



CNR: KAHC010505932026

NC: 2026:KHC:42655-DB
WA No. 1808 of 2026

IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 12TH DAY OF AUGUST, 2026

PRESENT

THE HON'BLE MR. VIBHU BAKHRU, CHIEF JUSTICE

AND

THE HON'BLE MRS. JUSTICE K.S. HEMALEKHA

WRIT APPEAL NO. 1808 OF 2026 (GM-DRT)

BETWEEN:

1. REGALIAA BUILDTECH AND SERVICES
PRIVATE LIMITED
A COMPANY INCORPORATED UNDER
THE COMPANIES ACT, 1956
CIN: U51900MH1998PTC117257
HAVING ITS REGISTERED OFFICE AT:
2A (PART), 1ST FLOOR
SUNIL NIWAS CHSL
PLOT NO 89-90
LOKHANDWALA ROAD
FOUR BUNGALOWS
NEAR KOKILABEN HOSPITAL
MODEL TOWN ROAD ENTRANCE
ANDHERI WEST, MUMBAI
MAHARASHTRA, INDIA - 400 053

ALSO HAVING ITS OFFICE/S AT:
NO. 301, SHALAKA, 3RD FLOOR
PLOT NO.32, JUHU ROAD
NEAR SANTACRUZ POLICE STATION
SANTA CRUZ WEST
MUMBAI - 400 054
MSR REGALIAA ELEMENTS MALL
SITUATED AT NAGAVARA

Digitally
signed by
SRIDEVI S
Location:
High Court
of Karnataka



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THANNISANDRA MAIN ROAD
BANGALORE - 560 045
KARNATAKA
REPRESENTED BY ONE OF ITS DIRECTORS
MR. ANUP SHYAM KARNANI

...APPELLANT

(BY SRI A. VELAN, ADVOCATE)

AND:

1. LIC HOUSING FINANCE LIMITED
A COMPANY INCORPORATED UNDER
THE COMPANIES ACT, 1956 AND
HAVING ITS REGISTERED OFFICE AT
BOMBAY LIFE BLDG.
2ND FLOOR, 45/47
VEER NARIMAN ROAD
MUMBAI - 400 001
REPRESENTED BY ITS
AUTHORIZED OFFICER
ALSO HAVING ITS OFFICE AT:
NO.15/1, 2ND FLOOR
HAYES CENTRE, HAYES ROAD
BENGALURU - 560 025

ALSO HAVING ITS HEAD OFFICE AT:
LIC HOUSING FINANCE LIMITED
131, MAKER TOWER-F
CUFFE PARADE
MUMBAI - 400 005

2. THE NATIONAL HOUSING BANK
CORE 5A, INDIA HABITAT CENTRE
LODHI ROAD
NEW DELHI - 110 003
REPRESENTED BY ITS AUTHORIZED
OFFICER/MANAGING DIRECTOR



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3. RESERVE BANK OF INDIA
CENTRAL OFFICE
SHAHID BHAGAT SINGH ROAD
FORT, MUMBAI - 400 001
REPRESENTED BY ITS
AUTHORISED OFFICER
4. PRUDENT ARC LIMITED
REGISTERED AND CORPORATE OFFICE:
611, D, MALL, PLOT NO. A-1
NETAJI SUBHASH PLACE
PRITAMPURA
NEW DELHI - 110 034

...RESPONDENTS

(BY SMT. ANKITA PAUL, ADVOCATE FOR C/R-1)

THIS WRIT APPEAL FILED UNDER SECTION 4 OF THE KARNATAKA HIGH COURT ACT PRAYING TO SET ASIDE THE ORDER DATED 10.07.2026, PASSED BY THE LEARNED SINGLE JUDGE IN W.P.No.17416/2026 (GM-DRT) CONSEQUENTLY ALLOW THE WRIT PETITION FILED BY THE APPELLANT OR PASS SUCH OTHER APPROPRIATE ORDERS AS THE FACTS AND CIRCUMSTANCES OF THE CASE WARRANTS IN THE ENDS OF JUSTICE AND EQUITY.

