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WP No. 16832 of 2



IN THE HIGH COURT OF JUDICATURE AT MADRAS

Reserved on : 04-02-2026

Pronounced on : 24.02.2026

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THE HON'BLE MS. JUSTICE P.T. ASHA

WP No. 16832 of 2023

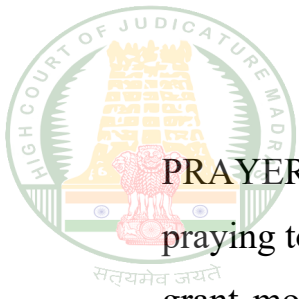
M/s.South India Shelters Pvt. Ltd.,
No.14, Gulmohar Avenue
Velacherry Main Road
Guindy, Chennai- 600 014
Rep by its Director Mr.Nawaz Hussain.

..Petitioner(s)

Vs

1. Secretary, Ministry of Finance
Government of India
North Block
New Delhi – 110 001.
2. Reserve Bank of India
Fort Glacis, 16, Rajaji Road
Fort St. George, Chennai.
Rep by its Regional Director.
3. Kotak Mahindra Investments Limited
278KC, C27, G Block,
Bandra Kurla Complex
Bandra (E), Mumbai- 400 051.
4. Kotak Mahindra Investments Limited
10th Floor, Capitale - Prestige Polygon
No.555, Anna Salai, Teynampet,
Chennai- 600 018.

..Respondent(s)



PRAYER : Writ Petition filed under Article 226 of the Constitution of India praying to issue a Writ of Mandamus directing the 3rd and 4th respondent to grant moratorium to the petitioner in accordance with Notifications issued by the 2nd respondent dated 27.03.2020 and 22.05.2020 and consequentially direct the 3rd and 4th respondent to refund the amount of Rs.1,17,14,113 /- (Rupees One Crore Seventeen Lakhs Fourteen Thousand One Hundred and Thirteen Only) along with 12% interest p.a. and pass orders.

For Petitioner(s): Mr.Satish Parasaran
Senior Counsel
for Mr.Najeeb Usman Khan

For Respondent(s): Mr. B. Sudhir Kumar
Senior Panel Counsel for R1

Mr.S.Raghunathan
for Mr.T.Poornam for R2

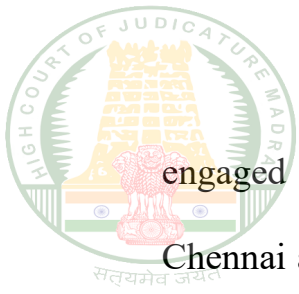
Mr.R.Venkat Raman
for M/s.Tatva Legal Chennai for R3 & R4

ORDER

The above writ petition has been filed seeking the following relief:

“ To issue a Writ of Mandamus directing the 3rd and 4th respondents to grant moratorium to the petitioner in accordance with notifications issued by the 2nd respondent dated 27.03.2020 and 22.05.2020 and consequently, direct the 3rd and 4th respondents to refund the amount of Rs.1,17,14,113/- (Rupees One Crore Seventeen Lakhs Fourteen Thousand One Hundred and Thirteen only) along with 12% interest p.a.”

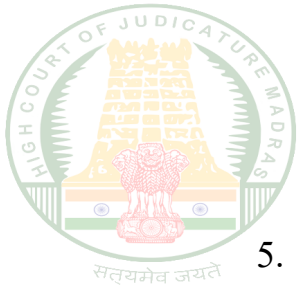
2. It is the case of the petitioner that they are a Real Estate Developer



engaged in the the business of building residential buildings in and around Chennai and Trichy. They had availed a term loan of Rs.40 crores from the 3rd and 4th respondent under sanction letter dated 24.03.2018 for their housing project “SIS Queenstown” at Guduvancherry, Chennai. As per the terms of the loan, the total tenure for repayment of the loan facility was 36 months i.e., till March 2021 with a moratorium for the first 18 months of the repayment tenor. That apart, as per the terms and conditions of the loan, the receivables were to be routed through an Escrow Account maintained. As per the Escrow mechanism, 70% of incremental sales inflows from the residential project “SIS Queenstown” would be adjusted towards the principal portion.

