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Impact of *M. Rajendran v. KPK Oils and Proteins India Pvt. Ltd.* — vis-à-vis

Celir LLP v. Bafna Motors (Mumbai) Pvt. Ltd.

by *Shrikumar Pillai*

Two decisions of the Supreme Court, delivered two years apart but where one of the Judge is common, together settle a question that has long troubled banks/FI/NBFC's, borrowers and auction purchasers under the SARFAESI Act: at what point does a borrower's right to redeem a mortgaged property stand extinguished especially after amendment in 2016, and how many notices of sale must a secured creditor issue before selling it? *Celir LLP v. Bafna Motors (Mumbai) Pvt. Ltd.* (2023) supplied the first answer; *M. Rajendran v. KPK Oils and Proteins India Pvt. Ltd.* (2025) completes it.

The SARFAESI Act, 2002 (Act) was enacted to address the mounting burden of non-performing assets (NPAs) on banks, financial institutions and NBFCs after liberalization, allowing secured creditors to enforce their security interest with minimal court intervention. In *Mardia Chemicals Ltd. v. Union of India*, (2004) 4 SCC 311, the Supreme Court upheld the Act's constitutional validity, but struck down the mandatory pre-deposit of 75% of the claimed debt as a precondition for the Debts Recovery Tribunal (DRT) to entertain an application under Section 17 as provided in the Act.

Section 13 of the Act governs enforcement of the security interest, empowering a secured creditor to take possession of, and sell, the secured asset by public auction, private treaty, tender, or invitation of quotations, after fixing a reserve price. The most contested question has always been when the borrower's right of redemption is lost. Before the 2016 amendment, that right survived until the sale certificate is registered in the purchaser's favour — a position that generated extensive litigation, since it left successful bidders' rights uncertain long after a sale was confirmed. The 2016 amendment to Section 13(8) sought to fix this by extinguishing the right of redemption once the secured creditor “puts the property for sale,” i.e., publishes the

notice of sale — but that phrase also generated fresh litigation, addressed comprehensively only in *Bafna Motors* (2023) and *Rajendran* (2025).

Factual Background

KPK Oils and Proteins India Pvt. Ltd., an oil manufacturing unit, availed cash credit and term loan facilities from a Bank in 2016, mortgaging 1.92 acres of land in Chitraravuthanpalayam, Dharapuram Taluk, Tiruppur District, Tamil Nadu, under a Memorandum of Deposit of Title Deeds dated 06.01.2016. The loan account turned NPA in December 2019, and the Bank published a sale notice under the SARFAESI Act on 22.01.2021. At the auction held on 26.02.2021, M. Rajendran and others were declared successful bidders for INR 1,25,60,000/-, deposited with the Bank on 20.03.2021; a Sale Certificate followed on 22.03.2021. The borrowers — who had already challenged the possession and sale notices in securitization applications before the DRT, Coimbatore — went on to pay the Bank INR 2,88,00,000/- in March 2021 and a further INR 62,74,123.74/- in May 2021 toward outstanding dues. The DRT passed a status quo order on 26.03.2021, and on 19.01.2023 dismissed both pending securitization applications. Without pursuing the statutory appeal available to the DRAT, the borrowers went directly to the Madras High Court by writ petition. The Madras High Court, by its order dated 24.04.2023, quashed the Sale Certificate, permitted redemption, and directed the auction purchasers' money to be refunded with 9% p.a. interest. That order dated 24.04.2023 was challenged before the Supreme Court, which delivered its judgment on 22.09.2025.

The Legal Question

The issue framed by the Supreme Court (SC) was: "*Whether the High Court committed any error in passing the impugned judgment and order?*"

What the Court Held

Sub-section (8) of Section 13, as amended in 2016, provides that if the secured creditor's entire dues are tendered before publication of the notice of sale, the asset cannot be sold, and no further steps toward sale may be taken. SC read this as serving a dual purpose: fixing the outer time-limit within which a borrower may exercise the right of redemption, and telling the secured creditor when it may proceed to sell, lease or assign the asset.

Prior to the amendment, in *Mathew Varghese v. Amritha Kumar*, (2014) 5 SCC 610, the SC had held that a sale could not proceed without informing the borrower of its date, that the right

of redemption survived until that date, and that redemption required payment of the entire outstanding debt — not merely the auction amount — together with costs and charges.

