

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF FINANCIAL SERVICES

**LOK SABHA**

**UNSTARRED QUESTION NO. 1152**

ANSWERED ON MONDAY, DECEMBER 8, 2025/AGRAHAYANA 17, 1947 (SAKA)

**SARFAESI ACT**

1152 SHRI KOTA SRINIVASA POOJARY

Will the Minister of FINANCE be pleased to state:

(a) whether Public Sector banks are auctioning the coffee plantations of overdue borrowers in the name of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, if so, the details thereof;

(b) whether the Government has taken note of the request of the coffee growers to abandon the online auction process if are experiencing delays in paying their loans, if so, the details thereof

(c) whether the Government noticed that traders in Dubai are unfairly exploiting coffee plantations in Chikkamagaluru district of Karnataka by obtaining licenses online, thereby causing injustice to coffee growers;

(d) if so, the details thereof; and

(e) the steps taken by the Government to help farmers to recover coffee plantation loans arrears by preventing online auctions in the name of the SARFAESI Act?

**ANSWER**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE  
(SHRI PANKAJ CHAUDHARY)

(a) Section 31(i) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 bars the applicability of provisions of the SARFAESI Act to any security interest created in agricultural land. The recovery action of the Union Bank of India (erstwhile Corporation Bank) and erstwhile Allahabad Bank (now Indian Bank) under SARFAESI Act was challenged by the borrowers i.e. (1) Shri U.M.Ramesh Rao, partner in M/s Vijayadevan Coffee Estate and M/s Yellikudige Estate; and (2) M/s SSJV Projects Private Limited and its Director Shri Manohar Shetty, by filing Writ Petition No.12461/2020 and W.P.No.13932/2015, respectively. Both these Writ Petitions were dismissed vide order (s) dated 13.11.2020 and 14.11.2020 by the Single Judge of the Hon'ble Karnataka High Court. Against the

Order of dismissal, these Petitioners filed Writ Appeal before the Division Bench of the Hon'ble Karnataka High Court on the ground that coffee plantation is agricultural land within the meaning of Section 31(i) of the SARFAESI Act and therefore, the said Act does not apply to coffee plantation.

The action of these Banks under SARFAESI Act has been upheld by the Division Bench of Hon'ble Karnataka High Court vide a common judgment dated 29.1.2021 *interalia* holding that, "the expression 'agricultural land' in Section 31(i) of the SARFAESI Act, does not include land on which plantation crops are grown namely, cardamom, coffee, pepper, rubber and tea as defined in Section 2(A)(25) of the Land Reforms Act (The Karnataka Land Reforms Act, 1961). Therefore, the measures initiated by the respondent banks in relation to the coffee estates in these appeals are not hit by Section 31(i) of the SARFAESI Act, as the said Act is applicable to land on which plantation crops are grown, including coffee plantation, in the instant cases."

The Judgment of the Hon'ble High Court dated 29.1.2021 has been challenged by the Petitioners by filing Special Leave Petitions before the Hon'ble Supreme Court. The SLP filed in the matter of Shri U M Ramesh Rao was dismissed as withdrawn on 11.8.2023. The Judgment of the Hon'ble Karnataka High Court has not been stayed and the issue is sub judice before the Hon'ble Supreme Court, since the SLP filed by Petitioner in the matter of SSJV Projects is still pending before the Hon'ble Supreme Court.

(b) The Central Government administers the SARFAESI Act, 2002 which allows banks and financial institutions to recover their dues exceeding one lakh rupees by proceeding against secured assets of the borrower/guarantor without the intervention of the court/tribunals. The Government is not involved in commercial decisions or recovery proceedings of banks or financial institutions.

(c) & (d) Department of Commerce has informed that Coffee Board has not received any such information.

(e) In order to address the concerns regarding enforcement action under SARFAESI Act by any secured creditor, adequate provision has been made under Section 17 of the SARFAESI Act, wherein any person (including borrower) aggrieved, has recourse to filing of Securitisation Application (SA) in the Debts Recovery Tribunal (DRT) against the action of secured creditor under the SARFAESI Act.

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