

**IN THE HIGH COURT OF JUDICATURE AT BOMBAY  
ORDINARY ORIGINAL CIVIL JURISDICTION**

**WRIT PETITION (L) NO. 14684 OF 2026**

M/s. Citron Infraprojects Limited,  
through its Director and Authorised Signatory  
Gopal Lohiya & Anr. ... Petitioners

*Versus*

IFCI Limited, through its  
Authorised Officer & Ors. ... Respondents

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Mr. Yohaán Limathwalla a/w Ms. Ravleen Sabharwal (through V.C.), Ms. Aarushi Yadav (through V.C.), Mr. Prakash Tandon (through V.C.) and Ms. Yashi Bhatt i/by R. S. Justicia Law Chambers for the Petitioners.

Mr. Charles De Souza a/w Mr. Nikhil Rajani i/by M/s. V. Deshpande and Co. for Respondent No.1.

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**CORAM : MANISH PITALE AND  
SHREERAM V. SHIRSAT, JJ.**

**DATE : 29<sup>th</sup> APRIL 2026**

**Order (*Per Justice Manish Pitale*):**

. The subject matter of challenge in this writ petition is an order passed by the Debts Recovery Tribunal-II, Mumbai (DRT), whereby interlocutory application bearing IA No. 981 of 2026 has been rejected. The said application was filed in pending Securitisation Application No. 487 of 2025. By the said interlocutory application, the petitioner No.1 had prayed for stay of taking over of possession of a property (secured asset) at the instance of respondent No.1 (secured creditor), in pursuance of

steps taken under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (Securitisation Act).

2. The petitioners have filed this petition directly, without taking recourse to the alternative remedy of filing an appeal before the Debts Recovery Appellate Tribunal (DRAT) on the ground that respondent No.1 (secured creditor) could not have taken recourse to the provisions of the Securitisation Act, due to Section 31(j) thereof and that the DRT failed to appreciate that the entire action of respondent No.1 was rendered without jurisdiction.

3. Considering the rival stands taken before this Court, detailed reference to facts is not necessary, other than stating that the respondent No.1, upon defaults committed by the petitioner No.1 in repayment of credit facilities, was constrained to issue notice dated 30.09.2021 under Section 13(2) of the Securitisation Act. Thereafter, when the petitioner No.1 failed to discharge its liability in full within the period specified in the notice under Section 13(2) of the Securitisation Act, respondent No.1 was constrained to take action under Section 13(4) thereof and took symbolic possession of the secured asset. The matter proceeded to the Magistrate under Section 14 of the Securitisation Act, who passed an order dated 18.08.2025 for taking physical possession of the secured asset.

4. At this stage, on 24.09.2025, the petitioner No.1 filed the said securitisation application and when the order passed by the

Magistrate under Section 14 of the Securitisation Act was on the verge of being executed, the said IA No. 981 of 2026 was filed in the pending securitisation application.

5. The petitioner No.1 contended that interim stay was necessary as the respondent No.1 could not have taken recourse to the provisions of the Securitisation Act. Firstly, on the ground that registration of the security interest of respondent No.1 in the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI) was obtained after the action under the Securitisation Act had been undertaken. Secondly, it was contended that even though at the time of issuance of notice under Section 13(2) of the Securitisation Act, the amount due was more than 20% of the principal amount and interest thereon, in the light of payments made by the petitioner No.1 after initiation of action under Section 13(2) of the Securitisation Act, the amount due had clearly gone below 20% and therefore, further action under the Securitisation Act was not sustainable.

6. The DRT rejected both the grounds and on that basis, rejected the interlocutory application by the impugned order.

7. Mr. Yohaam Limathwalla, the learned counsel appearing for the petitioners submitted that the DRT failed to appreciate the admitted facts on record and wrongly rejected the interlocutory application for stay filed on behalf of the petitioners. It was submitted that recourse to the provisions of the Securitisation Act was no longer available to the respondent No.1 by operation of

Section 31(j) of the Securitisation Act and therefore, on this short ground, the impugned order deserves to be set aside.

8. On the first ground pertaining to CERSAI registration, it was claimed that although the notice under Section 13(2) was issued on 30.09.2021, the CERSAI registration was dated 30.10.2025. The same was obtained after the securitisation application was filed by the petitioner No.1 before the DRT, thereby demonstrating that in the light of the amended provisions of the Securitisation Act, particularly Section 26D thereof, the respondent No.1 could not have proceeded against the petitioners. Reliance was placed on full Bench judgment of this Court in the case of *Jalgaon Janta Sahakari Bank Ltd. & Anr. vs. Joint Commissioner of Sales Tax and Anr.*, **2022 SCC OnLine Bom 1767**.

