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* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

Judgment reserved on: 12.02.2026

Judgment pronounced on: 01.07.2026

+ **W.P.(C) 11344/2024**

M A ENTERPRISES

.....Petitioner

Through: Mr. Lal Singh Thakur, Mr. Tarun Mann, Ms. Kavya, Ms. Divya Kumar Wadhawan, Advs.

versus

PUNJAB NATIONAL BANK & ANR.

.....Respondents

Through: Mr. Santosh Kumar Rout, SC for R1

CORAM:

HON'BLE MR. JUSTICE JASMEET SINGH

J U D G M E N T

1. This is a writ petition filed under Articles 226 and 227 of the Constitution of India seeking the following prayers:-

“(i) Issue writ, order, direction in the nature of mandamus, directing Respondent No. 1 to forthwith issue a No-Dues Certificate for the Petitioner’s Account No. 4904008700000633 with the Respondent No. 1 bank.

(ii) Issue writ, order, direction in the nature of mandamus, directing Respondent No. 1 to forthwith release the title deeds in relation to Warehouse Plot No. N3B3, admeasuring



8400.00 square meters in the property known as Verna Industrial Estate, Phase-III-B, surveyed under Survey No. 261, situated within the local limits of Village Panchayat of Loutolim, Taluka Salcete, District South Goa, State of Goa, which was offered as security with the Respondent No. 1 bank.

(iii) Issue writ, order, direction in the nature of mandamus, directing Respondent No. 1 to forthwith issue the necessary communications to Respondent No. 2 informing about the closure of the outstanding shown in the account of petitioner updating the credit score of the Petitioner. ...”

2. The petitioner i.e., M.A. Enterprises, a partnership firm registered under Micro, Small and Medium Enterprises Development Act, 2020 is in the business of edible and non-edible oil.
3. The respondent No.1 i.e., Punjab National Bank, is a nationalized bank and the respondent No.2 i.e., Credit Information Bureau (India) Limited, is just a pro-forma respondent.

FACTUAL MATRIX AS PER THE PETITIONER

4. Respondent No. 1 *vide* Loan Sanction Letter dated 18.04.2016 sanctioned a loan to the petitioner for Rs. 39 crores (wherein Rs. 1 crore was fund based and Rs. 38 crores was Non-Fund based) against petitioner’s property being Plot No. N3B-3, admeasuring 8400.00 square meters in the property known as Verna Industrial Estate, Phase-III-B, surveyed under Survey No. 261, situated within the local limits of Village Panchayat of Loutolim, Taluka Salcete, District South Goa, State of Goa (“*security property*”) as security. The loan was renewed



vide Loan Renewal/Sanction letter dated 28.09.2017, subject to conditions.

5. Due to Covid-19 pandemic, petitioner's business faced severe issues. Respondent No.1 *vide* letter dated 07.04.2020 informed the petitioner that Zonal Office Credit Approval Committee ("**ZOCAC**") has agreed to short renewal of current limits, Rate of Interest ("**ROI**") and Service charges on applicable rates and continued waiver of forward booking of USD against import, contingent on 10% extra cash margin in lieu of booking of forward cover regarding the petitioner's account
6. By December 2020, the petitioner had paid Rs. 7.20 crores. Yet, on 31.03.2021, respondent No.1 declared petitioner's account(s) as Non-Performing Assets ("**NPA**").
7. In the interim, the Reserve Bank of India ("**RBI**") released a scheme allowing One-Time Restructuring ("**OTR**"), under which the petitioner filed an application dated 23.12.2020. The respondent No.1 *vide* letter dated 16.08.2021 granted the petitioner OTR, with restoration of the Cash Credit ("**CC**") limit to Rs. 24.41 crores, conversion to a letter of credit ("**LC**") of Rs. 24.41 crores, Funding Of Interest Term Loan ("**FITL**") of Rs. 0.58 crore and a Working Capital Term Loan ("**WCTL**") of Rs. 7.93 crores and inclusion of service charges and an increase in book debts' cover period from 90 days to 180 days.
8. On 02.07.2022, out of the petitioner's three accounts two were again declared NPA. Thereafter, the demand/recall notice dated 15.07.2022 was issued under Section 13(2) of the SARFAESI Act, 2002 to initiate recovery proceedings. However, as per the respondent No.1, on failure



of the petitioner to fulfil its dues, it issued a Possession Notice dated 27.05.2023 under Section 13(4) of the SARFAESI Act, 2002 seeking recovery of Rs. 31,66,70,478.15/-, plus interest and other charges.

