IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED: 21.07.2026

CORAM :

THE HONOURABLE MR. SUSHRUT ARVIND DHARMADHIKARI,
CHIEF JUSTICE
AND
THE HONOURABLE MR.JUSTICE G.ARUL MURUGAN

W.P.No.7450 of 2026
and W.M.P.Nos.8021, 8023 and 8024 of 2026

Sri Shivam Enterprises
A Partnership Firm,
Rep. by its Partner, Mohamed Zakeer Husain,
184/1, 4th Cross Street,
Tiruppur Kumaran Nagar,
Near Wiseman School,
Mudaliarpet,
Puducherry 605 004.

Petitioner

Vs

1.Union Bank of India
Rep. by its Authorized Officer,
Stressed Asset Management Branch,
No.38 & 39, Whites Road, Royapettah,
Chennai 600 014.

2.M/s. Sri Laxmi Timbers Private Limited,
Rep. by its Managing Director
Dinesh N. Patel
No.42/2, East Coast Road (100 Feet Road)
Near R.T.O. Mudaliarpet
Puducherry 605 004.

3.M/s. Sri Kailash Traders Private Limited,
Rep. by its Managing Director,
Narashia M. Patel,
42/2, East Coast Road (100 Feet Road),
Near RTO Office, Mudaliarpet
Puducherry 605 004.

4.Dinesh N. Patel

5.Kalpana D. Patel,
W/o.Dinesh N. Patel,

6.Sandhya P. Patel
W/o.Prakash N. Patel,

Respondents 4 to 6 residing at
No.42/2, East Coast Road (100 ft. Road),
Near RTO, Mudaliarpet,
Puducherry 605 004.

7.J.Aruna
W/o.Jeethendra N. Patel,
No.7, Sathani Street, Kosapalayam
Puducherry 605 013.

8.Laxmi Patel,
W/o.Narashia M. Patel,
No.7, Sathani Street, Kosapalayam,
Puducherry 605 013.

Respondents

PRAYER: Petition filed under Article 226 of the Constitution of India seeking issuance of a writ of certiorarified mandamus calling for the records in the Impugned Letter in SLTPL/SAMB/CHEN/272/2024-2025 dated 30.09.2024 issued by the 1st respondent and quash the same as illegal and arbitrary and direct the 1st respondent to appropriate a sum of Rs.5,39,77,000/- being the confirmed bid amount of Property No.4 which is more fully described in the Schedule to the Writ Petition, from and out of the total sum of Rs.8,60,39,250/- paid by the Petitioner and issue a Sale Certificate in respect of the said Property

No.4 in favor of the Petitioner and consequently refund the balance amount of Rs.3,20,62,250/- to the Petitioner.

For Petitioner:	Mr.T.R.Rajagopalan Senior Counsel for Mr.S.Elambharathi
For Respondent(s):	Mr.L.Sriram for M/s.Chennai Law Firm for R1 R2 to R8 - Tapal Due.

ORDER

(Order of the Court was made by the Hon'ble Chief Justice)

Challenging the impugned letter dated 30.9.2024 issued by the first respondent, the petitioner has filed this writ petition. The petitioner also sought a direction to the first respondent to appropriate a sum of Rs.5,39,77,000/- being the confirmed bid amount of property No.4 from and out of the total sum of Rs.8,60,39,250/- paid by the petitioner and issue a sale certificate in respect of property No.4 in favour of the petitioner and to refund the balance amount of Rs.3,20,62,250/- to the petitioner.

2.1. It is the case of the petitioner that it had participated in the auction held on 29.05.2024 and was declared as highest bidder for three properties and sales were confirmed in favour of the petitioner by the first respondent bank vide sale confirmation letters dated 30.5.2024. Though the first respondent confirmed the sale and issued sale confirmation letters for the three properties, the sale certificates were not issued and also the original documents were not released. While issuance of sale certificates and releasing of the documents in respect of three properties is pending, the first respondent bank informed the petitioner that they had issued e-auction sale notice dated 6.6.2024 in respect of property No.4.

2.2. It is further stated that the petitioner made it clear to the first respondent bank that they would not be in a position to make full payment of the bid amount for property No.4 unless the sale certificates along with original documents in respect of the three properties are released, which would enable them to raise funds for buying property No.4. However, relying upon the assurance given by the first respondent bank, the petitioner took part in the e-auction held on 26.6.2024 and was declared as the highest bidder for purchasing property No.4 for a bid amount of Rs.5,39,77,000/-. The petitioner had also deposited 25% of the bid amount, i.e., Rs.1,34,94,250/-. Upon deposit of 25% of the bid amount, the first respondent bank issued sale confirmation letter dated 27.6.2024 confirming the sale in favour of the petitioner.