3. It is the case of the petitioner that till the outbreak of COVID 19, they were very prompt in the repayment of the loan. In fact, they were ahead in repayment by a month.

4. On 27.03.2020, the second respondent by way of a notification, granted a moratorium period of three months for repayment of term loans and working capital facility. This moratorium period was for a period of three months from 01.03.2020 to 31.05.2020. This was extended for a further period of three months from 01.06.2020 to 31.08.2020 vide the second respondent's notification dated 22.05.2020. Therefore, a total moratorium period of six months was given to mitigate the burden of debt caused by the COVID 19 pandemic.



5. It is the case of the petitioner that they fall squarely within the eligibility criteria but respondents 3 and 4 had granted a moratorium only for a period of two months i.e., from March 2020 to April 2020, and the term for repayment of the loan was to end by May 2021. The petitioner would submit that as they were facing a financial crunch they had addressed the respondents 3 and 4 vide their email dated 25.06.2020 requesting them to grant a further moratorium period of four months which conformed to the notifications issued by the second respondent. This request was however turned down by the respondents by email dated 17.07.2020. The petitioner even thereafter had made several requests to the third and fourth respondents to grant them moratorium which was however denied. This denial was arbitrary and unjust in the light of the notifications issued by the second respondent.

6. Had the respondents followed the notifications of the second respondent, the period for repayment would have ended by September 2021. Further, the petitioner had also repaid the entire loan with interest by 24.08.2021, i.e., before September 2021.

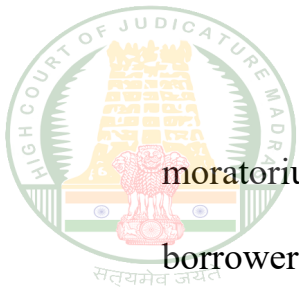
7. The petitioner would submit that despite the closure of the loan, third and fourth respondents continued to withhold payments made to the petitioner and had appropriated these amounts to the escrow account without passing on



the extra amount to the petitioner's current account. The repeated requests of the petitioner to release the deposit amount withheld by the third and fourth respondents and to cancel the mortgage by deposit of title deeds, yielded no results.

8. While so, the petitioner received a communication dated 23.11.2021 from the third and fourth respondents informing the petitioner that they proposed to levy penal interest of a sum of Rs.97,46,816/- under the head of delayed payment. The petitioner would submit that there is no delayed payment as they had closed the dues before the end of the moratorium period. The figure was revised on 25.05.2022 as Rs.1,11,77,843/- on the ground of delay. These demands were contrary to the notifications issued by the RBI and as a result, the third and fourth respondents had denied the benefits to the petitioner. The third and fourth respondents have not only denied the benefit of the moratorium but have also made a demand on the ground of delayed payment though the amounts were cleared during the period of the moratorium. Therefore, the petitioner has approached this Court for the aforesaid relief.

9. The second respondent has filed a counter affidavit inter alia contending that the COVID-19 circular permitting moratorium on term loans is not automatically available to all borrowers. The second respondent had only provided an enabling mechanism for banks / financial institutions to grant



moratorium in terms of the guidelines. The discretion to extend the same to borrowers including the decision on the exact period of the moratorium was left to the banks / financial institutions who were to decide on the same as per their Board approved practices. They denied the argument of the petitioner that the banks / financial institutions are bound by the language and tenor of the circulars of the second respondent. They, therefore, prayed for a dismissal of the writ petition.

