

ಕರ್ನಾಟಕ ರಿಯಲ್ ಎಸ್ಟೇಟ್ ನಿಯಂತ್ರಣ ಪ್ರಾಧಿಕಾರ,

Karnataka Real Estate Regulatory Authority,

1/14, 2nd Floor, Silver Jubilee Block, Unity Building Backside, CSI Compound,
3rd Cross, Mission Road, Bengaluru-560027

PROCEEDINGS OF THE AUTHORITY BEFORE FULL BENCH
PRESENT:

SHRI. RAKESH SINGH, HON'BLE CHAIRMAN
SHRI. GURIJALA RAVINDRANADHA REDDY, HON'BLE MEMBER
COMPLIANT NO.01047/2024

DATED 24th DAY of MARCH 2026

COMPLAINANTS	MR. GOURAV GUPTA MRS. RACHNA MANDHAR No.968, Jammu City, Jammu, Jammu and Kashmir - 180005. (Rep by Mr. MD Rajkumar & Associates – Advocate)
RESPONDENT	MANTRI DEVELOPERS PRIVATE LIMITED Mantri House, No.41, Vittal Mallya Road,, Bengaluru – 560001 (Rep by Mr. Harsha D Joshi– Advocate)

J U D G M E N T

1. The above complaint is filed invoking Section 63 of the Real Estate (Regulation and Development) Act, 2016 seeking initiation of penalty proceedings for non-compliance of the Order dated 03/04/2024 passed by this Authority in Complaint No.CMP/221104/0010182.
2. The project is registered under name 'Mantri Webcity 2B', bearing registration No.PRM/KA/RERA/1251/310/PR/171015/000620 valid from 04/03/2013 till 31/03/2022. Having COVID extension upto 31/12/2022
3. The present complaint is filed by the residents/allottees of the project "Mantri Webcity 2B", against the promoter, seeking invocation of Section 63 of the Act for initiation of penalty proceedings against the

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Respondent Company and further seek invocation of Section 69 of the Act to fix personal liability upon the Directors of the Respondent Company.

4. **Brief of the Complaint:**

The Complainants had booked an apartment bearing Unit No.K-704, 7th Floor, Tower K, in the project "Mantri Webcity 2B" developed by the Respondent. The booking was made under a Pre-EMI Scheme, wherein The Complainants paid the sale consideration, amounting to Rs.14,35,526/- and the remaining Rs.64,17,000/- was availed through a housing loan.

5. A Tripartite Agreement was executed between the Complainants, Respondent, and the lending institution, wherein the Respondent undertook to service the Pre-EMI/interest component and to assume liability of loan repayment in case of withdrawal by the Complainants. The promised date of possession was 31/03/2017. However, the Respondent failed to complete the project within the stipulated time and repeatedly postponed possession.

6. Owing to the delay, the Complainants exercised their right to withdraw from the project vide email dated 31/08/2016, which was acknowledged and accepted by the Respondent vide email dated 01/09/2016. Despite such withdrawal the Respondent failed to refund the amounts paid, failed to close the outstanding loan and failed to honour its obligations under the Pre-EMI Scheme and Tripartite Agreement, forcing the Complainants to continue servicing the loan.





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7. Aggrieved, the Complainants approached this Authority in Complaint No.CMP/221104/0010182, wherein this Authority, vide Order dated 03/04/2024, allowed the complaint and granted reliefs in favour of the Complainants and issued specific directions to the Respondent for compliance within the stipulated period.
8. It is the case of the Complainants that despite expiry of the compliance period, the Respondent has failed to comply with the said Order and directions, compelling the present proceedings under Section 63 and 69 of the Act. Hence, this complaint.
9. After registration of the complaint, this Authority had issued notice to the parties to appear before this Authority. In pursuance of the notices, all the parties have appeared before this Authority. The Respondent appeared and filed statement of objections. Their contentions, in substance, are as follows:
- At the outset, the Respondent submits that the present Complaint is not maintainable either in law or on facts and is liable to be dismissed in limine. The Respondent denies all averments, allegations, and claims made in the Complaint except those specifically admitted herein.
 - The Respondent places on record the following facts and circumstances to enable proper adjudication of the present matter. It is submitted that the Respondent Company originally known as Mantri Developers Pvt. Ltd., was subsequently renamed as Statuesque Developers Pvt. Ltd. on 25/10/2024, and Propcare Developers Pvt. Ltd. on 20/12/2024.
 - The Respondent developed a residential project known as "Mantri Webcity - 2A", consisting of apartments along with common areas and