2.3. It is asserted that, through a letter dated 10.7.2024, the petitioner requested the first respondent bank to grant further period of 90 days for deposit of the remaining 75% of the bid amount. The first respondent, vide letter dated 18.9.2024, granted extension of time up to 27.9.2004 to the petitioner to make payment of the balance 75%. Since the further extension of time from 27.9.2024 sought by the petitioner was not granted, the petitioner had filed W.P.No.28752 of 2024 seeking direction to the first respondent to extend the time to pay the balance 75%. The petitioner had also filed W.P.Nos.30269 and 30272 of 2024 seeking direction to the first respondent bank to issue sale certificates in respect of the three properties. While W.P.No.28752 of 2024 filed by the petitioner was pending, the impugned letter cancelling the confirmation of sale in respect of property No.4 and forfeiting the EMD amount of Rs.1,34,94,250/- was issued on the ground that the petitioner had failed to make payment of the balance 75% of the bid amount on or before 27.9.2024.

2.4. It is further alleged that the issuance of the impugned letter by the first respondent bank is wholly arbitrary, illegal and lacks bona fides. The first respondent bank had on one hand deliberately delayed the issuance of sale certificates for the three properties and failed to hand over the original title deeds in respect of the same and, on the other hand, the first respondent bank refused to grant extension of time to make the payment of balance 75% of the bid amount for property No.4.

2.5. It is further stated that, on 14.12.2024, the first respondent bank had issued e-auction sale notice for sale of certain properties of the borrower and the said sale notice did not fructify. There was a OTS arrangement between the borrower and the first respondent bank and in discussion for OTS, the petitioner had also participated. On 27.12.2024, to show bona fides towards OTS settlement, a sum of Rs.3,65,00,000/- being 5% of the OTS amount was paid by the petitioner into a No-Lien Account in the first respondent bank. The petitioner is also partly funding the OTS amount. On 9.6.2025, the petitioner sent an e-mail to the first respondent bank pointing out that the petitioner had already paid a sum of Rs.4.65 crores in addition to a sum of Rs.1,34,94,250/- being 25% of the bid amount for property No.4. Since the borrower and the first respondent bank were not meeting eye to eye on the OTS terms and conditions and as the OTS failed to materialize, the petitioner had requested the first respondent bank to appropriate a sum of Rs.5,39,77,000/- being the successful bid amount for property No.4 from and out of the total amount of Rs.6,00,39,250/- paid by the petitioner and the sale certificate in respect of property No.4 should be issued in favour of the petitioner and the balance amount may be refunded to the petitioner.

3. It is stated by the first respondent/bank that since the petitioner has failed to deposit the balance 75% of the bid amount, the first respondent has rightly forfeited 25% of the amount deposited by the petitioner in respect of property No.4. As far as the amount paid towards OTS is concerned, it is stated that it is an arrangement between the borrower and the petitioner and the bank has nothing to do with it. Since the petitioner has failed to deposit 75% of the bid amount within 90 days, the bank has rightly forfeited the same and, in fact, Rule 9(5) of the Security Interest (Enforcement) Rules, 2002 has been violated by the petitioner.

4. On the aforesaid pleadings, we have heard the submissions raised by learned counsel for the parties and perused the materials

available on record.

5. At the outset, it is to be pointed out that as regards the three properties sold in favour of the petitioner in the e-auction held on 29.4.2024, it is the admitted case of the petitioner that they have been issued with the sale certificates and this Court is not going into the arena of contentions raised with regard to the three properties.

6. Coming to the sale in respect of property No.4, which is the subject-matter of this writ petition, admittedly, the petitioner has not fulfilled the mandatory condition of deposit of the bid amount within the prescribed time. The argument of learned Senior Counsel for the petitioner that the petitioner could not raise funds for depositing the balance of 75% of the bid amount as the first respondent bank had failed to issue sale certificates in respect of three properties and that the first respondent bank is not entitled to seek cover under Rule 9(5) of the Security Interest (Enforcement) Rules, 2002 cannot be countenanced.

7. The petitioner was required to deposit 25% of the bid amount not later than 27.6.2024 and the balance within a period of 15 days of

confirmation of sale. The sale confirmation in respect of subject-property, i.e., property No.4, was issued on 27.6.2024. However, vide letter dated 10.7.2024, the petitioner requested for extension of 90 days' time for payment of 75% of the bid amount and the same was granted from the date of confirmation of sale. The last date for payment of the balance 75% of the bid amount is 27.9.2024. Despite repeated demands, the petitioner has failed to deposit the balance amount of 75%, which necessitated the first respondent bank to invoke the forfeiture clause and, accordingly, it forfeited 25% of the bid amount.