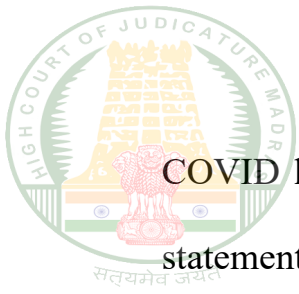
10. The third and fourth respondents in their counter affidavit would state that the premise on which the writ petition has been preferred is not maintainable. They would state that the notifications issued by the second respondent merely permits various banks / financial institutions to grant moratorium to an eligible borrower on the basis of the respective bank's Board approved policy. They would submit that the very notification is provided for the above. They have also raised the issue on maintainability of the writ against the respondents 3 and 4 as they are private entities and they would seek to draw strength from the judgment of the Hon'ble Supreme Court in the case of *Federal Bank Ltd., Vs. Sagar Thomas and others* reported in [(2003) 10 SCC 733]. They would contend that a private loan transaction between the petitioner and them, was sought to be enforced in a writ proceeding.

11. They would further contend that the petitioner has rushed to the Court



without exhausting the alternate remedy. The petitioner ought to have initiated legal action before the various redressal mechanisms that have been set up by the first and second respondent or before the Authorities / Courts / Tribunals for the alleged contraventions said to have been committed by the respondents 3 and 4. The respondents 3 and 4 would further submit that the moratorium period does not absolve the petitioner from paying the interest during the moratorium period, and would cite the judgment of the Hon'ble Supreme Court in ***Small Scale Industrial Manufacturers Association (Registered) Vs Union of India and others - [(2021) 8 SCC 511]***. They would submit that as per the notification of the second respondent and its Board's Policy, the moratorium was granted to the petitioner in respect of the loans availed from 01.03.2020 to 30.04.2020. Therefore, they would submit that the amounts fell due from May 2020. They would deny the allegations of the petitioner that they had acted arbitrarily when granting moratorium for the aforesaid two months period, is absolutely false inasmuch as the respondents 3 and 4 had reversed the penal interest charged by them for the said period.

12. The respondents 3 and 4 would submit that while seeking an extension of the moratorium period, the respondents had not produced any other material or evidence to show that viability of their business was at a risk. The email dated 25.06.2020 was a cryptic one demanding extension of the moratorium period from June 2020 to August 2020 for the loan account, due to



COVID lockdown and calling upon the respondents 3 and 4 to give a revised statement. It is also the case of the respondents 3 and 4 that the denial of

extension of moratorium to the petitioner was neither arbitrary nor unjust and it was purely based on commercial wisdom. The petitioner's website during the COVID period clearly indicated that their work was going on undeterred. Therefore, from the language of the notification and commercial viability of the respondents, the restriction of the moratorium period of two months period based on their Board's Policy cannot be countenanced, and the writ petition has to be rejected outright.

13. The counsels have all addressed their arguments on the notifications in question namely the Notifications dated 27.03.2020 and 22.05.2020. The petitioner would submit that the language of the notifications were peremptory and did not give room for the bank / financial institutions to modify the said Regulations. Therefore, the reduction of the moratorium period and the demand for the delayed payments is without any legal basis. The petitioner would rely upon the judgment reported in *Velankani Information Systems Limited Vs Secretary, Ministry of Home Affairs, Government of India and others* [2020 *SCC OnLine Kar 835*] in support of his arguments, wherein the learned Single Judge of the Karnataka High Court had held that while agreeing that the circular issued by the RBI dated 27.03.2020 was discretionary insofar as the Board of the Bank to grant the moratorium or not, however, it is mandatory for the bank

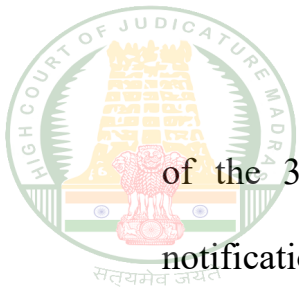


to ensure continuity of viable business. The non-grant of moratorium would squarely affect the borrowers and therefore, the borrowers were entitled to seek for grant of moratorium on the ground that the continuity of the business would be affected. The learned Judge has also observed that the compliance / non-compliance relates to the enforcement of statutory obligations or obligations of public nature and therefore, the banks and financial institutions were obliged to implement the same. He had therefore held that the Banks were bound by said notifications.

