

IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 6TH DAY OF, JANUARY, 2026

PRESENTS

THE HON'BLE MR. JUSTICE JAYANT BANERJI

AND

THE HON'BLE MR. JUSTICE UMESH M ADIGA

WRIT APPEAL NO. 3680 OF 2019 (GM-RES)

BETWEEN:

1. CORPORATION BANK LTD,
A PUBLIC SECTOR SCHEDULED
COMMERCIAL BANK,
HAVING ITS REGISTERED OFFICE AT
MANGALADEVI TEMPLE ROAD,
PANDESHWAR,
MANGALORE-575 001,

AND HAVING ITS CORPORATE
BANKING BRANCH AT,
BHARATH HOUSE, # 104
GROUND FLOOR, MS MARG,
MUMBAI-400 023,
NOW REPRESENTED BY C MOHAMMED,
AUTHORIZED REPRESENTATIVE.
2. ORIENTAL BANK OF COMMERCE,
A PUBLIC SECTOR SCHEDULED
COMMERCIAL BANK,
HAVING ITS REGISTERED OFFICE AT
HARSHA BHAWAN, E-BLOCK
CONNAUGHT PLACE,
NEW DELHI-110 001.

AND HAVING ITS LARGE CORPORATE,
BRANCH AT
MAKER TOWER, F-WING,
14TH FLOOR, CUFFE PARADE,
MUMBAI-400 005,
NOW REPRESENTED BY
MR.C.RAMACHANDRA RAO,
CHIEF MANAGER - LAW AND
AUTHORIZED REPRESENTATIVE.

3. BANK OF BARODA,
A PUBLIC SECTOR SCHEDULED
COMMERCIAL BANK,
HAVING ITS HEAD OFFICE AT
SURAJ PLAZA 1,
SAYAJI GUNJ,
BARODA-390 005.

AND HAVING ITS
CORPORATE FINANCIAL SERVICE
BRANCH AT 4TH FLOOR, 10/12,
MUMBAI SAMACHAR MARG,
HERNIMAN CIRCLE, FORT,
MUMBAI-400 001.
NOW REPRESENTED BY
MR.DINESH BHARDWAJ,
AUTHORIZED REPRESENTATIVE

...APPELLANTS

(BY SRI.CYRIL AMARCHAND MANGALDAS, ADVOCATE)

AND:

KINGSWOOD SUPPLIERS PRIVATE LIMITED,
(NOW KNOWN AS KINGSWOOD
INDUSTRIES PRIVATE LIMITED)
HAVING ITS REGISTERED OFFICE AT

NO.400, 1ST FLOOR, 1ST BLOCK,
2ND MAIN ROAD, R.T. NAGAR,
BANGALORE-560 032,
REPRESENTED BY ITS DIRECTOR
MRS.MUBEEN

...RESPONDENT

(BY SRI.K.G.RAGHAVAN SENIOR COUNSEL FOR
SRI.SIVARAMAKRISHNAN.M.S, ADVOCATE)

THIS WRIT APPEAL IS FILED U/S 4 OF THE KARNATAKA
HIGH COURT ACT, PRAYING TO SET ASIDE THE ORDER DATED
27/06/2019 PASSED IN WRIT PETITION NO.48360/2018
(GM-RES) PASSED BY THE LEARNED SINGLE JUDGE OF THIS
HONB'LE COURT AND CONSEQUENTLY DISMISS WRIT
PETITION NO.48360/2018.

THIS APPEAL HAVING BEEN HEARD AND RESERVED FOR
JUDGMENT ON 10.09.2025, COMING ON FOR
'PRONOUNCEMENT OF JUDGMENT' THIS DAY, **JAYANT
BANERJI J.**, DELIVERED THE FOLLOWING:

CORAM: HON'BLE MR. JUSTICE JAYANT BANERJI
AND
HON'BLE MR. JUSTICE UMESH M ADIGA

CAV JUDGMENT

(PER: HON'BLE MR. JUSTICE JAYANT BANERJI)

This appeal has been filed seeking to challenge the order
dated 27.06.2019 passed by the learned Judge in
W.P.No.48360/2018 (GM-RES). It appears from the record of
this appeal that the aforesaid writ petition was filed seeking a

writ of certiorari for quashing the Letter of Intent (LOI) dated 11.09.2018. A writ of mandamus is also sought for a direction to issue a fresh LOI, etc. The writ petition was filed by the respondent herein and the appellants herein represent a consortium of Banks who are the respondents in the writ petition.

2. The respondent is a Private Limited Company. It appears that on 20.03.2018, a meeting of the appellant - Banks was held wherein it was discussed that the Company accounts of a Company by the name of Associate Decor Limited (hereinafter referred to as the Company) with the appellants are Non-Performing Assets (NPA) since 1 to 2 years and that company needs to bring in about Rs.186 Crores to upgrade the accounts and in the absence of any concrete plan proposed to the Company, the appellant - Banks decided to initiate for sale of the pledged shares of the Company by inviting Expression of Interest (EOI).