8. It is not in dispute that proceedings were initiated by first respondent bank invoking the provisions of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. Therefore, in our considered opinion, petitioner has to approach the Debts Recovery Tribunal assailing the measures initiated by first respondent bank, including forfeiture of the amount deposited by it.

9. An identical issue was considered by the Supreme Court in

Agarwal Tracom (P) Ltd. v. Punjab National Bank[1]. For ease of reference, the issue framed by the Supreme Court is reproduced hereunder:

> *"17. The short question that arises for consideration in this appeal is **whether the High Court was justified in holding that the remedy of the appellant (auction-purchaser) lies in challenging the action of the secured creditor (PNB) in forfeiting the deposit by filing an application under Section 17 of the Sarfaesi Act before the DRT or the remedy of the auction-purchaser is in filing the writ petition under Articles 226/227 of the Constitution of India to examine the legality of such action**?"*
>
> *[emphasis supplied]*

10. After referring to various provisions of the SARFAESI Act and the Rules framed thereunder, the Supreme Court, in the said decision, emphatically held thus:

> *"28. We also notice that **Rule 9(5) confers express power on the secured creditor to forfeit the deposit made by the auction-purchaser in case the auction-purchaser commits any default in paying instalment of sale money to the secured***

[1] *(2018) 1 SCC 626*

creditor. Such action taken by the secured creditor is, in our opinion, a part of the measures specified in Section 13(4) and, therefore, it is regarded as a measure taken under Section 13(4) read with Rule 9(5)*. In our view, the measures taken under Section 13(4) commence with any of the action taken in clauses (a) to (d) and end with measures specified in Rule 9.*

29. In our view, therefore, ***the expression "any of the measures referred to in Section 13(4) taken by secured creditor or his authorised officer" in Section 17(1) would include all actions taken by the secured creditor under the Rules*** *which relate to the measures specified in Section 13(4).*

30. ***The auction-purchaser (appellant herein) is one such person, who is aggrieved by the action of the secured creditor in forfeiting their money. The appellant, therefore, falls within the expression "any person" as specified under Section 17(1) and hence is entitled to challenge the action of the secured creditor (PNB) before the DRT by filing an application under Section 17(1) of the Sarfaesi Act****.*

33. In the light of the foregoing discussion, ***we are of***

the considered opinion that the writ court as also the appellate court were justified in dismissing the appellant's writ petition on the ground of availability of alternative statutory remedy of filing an application under Section 17(1) of the Sarfaesi Act before the Tribunal concerned to challenge the action of PNB in forfeiting the appellant's deposit under Rule 9(5)*. …*

34. The appellant is, accordingly, granted liberty to file an application before the Tribunal concerned (DRT) under Section 17(1) of the Sarfaesi Act, which has jurisdiction to entertain such application within 45 days from the date of this order. In case, if the appellant files any such application, the Tribunal shall decide the same on its merits in accordance with law uninfluenced by any of the observations made by this Court and the High Court in the impugned judgment. … "

[emphasis supplied]

11. The Supreme Court unequivocally deduced that an auction-purchaser aggrieved by an order of forfeiture squarely qualifies as "any person" within the meaning of Section 17(1) of the SARFAESI Act, and is fully clothed with the right to challenge such an action before the jurisdictional Debts Recovery Tribunal (DRT).

12. In view of the express power conferred on the secured creditor under Rule 9(5) of Security Interest (Enforcement) Rules, 2002 to forfeit 25% of the bid amount, we find no fault on the first respondent bank in issuing the impugned letter. No valid grounds have been made to interfere with the impugned letter issued by the first respondent bank.

13. Accordingly, the writ petition is dismissed. There shall be no order as to costs. Consequently, connected miscellaneous petitions are closed.

We make it clear that we have not expressed any opinion on the merits of the claim made by the petitioner. It is for the petitioner to work out its remedy in the manner known to law – both against the forfeiture and the amounts paid towards OTS before the competent forum.

(SUSHRUT ARVIND DHARMADHIKARI, CJ) (G.ARUL MURUGAN,J)

21.07.2026

Index : Yes/No
Neutral Citation : Yes/No
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To:

The Authorized Officer,
Union Bank of India
Stressed Asset Management Branch,
No.38 & 39, Whites Road, Royapettah,
Chennai 600 014.

THE HON'BLE CHIEF JUSTICE
AND
G.ARUL MURUGAN,J.

(bbr)

W.P.No.7450 of 2026

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