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amenities. The Complainant, after due verification of title, approvals, and project details, voluntarily entered into Agreement for Sale, and Construction Agreement for Apartment No. K-704, Tower-K. The payment schedule agreed between the parties is construction linked and includes staged payments from booking till possession.

- As per Clause 6.1 of the Construction Agreement, possession was proposed on or before 31.03.2017, subject to receipt of Occupancy Certificate, payment compliance by the purchaser, and conditions under Clause 6.4 clearly provides for extension of timelines in case of Force Majeure events, including shortage of materials, labour issues, Government actions/orders, natural calamities, regulatory delays, litigation affecting project and other circumstances beyond the control of the developer. It is also expressly agreed that no damages shall be payable under such circumstances.
- The Respondent submits that the delay, if any, was neither intentional nor deliberate, but due to multiple unavoidable factors, including Legal and licensing challenges, heavy rainfall and flooding (2015-2018) affecting construction activity, Demonetization (2016) causing severe liquidity crisis and labour shortage, Implementation of GST (2017) leading to compliance disruptions and cost escalations, Restrictions imposed by the Hon'ble High Court of Karnataka on construction activities, Ban/restrictions on sand mining resulting in shortage of raw materials, Shortage of skilled labour and construction materials, market slowdown affecting project cash flow and COVID-19 pandemic and lockdown, causing industry-wide disruption. It is pertinent that the Karnataka RERA Authority itself extended project timelines vide Circular dated 19/05/2020, acknowledging the impact of COVID-19 and granting automatic extension.
- The Respondent submits that this Hon'ble Authority has already passed an order dated 03/04/2024, directing for refund of Rs.96,44,151/- with interest. The interest @ 9% from 18.03.2014 to 30.04.2017. Further interest @ SBI MCLR + 2% from 01.05.2017

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- onwards. The said order already imposes substantial financial liability, including continuous interest till realization.
- It is submitted that Interest awarded under the order is compensatory in nature, and Imposition of further penalty under Section 63 would amount to double penalization, which is impermissible under law. Therefore, invocation of Section 63 of the RERA Act is misconceived and not maintainable.
 - Clause 21 of the Construction Agreement provides for dispute resolution through arbitration under CREDAI, Bengaluru. In view of the binding arbitration clause, the Complainant ought to have invoked arbitration under the Arbitration and Conciliation Act, 1996, instead of approaching this Authority.
 - The Respondent submits that the RERA Act is intended to protect genuine consumers, not speculative investors. Since the term "Consumer" is not defined under RERA, reliance is placed on Section 2(zr) of RERA, and Definition under the Consumer Protection Act, 1986. Persons purchasing property for commercial/speculative purposes are excluded from the definition of "consumer". Therefore, if the Complainant is found to be an investor, the Complaint is liable to be dismissed on this ground alone.
 - The Respondent submits that there is no wilful delay or negligence, they have acted diligently throughout, and all efforts were made to complete the project despite adverse circumstances. The Respondent has already been subjected to a financial order and cannot be penalized again under Section 63. All allegations not specifically admitted herein are denied as false, frivolous, and untenable.
 - Wherefore, the Respondent respectfully prays that this Hon'ble Authority may be pleased to dismiss the present Complaint as not maintainable. Hold that Section 63 proceedings are not applicable in light of the prior order and pass such other order(s) as deemed fit in the interest of justice and equity.

