HC-KAR

NC: 2026:KHC:40647
WP No. 12768 of 2026

CNR: KAHC010290452026

IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 4TH DAY OF AUGUST, 2026

BEFORE

THE HON'BLE SMT. JUSTICE LALITHA KANNEGANTI

WRIT PETITION NO. 12768 OF 2026 (GM-DRT)

BETWEEN:

1. M/S SREEDEVI INFRA
CONSTRUCTION PVT. LTD.,
HAVING OFFICE AT NO. 2345,
GROUND FLOOR, 12TH CROSS,
E-BLOCK, SAHAKARANAGARA,
BENGALURU-560 092
REP.BY ITS MANAGING DIRECTOR
SMT. SREEDEVI B.T.
W/O SRI. T.S. RAVISHANKAR,

2. SMT. SREEDEVI,
W/O SRI. T. S. RAVISHANKAR,
AGED ABOUT 50 YEARS,
NO.101, ORCHID BLOCK,
1ST FLOOR, ESTEEM GARDENIA,
SAHAKARANAGAR,
BENGALURU-560 092

3. SRI. T. S. RAVISHANKAR,
S/O SRI. T. L. SANGANNA,
AGED ABOUT 60 YEARS,
NO.101, ORCHID BLOCK,
1ST FLOOR, ESTEEM GARDENIA,
SAHAKARANAGAR,
BENGALURU-560 092

...PETITIONERS

(BY SRI.D.R.RAVISHANKAR. SENIOR COUNSEL FOR
SRI. H.S.PRASHANTH, ADVOCATE)

AND:

1. THE CANARA BANK
HEAD OFFICE, NO. 112, J. C. ROAD,
BENGALURU 560 002,
REPRESENTED BY ITS
MANAGING DIRECTOR

2. THE CANARA BANK,
ARM BRANCH I, 2ND FLOOR,
CIRCLE OFFICE, SPENCER TOWERS,
NO.86, M.G. ROAD,
BENGALURU-560 001
REP.BY IT'S CHIEF MANAGER/
AUTHORIZED OFFICER

3. SRI.C.M.REDDY
FATHERS NAME NOT KNOWN
TO THE PETITIONER
AGED MAJOR
NO.3458, 13TH MAIN
HAL 2ND STAGE
BENGALURU NORTH
BENGALURU-560 008

…RESPONDENTS

(BY SRI.VIGNESH S. SHETTY, ADVOCATE FOR R1 & R2
SRI.PRASANNA KUMAR, ADVOCATE FOR R3)

THIS WRIT PETITION IS FILED UNDER ARTICLES 226 AND 227 OF THE CONSTITUTION OF INDIA, PRAYING TO ISSUE A WRIT OF CERTIORARI TO QUASH ORDER DATED: 16/04/2026, BEARING NO. REF. ARM-1/CR-391/927/2026, ISSUED BY THE RESPONDENT NO.-2 HEREIN, VIDE ANNEXURE A.

THIS WRIT PETITION HAVING BEEN HEARD AND RESERVED ON 28.07.2026, COMING ON FOR PRONOUNCEMENT OF ORDER THIS DAY, THE COURT PRONOUNCED THE FOLLOWING:

CORAM: HON'BLE SMT. JUSTICE LALITHA KANNEGANTI

CAV ORDER

The present writ petition is filed seeking the following prayer:

> ***"PRAYER***
>
> ***WHEREFORE, the Petitioner above named humbly prays that this Hon'ble Court may be pleased to:-***
>
> ***a) Issue a Writ of Certiorari to quash order dated: 16/04/2026, bearing No. ref: ARM-1/CR-391/927/2026, issued by the Respondent No.2 herein, vide ANNEXURE-A.***
>
> ***b) Issue a Writ of Certiorari to quash order e-auction Sale notice: 16/04/2026, published in The Hindu, English daily on 17/04/2026, issued by the Respondent No.2 herein, vide ANNEXURE - A1.***
>
> ***c) Issue a Writ of Mandamus or any other order or orders directing the Respondent to accept amount as per OTS proposal dated 27/03/2026, vide ANNEXURE-O.***
>
> ***d) Pass such other order or orders as this Hon'ble Court deems fit to grant under the facts and circumstances of the case including costs of the proceedings, in the interest of justice and equity.***
>
> ***e) Issue a writ of Certiorari or any appropriate writ, order or direction quashing the action of Respondent Nos.1 and 2 in accepting the highest bid of Rs.10,35,86,000/- pursuant to auction conducted on 08/05/2026 in respect of the Schedule Property."***

