APHC010341972024

IN THE HIGH COURT OF ANDHRA PRADESH
AT AMARAVATI **[3332]**
(Special Original Jurisdiction)

WEDNESDAY, THE 7th DAY OF OCTOBER 2026

PRESENT

THE HONOURABLE SRI JUSTICE RAVI CHEEMALAPATI

WRIT PETITION NO: 17372/2024

Between:

1. M/S. SRI VIJAYA LAKSHMI RAW AND BOILED RICE MILL,, REP. BY ITS MANAGING PARTNER BEZAWADA PUMA CHANDRA RAO, S/O. GOVINDAIAH AGED 58 YEARS REGD. OFFICE AT PLOT NO. 397 AND 398, APIIC, GROWTH CENTRE, GUNDLAPALLI, MADDIPADU MANDAL, PRAKASAM DISTRICT.

...PETITIONER

AND

1. STATE BANK OF INDIA, Rep. by its Assistant General Manager, Stressed Assets Recovery Branch, D.No. 54-20-1B/3/U6, 3rd Floor, Upstairs of KFC, Suryaprakash Square, Gurunanak Nagar Road, Vijayawada.

...RESPONDENT

Petition under Article 226 of the Constitution of India praying that in the circumstances stated in the affidavit filed therewith, the High Court may be pleased topleased to issue any writ, order or direction more particularly one in the nature of Writ of Mandamus declaring the orders passed by the respondent cancelling the compromise vide orders in SARB/VJA/YMRA/2024-25 Date 22.07.2024 is illegal, arbitrary and violation of Article 14 of the Constitution of India and to consequently set aside the same and to pass

IA NO: 1 OF 2024

Petition under Section 151 CPC praying that in the circumstances stated in the affidavit filed in support of the petition, the High Court may be pleased to suspend the orders passed by the respondent in SARB/VJA/YMRA/2024-25 Date 22.07.2024 pending disposal of the writ petition.

Counsel for the Petitioner:

1. V V SATISH

Counsel for the Respondent:

1. S SATYANARAYANA MOORTHY

The Court made the following:

ORDER

This Writ Petition is filed questioning the order vide SARB/VJA/YMRA/2024-25, dated 22.07.2024 passed by respondent-Assistant General Manager of State Bank of India.

2. The contents of the petition, in brief, is that the petitioner had availed loan from respondent bank under three loan accounts by mortgaging twelve (12) items of properties and thereafter the bank alleging that the petitioner had committed default in payment of instalments, declared the loan accounts as Non Performing Asset (NPA) and initiated proceedings under Section 13(2) of Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 and challenging the same the petitioner approached Debt Recovery Tribunal and wherein the respondent reported that they are withdrawing the notice, however again

issued another notice under Section 13(2) of the SARFAESI Act. It is the further case of the petitioner that thereafter the petitioner and the respondent bank entered into compromise settlement and as a pre-condition, as demanded by the respondent bank, the petitioner deposited upfront amount of Rs.98.55 lakhs and the balance amount of Rs.556.45 lakhs has to be paid in four (04) instalments between 17.02.2024 to 17.07.2024. It is the further case of the petitioner that at the time of entering into settlement itself, the petitioner had informed the respondent bank officials that he would enter into agreement of sale with third parties in respect of item nos. 3 to 6 of the secured asset and they agreed for the same. Accordingly, after entering into agreement of compromise, the petitioner executed registered agreement of sale and the vendee deposited amount in the bank and agreed to deposit the entire sale consideration and thereafter the petitioner has to hand over original sale deeds and as the respondent bank did not respond though informed through representations, the petitioner filed writ petition vide W.P.No.13368 of 2024 challenging the action of respondent in not considering the representation and the same is pending. It is the further case of the petitioner that while so the respondent passed the impugned order cancelling the compromise proposals. That though the bank being a State is expected to be fair and reasonable, the respondent bank in an arbitrary manner cancelled the compromise agreement, despite having knowledge that by disposing two

out of 12 properties mortgaged, the entire debt due to the bank can be cleared of. Hence the writ petition.

3. Heard Sri V.V.Satish, learned counsel for petitioner and Sri S.Satyanarayana Moorthy, learned counsel for respondent bank.

4. Sri V.V.Satish, learned counsel for the petitioner, while reiterating the averments contained in the writ affidavit, contended that the respondent-bank's unilateral cancellation of the compromise agreement is entirely arbitrary and bereft of any cogent rationale. He submitted that the two properties offered as security are more than sufficient to fully discharge the outstanding debt. He further argued that having consensus-ad-idem entered into a binding compromise agreement, the bank is legally estopped from resiling from its contractual obligations. Learned counsel would further contend that the subsequent compromise agreement operates as a valid novation of the original contract under Section 62 of the Indian Contract Act, thereby extinguishing the prior liability and creating a fresh, legally enforceable obligation that binds both parties.

The learned counsel by placing reliance on the order dated 15.07.2025 passed in W.P.No.17377 of 2024 by a coordinate bench of this Court prayed to pass similar orders.

5. On the other hand, Sri S. Satyanarayana Moorthy, learned counsel for respondent bank, would contend that the subject property had already been auctioned on 05.10.2026 and Smt. Muvvala Vasudha, Smt.Singamaneni Padmavathi and Sri Bandlamudi Sai Dinesh had been declared as successful bidders and sale confirmation letters had also been issued to the successful bidders and placed on record the communication sent by the respondent bank to the said successful bidders and further contended that the order relied on by the learned counsel for petitioner cannot be made applicable to this case, since auction had already been held.

6. Perused the material available on record and considered the submissions made by learned counsel for the parties.

7. In the order relied on by the learned counsel for the petitioner, a coordinate bench of this Court by placing reliance on United Bank of India vs. Satyawati Tondon (2010) 8 SCC 110 and Celir LLP vs. Bafna Motors (Mumbai) (P) Ltd. (2024) 2 SCC 1, having regard to novation of contract deferred the auction proceedings for a period of three (03) weeks to enable the petitioner to approach appropriate Forum to get his grievance redressed.

8. As rightly contended by the learned counsel for respondent bank, auction had already been concluded and sale confirmation letters had also been issued to the successful bidders.

9. Admittedly, the petitioner has to approach appropriate Forum for redressal of his grievance. However, in view of the alleged novation of contract, the issuance of sale certificate be deferred for a period of three (03) weeks from the date of receipt of copy of this order to afford the petitioner an opportunity to approach the appropriate forum for the redressal of their grievance. In case the petitioner fails to approach the appropriate forum and obtain suitable orders within three (03) weeks as stated above, the bank authorities are not precluded from issuing sale certificate as per the Rules and regulations in vogue.

10. This writ petition is disposed of accordingly. There shall be no order as to costs.

Pending miscellaneous petitions, if any, shall stand closed.

JUSTICE RAVI CHEEMALAPATI

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