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**IN THE HIGH COURT OF JUDICATURE AT BOMBAY****CIVIL APPELLATE JURISDICTION****WRIT PETITION NO.1091 OF 2021****Mane Finance Private Limited**

.. Petitioner

A company having its registered  
addressed at 2<sup>nd</sup> Floor, Apsara  
Cinema Building, Dr.T.B.Grant Road,  
Mumbai - 400 007

**Versus****1. Reserve Bank of India**

Through the Department of Non-  
Banking Supervision, having its  
regional office address at 3<sup>rd</sup> Floor,  
Reserve Bank of India, Byculla,  
Mumbai 400 008.

**2. The Appellate Authority**

Through the Department of Financial  
Services, Ministry of Finance, having  
its address at 3<sup>rd</sup> Floor, Jeevandeep  
Building, New Delhi - 110001

.. Respondents

...

Ms.Pooja Batra with Mr.Rajesh Dubey and Mr.Yash Naik i/b  
Ryan Peterson for the Petitioner.

Mr.Venkatesh Dhond, Senior advocate with Mr.Dhaval Patil i/b  
K.Ashar & Co. for the Respondent No.1.

Mr.Vinit Jain with Mr.Ashutosh Mishra, Mr.Gaurav Mhatre  
with Ms.Sharia Ansari for the Respondent No.2.

**CORAM: BHARATI DANGRE &  
MANJUSHA DESHPANDE, JJ.**

**DATE : 09<sup>th</sup> JUNE, 2026**

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**JUDGMENT (Per Bharati Dangre, J.)**

1. The Petitioner, a company registered under the Companies Act, has invoked the writ jurisdiction of this Court, challenging the orders dated 31/10/2018 and 20/11/2018 passed by the Chief General Manager of Respondent No.1- Reserve Bank of India (for short, “**RBI**”), cancelling the Petitioner’s Certificate of Registration (“**CoR**”). The Petition also raise a challenge to the order dated 27/06/2019 issued by the Appellate Authority i.e. Ministry of Finance, thereby upholding the impugned order passed by the RBI.

2. We have heard learned counsel Ms.Pooja Batra for the Petitioner and learned senior counsel Mr.Venkatesh Dhond, representing Respondent No.1. Advocate Vinit Jain has marked his appearance for Respondent No.2, the Appellate Authority.

By consent of the parties, we issue ‘Rule’ and by making the same returnable forthwith, take up the Petition for final hearing at the stage of admission.

3. It is the case of the Petitioner that it was incorporated in the year 1991 and on 09/09/1999, secured CoR from the RBI under Section 41-1A of the Reserve Bank of India Act, 1934 (for short, “**Act of 1934**”). This certificate enabled the Petitioner to carry on the business as a Non-banking Financial Company (“**NBFC**”) and the CoR necessarily contemplated that the Petitioner shall comply with Chapter III-B of the Act of 1934.

At the relevant time, when the Petitioner secured the CoR, the Net Owned Fund (“NOF”) of a company to carry on business of NBFC, was set out at Rs.25 lakh. By Notification issued on 27/03/2015 by the RBI, Notification dated 20/04/1999 was superseded and a sum of Rs.200 lakh was specified as NOF required for an NBFC to commence or carry on the business as NBFC.

The said Notification also prescribed that the NBFC holding a CoR and having NOF less than Rs.200 lakh may continue to carry on its business, if such company achieves the NOF (i) Rs.100 lakh before 01/04/2016 and (ii) Rs.200 lakh before 01/04/2017.

4. On 07/05/2018, the RBI issued a show-cause notice to the Petitioner with reference to the revised regulatory framework for NBFCs read with Notification dated 27/03/2015, when the RBI had specified Rs.200 lakh as NOF requirement for an NBFC to commence or carry on its business. It also indicated that if the CoR is in existence, such companies should achieve the NOF of Rs.200 lakh before 01/04/2017.

The notice further stated that as per the records available with the Bank, the company was holding CoR issued by the RBI on the date of issuance of the directions and has failed to achieve the NOF of Rs.200 lakh before 01/04/2017, which is violative of the provisions under which the company was permitted to continue its business as NBFC.

The Petitioner was, therefore, called upon to show cause as to why the CoR issued to it should not be cancelled and legal

action should not be initiated against it for the offence punishable under Section 58B of the Act.