9. On the second ground, it was submitted that during the pendency of the action initiated on 30.09.2021 by the respondent No.1, while issuing notice under Section 13(2) of the Securitisation Act, and till the Magistrate passed the order under Section 14 thereof, the petitioner No.1 had paid about Rs.4.74 crores to the respondent No.1, as a consequence of which the amount due had fallen below the threshold of 20% indicated in Section 31(j) of the Securitisation Act. It was submitted that the moment this happened, the respondent No.1 was no longer entitled to continue its action under the provisions of the Securitisation Act, which the DRT failed to appreciate. In support

of the said contention, reliance was placed on judgment of the Punjab and Haryana High Court in the case of *Renu Gupta & Anr. vs. Debt Recovery Tribunal-II, Chandigarh & Ors.*, **2013 SCC OnLine P&H 11038** and judgment of Madras High Court in the case of *Ensquare Engineering India (P) Ltd. vs. Authorised Officer, Union Bank of India*, **2017 SCC OnLine Mad 37788**.

10. On the other hand, Mr. Charles De Souza, learned counsel appearing for respondent No.1 (secured creditor) submitted that there was no substance in both the grounds raised on behalf of the petitioners and that the impugned order passed by the DRT was clearly justified. As regards CERSAI registration, it was submitted that although there could be no quarrel with the proposition of law relied upon by the petitioners, on facts, the contention of the petitioners is not sustainable. It was submitted that the CERSAI registration report annexed to the petition itself records that such registration dated back to 01.03.2016 and that it was merely downloaded on 30.10.2025, which the petitioners mistook as the date of registration. On this ground, it was submitted that the first contention raised on behalf of the petitioners deserves no consideration.

11. As regards the second ground, it was submitted that the interpretation sought to be foisted on behalf of the petitioners on Section 31(j) of the Securitisation Act, was in the teeth of the scheme of the said statute. Attention of this Court was invited to Section 13(4) of the Securitisation Act, which specifically uses the

words 'borrower fails to discharge his liability *in full*'. It was submitted that the situations indicated in Section 31 of the Securitisation Act, where the provisions of the said statute would not apply, are to be examined at the threshold, when recourse is taken to the Securitisation Act and not after the process has been triggered. Reliance was placed on judgment of Andhra Pradesh High Court in the case of *Azam Foods Products Pvt. Ltd. vs. Debt Recovery Appellate Tribunal & Ors.*, **2010 SCC OnLine AP 399**. On this basis, it was submitted that the writ petition deserved to be dismissed.

12. Having heard the learned counsel for the rival parties, we find that two specific grounds have been raised on behalf of the petitioners in order to claim that the impugned order, rejecting their interlocutory application for stay, deserves to be set aside.

13. We find on a perusal of the documents on record that the first ground pertaining to CERSAI registration is unsustainable on the face of the record. A perusal of the CERSAI registration report annexed to the petition itself shows that the respondent No.1 obtained registration of its security interest in the present case on 01.03.2016. The report specifically records that the security interest was created in the respondent No.1 on 04.02.2016 and that it was registered with the CERSAI Registry on 01.03.2016. The date 30.10.2025 pertains only to the date of downloading of the report. The petitioners have mistakenly proceeded on the basis that the date of downloading of the report is the date of

registration, leading to the erroneous submissions made before the DRT and this Court.

14. Once this aspect becomes clear on facts, applying Section 26D of the Securitisation Act and the law laid down by the full Bench of this Court in the case of *Jalgaon Janta Sahakari Bank Ltd. & Anr. vs. Joint Commissioner of Sales Tax and Anr. (supra)*, since the petitioner No.1 has CERSAI registration dating back to 01.03.2016, there is no impediment in the respondent No.1 proceeding to take action under the provisions of the Securitisation Act. Hence, the first ground raised on behalf of the petitioners is rejected.

15. As regards the second ground, it would be necessary to refer to Section 31 of the Securitisation Act, which reads as follows :

*“31. Provisions of this Act not to apply in certain cases.—  
The provisions of this Act shall not apply to—*

*(a) a lien on any goods, money or security given by or under the Indian Contract Act, 1872 (9 of 1872) or the Sale of Goods Act, 1930 (3 of 1930) or any other law for the time being in force;*

*(b) a pledge of movables within the meaning of section 172 of the Indian Contract Act, 1872 (9 of 1872);*

*(c) creation of any security in any aircraft as defined in clause (1) of section 2 of the Aircraft Act, 1934 (24 of 1934);*

*(d) creation of security interest in any vessel as defined in clause (55) of section 3 of the Merchant Shipping Act, 1958 (44 of 1958);*

*(e) \*\*\*\*\**

*(f) any rights of unpaid seller under section 47 of the Sale*

*of Goods Act, 1930 (3 of 1930);*

*(g) any properties not liable to attachment (excluding the properties specifically charged with the debt recoverable under this Act) or sale under the first proviso to sub-section (1) of section 60 of the Code of Civil Procedure, 1908 (5 of 1908);*