2. It is the case of the petitioner that the petitioner is a construction company headed by Smt. Sreedevi B.T., a woman entrepreneur and the lone Class 1 woman contractor in the

State. It is the case that the company has executed several projects worth Rs.1,75,00,00,000/- for the Army Welfare Housing Organization (AWHO). To execute the said project, the petitioner had availed a loan facility of Rs.12,00,00,000/- from the State Bank of Mysore, and the same was taken over by Canara Bank, Devanahalli Branch, on 24.10.2013 under the MSME scheme, with limits of Rs.15,00,00,000/- fund-based and Rs.13,00,00,000/- as non-fund-based. In the meantime, due to several issues with the AWHO bills of Rs.50,00,00,000/- and other dues amounting to Rs.3,00,00,000/- crores, the amounts were not released to the petitioner, and the petitioner's account became NPA during June 2015.

3. It is stated that the Board of the respondent/Bank was pleased to consider the practical viability, difficulties, hardship, and the chances of recovery through legal process, time-consuming efforts, etc., while granting the benefit under the One Time Settlement Scheme. Even though the proposal was forwarded for extending the benefit under OTS for an amount of Rs.24,00,00,000/- as on 05.01.2018, the Board further took a considered decision on 16.08.2021 to grant OTS

for an amount of Rs.10,00,00,000/-. While granting the OTS, the respondent/Bank considered the status of the loan account, the nature of the guarantee and collateral security, the petitioner's background, and the investment made by the petitioner in two projects. It is stated that the office note dated 05.01.2018 is self-explanatory regarding the justifiable reasons considered by the respondent/Bank.

4. It is stated that the OTS was granted during the COVID-19 crisis. The directors of the company were also infected with H1N1. The OTS was valid till 16.02.2022. The respondent/Bank was not aware of the exact date of the end of the pandemic effects. However, the respondent/Bank unilaterally cancelled the OTS in February 2022, and this was neither communicated nor served on the petitioner. It is stated that the cancellation of the OTS was contrary to the very purpose of extending the benefit under the OTS. Thereafter, the petitioner approached this Court by filing WP.No.17524/2022. Initially, stay was granted, directing the petitioners to deposit an amount of Rs.1,31,00,000/- and an additional 10% to that amount, being the highest bid amount.

Further, the petitioner was directed to implead the purchaser. Accordingly, the petitioners deposited an amount of Rs.1,00,00,000/- and filed an application I.A.No.4 seeking impleadment of the auction purchaser. In the meantime, due to the outbreak of the COVID-19 pandemic and non-payment of receivables by AWHO, the petitioners could not pay the OTS amount. The policy decision taken during the pandemic situation, and subsequently, the concern over small, medium and micro enterprises, was not considered by the officials of the respondent/Bank while arbitrarily cancelling the One Time Settlement Scheme.

5. It is further stated that the original application filed by the respondent/Bank before the Debts Recovery Tribunal was also considered by the Board of the respondent/Bank while granting the benefit under the One Time Settlement Scheme. It is stated that when the petitions are entitled to an extension of time to settle the account under the One Time Settlement Scheme and the petitioners have made part payment in furtherance of the interim order granted by this Court, there is no scope, either in law or in fact, for the Recovery Officer to

