

## Punjab National Bank Vs M/s Sadguru Business Private Ltd And Ors.

**Court:** Debts Recovery Tribunal Allahabad

**Date of Decision:** Oct. 20, 2020

**Acts Referred:** Recovery of Debts Due to Banks and Financial Institution Act, 1993 " Section 2(g), 17, 17(1), 19(1), 19(20), 19(21)(i), 19(22), 25, 26, 27, 28  
Bankers Books Evidence Act, 1891 " Section 4  
Code Of Civil Procedure " Section 34

**Hon'ble Judges:** Shammi Khan, J

**Bench:** Single Bench

**Advocate:** Anil Jaiswal

**Final Decision:** Allowed

### Judgement

1. Applicant Bank has filed this Original Application on 09.05.2019 under section 19(1) of the Recovery of Debts and Bankruptcy Act, 1993 (as

amended from time to time) against the Defendants for recovery of Rs.6,07,18,135.64ps. (Rupees Six Crore Seven Lac Eighteen Thousand One

Hundred Thirty-Five and Paise Sixty-Four only) alongwith pendente-lite and future interest @ 13.55% per annum with monthly rests plus penal

interest @2.00% per annum from the date of filing of the O.A. till the date of realization and costs.

2. The brief facts of case are that the Defendant No. 1 is a Company. The Defendant No.2 is Managing Director and Defendant No. 3 is the Director

of the Company. The Defendants No.2 to 5 & 7 stood guarantors and Defendant No.1 to 3, 6 & 7 stood mortgagors for the Defendant No.1. On

19.10.2012, the Defendant No.1 through its Managing Director the Defendant No.2 approached Applicant Bank for grant of financial assistance in the

shape of Cash Credit Limit of Rs.2,00,00,000/- for Working Capital & Term Loan of Rs. 60,00,000/- for Plant & Machinery and submitted loan

application. Applicant Bank after considering the loan application on 14.02.2013 sanctioned a Cash Credit Limit of Rs.2,00,00,000/- & Term Loan of

Rs. 60,00,000/- to the Defendant No. 1 against primary security of hypothecation of entire stocks, Book Debts, Plant & Machinery, personal guarantee

of the Defendant No.2 & 3 and collateral security by way of equitable mortgage of immovable properties owned by the Defendant No.1 to 3 in favour

of Applicant Bank. The Defendant No.1 to 3 executed and signed various loan and security documents on 14.02.2013 in favour of Applicant Bank.

The rate of interest was agreed between the parties @ 4.50% above Base Rate i.e. 14.75% Cash Credit limit and 5.00% above Base rate i.e. 15.25%

in Term Loan per annum subject to change from time to time as per RBI Guidelines.

3. Further, the Defendant No.1 through its Managing Director Defendant No.2 again approached Applicant Bank for grant of more financial

assistance in the shape of enhancement of existing Cash Credit Limit & review of existing Term Loan. Applicant Bank after considering the request

on 10.10.2014 enhanced existing Cash Credit Limit to Rs.3,00,00,000/- & reviewed existing Term Loan of Rs. 60,00,000/- to the Defendant No.1

against primary security of hypothecation of entire stocks, Book Debts, Plant & Machinery, personal guarantee of the Defendant No.2 to 5 & 7 and

collateral security by way of extension of charge of already created equitable mortgage of immovable properties owned by the Defendant No.1 to 3

and equitable mortgage of immovable property owned by the Defendant No. 7 in favour of Applicant Bank. The Defendant No.1 to 5 & 7 again

executed and signed various loan and security documents on 10.10.2014 in favour of Applicant Bank. The rate of interest was agreed between the

parties @ 2.75% above Base Rate per annum for both the facilities subject to change from time to time as per RBI Guidelines.

4. Further, on 12.08.2015 the Defendant No.1 through its Managing Director Defendant No.2 again approached Applicant Bank for grant of more

financial assistance in the shape of enhancement of existing Cash Credit Limit & review of existing Term Loan and submitted loan application.

Applicant Bank after considering the loan application on 12.08.2015 enhanced existing Cash Credit Limit to Rs.4,80,00,000/- & reviewed existing

Term Loan of Rs. 60,00,000/- to the Defendant No.1 against primary security of hypothecation of entire stocks, Book Debts, Plant & Machinery,

personal guarantee of the Defendant No.2 to 5 & 7 and collateral security by way of extension of charge of already created equitable mortgage of

immovable properties owned by the Defendant No.1 to 3 & 7 and equitable mortgage of immovable property owned by the Defendant No.6 in favour

of Applicant Bank. The Defendants again executed and signed various loan and security documents on 14.08.2015 in favour of Applicant Bank. The

rate of interest was agreed between the parties @ 2.25% above Base Rate per annum for both the facilities subject to change from time to time as

per RBI Guidelines.