THIS APPEAL, COMING ON FOR ORDERS, THIS DAY, JUDGMENT WAS DELIVERED THEREIN AS UNDER:

CORAM: HON'BLE MR. VIBHU BAKHRU, CHIEF JUSTICE
and
HON'BLE MRS. JUSTICE K.S. HEMALEKHA

ORAL JUDGMENT

(PER: HON'BLE MR. VIBHU BAKHRU, CHIEF JUSTICE)

1. The appellant [hereafter **Regaliaa**] has filed the present appeal impugning an order dated 10.07.2026 [**impugned order**]



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passed the learned Single Judge in WP.No.17416/2026 (GM-DRT). Regaliaa had filed the said petition, *inter alia*, impugning a web notice dated 29.05.2026 [**impugned notice**] issued by respondent No.1, LIC Housing Finance Ltd. [**LICHFL**], proposing to transfer or assign its loan exposure through Swiss Challenge Process/E-Auction, be quashed. The petitioner also sought an order restraining LICHFL from transferring, assigning, novating, securitising or otherwise creating any third party rights in respect of Loan Account Nos.411900012004 and 411900013088 and any other secured assets connected with the said loans.

2. Regaliaa had availed credit facilities from LICHFL under the two Loan Accounts bearing Nos. 411900012004 and 411900013088 [**the loan accounts**] for development of a real estate project in Bengaluru, Karnataka in the year 2017. LICHFL sanctioned and disbursed an aggregate amount of ₹1,77,00,00,000/- (Rupees One Hundred and Seventy Seven Crores Only) against the Rental Securitisation Scheme. Regaliaa also created a mortgage of a retail Mall building named "MSR Regaliaa Elements Mall" [**the Mall**].



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3. Admittedly, the appellant failed to service the loans and accordingly on 15.10.2020 and 15.10.2021, LICHFL classified the loan accounts as Non-Performing Assets [**NPA**]. Thereafter, on 17.05.2022, LICHFL issued a demand notice under Section 13(2) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interests Act, 2002 [**SARFAESI Act**] recalling the loan. The said notice was followed by another notice on 17.02.2022 whereby the earlier notice was superseded.

4. On 16.08.2022, LICHFL instituted an original application under Section 19 of the Recovery of Debts and Bankruptcy Act, 1993 before the Debt Recovery Tribunal [**DRT**]. LICHFL also simultaneously pursued proceedings under the SARFAESI Act to enforce its security interests.

5. Regaliaa states that LICHFL made multiple attempts to auction the Mall to enforce its security interests, but none of the auctions were successful.

6. Regaliaa claims that it submitted a proposal for One Time Settlement [**OTS**] on 13.07.2023 offering to pay a sum of ₹200



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crores. It claims that it enhanced the said OTS offer to ₹220 crores by its communication dated 19.10.2023; however, LICHFL did not accept the offer. It claims that by a letter dated 16.12.2024, LICHFL approved an OTS proposal of ₹230 Crores, subject to upfront payment of ₹25 crores. However, the proposal also failed because, admittedly, Regaliaa did not pay the said amount within the stipulated timelines.

7. In the aforesaid backdrop, the LICHFL issued a web notice dated 26.02.2026 proposing to transfer the loan account under a Swiss Challenge Framework in accordance with its internal policy.

8. Regaliaa alleged that the said notice had set out the outstanding amount as on February 2025 and, according to it, the same evidenced LICHFL's attempts to assign the stressed exposure on the basis of outdated and non-contemporaneous financial information.