venture into issuing ambiguous Sale Notices to bring the property under auction in respect of the property bearing Sy.No.67 (Old No.55/B9) of Binnamangala Village, Kasaba Hobli, Devanahalli Taluk, which had been part of litigation in O.S.No.647/2016, O.S.No.396/2016 and Misc.No.34/2017, pending on the file of the Principal Civil Judge and JMFC, at Devanahalli. It is stated that a fixed deposit of Rs.4,00,00,000/- is lying with the respondent/Bank, and the Bank has also confirmed the same by responding to the letter addressed by the petitioner on 17.06.2023. It is stated that in the meantime, the respondent has issued an E-auction sale notice dated 18.07.2023 under Section 13(4) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (hereinafter referred to as SARFAESI Act), read with Rule 8(6) of the Security Interest Enforcement Rules, 2002. The petitioner had filed WP.No.16757/2023, and an unconditional interim order of stay of all further proceedings was granted.

6. In the meantime, the petitioner challenged the issuance of the warrant of attachment and sale dated

18.05.2023, whereby the property which was mortgaged was sought to be attached and put to sale in WP.No.13660/2023. This Court has granted an interim stay in the said petition, thereby directing the petitioner to deposit an amount of Rs.10,00,00,000/-, being the OTS offered by the respondent. The petitioner could not deposit the amount, but pursuant to the said interim order has deposited Rs.50,00,000/-. Further, there is a fixed deposit in the name of the petitioner, which was deposited at the time of obtaining bank guarantees during the year 2013. In the meantime, this Court, vide order dated 15.12.2025, directed the petitioners to give a representation to review and reconsider the OTS offered by the respondents. Accordingly, the petitioners gave a representation dated 22.12.2025 to respondent No.2. It was rejected by the respondent/Bank by proceedings dated 06.01.2026.

7. Thereafter, the petitioners, through the 2nd petitioner, submitted another request letter seeking grant of OTS, offering to pay Rs.13,00,00,000/- by letter dated 26.02.2026. Even this request was not considered by the respondents and was rejected. Thereafter, the petitioner No.2

personally met respondent No.2, and after thorough discussions and consideration of all aspects, the petitioners were directed to submit an OTS proposal for Rs.15,00,00,000/- which would be accepted. Though the petitioners found it too high, they agreed for settlement by way of OTS for a total sum of Rs.15,00,00,000/-. Accordingly, a revised OTS proposal letter dated 27.03.2026 for Rs.15,00,00,000/-, together with demand drafts for Rs.1,50,00,000/- (10% of the offered amount), was given to respondent No.2. The respondents returned the demand drafts for Rs.1,50,00,000/- to the petitioners. As such, the respondents have not properly considered the request of the petitioners. Though similarly situated persons were given the benefit of OTS and their loan accounts were settled, the respondents are turning hostile to the petitioners and are not at all ready to close the loan accounts by receiving the OTS amount as proposed by the petitioners and as decided by the respondents while granting earlier OTS offers. In the meantime, this Court dismissed WP.Nos.16757/2023 and 13660/2023 by extending the interim order and directing the petitioners to approach the Debts

Recovery Tribunal. This writ petition is filed to quash the order dated 16.04.2026 issued by respondent No.2, to quash the e-auction Sale Notice dated 16.04.2026, and to direct the respondent to accept the amount as per the OTS proposal dated 27.03.2026.

8. This matter came up for hearing before this Court on 23.04.2026, 27.04.2026, and 28.04.2026. On 28.04.2026, this Court passed an order observing that the learned counsel for the petitioner submitted that an OTS offer of Rs.15 crores had been made, which was rejected by the respondent/Bank, which stated that the petitioner may increase the offer. It was submitted that it is not for the petitioners to make an offer, but for the Bank to state the amount. It was further submitted that, as far as the valuation of the property is concerned, the Bank has fixed the price at Rs.10 crores, whereas the petitioner has made an OTS offer of Rs.15 crores. It was submitted that the Bank may be directed to make an offer, so that the petitioner can settle the matter. The matter was directed to be listed as part-heard on 03.06.2026. By that time, the respondent/Bank was directed to file its objections.