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10. In support of their claim, the complainant have produced/submitted documents such as Order dated 03/04/2024 passed by this Authority in Complaint No.CMP/221104/0010182, order dated 31/05/2022 in GC No.0314/2021 & GC No.0315/2021 before Punjab at Chandigarh RERA, order dated 19/05/2023 in Appeal No.479/2021 before Haryana Real Estate Appellate Tribunal
11. In support of their defense, the Respondent have produced document such as authorization letter.
12. Hearings were conducted on 27/01/2025, 05/03/2025, 27/03/2025, 11/04/2025, 28/04/2025, 11/06/2025, 23/06/2025, 09/07/2025, 28/07/2025, 11/08/2025, 29/08/2025 and 03/09/2025.
13. **On the above averments, the following points would arise for our consideration:-**
1. Whether the present complaints under Section 63 of the Act is maintainable for alleged non-compliance of order dated 03/04/2024
 2. Whether initiation of proceedings under Section 63 is barred by availability or pendency of execution under Section 40?
 3. Whether this Authority has jurisdiction to invoke Section 69 against Directors of the Respondent Company?
 4. What Order?
14. **Our findings on the above points is as under:-**
1. In the Affirmative.
 2. In the Negative.
 3. In the Affirmative
 4. As per final order for the following

with

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REASONS

15. **Our finding on point No.1:-** From the materials placed on record, it is apparent that the above complainants, are purchasers from the project 'Mantri Webcity 2B', argued that the Respondent has failed to comply with the directions and the orders of this Hon'ble Authority.
16. It is not in dispute that this Authority had passed a final Order dated 03/04/2024 in Complaint No.CMP/221104/0010182 granting reliefs in favour of the Complainants. The Complainants have placed on record that the Respondent has not refunded the amounts as directed, has not discharged the loan liability and has not complied with the directions issued by this Authority.
17. Section 63 of the Act provides that if a promoter fails to comply with "any order or direction" of the Authority, he shall be liable to penalty for every day during which such default continues, cumulatively extendable up to 5% of the estimated project cost.
18. Despite sufficient time having elapsed from the date of the Order, the Respondent has failed to demonstrate compliance. Accordingly, this Authority holds that there is clear and continued non-compliance of the Order dated 03/04/2024.
19. The burden to demonstrate compliance lies upon the Respondent once existence of the order and lapse of compliance period is established. The Respondent has not placed material demonstrating full compliance within

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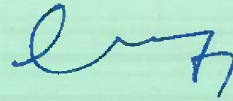
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the stipulated time. Non-compliance of a binding adjudicatory order squarely attracts Section 63. Therefore, the material placed on record establishes that the Respondent has failed to comply with the Authority's order, despite of execution petition order and RRC in process. Accordingly, Point No. 1 is answered in the Affirmative.

20. **Our finding on point No.2:-** The Haryana Real Estate Appellate Tribunal in Parsvnath Developers Ltd. vs. Kiran Khyalia & Anr. (in Appeal No. 479 of 2021, decided 19/05/2023) has categorically held that Section 40 and Section 63 operate in distinct spheres. Section 63 is an additional coercive power while pendency of execution does not bar penalty proceedings. The scheme of the Act does not make Section 63 contingent upon exhaustion of Section 40 remedies.
21. This Authority concurs with the said reasoning. Section 40 ensures recovery mechanism similar to arrears of land revenue and Section 63 ensures deterrence and compliance. Therefore, initiation of proceedings under Section 63 is legally sustainable even if execution is available. Hence, Point No. 2 is answered in the Negative.
22. **Our finding on point No.3:-** It is relevant to note that the Respondent is a juristic entity incorporated under the Companies Act and functions through its Board of Directors and officers who are responsible for the conduct of its business. The doctrine of corporate personality cannot be permitted to be used as a shield to evade statutory obligations under the Real Estate (Regulation and Development) Act, 2016, particularly when the



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orders of the Regulatory Authority remain uncomplied with for a considerable period of time. Persistent non-compliance of statutory directions issued under the Act undermines the regulatory framework and adversely affects the rights of allottees who are the intended beneficiaries of the legislation.