14. The learned counsel would further submit that the petitioner had discharged their entire dues by 24.08.2021, though the moratorium period available to them as per the RBI circular was till September 2021. Therefore, the levy of penal interest is without any basis.

15. Per contra, Mr.S.Raghunathan, learned counsel appearing on behalf of the second respondent would contend that the guidelines were not mandatory and its implementation was left to the discretion of the respective banks' policies. It is further argued that the judgment of the learned Single Judge of the Karnataka High Court had been reversed by their Division Bench and therefore, the reliance upon the same is totally misconceived.

16. Mr.R.Venkat Raman of M/s.Tatva Legal Chennai appearing on behalf



of the 3rd and 4th respondents would submit that a mere reading of the notifications would clearly show that the obligation of the moratorium to the eligible borrowers were left to the discretion of the bank/financial institutions based upon the policy of the Board. He would submit that the writ itself is not maintainable, inasmuch as third and fourth respondents are private banks and not amenable to the writ jurisdiction. That apart, the petitioner is seeking to enforce their contractual obligations. In this regard, he would rely upon the judgment in the case of *Federal Bank Ltd., Vs. Sagar Thomas and others* [(2003) 10 SCC 733] as well as *Marg Limited, Rep. by its Managing Directorate Vs Karaikal Port Private Limited, Rep. By its Chief Financial Officer & others* [2021 SCC OnLine Mad 2585]. He would submit that the argument that interest was not payable for the moratorium period is a fallacy inasmuch as the moratorium only provided for a deferment and not a waiver. He would submit that the issue on hand as to whether the banks are bound by the notifications of RBI, the second respondent, during the period of pandemic had come up for consideration before the Hon'ble Supreme Court in the case of *Small Scale Industrial Manufacturers Association*, supra. The learned Judges have held that the discretion vests entirely with respective banks. Therefore, he would seek to have the writ petition dismissed.

17. Upon hearing the rival submissions and from a perusal of the pleadings and arguments, the issue that arises for consideration in the instant



writ petition is “Whether the relief package declared by RBI vide their notification dated 27.03.2020 and 22.05.2020, is mandatory and the banks /financial institutions are bound to follow the same in letter and spirit or whether the banks / financial institutions could at their discretion adopt the notification for such period as they decide”.

18. The notifications in question and the language of the policy adopted by the respondents 3 and 4 would make a useful reading. Under the COVID Regulatory Package dated 27.03.2020, the second respondent has provided as follows :

“(i) Rescheduling of Payments- Term Loan and Working Capital Facilities

2. *In respect of all term loans (including agricultural term loans, retail and crop loans), all commercial banks (including regional rural banks, small finance banks and local area banks), co-operative banks, all-India Financial Institutions, and NBFCs (including housing finance companies) (“lending institutions”) are permitted to grant a moratorium of three months on payment of all instalments falling due between March 1 2020 and May 31, 2020. The repayment schedule for such loans as also the residual tenor, will be shifted across the board by three months after the moratorium period. Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period.*
3. *In respect of working capital facilities sanctioned in form of cash credit / overdraft (“CC/OD”), lending institutions are permitted to defer the recovery of interest applied in respect of all such*



facilities during the period from March 1, 2020 upto May 31, 2020 (“deferment”). The accumulated accrued interest shall be recovered immediately after the completion of this period.”

This period of moratorium was once again extended for a further period of three months vide circular dated 22.05.2020 of the second respondent, wherein they have held as follows :

“ In view of the extension of the lockdown and continuing disruptions on account of COVID-19, it has been decided to permit lending institutions to extend the moratorium on term loan instalments by another three months, i.e., from June 1, 2020 to August 31, 2020. Accordingly, the repayment schedule and all subsequent due dates, as also the tenor of such loans, may be shifted across the board by another three months.”