In *Bafna Motors*, decided after the amendment, SC held that a borrower's right to redeem is lost on publication of the auction notice under Section 13(8) — but left open how this rule applies to sales other than by public auction or inviting tender, and whether Rules 8(6) and 9(1) of the SARFAESI Rules require two separate notices, thirty days apart. *Bafna Motors* was in fact, a wider judgment wherein a) it held that a successful auction purchaser acquires a vested right on confirmation of sale, which a bank/FI/NBFC cannot unilaterally defeat through a private arrangement with the borrower; b) that a High Court's writ jurisdiction under Article 226 cannot be used to override the statutory auction process on equitable grounds; c) and that a bank/FI/NBFC cannot withhold a sale certificate under Rule 9(6) once the sale stands confirmed under Rule 9(2). *Rajendran's* task, two years later, was to resolve the ambiguity *Bafna Motors* had left open on notice and mode of sale.

The SC in *Rajendran* clarified that *Bafna Motors* never directed two separate notices thirty days apart — it had not examined the interplay between amended Section 13(8) and Rules 8(6)/9(1) at all. Reading Rules 8(6), its proviso, 8(7) and 9(1) together, SC held that the SARFAESI Rules contemplate a single, composite Notice of Sale for every mode of transfer under Rule 8(5) — sale, lease or assignment alike. That notice may be served on the borrower and published in the newspaper on the same date; all Rule 9(1) requires is a thirty-day gap between the later of service, affixture or publication, and the date of actual sale. On facts, since the borrowers had not tendered the dues before the Auction Notice of 22.01.2021 — by when the amended Section 13(8) already applied — their right of redemption stood extinguished on that date.

The SC also rejected the borrowers' separate argument that, since the loan was taken in January 2016, before the amendment came into force on 01.09.2016, the unamended Section 13(8) should govern. Relying on SC own judgement in *M.D. Frozen Foods* and settled principles that the presumption against retrospectivity does not apply to procedural provisions, the right of redemption, it was held, is a statutory right, not a contractual one, and is governed by the law in force when it is exercised, not by the date of the loan.

The Outcome

The SC allowed the appeals, set aside the High Court's order, and held that the borrowers' right of redemption stood extinguished on publication of the Auction Notice on 22.01.2021.

Analysis and Critical Evaluation

The SC itself was candid about the mess it was clearing up: it described the deadlock between Section 13(8) and the SARFAESI Rules as leaving secured creditors and auction purchasers "high and dry," clogging the DRT and DRAT with avoidable litigation for two decades, and urged the Ministry of Finance to revisit the statutory language. That it took two judgments to settle what should have been a mechanical timeline is in itself a telling comment on the drafting of Section 13(8).

Key Takeaways

- **For secured creditors:** a single, composite notice of sale — served and published even on the same date — satisfies Rules 8(6) and 9(1); no separate, thirty-day-staggered notices are required.
- **For borrowers:** the right of redemption ends the moment the sale notice is published, regardless of the mode of transfer chosen — sale, lease or assignment — and irrespective of when the underlying loan was originally sanctioned.
- **For auction purchasers:** rights crystallise on confirmation of sale and cannot be defeated by a later private settlement between the bank and the borrower (*Bafna Motors*).
- **For all stakeholders:** until the promised legislative review of Section 13(8) materialises, precise compliance with notice timelines remains the only real safeguard against protracted litigation.

Conclusion

Read together, *Bafna Motors* and *Rajendran* give the market long-awaited certainty: one composite notice of sale, a single mode-neutral extinguishment point for redemption, and a settled answer on retrospective application. What remains is legislative — SC's own call for the Ministry of Finance to re-draft Section 13(8) is a reminder that judicial clarity is a stopgap, not a substitute, for precise drafting.

Citation

- *M. Rajendran v. KPK Oils and Proteins India Pvt. Ltd.*, 2025 INSC 1144.
- *Celir LLP v. Bafna Motors (Mumbai) Pvt. Ltd. & Ors.*, 2023 INSC 838.
- *Mardia Chemicals Ltd. v. Union of India*, (2004) 4 SCC 311.
- *Mathew Varghese v. Amritha Kumar*, (2014) 5 SCC 610.

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