



IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 29TH DAY OF JUNE, 2026

PRESENT

THE HON'BLE MR. JUSTICE D K SINGH

AND

THE HON'BLE MR. JUSTICE T.M.NADAF

WRIT PETITION NO. 17304 OF 2018 (GM-DRT)

BETWEEN:

1. KARNATAKA STATE FINANCIAL CORPORATION
HEAD OFFICE, NO.1/1
KSFC BHAVAN, THIMMIAH ROAD
BANGALORE-560 052
AND ITS BRANCH OFFICE AT CHITRADURGA
BY ITS BRANCH MANAGER
BEHIND BASAVESHWAR THEATRE
CHITRADURGA-577501

...PETITIONER

(BY SRI MALIPATIL P S, ADVOCATE)

AND:

1. SRI LAKSHMINARAYANA NAIDU
S/O GOVINDARAJULU NAIDU
MAJOR, SANTHEPETE
NEAR PRASANNA TALKIES
CHITRADURGA
PROP. OF M/S. MARUTHI INN
PIN CODE-577501
2. SRI D. GOVINDRAJ
S/O D. SRINIVASA NAIDU
LATE BY LR



- 2(a) MR. D. AMRIT RAJ
S/O D. GOVINDRAJ, MAJOR
NO.2223, 5TH CROSS
'B' BLOCK, 21ST MAIN, HSR LAYOUT
SECTOR-2, BANGALORE-560034
- 2(b) MR. D. TRILOK RAJ
S/O D. GOVINDARAJ
LATE BY LR
- 2(b)(1) SMT. PADMAVATHI RAJ
W/O LATE D. TRILOK RAJ
- 2(b)(2) KUMARI D. VARASHA RAJ
D/O LATE D. TRILOK RAJ

BOTH R-2(b)(1) AND R-2(b)(2) ARE
R/AT NO.37, I 'B' CROSS
5TH WARD, SHIVAPURA
KATTIGENAHALLI POST
YELAHANKA
BANGALORE-560063

3. M/S. ADITHYA MARKETING
A PARTNERSHIP FIRM
HAVING REGD. OFFICE AT:
NO.209, 17TH "E" MAIN
KHB COLONY, 5TH BLOCK
KORAMANGALA
BANGALORE-560095
4. KOTAK MAHINDRA BANK LTD.,
NO.776, 100 FEET ROAD
HAL 2ND STAGE, INDIRA NAGAR
BANGALORE-560008
5. MR. S.A. SUKUMAR
S/O LATE SJ. ADINARAYANA, MAJOR
NO.212, PARVATHI NIVAS
4TH CROSS, KORAMANGALA
6TH BLOCK, BANGALORE-560094



RESIDING AT:
WARD NO.66, NO.379, 1ST FLOOR
1ST CROSS, 7TH BLOCK
KORAMANGALA, BANGALORE-560095

6. MR. RAMKUMAR S
NO.70/2, C.S. COMPOUND
2ND CROSS, MISSION ROAD
BANGALORE-560027

...RESPONDENTS

(BY SRI M.B. CHANDRA CHOODA, ADVOCATE FOR R-6;
VIDE ORDER DATED 05.02.2026, R-1, R-2, R-2(a), R-2(b),
R-2(b1), R-2(b2), R-3 AND R-4 ARE PLACED *EX PARTE*)

THIS WRIT PETITION IS FILED UNDER ARTICLES 226 AND 227 OF THE CONSTITUTION OF INDIA, PRAYING TO QUASH THE ORDER DATED 09.11.2017 PASSED IN R.A. NO.140/2013 BY THE DRAT, CHENNAI VIDE ANNEXURE-J AND REMAND O.A.NO.260/2010 FILED BY RESPONDENT NO.4 TO DRT, BANGALORE, FOR FRESH DISPOSAL IN ACCORDANCE WITH LAW AND IN THE LIGHT OF THE OBSERVATIONS MADE BY THE DRAT AND ETC.

THIS PETITION, COMING ON FOR PRELIMINARY HEARING IN 'B' GROUP, THIS DAY, ORDER WAS MADE THEREIN AS UNDER:

CORAM: HON'BLE MR. JUSTICE D K SINGH
and
HON'BLE MR. JUSTICE T.M.NADAF

ORAL ORDER

(PER: HON'BLE MR. JUSTICE D K SINGH)

1 Except for the respondent No.6, no one appeared before this Court on behalf of the respondents.



2. The present writ petition has been filed impugning the order dated 09.11.2017 passed by the Debts Recovery Appellate Tribunal at Chennai (DRAT) in R.A.No.140/2013 arising out of the order dated 05.12.2012 passed by the Debts Recovery Tribunal, Bengaluru (DRT) in O.A.No.260/2010.