*(h) any security interest for securing repayment of any financial asset not exceeding one lakh rupees;*

*(i) any security interest created in agricultural land;*

*(j) any case in which the amount due is less than twenty per cent. of the principal amount and interest thereon.”*

16. The aforesaid provision is found in the chapter pertaining to miscellaneous provisions. A proper reading of Section 31(j) of Securitisation Act makes it clear that the moment the amount due exceeds 20% of the principal amount and interest thereon, the secured creditor like the respondent No.1 herein, is well within its rights to take recourse to the provisions of the Securitisation Act. Section 13 pertains to enforcement of security interest. Once the threshold of Section 31(j) is crossed, a secured creditor is entitled to enforce the security interest. Section 13(4) of the Securitisation Act specifically provides for the measures that can be undertaken by the secured creditor, which include taking possession of the secured assets, taking over the management of the business of the borrower, appointing any person to manage the secured assets, the possession of which is taken over and even to issue notice to any person who has acquired any of the secured assets from the borrower, to pay the secured creditor, so much of the money as is sufficient to pay the secured debt. It is crucial to note that Section

13(4) of the Securitisation Act provides that if the borrower fails to discharge his liability 'in full' within the period specified in the notice issued under sub-section (2) of Section 13, the secured creditor is entitled to take recourse to the aforementioned measures.

17. Thus, it is abundantly clear that in order to avoid the measures which the secured creditor is entitled to undertake under sub-section (4) of Section 13 of the Securitisation Act, the borrower has to discharge its liability 'in full' within the period specified in sub-section (2) of Section 13 of the Securitisation Act. It is therefore only logical to conclude that any part payment by the borrower would not save it from the measures which the secured creditor is entitled to undertake under Section 13(4) of the Securitisation Act.

18. The aforesaid provision makes it clear that once the threshold indicated in Section 31(j) of the Securitisation Act is satisfied i.e. the amount due exceeds 20% of the principal amount and interest thereon and the secured creditor initiates the proceedings by issuing notice under Section 13(2) of the Securitisation Act, to avoid precipitate action under Section 13(4) thereof, the borrower has to discharge its liability 'in full'. In other words, part repayments made after triggering of the action under Section 13(2) of the Securitisation Act, whereby the amount due may dip below 20% of the principal amount and interest thereon, would not halt the process and in any case, it cannot disentitle the

secured creditor from continuing the action under the provisions of the Securitisation Act. We find substance in the contention raised on behalf of the respondent No.1 (secured creditor) that Section 31 of the Securitisation Act indicating as to cases where provisions of the said statute will not apply concerns situations only at the threshold and once they are satisfied at the threshold, midstream during the action being pursued by the secured creditor, it cannot be disentitled merely because some payments are made by the borrowers that may even dip the amount due below 20% of the principal amount and interest thereon.

19. The said interpretation is in line with the objects and reasons for which the Securitisation Act was enacted. The Narasimham Committee and the Andhyarujina Committee were constituted by the Central Government for the purpose of examining banking sector reforms considering the need for changes in the legal system in respect of the slow pace of defaulting loans and the mounting levels of non-performing assets of banks and financial institutions. It was found that the existing framework requiring banks and financial institutions to institute recovery proceedings was not sufficient and that it was necessary to facilitate securitisation of financial assets of banks and financial institutions. This was necessary in the context of the global position and the necessity of providing a legal framework to keep pace with the changing commercial practices and financial sector reforms. It would be against the purpose of the enactment of the Securitisation Act to

hold that upon some payments made after notice under Section 13(2) thereof, that may dip the amount due below 20% of the principal amount and interest thereon, the secured creditor would be relegated to the old existing cumbersome framework of recovery of dues.

20. Considering the said objects and reasons for which the Securitisation Act was enacted, it would be inappropriate to accept the contention raised on behalf of the petitioners that the amounts repaid after action under the Securitisation Act was initiated by the respondent No.1 must be taken into consideration to hold that the respondent No.1 (secured creditor) was no longer entitled to continue its action under the said statute.