3. Accordingly, a notice was issued and EOI from investors was invited to submit their offers on or before 21.04.2018 for taking over majority equity stake along with management control in the Company. The stake was for the

sale of 73.71% equity of the aforesaid Company - Associate Decor Limited. The respondent submitted its EOI for purchase of the equity stake and taking over management control of the Company. On submission of the EOI, the brief timelines of the process were finalized with discussion with the consortium represented by the appellants. Signed copy of a non-disclosure agreement was also submitted by the respondent who also remitted a sum of Rs.1 lakh. The respondent also submitted on 18.06.2018, a Resolution plan offer and a refundable Earnest Money Deposit (EMD) amount of Rs.5 Crores for acquisition of the equity stake and taking over the management control of the Company.

4. It is stated that the Company and the majority shareholders along with majority guarantors had approached this Court in a writ petition in which an interim order was passed. During a meeting held on 21.06.2018, the bid was revised without any pre-condition to the earlier bid offer submitted on 18.06.2018 and the final bid was submitted by the petitioner on 13.07.2018. It is stated that a draft of a share pledge agreement was also exchanged through email.

5. The LOI that was impugned in the petition was then issued.

6. By means of the order impugned passed by a learned Single Judge, relying upon the submission made by the learned counsel for the respondent that the circular of the Reserve Bank of India dated 12.02.2018 had already been quashed by the Supreme Court in **Dharani Sugars & Chemicals Ltd. vs. Union of India and others**¹, which was stated not to be disputed by the learned counsel for the Bank, the writ petition was disposed of with a direction that the EMD shall be refunded to the respondent within a period of three weeks.

7. It is submitted on behalf of the appellants that the LOI itself provided that the same had to be accepted by the respondent within one day, that is by 12.09.2019 without any condition and by signing the LOI it was further provided that an upfront amount of Rs.110 Crores was to be deposited in a designated account within 30 days of the LOI. Since the respondent failed to accept the LOI within the time specified and in the manner stipulated, the appellants were entitled to

¹ (2019) 5 SCC 480

invoke the EMD under the relevant clause of the Process Memorandum which provided for forfeiture/return of earnest money from the prospective investor.

8. It is stated that proceedings under the Insolvency and Bankruptcy Code, 2016² were initiated by appellant No.2 before the National Company Law Tribunal³ under Section 7 thereof. It is contended that in the Process Memorandum that was accepted by the respondent, the fact of filing of the Company Petition before the NCLT was disclosed. This fact evinced that the respondent was interested in purchasing the shares of the Company despite being aware of the pendency of the Company Petition before the NCLT and had continued to participate in the officer process. It is emphatically contended that the decision to invoke the pledged shares was not pursuant to the circular of the RBI dated 12.02.2018 and that decision was taken much prior to the notification of that RBI circular. Therefore, it is stated, the judgment of the Supreme Court in **Dharani Sugars** would not apply to the present case.

9. It is further contended that the RBI circular of 12.02.2018 has nothing to do with the invocation of pledge

² IBC

³ NCLT

under the pledge agreements and therefore, quashing of the said RBI circular by the Supreme Court in **Dharani Sugars** would have no bearing on the sale of the pledged shares.

10. Learned counsel for the appellants has placed for perusal Annexure-B to the writ petition which is the invitation for Expression of Interest which encloses the process memorandum in respect of the Company. It is stated that though reference in the Process Memorandum has been made to the RBI circular dated 12.02.2018, in the facts and circumstances of the present case, the said RBI circular has no bearing.

11. A perusal of the RBI circular of 12.02.2018 that appears at page 170 of the writ appeal reflects that it pertained to the revised framework with respect to resolution of stressed assets. It provided for substitution of the existing guidelines with a harmonized and simplified generic framework for resolution of stressed assets in view of the enactment of the IBC. Sub-heading 'D' of the said circular provided for timelines for large accounts to be referred under IBC. This provided that in respect of accounts with aggregate exposure of the lenders at Rs.20 billion and above, on or after 01.03.2018, including

accounts where resolution may have been initiated under any of the existing schemes, as well as accounts classified as restructured standard assets, the resolution plan shall be implemented in terms of the specified timelines. It is further mentioned under that sub-heading that for other accounts with aggregate exposure of the lenders below Rs.20 billion and, at or above Rs.1 billion, the Reserve Bank of India intends to announce, over a two year period, reference dates for implementing the RP to ensure calibrated, timebound resolution of all such accounts in default.

12. The instant case provides for sale of pledged shares by the consortium which comprises the appellants herein. The amount of the sale value of the pledged shares that are sought to be sold and which was the subject matter of the process memorandum is well below the sum of Rs.20 billion. As such, the RBI circular would be inapplicable to the facts and circumstances of the instant case. Such being the case, the quashment of the circular by the judgment of the Supreme Court in **Dharani Sugars** would have little bearing on the maintainability of the writ petition aforesaid.

13. In view of the aforesaid, we set aside the impugned order passed by the learned Judge dated 27.06.2019 in W.P.No.48360/2018 and remand the matter to a learned Judge for consideration. The Writ Appeal is accordingly allowed.

**Sd/-
(JAYANT BANERJI)
JUDGE**

**Sd/-
(UMESH M ADIGA)
JUDGE**

KG