2026:MHC:4592

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IN THE HIGH COURT OF JUDICATURE AT MADRAS

RESERVED ON : 26.10.2026

PRONOUNCED ON : 17 .11.2026

CORAM

THE HON'BLE MR.SUSHRUT ARVIND DHARMADHIKARI,
CHIEF JUSTICE
AND
THE HON'BLE MR.JUSTICE G.ARUL MURUGAN

C.R.P.Nos.1006 & 935 of 2021
AND
C.M.P.Nos.7571, 7572, 8107 & 27533 of 2025

CRP No. 1006 of 2021:
CNR:{HCMA010591462021}

Case QR

A.T.Heera Banu
W/o.K.A.Babu, Old No.15,
New No.11, Big Street,
Kilpauk Garden,
Chennai 600 010.

..Petitioner(s)

Vs

1. Punjab National Bank
   Zonal Sastra Centre,
No.63, R.K.Salai,
Mylapore, Chennai 600 004.

2. C.B.Rajender
   S/o.C.S.Balaraman,
No.567, Poonamallee High Road,
Adarsh Apartments,
C-4, Arumbakkam,
Chennai 600 0106.

..Respondent(s)

CRP No. 935 of 2021:
CNR:{HCMA010554572021}

Case QR

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C.B.Rajender
567, Poonamallee High Road,
Aadarsh Apts, C-4, Arumbakkam,
Chennai 600 106.

..Petitioner(s)

Vs

1. The Authorised Officer
   Chief Manager,
M/s. Punjab National Bank,
Zonal Sastra Centre, No.63, R.K.Salai,
Mylapore, Chennai 600 004.

2. K.A.Babu
   S/o. Abdul Khalick,
Old No.15, New No.11,
Big Street Kilpauk Garden,
Chennai 600 010.

3. A.T.Heera Banu
   W/o. K.A. Babu,
Old No.15, New No.11,
Big Street, Kilapuk Garden,
Chennai 600 010.

4. M/s.Vardha Steels
   Represented by its Managing Partner,
K.A.Babu, Old No.15, New No.11,
Big Street, Kilpauk Garden,
Chennai 600 010.

5. The DRAT
   Chennai,
4th Floor, Indian Bank,
Zonal Office Building,
No.55, Ethiraj Salai, Chennai 600 008. ..Respondent(s)

Prayer in CRP No.1006 of 2021 : Civil Revision Petition has been filed under Article 227 of the Constitution of India, to set aside the order dated 10.03.2021 made in M.A.No.45 of 2019 in I.A.No.242 of 2019 in O.A.No.706 of 2016 passed by the Debts Recovery Appellate Tribunal, Chennai.

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Prayer in CRP No.935 of 2021 : Civil Revision Petition has been filed under Article 227 of the Constitution of India, to set aside the orders dated 10.03.2021 in RA (SA) No.4 of 2020 passed by the DRAT Chennai and direct the 1st respondent Bank, to issue the Sale Certificate to the revision petitioner.

For Petitioner(s): Mr.Jayesh B.Dolia, Senior Counsel
For M/s. Aiyar and Dolia
(In CRP.No.1006/2021)

Mr.Om Prakash, Senior Counsel
For Mr.R.Srinivasan for R&P Partners
(In CRP.No.935/2021)

For Respondent(s): Mr.AR.L.Sundaresan
Additional Solicitor General of India
Assisted by Ms.Akshaya Benjamin For R1
(In both CRPs)

Mr.Om Prakash, Senior Counsel
For Mr.R.Srinivasan for R&P Partners For R2
(In CRP.No.1006/2021)

Mr.Jayesh B.Dolia, Senior Counsel
For M/s. Aiyar and Dolia For R3 & R4
(In CRP.No.935/2021)

No Appearance for R2 & R5
(In CRP.No.935/2021)

COMMON ORDER

G.ARUL MURUGAN, J.

C.R.P.No.935 of 2021 is preferred by the petitioner/auction purchaser assailing the order dated 10.03.2021 in R.A.(S.A)No.4 of 2020 on the file of the DRAT, Chennai, which affirmed the order of the DRT by accepting a memo filed by the bank.