3. The respondent No.1-M/s. Maruthi Inn had availed loan from the petitioner-Karnataka State Financial Corporation (KSFC) to the tune of Rs.15,00,000/-, Rs.4,74,000/- and Rs.14,50,000/- on 12.02.1992, 17.10.1992 and 27.04.1996 respectively by depositing the title deeds of the property bearing No.378, 1st 'A' Cross, 7th Block, Koramangala Extension, Bengaluru, as collateral security in addition to giving the personal guarantee of the respondent No.2 for repayment of the loan. On 04.02.1997, on the request of the borrower, the KSFC returned the original title deeds of the said property to the borrower undertaking to repay the loan after selling the property in question. However, the said undertaking was not honoured by the borrower.

4. The petitioner-KSFC filed a civil suit against the borrower for recovery of its money and also preferred a petition seeking



attachment before judgment of the property in question. The order was passed on 16.07.2001 in the said suit attaching the property in question before judgment. The fact of attachment of the property in question was published in the leading daily newspaper on 24.07.2001 and it was the case of the petitioner before the DRT and the DRAT that the order of attachment before judgment of the Civil Court was served by affixture and publication.

5. The petitioner-KSFC obtained an order against the borrower for recovery of a sum of Rs.89,64,130/- under the State Financial Corporation Act on 20.07.2002. However, after a gap of four years, the KSFC initiated sale proclamation by way of execution proceedings for recovery of a sum of Rs.1,16,42,318/- against the borrower. For that, notice was published on 10.05.2006 in the leading newspaper 'The Hindu'.

6. The borrower, however, had availed loan from the Kotak Mahindra Bank Limited on 25.07.2006 by depositing the title deeds after he collected them from the petitioner-KSFC on 04.02.1997. The Kotak Mahindra Bank had initiated SARFAESI proceedings in respect of the property in question and also filed



an Original Application in OA No.260/2010 for recovery of its dues under the provisions of the Recovery of Debts Due to Banks and Financial Institutions Act, 1993.

7. The Presiding Officer disposed of S.A.No.224/2010 preferred by the KSFC with the observation that equal amount of proceeds should be shared between the petitioner-KSFC and the Kotak Mahindra Bank. However, the said order was recalled by the DRAT and the Presiding Officer was directed to give a finding on the legality of the SARFAESI notice. In the meantime, in continuation of the proceedings in O.A.No.260/2010, the Kotak Mahindra Bank put the property for sale in auction. The respondent No.6 had purchased the property for Rs.42,42,429/- in the auction conducted on 20.12.2013 by the Kotak Mahindra Bank.

8. The DRT decided O.A.No.260/2010 preferred by the Kotak Mahindra Bank with the observation that only excess amount, if any left after adjusting the dues of the Kotak Mahindra Bank, would go to the petitioner-KSFC.



9. The said order passed by the DRT came to be challenged in R.A.No.140/2013 before the DRAT. It was submitted before the DRAT by the petitioner-KSFC that the Civil Court had passed the judgment and decree dated 20.07.2002 in Misc.No.28/2001 for an amount of Rs.89,64,130/- and the petitioner-KSFC initiated the sale proclamation by way of execution proceedings for recovery of a sum of Rs.1,16,42,318/- plus interest and published the notice of sale proclamation on 10.05.2006 in the leading newspaper 'The Hindu'. The order of attachment before judgment was passed by the competent Civil Court and the Presiding Officer of the DRT wrongly ignored the said order.

10. The respondent No.1-M/s. Maruthi Inn had availed the loan from the Kotak Mahindra Bank only on 25.07.2006 i.e., much after the decree and the sale proclamation dated 10.05.2006. We fail to understand as to how the DRT and the DRAT have ignored the order of attachment and the sale proclamation dated 10.05.2006 and affirmed the auction sale by the Kotak Mahindra Bank for Rs.42,42,429/-. Once the decree was passed and the property was attached way back in



the year 2002, if the loan had been granted by the Kotak Mahindra Bank, it was only at its own risk. By granting the loan, the decree passed by the competent Civil Court cannot be made a *fait accompli*. Before the loan was granted on the said property, the sale proclamation was already issued by the petitioner-KSFC and therefore, it has the first charge on the property in question. The DRT as well as the DRAT both have glossed over the said fact of the order passed by the competent Civil Court before even the loan was advanced by the Kotak Mahindra Bank in favour of the borrower on the said property. The property was already the subject-matter of attachment before the loan was granted for which, even sale proclamation was issued on 10.05.2006.

11. We are of the view that the petitioner has first charge over the property in view of the order passed by the competent Civil Court for which, the sale proclamation was issued on 10.05.2006. The said property could not have been put in auction by the Kotak Mahindra Bank, and the said sale is nothing but an illegal sale and a nullity in law.



12. We, therefore, set aside the impugned judgment and order passed by the DRT and the DRAT and allow this writ petition. It is the petitioner who has the first charge over the property to realise its outstanding dues against the borrower by putting the said property for sale for which, the sale proclamation was issued on 10.05.2006.

13. We therefore, give liberty to the respondent No.6 to recover his amount along with interest from the respondent No.4-Kotak Mahindra Bank and the limitation will not come in the way.

14. With the aforesaid, the writ petition stands allowed.

**Sd/-
(D K SINGH)
JUDGE**

**Sd/-
(T.M.NADAF)
JUDGE**

BKV
CT: SN
List No.: 1 Sl No.: 26