9. Thereafter, during the Summer Vacation 2026, the petitioners moved the Division Bench, which passed an order observing that the sale shall not be confirmed. In the interim order dated 05.05.2026, the Division Bench of this Court observed that, prima facie, the appellants have made out a case indicating that the reserve price fixed by respondent No.1/Bank for the sale of the secured asset is significantly lower than the amount offered under the OTS proposal. While the Court is not inclined to stay the auction proceedings at this stage, it is deemed appropriate to safeguard the interests of the appellants by directing that, if the sale is conducted, it shall not be confirmed in the event the highest bid received is less than the amount offered by the appellants under the OTS Scheme. Thereafter, the petition was disposed of, directing the petitioner to approach the learned Single Judge, and till the listing of the said matter, the interim order is extended.

10. The respondent/Bank has filed its objections. It is stated that the writ petition is not maintainable before this Court and amounts to misuse of the process of law in view of the alternative remedy available under Section 17 of the

SARFAESI Act. It is stated that the SARFAESI Act is a complete Act which provides adequate remedies in all matters relating to the recovery of money by the secured creditor. In those circumstances, the petitioners cannot come before this Court. It is stated that the petitioners cannot seek a writ of mandamus directing the respondent/Bank to consider or grant a One-Time Settlement, as OTS is not a matter of right but is purely a commercial decision within the exclusive discretion of the Bank.

11. It is stated that the respondent/Bank had earlier granted the OTS proposal, and the petitioners failed to comply with its terms and conditions within the stipulated time. Consequently, the OTS lapsed. Hence, the petitioners cannot seek any direction from this Court. It is stated that the petitioners' outstanding liability is approximately Rs.192.60 crores as on 24.05.2026, whereas the petitioners' proposal is for a substantially lesser amount, which is wholly inadequate and commercially unacceptable. The respondent/Bank cannot be compelled to accept such an offer merely because the petitioners have sought indulgence from this Court. The respondent/Bank has relied on the judgment of the Apex Court

in ***State Bank of India Vs. Arvindra Electronics Pvt. Ltd. and Others***, wherein it is held that a borrower cannot, as a matter of right, seek a direction from the Court to compel the Bank to grant or consider an OTS, as such decisions fall exclusively within the Bank's discretionary and commercial domain.

12. It is further stated that when the matter came up before this Court on 28.04.2026, this Court refused to grant any interim relief in favour of the petitioners. Questioning the refusal to grant an interim order, the petitioners filed a Writ Appeal before the Division Bench and obtained an interim order of stay. The Writ Appeal No.1382/2026 was disposed of on 29.06.2026. It is stated that the petitioner submitted a One Time Settlement proposal offering a sum of Rs.15 Crores, while the respondent/Bank had fixed the reserve price of one of the secured assets at Rs.10 Crores. However, the petitioners' attempt to compare the OTS offer with the reserve price of a single secured asset is wholly misconceived and legally untenable. It is stated that the total outstanding liability under all such loan accounts secured by the said assets is

Rs.1,88,72,96,623.57/- as on 14.04.2026. Therefore, the petitioner's OTS proposal of Rs.15 Crores cannot be accepted. It is stated that the respondent conducted the auction pursuant to the e-auction notice, and sale conducted on 08.05.2026, Mr.C.M.Reddy was arrayed as the successful bidder for an amount of Rs.10,35,86,000.00. However, confirmation of sale was not issued in favour of the auction purchaser. It is stated that the petitioner has an alternate and efficacious remedy under Section 17 of the SARFAESI Act and has approached this Court with unclean hands, and the writ petition is liable to be dismissed.

13. Learned Senior counsel representing the learned counsel for the petitioner submits that although the petitioners initially came before the court seeking One Time Settlement, they are not pressing the same at this stage. The Division Bench directed that the auction shall not be confirmed. It is submitted that unless and until the auction is confirmed, the Bank cannot receive the entire amount. In this case, after 25% of the amount was paid by the auction purchaser, the auction purchaser was asked to pay the entire amount. By taking the

entire amount, it cannot now be said before the Court that the entire amount has been received. It is submitted that the highest bid fetched was Rs.10 crores and odd, and when they are ready to pay Rs.12 crores, the respondent/Bank cannot have any difficulty in accepting the amount.