C.R.P.No.1006 of 2021 is filed by the petitioner/ guarantor assailing the order dated 10.03.2021 in M.A.No.45 of 2019 on the file of the DRAT,

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Chennai, which set aside the order of the DRT allowing the guarantor to redeem the property for a sum of Rs.5.30 crores.

2. As the issue in both the C.R.Ps is concerned with the same subject property, both cases were analogously heard and are disposed of by this common order.

3.1. The brief facts to be noted are that, one, M/s. Varadha Steels Private Limited, availed financial assistance from the erstwhile Oriental Bank of Commerce, now merged with Punjab National Bank. Due to default in repayment of the dues, the bank had filed O.A.No.706 of 2016 on the file of DRT-II, Chennai, seeking to recover a sum of Rs.46,32,18,721.90 as against the borrowers and guarantors. The bank also declared the account as a Non-Performing Asset on 30.09.2014 and initiated proceedings under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (in short, 'SARFAESI Act').

3.2. A possession notice under Section 13(4) of the SARFAESI Act was issued on 02.02.2017, and the property of the petitioner/guarantor in C.R.P.No.1006 of 2021 was brought to auction through a sale notice dated 12.11.2018. The reserve price was fixed at Rs.5,29,00,000/-. The

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guarantor, along with her husband/partner and the partnership firm, filed S.A.No.371 of 2018 before the DRT-II, Chennai, challenging the sale notice that scheduled the auction for 27.12.2018. The DRT, by an order dated 26.12.2018, passed an interim direction allowing the sale to proceed, but stayed its confirmation.

3.3. After the interim order was passed by the DRT staying the confirmation but allowing the sale to proceed, the sale of the subject property was conducted on 27.12.2018. When the reserve price was Rs.5,29,00,000/-, the auction purchaser/petitioner in C.R.P.No.935 of 2021 participated in the auction and bid a sum of Rs.5,30,00,000/- and he was declared as the highest bidder. The bank, by a communication dated 27.12.2018, informed him that the confirmation of sale had been stayed by the DRT and advised the auction purchaser, having been declared the successful bidder, to complete the rest of the payment process.

3.4. The successful bidder made the entire payment of Rs.5,30,00,000/- and the bank, by a letter dated 09.01.2019, acknowledged the receipt of the payment towards the bid. Subsequently, the bank filed a memo dated 18.02.2019 before the DRT stating that since there were certain defects in the sale notice with respect to some of the properties, the bank had decided to withdraw the sale notice and sought

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to dispose of S.A.No.371 of 2018 as infructuous, with liberty to proceed in accordance with law.

3.5. The DRT, by an order dated 28.02.2019, accepted the memo and allowed the S.A. The DRT also directed the bank to consider the request for the redemption of the mortgage. The guarantor subsequently filed I.A.No.242 of 2019 in O.A.No.706 of 2016, seeking release of the subject property upon the payment of Rs.5.30 crores. Considering the fact that the property had fetched a highest offer of Rs.5.30 crores and that the sale stood cancelled, the DRT, by an order dated 17.05.2019, rejected the contention of the bank that the actual valuation of the property was Rs.7.83 crores, allowed the I.A. filed by the guarantor and directed the bank to receive a sum of Rs.5.30 crores and release the property documents from the mortgage.

3.6. The auction purchaser, aggrieved by the order of the DRT dated 28.02.2019 in S.A.No.371 of 2018 allowing the S.A. by recording the withdrawal of the sale notice by the bank, sought leave and filed an appeal before the DRAT in R.A.(S.A) No.4 of 2020. The bank also filed a separate appeal in M.A.No.45 of 2019, challenging the order of the DRT dated 17.05.2019 directing the bank to receive a sum of Rs.5.30 crores from the guarantor and allow redemption of the property. The DRAT, by

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an order dated 10.03.2021, allowed M.A.No.45 of 2019, holding that when the valuation of the property was more than Rs.7 crores, the redemption allowed by the DRT for a sum of Rs.5.30 crores was not proper.

3.7. The DRAT, by a separate order dated 10.03.2021, allowed in part the appeal filed by the auction purchaser in R.A.(S.A) No.4 of 2020, observing that when there are serious lapses in the sale notice, a valid title will not pass to the purchaser based on such a purchase. It was further held that, when the entire sum of Rs.5.30 crores has been refunded to the purchaser, the auction purchaser cannot force to complete the sale, and consequently awarded a sum of Rs.5,00,000/- as compensation to be paid by the bank. Aggrieved by the orders passed, both the auction purchaser and the guarantor have preferred these separate civil revision petitions.