9. Consequently, the petitioner decided to sell the security property with the respondent No.1 and issued a letter dated 12.07.2023 to respondent No.1 seeking leave to sell the security property and to apply the interest rate at the contracted rate. In its attempt, the petitioner also approached AVG Logistics Limited (“AVG”) (a public listed company, which is a related company of petitioner) to purchase the security property, pursuant to which, a Memorandum of Understanding dated 25.07.2023 was executed between the petitioner and AVG for sale and purchase of security property.
10. Respondent No.1 *vide* letter dated 04.09.2023 granted permission to sell the security property and deposit the sale proceeds in petitioner’s account and also provided a No Objection Certificate (“NOC”), subject to conditions such as mortgage will continue until dues are repaid, and bank will retain as security the property’s title deeds until all dues are repaid.
11. Later, petitioner *vide* letter dated 02.03.2024 confirmed repayment of the outstanding dues with interest in Account Nos. 4904008700000633 and 8143IC00000299 and also requested reversal of penal interest on Rs. 1.25 crores, pending in Account No. 4904008700000633 and assured that remaining dues will be paid after reversal of penal interest of 2%. However, *vide* letter dated 15.03.2024 respondent No.1 rejected petitioner’s request.
12. Subsequently, petitioner issued letter dated 27.03.2024 to respondent



No.1 pertaining to dues showing in CC Account No. 4904008700000633 and explained the respondent No.1 that all dues are cleared and only Rs. 1.11 crores is pending, including Rs. 71 lakhs as penal interest and that the interest has been paid under protest, of which refund will be sought later and requested a NOC.

13. As on 31.03.2024, the Statement of Account of petitioner's account No. 4904008700000633 showed zero outstanding amount, post payment of Rs. 36,93,06,555/-. Later, *vide* email dated 01.04.2024 the Chief Manager, Zonal SASTRA, Delhi, requested LCB DCM to close the petitioner's account and release the securities.
14. Petitioner addressed an email dated 03.04.2024 to respondent No.1 seeking closure of petitioner's account No. 4904008700000633, as all dues were settled as of 30.03.2024 and sought the original documents of security property and requested issuance of a NOC. Petitioner again addressed a letter dated 09.04.2024 to respondent No.1 pertaining to its Account No. 4904008700000633 requesting for NOC, security property documents and refund of penal interest and in this regard petitioner addressed another letter dated 09.04.2024 to one Mr. Bibhu Prasad Mahapatra (Executive Director, Sastra Division) and another letter dated 16.04.2024 requesting waiver of Right of Recompense and issuance of NOC and release of security property documents.
15. On the other hand, the petitioner transferred the security property to AVG *vide* a Transfer Deed dated 22.05.2024. The petitioner wrote another letter dated 06.06.2024 to respondent No.1 requesting waiver of Right of Recompense and issuance of NOC and release of security property documents. Again *vide* letter dated 26.07.2024, petitioner



requested security property documents. However, no action was taken by the respondent No.1.

16. Hence, the present petition.

SUBMISSIONS ON BEHALF OF THE PETITIONER

17. Mr. Thakur, learned counsel for the petitioner, submits that the respondent No.1 has wrongly calculated the interest charged and is in violation of the terms and conditions of the OTR sanctioned on 16.08.2021. Respondent No.1 bank has alleged the due of Rs. 8.43 crores for the first time in its counter-affidavit and the same has been done without any notice, prior demand or intimation. Possession Notice dated 27.05.2023 issued under Section 13(2) of the SARFAESI Act has no mention of the said Rs. 8.43 crores and hence, its recovery is beyond the statutory notice and such new claim is abuse of process of law.

