard to the Assignment Deed, this Court finds force in the argument of the learned counsel for the respondent/Bank that the provision under Section 28(b) of the Registration Act as amended by the state of Tamil Nadu is specific to the State of Tamil Nadu and that no such provision exists in the State of Karnataka. In light of the provisions contained in the Stamp Act and the Registration Act, this Court finds no merit in the arguments of learned counsel for the petitioners and finds no reason to interfere with the impugned proceeding.

IN W.P.No.5349/2023

16. The writ petition is filed seeking the following prayer:

"To set aside the illegal orders dated 21-12-22, passed by the Hon'ble DRT-II, Bangalore, allowing assignment of O.A 166/19, in favour of 2nd respondent, in the place of 1st respondent, without hearing the petitioners arguments."

17. The petitioner is the borrower. The petitioner had availed a loan from the first respondent, and the said debt was



NC: 2026:KHC:18704
WP No. 13563 of 2025
C/W WP No. 5349 of 2023

subsequently assigned to the second respondent. In turn, the second respondent filed I.A. No. 932/2022 along with the Assignment Agreement dated 26.11.2021, seeking its substitution in place of the first respondent Bank in O.A. No. 166/2019. The Debts Recovery Tribunal, by order dated 21.12.2022, allowed the said application and substituted the second respondent in place of the first respondent. Thereafter, the petitioner filed I.A. No. 3423/2022 dated 27.12.2022, seeking to recall the order dated 21.12.2022, contending that the same was passed without even hearing the petitioner.

18. It is submitted that the ARM Branch, Mumbai, and ARCIL, Mumbai, have no jurisdiction to assign the debts and immovable properties situated in the State of Karnataka. It is stated that, for an Assignment Agreement to be legal and valid, it should be executed between the first respondent/Bank, ARM Branch, Bengaluru, and ARCIL, Mumbai, on Karnataka stamp paper, upon payment of the requisite stamp duty to the Government of Karnataka. It is submitted that the said Assignment Deed is bad in law and therefore, liable to be set aside. Hence, the petitioner has come before this Court.



19. Learned counsel appearing for respondent No. 2/Asset Reconstruction Company submitted that, as per the guidelines issued by the Reserve Bank of India, it is permissible to assign debts to Asset Reconstruction Companies. It is further submitted that, in accordance with the circulars issued by the Reserve Bank of India from time to time, the debt in question was assigned by the first respondent/Bank to the second respondent/Asset Reconstruction Company. It is submitted that, as per the Karnataka Stamp Act and the Registration Act, there is no prohibition against registering the document in Mumbai and that the respondents have completed the registration upon payment of the requisite stamp duty and registration charges. It is contended that the petitioner has filed the present petition only with an intention to drag the proceedings.

20. Having heard the learned counsel on either side, perused the material on record.

21. The debts are assigned to the Asset Reconstruction company as per the guidelines issued by the Reserve Bank of India and if a particular document is unenforceable or it is



contrary to the provisions of the Act, the petitioner ought to have pointed out at the particular provision of the Stamp Act or the Registration Act. The first respondent has assigned the debt in favour of the second respondent company. The grounds that are raised by the petitioner, to the effect that the assignment of debt in respect of properties situated in the State of Karnataka is not maintainable and that such assignment ought to have been executed on stamp paper obtained in Karnataka, all these grounds have no legs to stand. The assignment of debt in favour of an Asset Reconstruction Company is in accordance with the guidelines issued by the Reserve Bank of India. Further, if a particular document is unenforceable in law or is contrary to the provisions of the Act, the petitioner ought to have pointed out the specific provision of the Stamp Act or the Registration Act. Further, Section 5(1)(2) of the SARFAESI Act, permits the bank to assign the debt.

22. In view of the aforesaid discussion, this Court is passing the following:



ORDER

- i. Accordingly, W.P.No.13563/2025 and W.P. No.5349/2023 are ***dismissed***.
- ii. All pending I.As., in the petition shall stand closed.

**SD/-
(LALITHA KANNEGANTI)
JUDGE**

SMC
List No.: 1 Sl No.: 14