9. Regaliaa stated that the auction was not successful. It stated that after failure of the same, Regaliaa entered into active negotiations with LICHFL to settle its disputes. And, at the



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instance of a senior official of the Recovery Department of LICHFL, it revised its settlement proposal from ₹1.51 crores to ₹1.55 crores. Regaliaa claims that although its OTS proposal was never formally rejected, LICHFL issued the impugned notice dated 29.05.2026 proposing to assign the loan by e-auction. The impugned notice provides the details of the stressed financial assets proposed to be auctioned as under:

"Stressed Financial Asset Portfolio Summary

Brief Details of Stressed Loan Exposure showcases on: 29.05.2026

Date of E-Auction (Swiss Challenge Process): 15.06.2026

(Rs. in crores)

Sr. No.	Name of Stressed Financial Asset	Loan Agreement Nos.	Total Amount Outstanding (as on 29.05.2026)	Value of Primary Security	Availability of Personal Guarantee	Anchor/Base Bid	First Challenger Bid	Terms of Sale
1.	M/s. Regaliaa Buildtech & Services Pvt. Ltd.	411900012004 & 411900013088	406.04 *(180.32)	Rs. 195.32	Yes	Rs. 140.00	Rs. 147	100% cash basis

* Principal Outstanding"

10. Regaliaa's case is that the impugned notice was issued contrary to RBI guidelines. It further contends that the assignment



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was structured around a pre-existing anchor bidder and is therefore contrary to the principles of an open Swiss Challenge Bidding Process. Regaliaa also argues that LICHFL has suppressed material facts, as the subject loan exposure and personal guarantee structure relied upon by LICHFL is not free from competing claims.

11. The learned Single Judge found that the Swiss Challenge method is judicially acknowledged as a fair and transparent mechanism to ensure value maximisation. Regaliaa is a borrower and thus could not interfere with the transparent price discovery mechanism adopted by LICHFL. The court also held that Regaliaa was not entitled to object to the assignment as the LICHFL was entitled to transfer its asset and assign the same.

12. The learned counsel appearing for the appellant contended that the learned Single Judge had erred in not appreciating the impugned auction and the assignment of debt is contrary to the directions issued by the RBI. He referred to the Reserve Bank of India (Commercial Banks - Transfer and Distribution of Credit Risk) Directions, 2025 and submitted that it was necessary for the



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LICHFL to have obtained the valuation reports from at least two valuers to determine the value of its asset.

13. He referred to the decisions of the Supreme Court in **M.R. Vasumathi v Authorized Officer and Others**¹ and **Om Sakthi Sekar v V. Sukumar and Others**² and on the strength of the said decisions, contended that Regaliaa had, as a borrower, the locus to challenge the impugned notice on the ground that the assets were undervalued.

14. We find no merit in the aforesaid contention. There is a clear distinction between auction of a borrowers' property, which is mortgaged to the secured lender, and an assignment of the debt. The contentions advanced by the learned counsel for Regaliaa conflate the two. The amount recoverable from Regaliaa is LICHFL's asset and Regaliaa's liability. LICHFL is entitled to deal with its assets and Regaliaa has no right to obstruct the same.

15. In **M.R. Vasumathi** (*supra*), the Supreme Court considered an appeal from the Madras High Court's judgment dismissing writ

¹ 2026 SCC Online SC 1103

² 2026 SCC Online SC 368



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petitions filed by the appellant, and the son of a deceased guarantor. They had filed writ petitions challenging the measures adopted by the authorised officer of an Indian Bank under the SARFAESI Act, which had culminated in an auction sale of the secured asset. The challenge was premised on the assertion that a statutory procedure governing the auction sale had not been complied with. It is in the aforesaid context that the court examined the question whether there was any irregularity or non-compliance in the procedure for the sale of the mortgaged property. The court noted that the auction purchaser had not paid the amounts within the statutory period. With regard to the consequences of such non-compliance, the Supreme Court observed as under:

"36. While it is trite that the rights of an auction purchaser and the sanctity of a confirmed sale ordinarily merit due protection, such protection is by no means absolute. It must yield where the very process engendering the sale is demonstrated to be legally infirm or to be incongruous with the statutory framework. The object of proceedings under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, is not the mere culmination of a sale in a mechanical manner, but the lawful realisation of the secured asset through a process that is fair, transparent and strictly compliant with the prescribed rules. In the present case, the non-adherence to the timeline that the Security Interest (Enforcement) Rules, contemplate constitutes a material irregularity going to the root of the matter. The mere factum that the sale



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stood confirmed cannot, therefore, foreclose judicial scrutiny."