4.1. Mr.Om Prakash, learned Senior Counsel appearing for the auction purchaser, contended that the auction purchaser had responded to the sale notice and when the reserve price was Rs.5.29 crores, he participated in the auction and made a bid for Rs.5.30 crores. The bid being the highest, the bank had, by a communication dated 27.12.2018, declared the petitioner as the successful bidder and directed him to make the payments, based on which the entire bid amount of Rs.5.30 crores

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was paid and acknowledged by the bank.

4.2. Learned Senior Counsel further submitted that when the petitioner was declared as the successful bidder and the entire sale stood concluded, the bank had no right to unilaterally withdraw the same, especially after the rights of the auction purchaser had crystallised. The DRT grossly erred in accepting the memo and allowing the S.A. without impleading the petitioner as a party. He also submitted that when the DRT observed that the bank, at best, had withdrawn the sale at the behest of the borrower, it ought to have set things right by setting aside the order and restoring the sale that stood concluded in favour of the petitioner. However, it erroneously directed the payment of compensation amounting to Rs.5,00,000/-.

4.3. He further contended that the guarantor or the borrower has no say at this stage, as the right to redeem the property was lost upon the issuance of the sale notice and the conclusion of the sale. In support of his contention, learned Senior Counsel placed reliance on the decisions of the Hon'ble Supreme Court in the cases of ***Janak Raj v. Gurdial Singh & Another[1], IDBI Bank Ltd. v. Ramswaroop Daliya & Others[2]*** *and* ***Golden Food Products India v. State of Uttar Pradesh & Others[3].***

[1] 1966 SCC OnLine SC 63
[2] 2024 INSC 780
[3] 2026 SCC OnLine SC 24

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5.1. Mr.Jayesh B.Dolia, learned Senior Counsel appearing for the petitioner in C.R.P.No.1006 of 2021, submitted that while the petitioner, to safeguard the property, had been continuously pursuing the bank for an OTS with the bank, taking further legal proceedings and approaching the DRT, the bank chose to proceed to sell the property without following the statutory rules. The DRT rightly allowed the claim of the petitioner to redeem the property for Rs.5.30 crores, which matched the highest bid.

5.2. Learned Senior Counsel further submitted that the DRAT, by relying on a subsequent valuation report and holding that the property had a market value of Rs.7 crores, rejected the claim of redemption solely on that ground, which is erroneous. He, however, submitted that the petitioner is still willing to redeem the property based on a fresh, proper valuation to be obtained by the bank and, therefore, seeks interference.

6.1. Countering these submissions, Mr.AR.L.Sundaresan, learned Senior Counsel appearing for the bank, submitted that there was a total outstanding of around Rs.46 crores even as on the date of filing of the O.A. by the bank. By referring to Section 60 of the Contract Act, 1872 and Section 13(8) of the SARFAESI Act, he contended that the right to redeem exists only upon payment of the entire mortgage debt and not in parts. He

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further submitted that when the sale notice issued by the bank was under challenge before the DRT and the Tribunal had passed an interim order restraining the confirmation of the sale a day prior to the auction, the bank had no right to confirm the sale until the stay was vacated. Any enforcement action taken in breach of the orders of the Tribunal would, ultimately, be void.

6.2. Learned Senior Counsel further contended that the auction purchaser participated in the sale and bid Rs.1 lakh more than the reserve price. Since he was the highest bidder, the bank issued a communication as required under the Act, clearly intimating that the DRT had passed an interim order restraining the confirmation of the sale. Upon such intimation, it was for the auction purchaser to take appropriate steps before the DRT and the payments made by him towards the bid amount would not amount to a confirmation of sale by the bank. Unless the sale stands confirmed, the bank retains every right to withdraw the notice.