5. However, after availing the aforesaid credit facilities, the Defendant No.1 failed to maintain financial discipline as per terms and conditions of the

loan agreement due to which loan accounts became irregular. Despite repeated reminders and persuasion, the Defendant No.1 failed to regularize the

loan accounts. Consequently, the said accounts of the Defendant No.1 were classified as NPA on 31.12.2018 and recalled by Applicant Bank.

Thereafter, Applicant Bank served Demand Notice to the Defendants to repay the outstanding dues but the Defendants failed to make the payment of

outstanding dues. Applicant Bank has also initiated action under the S.A.R.F.A.E.S.I. Act, 2002 against the secured assets & mortgaged properties

but no secured asset has been sold till date. Hence, the present Original Application has been filed by Applicant Bank against Defendants for recovery

of Rs.6,07,18,135.64ps. (Rupees Six Crore Seven Lac Eighteen Thousand One Hundred Thirty-Five and Paise Sixty-Four only) alongwith pendente-

lite, future interest, costs and for issuance of Recovery Certificate for the said amount.

6. The averments of Applicant Bank are set out in detail in its Original Application which is supported by affidavit. Therefore, these are not being

stated here afresh to avoid a repetition of facts.

7. The summons were issued to the Defendants. Despite service, none appeared for the Defendants. Hence, the Defendants were proceeded ex-

parte vide order dated 08.01.2020.

8. Applicant Bank filed its evidence by way of affidavit of Sh. Nitin Kumar Pandey, Chief Manager of Applicant Bank as AW-1/1 who proved the

various loan and security documents which are marked as Exhibit- AW-1/1 to Exhibit- AW-1/49.

9. I have heard the ex-parte arguments of Ld. Counsel for Applicant Bank and perused the material on record.

10. The point for consideration is whether Applicant Bank is entitled to recover the claim as prayed for?

11. Section 17(1) of the RDB Act of 1993 vests a Tribunal constituted under the Act with the jurisdiction, powers and authority to entertain and decide

applications from the Banks and Financial Institutions for recovery of debts due to such Banks and Financial Institutions. 'Debt' is, defined in Section

2(g) of the Act, 1993. The RDB Act, 1993 creates a complete code for the adjudication of matters referred to in Section 17 and provides for the

procedure in respect thereof. The jurisdiction of the Civil Courts to try cases in respect of recovery debts of Rs.20.00 Lac and above due to Banks

and financial institutions was stands ousted by the Act. Hence, Original Application filed U/s 19(1) of the Recovery of Debts and Bankruptcy Act,

1993 is within the jurisdiction and legally maintainable before this Tribunal.

12. Further, Applicant Bank has fully corroborated the averments made in the O.A. against the Defendants through evidence of witness Sh. Nitin

Kumar Pandey, Chief Manager of Applicant Bank as AW-1/1. The Applicant Bank has also established its case through documentary evidence being

Exhibit- AW-1/1 to Exhibit- AW-1/49. On a careful scrutiny of the evidence on affidavit and exhibits marked as Exhibit- AW-1/1 to Exhibit-AW-1/49,

it is proved that Defendant No.1 through its Defendant No.2 had availed the Cash Credit Limit & Term Loan facilities from the Applicant Bank

against primary security of hypothecation of entire stocks, Book Debts, Plant & Machinery, personal guarantee of Defendant No.2 to 5 & 7 and

collateral security by way of equitable mortgage of immovable properties owned by Defendant No.1 to 3, 6 & 7 by executing various loan & security

documents detailed as above in favour of the Applicant Bank. A perusal of Original Application, evidence and documents relied upon clearly show

that Defendant No.1 had utilized the above loan facility as granted to it.

13. However, after availing the aforesaid Cash Credit Limit & Term Loan facilities, Defendant No.1 failed to maintain financial discipline as per terms

and conditions of the loan agreement. Consequently, the said accounts were rightly classified as NPA on 31.12.2018 and recalled by Applicant Bank.

Thereafter, Applicant Bank served Demand Notice dated 18.01.2019 Exhibit- AW-1/48 to the Defendants to repay the outstanding dues but the

Defendants failed to make the payment of outstanding dues. The whole case of the Applicant Bank is based on documentary evidence and the

witness has duly proved all these documents. In my view there is no question of disbelieving the evidence lead by the Applicant Bank and Applicant

Bank has proved its case beyond reasonable doubts.

14. Further, on perusal of Exhibits AW- 1/49 show that Applicant Bank has maintained the Books of account in the ordinary course of banking

business showing disbursal of the loan amounts as per provisions of Bankers Books Evidence Act, 1891 and Guidelines of RBI under Banking

Regulation Act, 1949. It further shows that Applicant Bank had regularly credited the amount if any, paid by the defendants in the books of account.

Applicant Bank had also charged interest from time to time and the entries are relevant U/s 4 of the Bankers Books Evidence Act, 1891 as reflected

from A/c Statements attached with O.A. Exhibits AW-1/ 49.