5. The Petitioner responded to the said show-cause notice on 10/09/2018 and in its communication stated thus :-

*“We are under process of finalisation of financial account of the Company for F.Y. March 2018, which is required for calculation of Net owned Fund of Company for F.Y. March 2018.*

*We hereby request you not to cancel the Certificate of Registration issued to us, and further request you to kindly grant us a fair hearing in the matter, to enable us explain ourselves.*

*We look forward to your co-operation in the matter.”*

This was followed by another response on 18/09/2018 with reference to the show-cause notice dated 07/03/2018, stating thus :-

*“As per unaudited Balance sheet of March 2018 we are submitting Net owned Fund working (Annexure-I)*

*We hereby request you not to cancel the Certificate of Registration issued to us, and further request you to kindly grant us a fair hearing in the matter, to enable us explain our selves.”*

The said response alongwith Annexure-I, reflected the NOF as Rs.12.63 crore as per the unaudited balance sheet as on 31/03/2018.

6. Ms.Batra, the learned counsel for the Petitioner would heavily rely upon this projection and she has called in question the impugned orders passed by the RBI, recording that the response to the show-cause notice furnished by the company on 10/09/2018 and 18/09/2018 were not satisfactory and an inference was drawn that there is violation of statutory provision contained in Chapter III-B of the Act and allowing such a company to remain registered as NBFC did not serve any public interest.

As a consequence thereof, the CoR dated 09/09/1999 issued in favour of the Petitioner was cancelled.

7. Being aggrieved by the aforesaid order, the Petitioner approached this Court by filing Writ Petition (L) No.360 of 2019 and in the wake of the appellate remedy being available, the writ petition was disposed of.

This resulted in filing of an appeal by the Petitioner before the Appellate Authority, Department of Financial Services, Ministry of Finance, New Delhi and the appeal filed by the Petitioner was dismissed by the Appellate Authority by upholding the order passed by the RBI and the Writ Petition also raises a challenge to the said order. The Appellate Authority did not find any merit in its argument and noted that the NOF of the appellant company was negative as on 31/03/2016 and 31/03/2017 and the company was very much aware of the Notification issued by the RBI on 27/03/2015 and the decision by the RBI, in concluding that there is no compliance of the requirement specified by the Notification was sufficient enough for the RBI to cancel its registration.

8. The learned counsel for the Petitioner assertively submitted before us that though the Petitioner did not admittedly satisfy the NOF requirement as per the Notification issued on 27/03/2015, but on the date when the show-cause notice was issued i.e. on 07/05/2018, the company was compliant with the requirement.

Ms.Batra has placed heavy reliance upon the orders passed by the Delhi High Court in series of petitions, where a

relief is granted in favour of the petitioners, who complied with the NOF requirements prior to the issuance of show-cause notice and resultantly, the impugned orders cancelling the CoR of the relevant companies were set aside and the matter was remanded afresh to the RBI in light of the judgments of the Court to examine whether the company was compliant with the NOF, as directed by the revised Notification. In particular, she has relied upon the latest decision of the Delhi High Court in case of **Goli Finance Limited Vs. Union of India & Anr. (W.P. (C) No.7040 of 2020)**, where the reliance is placed upon the earlier decisions of the Delhi High Court recording that when the petitioner had achieved the NOF requirement prior to the order of cancellation by the RBI, the matter is a fit one to be remanded for fresh adjudication by the RBI. But, the fact that the petitioner had achieved the NOF of Rs. Two crores would have to be verified by the concerned Authorities on production of proper documentation and, therefore, it was remanded to the RBI for fresh consideration.

9. Opposing the submission advanced by the counsel for the Petitioner, learned senior counsel Mr. Dhond has urged before us that in terms of the provision of Section 45-1A(b) of the Act, no NBFC was permitted to carry on the business without a NOF of Rs. 25 lakh or such other amount, not exceeding Rs. 200.00 lakh, as the RBI may, by Notification in the official gazette specify. He would submit that by Notification dated 20/04/1999, the requirement of minimum NOF for new companies approving for grant of CoR to commence business of an NBFC was raised from Rs. 25 lakh to Rs. 200.00 lakh.

However, the minimum NOF for companies that were already in existence before 21/04/1999 was retained as Rs.25 lakh.

Inviting our attention to the RBI circular, setting out the revised regulatory framework dated 27/03/2015, he would submit that the Notification specified Rs.200.00 lakh as the NOF requirement for all NBFCs to commence or carry on its business. However, the NBFC's holding a CoR issued by the RBI and having NOF less than Rs.200.00 lakh were permitted to carry on the business, provided such companies achieve the NOF of Rs.200.00 lakh before 01/04/2017.

Reference is also made by Mr.Dhond to para 4.3 of the Revised Regulatory Framework of NBFC dated 10/11/2014 wherein it was clearly stipulated the the NBFCs failing to achieve the prescribed ceiling within the stipulated time period, shall not be eligible to hold the CoR as NBFCs and RBI will initiate the process for cancellation of the CoR of such NBFCs.