14. Considering the submissions made by the learned Senior counsel, this Court, by order dated 10.07.2026, directed the impleadment of the auction purchaser. Accordingly, I.A.No.3/2026 was filed to implead the auction purchaser, and notice was issued to the proposed respondent No.3. On 15.07.2026, this Court allowed I.A.No.3/2026, and learned counsel Sri. Prasanna Kumar submitted that he had instructions to file the vakalath on behalf of respondent No.3. Accordingly, the matter was directed to be listed on 20.07.2026, and the interim order was extended. Later, when the matter came up on 21.07.2026, learned Senior counsel for the petitioner submitted that they were ready with a Demand Draft for an amount of Rs.5,60,00,000/- and by 28.07.2026, they would come up with a Demand Draft for the entire amount of Rs.12 crores. On that day, if they are not able to produce the Demand

Draft, they would not argue on the merits of the matter. Accordingly, the matter was adjourned. Finally, when the matter came up on 28.07.2026, a Demand Draft for Rs.12,00,000/- was handed over to the counsel appearing for the Bank.

15. Learned Senior counsel representing the learned counsel for the petitioners submits that when the petitioner is paying a much higher amount than the amount fetched, it is in the interest of the financial institution, and there cannot be any ground for the respondent/Bank not to accept the same. It is submitted that the Bank's contention that the entire amount is deposited cannot be accepted, as already submitted by them. They have shown their bonafides, and now the Bank is getting more than what has been fetched in the auction.

16. Learned counsel appearing for the Bank submits that, as per the amended Section 13(8) of the SARFAESI Act, the right of redemption is lost once the auction notification is issued. He relied on the judgment of the Apex Court in ***Celir***

LLP v. Bafna Motors (Mumbai) Private Limited[1]. He has also relied on an order passed by this Court in ***G.Kavitha Rajagopal vs. The Authorised Officer Canara Bank and Another*** arising out of ***WP.No.28218/2025 C/w WP.No.29083/2025 dated 13.03.2026***, wherein this Court has found fault with the manner of cancellation of the auction, which was done solely on the ground that litigation is pending, and has come down heavily on Canara Bank. Learned counsel submits that, in that view of the matter, the petitioner has no right to seek redemption of the mortgage. It is submitted that the entire amount has been paid by the auction purchaser.

17. Learned counsel appearing for respondent No.3/ auction purchaser submits that after the interim order was passed, the auction was conducted. As on that day, the Bank was aware of the pending litigation, and it was never brought to the notice of respondent No.3. It is submitted that this is nothing but playing fraud on the auction purchaser. Had he been notified about all this, he would not have participated in the auction. It is submitted that if the Court comes to the

[1] 2024 (2) SCC 1

conclusion that the petitioners are entitled to any relief, there may be a direction to the Bank to refund the amount with interest.

18. Having heard the learned Senior counsel for the petitioner and the learned counsel appearing for the respondents, perused the entire material on record. The principal contention urged by the respondent/Bank is that the petitioner has no surviving right to redeem the secured assets in view of the amended Section 13(8) of the SARFAESI Act. The auction sale notice had been admittedly published prior to the interim order passed by the Division Bench and therefore the petitioner's statutory right of redemption stood extinguished. Reliance is placed upon the law laid down in ***Celir LLP***'s case referred to supra, wherein it has been held that after the amendment to Section 13(8) of the SARFAESI Act, the borrower is required to tender the entire dues before publication of the sale notice and not thereafter. This Court has also passed orders in ***G.Kavitha Rajagopal***'s case referred to supra. Relying on the judgment of the Apex Court and on several cases, this Court has consistently taken the view. This

Court has no hesitation in holding that the amendment to Section 13(8) of the SARFAESI Act has curtailed the stage up to which a borrower can insist upon redemption as a statutory right. In the ordinary course, once a sale notice is published, the borrower cannot invoke Section 13(8) to compel the secured creditor to permit redemption. However, the present case does not arise in the ordinary course of proceedings under the SARFAESI Act.