23. Section 69 of the Real Estate (Regulation and Development) Act, 2016 specifically provides that where an offence under the Act has been committed by a company, every person who at the time the offence was committed was in charge of, and responsible for, the conduct of the business of the company shall be deemed to be guilty of the offence and shall be liable to be proceeded against accordingly, unless such person proves that the offence was committed without his knowledge or that he exercised all due diligence to prevent the commission of such offence. The said provision thus incorporates the principle of vicarious liability of persons managing the affairs of the company.
24. The Hon'ble Supreme Court in S.M.S. Pharmaceuticals Ltd. v. Neeta Bhalla has held that persons who are in charge of and responsible for the conduct of the business of a company can be proceeded against for statutory violations committed by the company. Similarly, in Iridium India Telecom Ltd. v. Motorola Inc., the Hon'ble Supreme Court observed that a company acts through its "directing mind and will", namely its directors and officers who control and manage its affairs. These principles are equally applicable while examining liability under Section 69 of the Act.

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25. In the present case, although the earlier Order dated 03/04/2024 in Complaint No. CMP/221104/0010182 was passed against the Respondent Company, the continued non-compliance of those orders prima facie indicates failure on the part of those responsible for the conduct of the company's affairs.
26. The Respondent has not only defaulted in complying with the final orders passed by this Hon'ble Authority in favour of the present Complainants, but has also failed to honour several other similar orders passed by this very Authority against it, thereby demonstrating a persistent and systemic pattern of non-compliance with binding adjudicatory directions under the RERA Act, 2016. It is, therefore, crystal clear that the persons who are in charge of and responsible for the conduct of the affairs of the Respondent-company do not attach any value to the letter and spirit of the law.
27. Therefore, while this Authority holds the Respondent Company liable for non-compliance of the earlier orders under Section 63 of the Act, it is considered appropriate to invoke the provisions of Section 69 by calling upon the persons who were in charge of and responsible for the conduct of the business of the Respondent Company during the relevant period to show cause as to why proceedings under Section 63 of the Act should not be initiated against them. Hence, Point No. 3 is affirmative.
28. This Authority finds there is prima facie non-compliance with earlier Order dated 03/04/2024 in Complaint No. CMP/221104/0010182. Non-

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compliance of binding orders strikes at the efficacy of the regulatory framework under the Act. The material on record indicated that the Respondent has not demonstrated compliance with the directions issued by this Authority in the earlier orders.

29. Persistent non-compliance of orders of the Regulatory Authority defeats the very objective of the Real Estate (Regulation and Development) Act, 2016 which was enacted to protect the interests of homebuyers and ensure accountability of promoters. The Authority cannot permit statutory orders to remain unimplemented without consequences, as such conduct erodes the efficacy of the regulatory framework established under the Act.
30. The final order in the present complaint could not be passed within the stipulated period as prescribed under section 29(4) of the Real Estate (Regulation and Development) Act of 2016 due to multiple adjournments sought by advocates / parties and other procedural reasons.
31. **Our finding on point No.4:-** In view of the above findings, this Authority holds that these complaints deserves to be allowed. Hence, we proceed to pass the following order:

ORDER

In exercise of the powers conferred under Section 63 of the Real Estate (Regulation and Development) Act, 2016, the above mentioned complaint in **No.01047/2024** is hereby allowed, as under:

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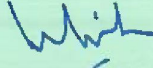
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1. The Respondent Company is held liable for non-compliance of Order dated 03/04/2024 in Complaint No.CMP/221104/0010182.
2. The Authority hereby imposes penalty under Section 63 of the Act upon the Respondent Company for failure to comply with the earlier orders of this Authority. The penalty shall be cumulatively extended up to 5% of the estimated project cost payable within 60 days from the date of this order.
3. The Managing Director and the Directors who were responsible for the conduct of the business of the Respondent Company during the relevant period shall appear either personally or through authorized representative before this Authority and show cause within 30 days as to why proceedings under Section 63 read with Section 69 of the Real Estate (Regulation and Development) Act, 2016 should not be initiated against them for non-compliance of the orders of this Authority.

No order as to costs


(RAKESH SINGH)
Chairman
K-RERA


(G.R. REDDY)
Member
K-RERA