6.3. Learned Senior Counsel, by making a distinction between Rule 6 of the Security Interest (Enforcement) Rules, 2002 (in short “Enforcement Rules”) regarding the sale of movable secured assets and Rule 9 of the Enforcement Rules regarding the sale of immovable property, submitted that as per Rule 9(2) of the Enforcement Rules, the

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sale shall be confirmed in favour of the purchaser who has offered the highest bid to the Authorised Officer, which shall be subject to confirmation by the secured creditor. The intimation made by the Authorised Officer does not amount to a confirmation by the secured creditor as contemplated under Rule 9(2) of the Enforcement Rules. He further submitted that the auction purchaser was bound to pay the balance sale price only on or before the fifteenth day from the confirmation of sale as per Rule 9(4) of the Enforcement Rules, failing which the default clause would operate and here no confirmation by the secured creditor under Rule 9(2) of the Enforcement Rules had been done.

6.4. By distinguishing the decisions relied upon by the petitioners, learned Senior Counsel submitted that in all those cases, the sale stood confirmed, which never happened in the present case. Further, due to the defects in the sale notice, the bank filed a memo to withdraw the notice, which was subsequently allowed by the DRT. He further submitted that the passing remark by the DRAT to the effect that the bank proceeded to withdraw the sale at the behest of the borrower was factually incorrect and thereby directing the bank to pay compensation is unwarranted. However, he submitted that since the DRAT did not interfere with the withdrawal of the sale, no interference is required from this Court.

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7. We have given our anxious consideration to the submissions made on either side and considered the materials available on record.

8.The financial assistance availed by M/s. Varadha Steels Private Limited from the bank was not promptly repaid and due to defaults, the bank filed OA.No.706 of 2016 for recovery of a sum of Rs.46,32,18,722/- along with interest as on 11.11.2016. Further, the account was classified as NPA on 30.09.2014, and proceedings were also initiated under the SARFAESI Act. The property of the guarantor was brought for auction through sale notice dated 12.11.2018, whereby the auction was fixed on 27.12.2018. Petitioner/guarantor had challenged the sale notice before the DRT-II, Chennai, in SA.371 of 2018.

9. The Debts Recovery Tribunal, by order dated 26.12.2018, passed the following direction:

> *"26.12.2018*
> *SA.371/18 (Mentioned)*
> *Counsel for applicant and caveator present. Heard and perused.*
> *Sale will proceed as per sale notice. Confirmation stayed.*
> *Counter by 31.01.2019."*

In view of the interim order passed by the DRT on 26.12.2018 i.e., even a day before the scheduled auction date, the bank was allowed only to

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proceed with the sale but had no right to confirm the sale without further orders from the Tribunal.

10. As per the provisions of Section 13(4) of the SARFAESI Act, if a borrower fails to discharge his liability in full within the period specified in sub-section (2), the secured creditor may take recourse to take possession of the secured assets, including the right to transfer by way of lease, assignment, or sale. The procedure for the sale of immovable secured assets is set out in Rule 8 of the Enforcement Rules. While Rule 8(5) of the Enforcement Rules contemplates the duties of the Authorised Officer regarding obtaining a valuation and fixing the reserve price, Rules 8(6) and 8(7) of the Enforcement Rules contemplate the notice to be issued to the borrower and the mode of affixture of the sale notice, which must contain all the particulars prescribed under the rules. Rule 9 of the Enforcement Rules subsequently stipulates the time of sale, issuance of sale certificate and delivery of possession.

11. By exercising the power under Section 13(4) of the SARFAESI Act, the bank issued possession notice on 02.02.2017 and thereafter issued a sale notice dated 12.11.2018, fixing the auction of the petitioner/guarantor property for 27.12.2018. The guarantor filed S.A.No.371 of 2018 challenging the sale notice on the grounds that it was

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illegal, mala fide, and without jurisdiction. Among several grounds raised, the sale notice was put to challenge specifically for non-compliance with the issuance of mandatory statutory notices, failure to provide exact details of the properties in the schedule, errors in mentioning the extent of the property and also failure to adhere to the rules regarding publication.

12. Admittedly, the Tribunal entertained S.A. and considering the *prima facie* case, granted an interim order, as referred to above, whereby, even though the bank was allowed to proceed with the sale, it was refrained from confirming the sale. It is the contention of learned Senior Counsel for the auction purchaser that the auction stood confirmed by the issuance of the letter dated 27.12.2018 by the bank, and once the auction purchaser made the entire payment, the sale having been concluded, the bank cannot withdraw the sale.