18. It is submitted that the respondent No.1 is in violation of OTR sanctioned on 16.08.2021, by alleging that the concessions was withdrawn due to petitioner's default. As per Clause No. 10 of OTR scheme, the respondent No.1 was required to give prior intimation to the petitioner before modifying/ withdrawing sanctioned conditions, however, neither did the respondent No.1 gave any such prior intimation before allegedly withdrawing the concession nor did the petitioner ever gave any acceptance. Further, respondent No.1 has not brought forward any document proving withdrawal of OTR concessions. Additionally, respondent No.1 could not rely upon Clause No. 10 of OTR as (i) grant of concession is the foundation of the scheme and no clause can be inserted or interpreted which would



obliterate the scheme itself; (ii) Clause No.10 cannot be applied retrospectively, as in the present case, both respondent No.1 and petitioner acted upon the original concession and the transaction was concluded; (iii) petitioner has already cleared the dues and in absence of any valid reason, Clause No. 10 could not have been pressed; (iv) even otherwise, without providing an opportunity of being heard to the petitioner, respondent No.1 could not withdraw the concession; and lastly (v) respondent No.1 demanding the interest amount is not only in violation of RBI Policy but also amounts to rewriting of the contract and accounts. Further, the respondent No.1 gave permission to sell the security property *vide* letter dated 04.09.2023, which is sold, but its title deeds are still with the respondent No.1 and the respondent No.1 while granting permission to sell never stated that they have a right to recompense.

19. It is submitted that the respondent No.1 is also in violation of Clause No. 16 of the OTR scheme under which penal interest can only be charged in certain stipulated situations. The petitioner paid penal interest on outstanding amount from 02.07.2022 to 28.03.2024, as levied by the respondent No.1, which charged penal interest in final calculation of dues due to default in repayment, before showing balance as zero. On 16.08.2021 when OTR was sanctioned, 2 loan accounts out of 3 were closed and hence, withdrawing concession for such closed accounts, amounts to double jeopardy. Additionally, the respondent No.1 is in violation of RBI Circular dated 13.09.2023, by withholding the original title documents of security property despite closure of the loan account.



20. It is submitted that Zonal Shastra Division (office contesting the present case) *vide* letter dated 01.04.2024 informed the Branch Manager LCB DCM Building branch of respondent No.1 that “...to close the cash credit account and release the charge over the securities ...”. Despite, the same the respondent No.1 is opposing this petition.
21. Lastly, it is submitted that there are no outstanding dues against the petitioner and hence, the respondent No. 1 has no reason to either retain the security property’s title deeds or refuse issuance of NOCs. Even though Section 171 of the Contract Act, 1872 provides respondent No.1 right to retain title deeds of the security property to recover the balance amounts from the petitioner, however, the petitioner has no balance amounts due and payable.
22. Reliance has been placed on the following judgments:-
 - a. *Ambience Pvt. Ltd. and Anr v. Punjab and Sind Bank and Ors*, W.P.(C) 13438/2023, 2024:DHC:4932.
 - b. *National Buildings Construction Corporation v. S. Raghunathan*, (1998) 7 SCC 66.
 - c. *Delhi Cloth & General Mills Ltd v. Union Of India*, AIR 1987 SC 2414.
 - d. *Bannari Amman Sugars Ltd v. Commercial Tax Officer And Ors*, (2005) 1 SCC 625.
 - e. *Monnet Ispat and Energy Ltd v. Union Of India And Ors*, (2012) 11 SCC 1.
 - f. *State Of Bihar and Others v. Shyama Nandan Mishra*, (2022) 17 SCC 420.



g. Bakul Oil Industries & Anr v. State Of Gujarat & Anr, AIR 1987 SC 142.