The RBI had also permitted deferment of the payment of interest for a further period of three months from 01.06.2020 till 31.08.2020, in addition to the three months period already given. The notification also stated that in order to ameliorate the difficulties faced by the borrowers in repaying the accumulated interest for the period deferred on working capital facilities, lending institutions should be permitted to convert the accumulated interest on working capital interest over the deferment period i.e., upto August 31, 2020.

19. Pursuant to these notifications, the respondent-Bank had issued a Policy on One-time relief measure, due to COVID-19, wherein they had provided as follows :

“ This policy applies to term loan facilities granted and disbursed by



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KMIL and outstanding as on March 31, 2020. This is not applicable to loan disbursements to be made in April 2020 and thereafter. Other credit conditions in the sanction letters already issued would remain unchanged.”

Therefore, though the notification of the first respondent had provided for a total moratorium of six months i.e., 3 + 3, the Board of the third and fourth respondents had clearly decided to offer the facility only for the period of two months.

20. The issue as to whether the Banks were bound by the notification of the RBI dated 27.03.2020, had been called in question before the Hon'ble Supreme Court in ***Small Scale Industrial Manufacturers Association (Registered) Vs Union of India and others - [(2021) 8 SCC 511]***. In the said case, the arguments were advanced by the respective counsels with respect to inadequacy of Regulatory Package, waiver of interest , as also the realm of the RBI policy that the ultimate discretion vests with Banks. The Hon'ble Supreme Court, after citing out in detail the arguments advanced by the counsels for the petitioners that the notifications / circulars / reliefs offered by the RBI, were inadequate and held that this is not within the judicial scope of Courts to issue directions and it is ultimately left to the discretion of the bankers. However, the Government/RBI could intervene and provide further reliefs as concerned. The Hon'ble Judges also observed that the borrowing arrangements is a commercial contract between the lender and the borrower and the RBI and Union of India



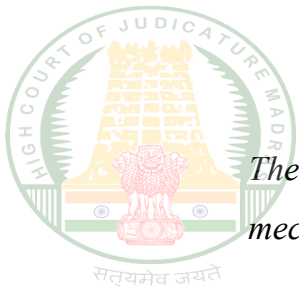
can only provide guidelines recommending to give a relief. It is relevant to extract paragraph No.81 :

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“Now so far as the submission on behalf of the petitioners that the relief packages which are offered by the UoI/RBI/bankers/lenders are not sufficient and some better and/or more reliefs should be offered is concerned, it is not within the judicial scope of the courts to issue such directions. No mandamus can be issued to grant some more reliefs/packages. As observed hereinabove, the Court cannot interfere with the economic policy decisions on the ground that either they are not sufficient or efficacious and/or some more reliefs should have been granted. The Government might have their own priorities and the Government has to spend in various fields and in the present case like health, medicine, providing food etc. Even as per the case of the Union of India and so stated in the counter filed on behalf of the Union of India and the RBI, so many policies have been announced to mitigate the impact of Covid-19 Pandemic, which are referred to hereinabove.”

21. The learned Judges has further observed as follows :

“85. Similarly, the relief sought that the moratorium period should be extended and/or the last date for invocation of the resolution mechanism namely, 31.12.2020 provided under the 06.08.2020 circular should be extended are all in the realm of policy decisions. Even otherwise, almost five months were available to eligible borrowers when Circular dated 6.8.2020 was notified providing for a separate resolution mechanism for Covid-19 related stressed assets.



Therefore, sufficient time was given to invoke the resolution mechanism.

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86. Therefore, the petitioners shall not be entitled to any reliefs, namely:

86.1. Total waiver of interest during the moratorium period.

86.2. To extend the period of moratorium.

86.3. To extend the period for invocation of the resolution mechanism, namely 31.12.2020 provided under the 6.8.2020 circular.