10. It is the submission of Mr.Dhond that the NOF of the Petitioner company was in the negative in the years 2016 and 2017 and in specific he would submit that it was Rs.(-)26.14 on 31/03/2016 and as on 31/03/2017, it was Rs.(-)2.84 crore, which was even below the earlier stipulated requirement of Rs.25.00 lakh and certainly much below the requirement of Rs.1.00 crore as on 31/03/2016 and Rs.2.00 crore as on 31/03/2017. Further, he would submit that the RBI confirmed that the NOF of the Petitioner company as on 31/03/2018 was Rs.7.84 crore and taking into consideration the negative NOF of the company as on 31/03/2016 and 31/03/2017, and since

the Company failed to meet the requirement as contemplated in the Notification dated 27/03/2015 issued by the RBI as on 01/04/2017, it did not deem it appropriate to continue the non-banking finance business to be carried out by the Petitioner company and cancelled its registration by passing the impugned order, which is upheld by the Appellate Authority.

11. We have perused the Notifications issued by the Reserve Bank of India in exercise of the powers conferred under Section 45-IA of the Act of 1934.

We must note that the RBI is a body corporate established under the Act of 1934 to regulate the issuance of Bank notes and keeping of reserves with a view of securing monetary stability in India and to operate the currency and credit system of the country to its advantage. The RBI is entrusted with the statutory obligation to regulate the activities of the NBFCs under Chapter III-B of the Act of 1934. It is worth to note that the non-banking companies, which were not covered under the Banking Regulation Act, 1949, were accepting huge deposits from the public and in absence of any Regulation regarding the acceptance of the deposits, several malpractices had surfaced.

In order to curb such activities and to prevent unwanted growth of deposits outside the banking systems, it was deemed necessary to confer upon the RBI, being the custodian of the monetary and credit system of the country, necessary statutory powers enabling it to supervise, control and regulate acceptance of deposits by such institutions and the RBI Act was amended in the year 1963 by inserting Chapter III-B by

the Banking Laws (Miscellaneous Provisions) Act, 1963. Powers were conferred on the RBI for regulating and monitoring the deposit acceptance activities of such companies and it was also empowered to issue directions to the NBFCs.

By amending the Act, the RBI was empowered to regulate the NBFCs by prescribing several safeguards to ensure their viability and this included the requirement of compulsory registration of NBFCs with the Reserve Bank and a provision of minimum net-owned fund under Section 45-IA as well as creation of reserve fund and prescription of liquidity requirements under Section 45-IB. Various provisions in the Act, which were incorporated by way of amendment, intended to ensure sound and healthy operation and the quality of assets of the companies and with the power being conferred on the RBI to issue directions to the auditors of the NBFCs and order special audits of NBFCs alongwith the imposition of prohibition on acceptance of deposits and alienation of assets by it, strengthened and brought transparency in the operation of the NBFCs.

12. As per Section 45-IA, it was imperative for the NBFC to have the NOF of Rs.25 lakh or such other amount, not exceeding Rs.200 lakh, if it was desirous of commencing or carrying on business as NBFC and this was made imperative by Section 45-IA, and it was also imperative for the NBFC to obtain a CoR and have the NOF as set out in clause (b).

The RBI issued a Notification on 01/04/1999 stipulating the minimum NOF requirement for 'new companies' applying for grant of CoR to commence the business as Rs.2 lakh only.

RBI also issued a revised Regulatory Framework on 10/11/2014 prescribing timelines for all existing NBFCs to achieve minimum NOF of Rs.200 lakh and the NOF to be achieved by the end of March 2016 was Rs.100 lakh, whereas the NOF to be achieved at the end of March 2017 was set out at Rs.200 lakh.

The attainment of the NOF was one of the mandatory preconditions for commencing or carrying on the business of NBFCs in terms of sub-clause (b) of sub-section (1) of Section 45-IA of the Act of 1934.

13. We have perused the affidavit filed by the RBI in response to the Petition, affirmed by the Assistant General Manager, Department of Regulation, Reserve Bank of India. In the affidavit, it is categorically stated that the Petitioner failed to achieve NOF of Rs.200 lakh before 01/04/2017 and this triggered issuance of show-cause notice dated 07/05/2018 to the company asking it to show cause as to why the CoR issued in its favour should not be cancelled.

The notice received a reply from the company stating that it was under the process of finalisation of financial account of the Company for F.Y. March 2018. The Petitioner company thereafter forwarded calculation of NOF, which was based on unaudited balance sheet of the company as on 31/03/2018 and according to the reply, the Petitioner failed to furnish audited balance sheet of company, despite sufficient opportunity being afforded to it. Admittedly, as on 01/04/2017, NOF of Rs.200 lakh was not achieved by the Petitioner and this resulted in cancellation of CoR granted to the Petitioner under

Section 45-IA(6) of the Act of 1934 by order dated 31/10/2018. The Appellate Authority upheld this order, which is subjected to challenge before us.