13. However, learned Senior Counsel for the bank, by referring to Rule 9(2) of the Enforcement Rules, submitted that unless the sale is confirmed by the secured creditor/bank in favour of the purchaser who offered the highest bid, the same does not get concluded and the question of balance payment under Rule 9(4) of the Enforcement Rules arises only after such confirmation. In other words, even though the

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Authorised Officer issued the communication, the sale does not get concluded until it is further confirmed by the secured creditor. We are unable to agree with either of the submissions of learned Senior Counsel.

14. The contention that even though the Authorised Officer issues a communication declaring a person as the successful bidder, the same is subject to further confirmation by the secured creditor as per Rule 9(2) of the Enforcement Rules, is liable be rejected for the simple reason that the Authorised Officer and the secured creditor cannot be construed as two different authorities. The very term "Authorised Officer" denotes that he acts on behalf of the secured creditor. All actions taken by the Authorised Officer are performed for and on behalf of the secured creditor, without which he has no independent role. Once the Authorised Officer issues a communication confirming the bid to be the highest and declares the person as the successful bidder, nothing remains to be further confirmed by anyone else, as the communication of the Authorised Officer itself emanates only from the secured creditor.

15. However, in the instant case, after the issuance of the sale notice and in the challenge made thereto, the Tribunal interdicted the process and passed an interim order even prior to the auction date, allowing the bank only to proceed with the sale, but restrained it from

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confirming the sale. In pursuance of the interim order, the bank proceeded with the sale and by a communication dated 27.12.2018, intimated to the petitioner/successful bidder that the confirmation of sale had been stayed by the DRT and that the auction purchaser could proceed further with the sale proceedings.

16. Immediately after such intimation was given by the bank to the auction purchaser, it was open to the auction purchaser to approach the DRT seeking impleadment and confirmation of sale, which he did not choose to do, but instead proceeded with making the balance payment. Merely because the auction purchaser proceeded to deposit the balance amount, that alone cannot be construed as a confirmation of sale unless so declared by the Court. At this juncture, when several grounds had been raised challenging the sale notice, the bank, realising its mistake, filed a memo dated 18.02.2019 in S.A.No.371 of 2018 before the DRT, submitting that it was withdrawing the sale notice and prayed that the S.A. be disposed of as infructuous, with liberty reserved to the bank to proceed further.

17. The memo filed by the bank, in one place records that the property to be sold under the sale notice was not mentioned with proper metes and bounds, and that the extent had not been correctly mentioned,

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but in another place, it notes that although the Kilpauk property was described properly, there were discrepancies with respect to the other properties. Admittedly, as the auction purchaser had not approached the Tribunal to implead himself as a party, no adjudication on merits took place regarding the various grounds raised challenging the sale notice.

18. Had the bank not filed the memo, the DRT would have proceeded to adjudicate the application and decided it on merits. However, accepting the memo filed by the bank, the DRT, by an order dated 28.02.2019, allowed the S.A.No.371 of 2018 recording that the sale notice stood withdrawn, and also allowed the borrowers to redeem the property from the mortgage in view of the application filed by them.

19. When specific grounds have been raised by the guarantor in the challenge to the sale notice regarding publication, extent, boundaries, and valuation, it is to be noted that when the reserve price was fixed at Rs.5.29 crores, the bid was made for Rs.5.30 crores, which was the highest. It is further to be noted from the orders passed by the DRT and the DRAT, which are not in dispute, that while the reserve price was fixed at Rs.5.29 crores for the auction to be conducted on 27.12.2018, a subsequent valuation of the subject property obtained on 11.03.2019 reflects a value at Rs.7.83 crores.

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20. Even though the subsequent valuation cannot be a basis to interfere with the sale when the sale proceeded as per the valuation available prior to the sale notice, the fact remains that a subsequent valuation obtained three months later reveals a gross difference in value of the subject property to a tune of more than Rs.2.5 crores. When the challenge to the sale notice by the guarantor was made particularly alleging defects in sale notice including description, extent, publication and valuation, which was never adjudicated on merits, the gross difference in value of the subject property, cannot simply be brushed aside, that too, when huge amount involving public money is still due to the bank.