86.4. That there shall be sector-wise reliefs provided by the RBI.

86.5. That the Central Government/RBI must provide for some further reliefs over and above the relief packages already offered which, as observed hereinabove, can be said to be in the realm of the economic policy decisions and for the reasons stated hereinabove and as observed hereinabove granting of any such reliefs would have a far-reaching financial implication on the economy of the country. It appears, whatever best can be offered has been offered for the different fields and to the common people as well as those persons who are affected due to Covid-19 Pandemic. However, the relief/prayer not to charge the penal interest/interest on interest/compound interest during the moratorium period is concerned, it stands on different footing which shall be dealt with hereinbelow.”

Ultimately, the learned Judges had disposed of the writ petitions and the operative portion of the order reads as follows :

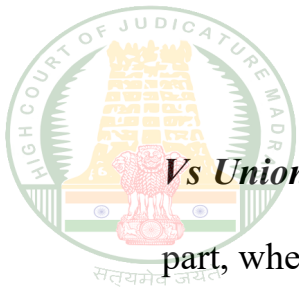
“ **102.** In view of the above and for the reasons stated hereinabove, the present petitions seeking reliefs, namely, (i) total waiver of interest during the moratorium period; (ii) to extend the period of moratorium; (iii) to extend the period for invocation of the resolution mechanism, namely 31.12.2020 provided under the 6.8.2020 circular; (iv) that there shall be



sector-wise reliefs provided by the RBI; and (v) that the Central Government/RBI must provide for some further reliefs over and above the relief packages already offered stand dismissed. Connected IAs stand disposed of.

103. However, it is directed that there shall not be any charge of interest on interest/compound interest/penal interest for the period during the moratorium and any amount already recovered under the same head, namely, interest on interest/penal interest/compound interest shall be refunded to the concerned borrowers and to be given credit/adjusted in the next instalment of the loan account. All these petitions are partly allowed to the aforesaid extent only and as observed for the reliefs, the petitions are dismissed. Interim relief granted earlier not to declare the accounts of respective borrowers as NPA stands vacated. However, there shall be no order as to costs.”

22. Therefore, in the light of the above judgment, the argument of the petitioner that the third and fourth respondents were bound to grant a moratorium for a period of six months, cannot be sustained. The judgment of the Single Judge of Karnataka High Court [*Velankani Information Systems Limited Vs Secretary, Ministry of Home Affairs, Government of India and others (2020 SCC OnLine Kaer 835)*] which is relied on by the petitioner has been reversed in preliminary by the Division Bench of Karnataka High Court in *The Governor of Reserve Bank of India Vs. Velankani Information Systems Limited [2022 KHC 320-DB : MANU/KA/0056/2022]* relying upon the judgement in *Small Scale Industrial Manufacturers Association (Registered)*



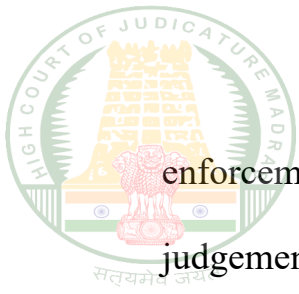
Vs Union of India and others - [(2021) 8 SCC 511], has allowed the appeal in part, wherein the Division Bench has held as follows :

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“13. As could be seen, RBI can issue only broad guidelines for mitigating the Covid 19 crisis as done in the Circular dated 27.03.2020. Based on these paragraphs 23.5, 25.4, the direction issued to the appellant to enforce the recovery package as per paragraph 26(i) of the impugned order cannot be approved. The Circular dated 27.3.2020 itself being a guideline, cannot be construed as a mandatory requirement, creating a right in favour of respondent No.1 to avail moratorium, which certainly has to be decided from case to case considering the terms and conditions of different types of loans / advances extended by the lending institutions. Hence, paragraphs 23.5, 25.4 and 26(i) of the order dated 08.07.2020 passed in W.P.No.6775/2020 call for interference and deserve to be set aside.”