14. On perusal of the impugned order passed by the RBI as well as the order of the Appellate Authority, we must note that the RBI took cognizance of the negative NOF of the company and if it was of the view that the financial credentials of the company did not inspire confidence, so as to permit it to continue the business as Non-banking financial institution, we find very little scope for us to intervene, as we may not be in a position to substitute our decision in financial matters, when the RBI did not deem the Petitioner company creditworthy for continuing its business. When the RBI has issued a Circular/Notification, specifically directing the companies, which already had the CoR, to achieve the target of NOF by a particulate date, and since the Notification issued in form of directions by the RBI, has a statutory force and being mandatory in nature, the Petitioner ought to have achieved the said target as specified. The Petitioner failed to comply with the directions issued by the RBI on 27/03/2015 even after lapse of three years, which constrained the RBI to cancel its CoR.

The Petitioner, before the cancellation of CoR, was offered an opportunity to respond, but in fact the NOF of Rs.200 lakh, which was to be attained on or before 31/03/2017, was not at all achieved.

15. By the Notification of 27/03/2015, special relaxation was offered in favour of the NBFs, which were already registered

with the RBI and having NOF less than Rs.200 lakh, but it was imperative for such NBFC's to achieve the NOF of Rs.100 lakh before 01/04/2016 and Rs.200 lakh before 01/04/2017. It is pertinent to note that the Petitioner did not attain such target and on the other hand, as on 31/03/2016, its NOF was Rs. (-)26.14 and as on 31/03/2017, it was Rs.(-)2.84 crore, which was even below the earlier stipulated requirement of Rs.25 lakh and certainly much below the requirement of Rs.1.00 crore as on 31/03/2016 and Rs. 2.00 crore as on 31/03/2017.

The Petitioner never raised any issue before the RBI, when it was deficit in achieving the NOF and though it thereafter claimed that when the show-cause notice was issued, it had surpassed the required limit of NOF, we do not find it to be a compliance of the directives issued by the RBI.

If the directions issued by the RBI are permitted to be diluted in favour of the company with weak financial standing and low NOF, it would have repercussions on the whole financial system in the country. If in its wisdom, the RBI has deemed it appropriate not to allow the Petitioner, with the history of low NOF to continue its business, we definitely cannot substitute the said wisdom.

Apart from this, it is also to be noted that the Appellate Authority i.e. Department of Finance has also upheld the order passed by the RBI and have noted the negative NOF of the Petitioner company for two consequential years i.e. on 31/03/2016 and 31/03/2017. Moreover, the Petitioner never came clean before the RBI by submitting an audited statement, but only relied upon unaudited account statement, which was one more reason why the RBI did not find the Petitioner to be

trustworthy and we do not find any fault in the said decision of the RBI as well as the Appellate Authority.

16. As far as reliance placed upon the decision in case of *Shubh Lakshmi Capital Limited Vs. Reserve Bank of India &Anr. (W.P.(C) 2384 of 2020)* is concerned, the facts would reveal that before the Appellate Authority, when the petitioner sought to explain that it was acting under the advice of its Auditor and was under a bonafide impression that it met the requirement of maintaining NOF of Rs.200 lakh as on 31/03/2017 and in any case, it met the said requirement on 31/03/2018, the significant aspect is the shortfall in the NOF, which the Court took note of, it being minuscule amount of Rs.8.43 lakh. Therefore, the Court was of the view that the Appellate Authority should have considered the submission of the petitioner as to whether the stand of the petitioner's original auditor, on the basis of which the petitioner believed that it met the NOF requirement of Rs.200 lakh was correct or not and, in any case, there was a minor shortfall, which was in any event made up as on 31/03/2018.

We find this decision to be relied upon by the subsequent Benches of Delhi High Court.

However, in the present case, since we have noted that the Petitioner had the negative NOF for the years 2016 and 2017 and it was even below Rs.25 lakh, which was the requirement as per the Notification of 1999 and since the Reserve Bank of India is an expert body for examining the financial credentials of a company, on which it has conferred registration and in the case of the Petitioner, it was of the

expressed view that the Petitioner company has not achieved the target of the NOF as prescribed by the Notification dated 27/03/2015 as on the cut-off date prescribed, we do not find any fault in the impugned orders passed by the Reserve Bank of India as well as the Appellate Authority, Department of Financial Services, Ministry of Finance, New Delhi.

In the wake of the above, by upholding the aforesaid orders, we dismiss the Writ Petition.

No order as to costs.

(MANJUSHA DESHPANDE, J.)

(BHARATI DANGRE, J.)