19. The Division Bench of this Court has passed an interim order directing the respondent/Bank not to finalise the auction. Admittedly, the highest bid quoted in the auction is Rs.10 crores and odd. However, despite the Division Bench's order, the respondent/Bank has proceeded to call upon the successful auction purchaser to deposit the entire consideration. The material placed before this Court further discloses that the auction purchaser was not informed about the pendency of the proceedings or the interim order passed by the Division Bench of this Court. Though the auction purchaser cannot be faulted for participating in the auction or for depositing the consideration, the conduct of the secured

creditors deserves closer scrutiny. Judicial orders are not advisory in nature; they are binding commands and every authority is under an obligation to obey. During the subsistence of an order not to finalise the auction, the secured creditor proceeds to accept the entire bid amount and thereafter pleads that equities have been created against the borrower. Acceptance of such a submission would enable the parties to render interim judicial orders ineffective by taking successive steps before the Court as an opportunity to finally decide the case.

20. In this case, the sale has not attained finality. No order confirming the sale has been passed, and no sale certificate has been issued. The title in the secured asset has not been passed to the auction purchaser. The auction purchaser himself has fairly submitted that he has no objection if the amount deposited by him is refunded with reasonable interest. No irreversible third-party rights have crystallised. Another circumstance which cannot be ignored is that the petitioners have handed over a Demand Draft for an amount of Rs.12 crores to the Bank, whereas the highest bid received in

the auction is only Rs.10 crores. The respondent/Bank does not suffer any financial prejudice if the petitioners are permitted to satisfy the outstanding liability. On the contrary, the Bank received an amount higher than what it could have received under the auction. Equally, the auction purchaser is fully protected by the refund of the amount deposited by him with appropriate interest.

21. The jurisdiction of this Court under Article 226 of the Constitution is not confined merely to examining the legality of the action under the SARFAESI Act. It also extends to ensuring that the justice is administered in a manner that advances the rule of law. The present relief is not based on the revival of the statutory right of redemption under Section 13(8) of the SARFAESI Act. It is founded on the exceptional facts of the present case, namely the subsistence of the interim order, the conduct of the secured creditor in proceeding further despite an order, the absence of confirmation of sale, the absence of a sale certificate, the willingness of the auction purchaser to accept refund with interest, and the petitioner's readiness to

discharge the liability by paying an amount higher than the auction consideration.

22. This Court is therefore of the considered view that the ends of justice would be better served by restoring the parties to the position that ought to have prevailed in compliance with the interim order of the Division Bench. Such a course neither undermines the law declared under Section 13(8) of the SARFAESI Act nor causes prejudice to the secured creditor or the auction purchaser. On the contrary, it preserves the authority of judicial orders while securing the complete recovery of the debt. Accordingly, in the peculiar facts and exceptional facts of the present case, this Court is passing the following order.

ORDER

i. The respondent/Bank is directed to accept the amount of Rs.12 crores paid by the petitioners by way of Demand Draft, and the Bank shall redeem the mortgage of the property which is put to auction in favour of the petitioners, as they have already paid an amount of Rs.12 crores.

ii. The title documents pertaining to the property shall be returned to the petitioners within one week.

iii. The respondent/Bank shall refund the entire amount deposited by respondent No.3/auction purchaser along with interest @6% from the date of deposit, within one week from the date of receipt of copy of this order.

iv. The Bank is at liberty to recover outstanding amount, if any, in accordance with law in respect of the loan transaction.

v. It is made clear that this relief is granted in the peculiar facts of the present case and shall not be treated as precedent to dilute the statutory mandate contained in Section 13(8) of the SARFAESI Act.

vi. Accordingly, the writ petition is ***allowed***.

vii. All I.As. in the petition shall stand closed.

SD/-
(LALITHA KANNEGANTI)
JUDGE

MEG
List No.: 1 Sl No.: 1