SUBMISSIONS ON BEHALF OF THE RESPONDENT NO.1

23. Mr. Rout, learned standing counsel for the respondent No.1 bank, submits that it was due to petitioner's own failure to comply with the OTR that lead to withdrawal of concessions and application of contractual rate of interest. Although petitioner has paid an amount of Rs. 42.24 crores, however, it had not repaid entire outstanding amount with applicable rate of interest but on OTR's concessional rate to which it was not entitled as the same failed due to petitioner's own default.
24. It is submitted that petitioner's account has been classified as NPA and is now under recovery mechanism. After an account is classified as NPA, bank do not recognize income on accrual basis and also do not charge interest to the main account and reverse the interest that was charged but not collected prior to the account turning into NPA. The bank monitors the interest accruing on the loan and the same is recorded in a "Memorandum account" or an "Interest Suspense Account" and the bank stops debiting interest to the main account. Petitioner's loan account was subjugated to the said post-NPA procedure and hence, zero balance in statement of account does not discharge petitioner of its liability. Petitioner still has approximately Rs. 8.43 crores due as on 01.07.2024, along with future interest.
25. It is submitted that respondent No.1 is acting in compliance of the RBI Master Circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated



01.07.2014 (RBI/2014- 15/74;DBOD.No.BP.BC.9/21.04.048/2014-15), which allows 100% recovery of recompense amount where restructuring facilities were given below base rate.

26. It is submitted that the reliance of the petitioner on the email dated 01.04.2024 sent by respondent No.1 bank's Zonal Sastra Centre, Delhi to LCB Delhi, is misleading and untenable as the same was an internal communication between two branches of respondent No.1 bank. The mentioning of "the total memoranda has to be deposited" in the said mail indicates necessity to deposit and not confirmation of deposit. Further, the email only reflects petitioner's assertion since total memoranda has been deposited and account should be closed and security be released and not acceptance from the bank for anything. Further, the email also stated that closure of the account and release of securities was subjected to verification and guidelines. However, since the OTR scheme failed due to petitioner's default, the concessions were withdrawn, and the petitioner is now required to pay the entire outstanding amount including interest/ penal interest, in accordance with prior sanction before the OTR.
27. Lastly, in response to the Statement of Account showing zero balance as on 31.03.2024 it is submitted that while closing the CC account, the respondent No.1 realised that the LCB DCM Building Branch applied concessional rate of interest, as per the sanctioned OTR, while calculating the memoranda dues. However, due to petitioner's default in complying with terms and conditions of OTR, concessions were withdrawn and standard rate of interest were to be applied, which the branch inadvertently failed to modify while calculating interest, which



eventually resulted in Statement of Account showing zero balance and only later, after the said error was spotted, the interest was recalculated and hence, the respondent No.1 bank is now charging the applicable rate of interest.

ANALYSIS AND FINDINGS

28. I have heard the learned counsels for the parties and perused the documents placed on record.
29. It is an admitted position of facts that the petitioner took loan from the respondent No.1 bank and an OTR was sanctioned *vide* letter dated 16.08.2021. The disagreement leading to issues between the parties is regarding alleged due of Rs. 8.43 crores plus future interest still remaining due against the petitioner, due to which the respondent No.1 refuses to close the loan account of the petitioner, issue the NOC and release the title deeds of the security property.
30. The respondent No.1 claims that although the petitioner has paid an amount of Rs. 42.24 crores, however, since it failed comply with the terms and conditions of the OTR, the concessions were withdrawn and contractual rate of interest was applied, instead of OTR's concessional rate, due to which the petitioner still has Rs. 8.43 crores plus future interest in outstanding. In response to the same the learned counsel for the petitioner has drawn my attention Clause No. 10 of the "OVERALL TERMS AND CONDITIONS (FOR ALL THE FACILITIES)" of the letter dated 16.08.2021, to assert that the respondent No.1 was required to intimate the petitioner and take its acceptance before modifying or withdrawing the sanctioned conditions. The said Clause No.10 reads as under:-



“10. The Bank shall have the right to withdraw or modify all/any of the sanctioned conditions or stipulate fresh conditions, under intimation to the borrower. Borrower shall undertake to give their acceptance to these stipulations.”

31. A perusal of the aforesaid clause, shows that the bank is required to intimate the borrower about any modification/withdrawal of the sanctioned conditions and the borrower is required to give its undertaking accepting the same. However, the letter dated 16.08.2021 also contains “additional stipulation along with terms & condition proposed as per Annexure-I” and the respondent No.1 has placed heavy reliance on its Clause Nos. 10 and 11, which read as under:-

“10. The Bank reserves the right to withdraw the concessions granted without assigning any reason.