15. Moreover, Applicant Bank has been able to prove that the Defendant No.1 availed the Cash Credit Limit & Term Loan Facility and failed to

repay the same in terms of loan documents. Since, the transactions are of commercial nature between the parties, the Defendants are bound to repay

the loan amount with interest as agreed upon and Applicant Bank is entitled to recover suit amount with interest as claimed by it. The Original

Application has been presented on 09.05.2019 i.e. within three years from the date of Acknowledgment of Balance & Security Confirmation Letter

dt. 05.04.2018 admitting debt liability for the purpose of limitation as reflected from Exhibit AW- 1/45 & 1/46. Thus, it is proved that the Defendants

are jointly and severally liable to pay the claim made in the O.A. to the Applicant Bank.

16. Applicant Bank has claimed interest @ 13.55% per annum with monthly rests plus penal interest @2.00% per annum from the date of filing of the

O.A. till the date of realization and costs. The contract between Applicant Bank and the Defendants comes to an end and after filing of the O.A. as

per the provisions of Section 19(20) of the Recovery of Debts and Bankruptcy Act, 1993 (as amended from time to time) which is analogous to

Section 34 of the CPC, the Tribunal/Court has discretion in awarding pendente-lite and future interest. I am also supported in my view by the Hon'ble

Supreme Court in a case titled Central Bank of India Vs. Ravindra and others reported in AIR 2001 SC page 3095. On the basis of the foregoing

discussion, interest of justice will be served if pendente-lite and future interest is granted @12.00% per annum compounded monthly from the date of

filing of the O.A. till the date of realization with costs.

17. In the light of above discussion, the Original Application deserves to be allowed against the Defendants with costs. The hypothecated assets &

mortgage property are liable to be sold for recovery of amount due along-with the personal movable & immovable properties/assets of the

Defendants. However, Defendant No.6 is liable to pay dues only to the extent of its mortgage property.

ORDER

(i) The Original Application is allowed declaring that the Defendants are liable to pay a total sum of Rs.6,07,18,135.64ps. (Rupees Six Crore Seven

Lac Eighteen Thousand One Hundred Thirty-Five and Paise Sixty-Four only) to Applicant Bank alongwith pendent-lite and future interest @12.00%

per annum compounded monthly from the date of filing of the O.A. i.e. 09.05.2019 date of filing of the OA till the date of realization in full, jointly or

severally.

(ii) In case of failure to repay the aforementioned adjudicated amount within 30 days, same shall be recovered from the sale of the hypothecated

assets & mortgaged properties of the Defendants in execution proceedings. The amount, if any, already recovered by sale of any hypothecated assets

& mortgage property or otherwise shall be adjusted towards the debt and only the balance amount shall be recoverable. If the dues of Applicant Bank

still remain unsatisfied, the same shall be recovered by attachment and sale of the personal movable and immovable assets of the Defendants jointly or

severally. The cost of litigation be also borne by the Defendants. However, Defendant No.6 is liable to pay dues only to the extent of its mortgage

property.

(iii) The Defendants are hereby restrained by means of injunction from depleting, transferring, encumbering, alienating, selling or otherwise dealing

with hypothecated assets, mortgage properties or their other immovable/movable properties/estates without first paying the above claim of Applicant

Bank. However, Defendant No. 6 is restrained only to the extent of value of its mortgage property.

(iv) In case, any of the Defendants expire, the legal representatives shall be liable to pay in proportion to the inheritance.

(v) Applicant Bank is directed to file revised statement of accounts from the date of filing of O.A. along-with interest as granted by this Tribunal

before the Recovery Officer of this Tribunal.

(vi) Any other application pending stands disposed of.

(vii) Recovery Certificate be issued forthwith in above terms U/s 19(22) of the Recovery of Debts and Bankruptcy Act, 1993 (as amended from time

to time) and be sent to the Recovery Officer, DRT, Allahabad for execution.

(viii) The Recovery Officer shall realize the amount as per the Recovery Certificate in the manner and mode prescribed under section 25 to 28 of the

Recovery of Debts Due to Banks and Financial Institutions Act, 1993 (as amended from time to time) from the above-named Defendants. Parties are

directed to appear before the Recovery Officer, DRT, Allahabad on 17.12.2020.

(ix) Copy of this Judgment and Recovery Certificate be given to Applicant Bank as well as to the Defendants free of cost by Registered Post and

scanned copy through e-mail in terms of section 19(21) (i) of the RDB Act, 1993 (as amended from time to time) and Rules as well as to the

Recovery Officer and after due compliance file be consigned to record room.

18. Applicant Bank is directed to file a Memo of Cost, if not filed earlier, for preparing Recovery Certificate U/s 19(22) of the Recovery of Debts and

Bankruptcy Act, 1993 (as amended from time to time).

Judgment pronounced in the open court through V.C. and signed on this 20th Day of October, 2020.