Thus, the Division Bench of Karnataka High Court has set aside the mandamus, that was issued to the appellant, the RBI, to enforce the recovery package as per Circular dated 27.03.2020.

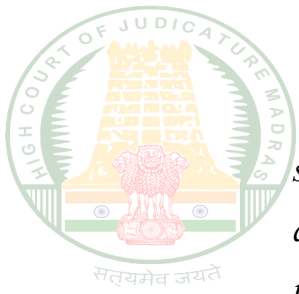
23. The next point which has been argued on the side of the respondents 3 and 4 was on maintainability of the writ petition. It is their contention that the respondents 3 and 4 are private banks and the relationship between the bank and the petitioner is purely a contractual one and therefore, the writ would not lie. The argument on the side of the petitioner was that since they were seeking



enforcement of the policy issued by the RBI, a writ was maintainable. In the judgement in ***Federal Bank Ltd., Vs. Sagar Thomas and others*** reported in [(2003) 10 SCC 733], the Hon'ble Supreme Court has held that merely because regulatory provisions / directions have been issued by Reserve Bank of India, it cannot be said that a private bank is amenable to the writ jurisdiction. The Hon'ble Supreme Court has held as follows :

“32. Merely because the Reserve Bank of India lays the banking policy in the interest of the banking system or in the interest of monetary stability or sound economic growth having due regard to the interests of the depositors etc. as provided under Section 5(c)(a) of the Banking Regulation Act does not mean that the private companies carrying on the business of or commercial activity of banking, discharge any public function or public duty. These are all regulatory measures applicable to those carrying on commercial activity in banking and these companies are to act according to these provisions failing which certain consequences follow as indicated in the Act itself. Provision regarding acquisition of a banking company by the Government, it may be pointed out that any private property can be acquired by the Government in public interest. It is now judicially accepted norm that private interest has to give way to the public interest. If a private property is acquired in public interest it does not mean that the party whose property is acquired is performing or discharging any function or duty of public character though it would be so for acquiring authority.

33. For the discussion held above, in our view, a private company carrying on banking business as a scheduled bank, cannot be termed as an institution or company carrying on any



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statutory or public duty. A private body or a person may be amenable to writ jurisdiction only where it may become necessary to compel such body or association to enforce any statutory obligations or such obligations of public nature casting positive obligation upon it. We don't find such conditions are fulfilled in respect of a private company carrying on a commercial activity of banking. Merely regulatory provisions to ensure such activity carried on by private bodies work within a discipline, do not confer any such status upon the company nor puts any such obligation upon it which may be enforced through issue of a writ under Article 226 of the Constitution. Present is a case of disciplinary action being taken against its employee by the appellant Bank. Respondent's service with the bank stands terminated. The action of the Bank was challenged by the respondent by filing a writ petition under Article 226 of the Constitution of India. The respondent is not trying to enforce any statutory duty on the part of the Bank. That being the position, the appeal deserves to be allowed."

24. Therefore, in the light of the above discussions, the writ petition filed by the petitioner cannot be sustained and accordingly, the writ petition is dismissed.

No costs.

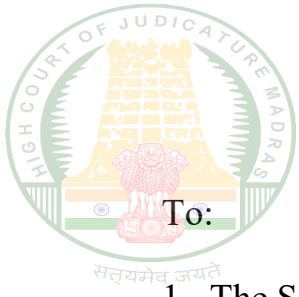
24 -02-2026

Index: Yes/No

Speaking/Non-speaking order

Neutral Citation: Yes/No

DS



To:

1. The Secretary
Ministry of Finance
Government of India
North Block
New Delhi – 110 001.
2. The Regional Director
Reserve Bank of India
Fort Glacis, 16, Rajaji Road
Fort St. George, Chennai.



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Pre-delivery Order in
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