11. The Bank reserves the right to review/withdraw concession granted based on deterioration in credit quality (Internal Rating/ External Rating) of the borrower.”

32. Hence, it is stated by the learned standing counsel for the respondent No.1 that in terms of Clause Nos. 10 and 11 of the “additional stipulation along with terms & condition proposed as per Annexure-I”, the respondent No.1 bank had the right to withdraw the concession, which in the present case was withdrawn. Therefore, the petitioner is liable to pay Rs. 8.43 crores plus future interest.
33. A perusal of the clauses, reproduced above, shows that the bank has the right to withdraw the concessions without providing any reason, based on deterioration in credit quality of the borrower. A comprehensive reading of both the clauses i.e., Clause No. 10 of the



“OVERALL TERMS AND CONDITIONS (FOR ALL THE FACILITIES)” and Clause No. 10 of the “additional stipulation along with terms & condition proposed as per Annexure-I”, in my considered view, provides that although the bank can withdraw concessions without providing any reasons, still it needs to inform the borrower of the same and the borrower’s undertaking should be taken. The words “*without assigning any reason*” in Clause No. 10 of “additional stipulation along with terms & condition proposed as per Annexure-I” cannot be read to mean as not informing the borrower at all, especially when Clause No. 10 of “OVERALL TERMS AND CONDITIONS (FOR ALL THE FACILITIES)”, requires the bank to intimate the borrower about modification/ withdrawal of the sanctioned conditions. If the proposition as forwarded by the respondent No.1 is to be accepted, Clause No. 10 of “OVERALL TERMS AND CONDITIONS (FOR ALL THE FACILITIES)” becomes redundant and it would be clearly overwritten by Clause No. 10 of “additional stipulation along with terms & condition proposed as per Annexure-I”. The same cannot be allowed.

34. The respondent No.1 did not inform the petitioner about its decision to withdraw the concession due to alleged violation of the terms and conditions of the OTR and the respondent No.1 has failed to bring on record any communication sent to petitioner informing it about the withdraw of the OTR based concessions. Without informing the petitioner the concessions under the OTR cannot be withdrawn unilaterally.
35. Additionally, it is an admitted fact that the petitioner’s Statement of



Account reflected zero balance as on 31.03.2024 and the explanation provided by the respondent No.1 for the same being an inadvertent error on the part of the bank to modify the concessionary rates, do not inspire confidence. In the paragraph No.5 of the Short Affidavit dated 03.07.2025 filed on behalf of the respondent No. 1 in compliance of order dated 02.04.2025, it has been stated as under:-

“5. That the Answering Respondent Bank respectfully submits that at the time of closure of the Cash Credit (CC) account, it was observed by the higher authority of Answering Respondent Bank that its LCB DCM Building Branch that the concessional rate of interest, as per the terms of the sanctioned OTR, had been applied while calculating the memoranda dues, and accordingly, the Petitioner deposited the said amount. However, the OTR subsequently failed due to the Petitioner's non-compliance with its stipulated terms and conditions, necessitating withdrawal of the concessions and application of the standard rate of interest. It is submitted that the Branch, while running interest calculations in the Core Banking System (CBS), inadvertently failed to modify the concessionary rates, resulting in a Statement of Account reflecting zero balance, as annexed by the Petitioner in its writ petition. Upon discovery of the said error, the interest was duly recalibrated in CBS, and the Bank is now charging the applicable rate of interest, for which the Petitioner remains liable.”