16. The Supreme Court also noted that the appellants were the guarantor's heirs and had filed multiple applications before the DRT seeking permission to redeem the mortgaged property. In the aforesaid factual backdrop, the Supreme Court cancelled the auction sale and directed that opportunity be given to the heirs of the deceased guarantor to redeem the mortgage and seek restoration of the secured asset.

17. In the present case, the impugned notice has not been issued by LICHLF to enforce its security interests or sell the mortgaged assets. It merely seeks to assign its asset (which is a debt recoverable) to the highest bidder along with the attendant securities. Regaliaa's rights are not affected in any manner, including the right to redeem the mortgage asset on payment of the amount due.

18. The reliance placed on the decision in the case of **Om Sakthi Sekar** (*supra*) is also equally misplaced. In that case, recovery proceedings were initiated under the Recovery of Debts



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and Bankruptcy Act, 1983 (earlier known as the Recovery of Debts Due to Banks and Financial Institutions Act, 1993), and the Recovery Officer conducted an auction sale under the Second Schedule of the Income Tax Act, 1961.

19. One issue raised concerned the valuation of the subject property sold at the auction. The Madras High Court had remanded the matter to the DRT to decide the issue regarding the valuation adopted for the subject property. The Supreme Court did not interfere with the said order. It is relevant to refer to the following observations of the Supreme Court in the said case:

"While there can be no quarrel with the settled proposition that the rights of a bona fide auction purchaser deserve due protection and that confirmed court sales should not ordinarily be interfered with, it is equally well established that such protection is not absolute. Where credible issues are raised regarding the adequacy of valuation or the fairness of the process leading to the fixation of the reserve price, the supervisory jurisdiction of the court may be invoked to ensure that the recovery proceedings have been conducted in a manner that secures the best possible value of the property. The objective of recovery proceedings is not merely to complete the sale but to realise the maximum value of the secured asset so as to balance the interests of the creditor and the borrower. In this regard, reference may be made to the decision of this court in *Rajiv Kumar Jindal v. BCI Staff Colony Residential Welfare Association*, wherein, it was observed that the purpose of an auction is to obtain the most remunerative price for the property by affording an



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opportunity to intending purchasers to participate in a process of competitive bidding, thereby ensuring transparency and fairness in the sale. The court further emphasised that if the process of competitive bidding is curtailed or compromised, the possibility of underbidding or securing an inadequate price cannot be ruled out. In such circumstances, the court is required to exercise its discretion with circumspection so as to safeguard the legitimate interests involved in the sale process."

20. As noted above, when mortgaged assets or properties belonging to the borrower are sold or otherwise disposed of to recover a debt or enforce a security interest, the borrower is vitally affected by the asset's valuation. Clearly, if the mortgaged property is sold for less than its true value, the loss would be on the borrower's account. The lender would be entitled to recover the full loan account, after adjusting the amount recovered from the sale of the subject property. However, in cases where the bank assigns its debt to a third party, the rights of the borrower are not affected. The borrower is entitled to exercise all rights against the assignees that it is entitled to exercise against the assignor.

21. In view of the above, we find no infirmity with the decision of the learned Single Judge in declining to interfere with the impugned notice or the steps taken by LICHFL in auctioning its asset (the



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loan recoverable from Regaliaa) along with the attendant securities.

22. The appeal is unmerited and is accordingly dismissed.

**Sd/-
(VIBHU BAKHRU)
CHIEF JUSTICE**

**Sd/-
(K.S. HEMALEKHA)
JUDGE**

SD
List No.: 2 Sl No.: 15