21. Nothing prevented the auction purchaser, who had notice of the interim order passed by the DRT, from approaching the Tribunal to have the S.A. adjudicated on merits. In fact, the memo filed by the bank concedes that there were certain discrepancies with regard to the metes and bounds and the extent of the property, whereby the bank intended to withdraw the sale notice and proceed to initiate fresh proceedings.

22. It is further to be noted that immediately after the orders were passed by the DRT allowing the S.A. based on the memo, the bank

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refunded and credited the entire amount paid by auction purchaser on 15.03.2019 itself. However, it is contended by the learned Senior Counsel for the auction purchaser that the said amount was again sent to the bank through demand drafts, which are stated to have not been encashed.

23. In view of the above, the auction having not been confirmed in favour of the auction purchaser due to the interim orders passed by the Tribunal and, ultimately, before the auction could be confirmed, the sale notice having been withdrawn and the sale cancelled, there was no concluded sale and thereby, no vested right had accrued to the auction purchaser.

24. As regards the decisions relied upon by learned Senior Counsel for the auction purchaser, in all those cases the fact remains that the sale was conducted, highest bid was accepted and the sale/offer stood confirmed. There had been no judicial intervention whereby the confirmation of sale was stayed. It is true, as observed by the Hon'ble Supreme Court, that there is a sanctity attached to an auction sale and without valid reasons, a sale once confirmed or concluded cannot be interfered with, except where the sale process was collusive, fraudulent, or vitiated by raising or underbidding and even a mere irregularity or deviation would not be a ground for interference unless substantial injury

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is caused.

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25. However, in the instant case, although the auction was conducted and the auction purchaser made the highest bid above the reserve price, due to the interim orders passed by the Tribunal, the bank was only allowed to proceed with the sale, but was specifically restrained from confirming the same. Since such an interim order was passed even prior to the date of sale, the bank though proceeded with the sale, immediately on the date of the auction intimated the petitioner that while he was the successful bidder offering the highest bid, the sale confirmation could not be done in view of the stay granted by the Tribunal. At this juncture, it is useful to refer to a decision of the Hon'ble Supreme Court in ***Mathew Varghese v. M. Amritha Kumar***[4]***,*** wherein it is held that the rights of the auction purchaser get crystallised as per the final order of the Court, when the sale proceedings are intervened by the Court.

26. In such circumstances, the decisions relied upon by learned Senior Counsel for the auction purchaser do not support the facts of the present case, where the sale did not stand concluded. As per Section 13(8) of the SARFAESI Act, where the amount of the due of the secured creditor, together with all costs, charges, and expenses incurred by him, is

[4] (2014) 5 SCC 610

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tendered to the secured creditor at any time before the date of publication of notice for public auction, the secured asset shall not be transferred or sold by the secured creditor. In the present case, the sale notice issued by the bank stands withdrawn and till date, no fresh sale notice has been issued in respect of the subject property. Till a fresh sale notice is issued, the guarantor can tender the amount of due to the secured creditor for the redemption of the property.

27. In view of the above deliberations, we do not find any perversity or irregularity in the orders passed by the DRAT warranting interference. The bank shall take all necessary steps to obtain a fresh valuation of the subject property and upon obtaining the same, shall proceed to issue a fresh sale notice for its sale. It is open to the bank to consider the offer or request of the guarantor in accordance with the fresh valuation of the subject property, provided such offer is made prior to the issuance of the fresh sale notice. Demand Drafts, if any, subsequently sent by the auction purchaser and available with the bank, shall be forthwith returned.

28. With the above observations, both the C.R.Ps stand dismissed. No costs. Consequently, interim applications also stand dismissed.

(SUSHRUT ARVIND DHARMADHIKARI, C.J.) (G.ARUL MURUGAN J.)

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Index: Yes
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To

1.The Authorised Officer
Chief Manager,
M/s. Punjab National Bank,
Zonal Sastra Centre,
No.63, R.K.Salai, Mylapore,
Chennai 600 004.

2.The DRAT
Chennai, 4th Floor, Indian Bank,
Zonal Office Building,
No.55, Ethiraj Salai,
Chennai 600 008.

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THE HON'BLE CHIEF JUSTICE
AND
G.ARUL MURUGAN, J.

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Pre-Delivery Common Order in
C.R.P.Nos.1006 & 935 of 2021

17.11.2026

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