36. The same does not find merit with me. Firstly, while the respondent No.1 constantly claims that it was due to petitioner's failure to comply with the OTR scheme that the OTR granted *vide* letter dated 16.08.2021 failed and concession was withdrawn and prior interest rates again became applicable. But, the respondent No.1 has not explained as to which terms and conditions of the OTR the petitioner failed to comply with or any communication/decision of the bank which forms the basis of this decision. Although, as discussed above, as per Clause No. 10 of the "additional stipulation along with terms & condition proposed as per Annexure-I", the bank could withdraw concessions without any reasoning, yet there has to be some documentation leading to the said decision and while the respondent No.1 need not provide any reason to the petitioner, it has to inform the petitioner and at least bring forward some communication, which shows bank's decisions to withdraw the concession. This stand of the respondent No.1 that since the petitioner failed to comply with the OTR's terms and conditions, the concession under the OTR were withdrawn, has been only disclosed for the first time in the counter affidavit filed on behalf of the respondent No.1 to the present petition.
37. Secondly, the fact remains that respondent No.1 did in fact applied concessionary rates at the time of closure of CC account, while calculating the memoranda dues and accordingly, the petitioner deposited the amount and made sure that the Statement of Account shows zero balance. I am not able to agree with the respondent No.1 contentions that the same happened due to an inadvertent mistake.
38. Furthermore, the learned counsel for the petitioner has drawn my



attention to an email dated 01.04.2024 sent by the Chief Manager, Zonal Sastra, Delhi, to the LCB DCM and the said email shows that one branch of the respondent No.1 bank requested other branch to close petitioner's account and release the securities. *Per Contra*, the learned standing counsel for the respondent No.1 asserts that firstly, the said email was an internal communication between two branches of the respondent No.1 bank and was never meant for the petitioner and hence, petitioner's reliance on the same is untenable. Secondly, the email only reflects petitioner's assertion that total memoranda has been deposited and does not indicate confirmation of the said deposit. The said email is extracted below:-

“Dear Sir,

In the account of M/s M.A. Enterprises the total memoranda has to be deposited and as per customer commitment total memoranda has been deposited by the party, the party has made request of its cash credit account and release of bank charge from the security engaged in the account.

In view of the total memoranda deposited by the party you are requested to close the cash credit account and release the charge over the securities as per bank extent guidelines if otherwise the same is in order.

Regards,

Zonal SASTRA, Delhi

Chief Manager”

39. After perusal of the email, reproduced above, I am unable to agree with respondent No.1. While the first paragraph of the email mentions



petitioner's stand by stating that “*as per customer commitment total memoranda has been deposited*”. The words in the second paragraph i.e., “*In view of the total memoranda deposited by the party you are requested to close the cash credit account*”, shows bank's confirmation that total memoranda has infact been deposited and thereby, it has “*requested to close the cash credit account and release the charge over the securities*”. Further, the words “*as per bank extent guidelines if otherwise the same is in order*” is only benchmark line and does not indicate any anything specific.

CONCLUSION

40. The aforesaid discussion has led to following conclusion: (i) the respondent No.1 continued to show OTR based sanctioned balances; (ii) no documentations/communication has been brought forward by the respondent No.1 to show when and why OTR concessions were withdrawn and that it informed the petitioner of the same; (iii) email dated 01.04.2024 sent by the Chief Manager, Zonal SASTRA, Delhi, to the LCB DCM shows that one branch of respondent No.1 confirmed that total memoranda has been deposited by the petitioner. Hence, to my mind, OTR based concession applies to the closing balances of the petitioner, as per which the Statement of Account shows zero balance and petitioner has cleared all its dues. The only reason for not releasing the title deeds of the security property presumably seems to be that the respondent No.1 is in control of the same and seeks to unilaterally make new calculations of interest and charge the same from the petitioner. The same cannot be allowed.
41. For the aforesaid reason, the present writ petition is allowed, and the



respondent No1. is directed to:

- 41.1** issue a No-Dues Certificate for the petitioner's Account No. 4904008700000633.
- 41.2** release the title deeds in relation to Warehouse Plot No. N3B3, admeasuring 8400.00 square meters in the property known as Verna Industrial Estate, Phase-III-B, surveyed under Survey No. 261, situated within the local limits of Village Panchayat of Loutolim, Taluka Salcete, District South Goa, State of Goa.
- 41.3** issue the necessary communications to respondent No.2 informing about the closure of the outstanding shown in the account of petitioner updating the credit score of the petitioner.
- 42.** The said direction shall be complied with by the respondent No.1 within one week from the pronouncement of this judgment.

JASMEET SINGH, J

JULY 01, 2026/ HG