21. We find that the Andhra Pradesh High Court in the case of *Azam Foods Products Pvt. Ltd. vs. Debt Recovery Appellate Tribunal & Ors.* (**supra**) correctly interpreted the provisions of the Securitisation Act to reject an identical contention raised before it on behalf of a borrower. The relevant portion of the said judgment reads as follows :

*“30. Sub-section (2) of Section 13 enables the secured creditor to enforce the security interest where any borrower who is under a liability to a secured creditor under a security agreement defaults in repayment of a secured debt or any instalment thereof and his account in respect of such debt if classified by the secured creditor as non-performing asset, to require the borrower by a notice in writing to discharge in full his liability to the secured creditor within sixty (60) days from the date of notice; and where the borrower fails to discharge in full such liability, the secured creditor is entitled to exercise all or any of the rights under sub-section (4).*

31. *Sub-section (4) of Section 13 enacts that where the borrower fails to discharge his liability in full within the period specified in sub-section (2), the secured creditor may inter alia take possession of the secured assets of the borrower including the right to transfer by way of lease, assignment or sale for realizing the secured asset.*

32. *Since the classes of cases/circumstances enumerated in Section 31 are excluded from the definition of security interest, defined in Section 2(zf), it follows that the matrix of enforcement provisions is inapplicable to the excluded classes of cases specified in Section 31. On a true and fair construction of the provisions of Section 13, the inference is compelling that where enforcement provisions of Section 13 are validly initiated, the secured creditor is entitled to pursue the enforcement provisions to the logical conclusion by taking recourse to one or more of the measures enumerated in sub-section (4) of Section 13 to recover the secured debt, in full.*

33. *Sub-section (8) of Section 13 provides that if the dues of the secured creditor together with all costs, charges and expenses incurred by him are tendered to the secured creditor at any time before the date fixed for sale or transfer, the secured asset shall not be sold or transferred by the secured creditor, and no further steps shall be taken by him for transfer or sale of that secured asset. This provision considered in the context of the other provisions of Section 13 (referred to above), signals the legislative intent that the sale or transfer of the secured asset by the secured creditor is prohibited only where its dues (the liability in full - vide sub-sections (2) and (4) of Section 13) together with all costs, charges and expenses incurred are tendered at any time before the date fixed for the sale or transfer of the secured asset. If there is no tender of the whole of the liability, the sale or transfer of the secured asset may proceed.*

34. *On a true and fair construction of the relevant provisions of the Act (adverted to above), the provisions of Section 31 enumerate the classes of cases and circumstances on fulfilment of which an interest which would otherwise be a security interest is not so; and in such circumstance no proceedings under the Act may be initiated. If proceedings under the Act are validly initiated including on due*

*consideration of the provisions of Section 31, the enforcement provisions of the Act, including as set out in sub-section (4) of Section 13 would not thereafter become inoperative. In the context of Section 31(j) therefore, any payment made by a borrower to a secured creditor after issuance of the notice under Section 13(2) would not affect or invalidate pursuit of the remedies available to a secured creditor under sub-section (4), even where on giving credit to such subsequent payments made, the amount due would fall below 20% of the principal amount and interest thereon. On this analysis, the provisions of Section 31(j) and in particular clause (j) thereof are threshold conditions for valid initiation of processes under the Act for enforcement of the security interest.”*

22. On the other hand, we are unable to agree with the view adopted by the Punjab and Haryana High Court in the case of *Renu Gupta & Anr. vs. Debt Recovery Tribunal-II, Chandigarh & Ors.* (**supra**). It is to be noted that in the said judgment, the Punjab and Haryana High Court did not refer to the crucial words ‘in case the borrower fails to discharge his liability *in full*’ in Section 13(4) of the Securitisation Act. The overall scheme of the Securitisation Act was also not discussed in the said judgment and therefore, we are unable to agree with the said view.

23. A perusal of the judgment of Madras High Court in the case of *Ensquare Engineering India (P) Ltd. vs. Authorised Officer, Union Bank of India* (**supra**) shows that the petitioners cannot rely upon the same. A perusal of the said judgment shows that in the said case, the bank conceded that the outstanding amount was less than 20% of the principal amount and interest thereon and therefore, recourse could not have been taken to the provisions of

the Securitisation Act.

24. In the present case, the learned counsel for the petitioners fairly conceded that on the date the notice under Section 13(2) of the Securitisation Act was issued i.e. 30.09.2021, the amount due was more than 20% of the principal amount and interest thereon. The moment this is conceded, the initiation of action under the Securitisation Act on the part of respondent No.1 cannot be found fault with. As found hereinabove, once the action is triggered, unless the borrower/defaulters discharges the liability '*in full*', the secured creditor like the respondent No.1 herein is entitled to continue pursuing action under the provisions of the Securitisation Act. Therefore, we find no substance even in the second ground raised on behalf of the petitioners. There is no question of lack of jurisdiction or authority with the respondent No.1 in the facts and circumstances of the present case, to continue to pursue action under the Securitisation Act. In any case, we find that no prejudice is caused to the petitioners as they are entitled to approach the DRT in the pending securitisation application, at each stage of the actions being undertaken by the respondent No.1 in enforcing its security interest. Therefore, we find no substance in the present writ petition and it deserves to be dismissed.

25. Accordingly, the writ petition is dismissed. Pending applications, if any, stand disposed of.

**(SHREERAM V. SHIRSAT, J.)**

**(MANISH PITALE, J.)**