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* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

Date of Decision: 06th April, 2026

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+ **W.P.(C) 5904/2020 & CM APPL. 21338/2020, CM APPL. 21862-21863/2026**

M K G FINANCIL SERVICES PRIVATE LIMITED.Petitioner

Through: Mr. Rahul Agrawal, Mr. Rajesh Agrawal and Mr. Sunil Dhamija Advocates (M: 9910056062).

versus

UNION OF INDIA MINISTRY OF FINANCE
APPELLATE AUTHORITY DEPARTMENT
OF FINANCIAL SERVICES & ANR.Respondents

Through: Mr. T. P. Singh, SPC for UOI (M: 9971529687).

Mr. Ramesh Babu, Ms. Manisha Singh, Ms. Tanya Chowdhary and Mr. Rohan Shrivastava, Advs. for RBI.

CORAM:

JUSTICE PRATHIBA M. SINGH

JUSTICE MADHU JAIN

Prathiba M. Singh, J. (Oral)

1. This hearing has been done through hybrid mode.
2. The present petition has been filed under Article 226 and 227 of the Constitution of India by the Petitioner, which is a Non-Banking Financial Company (hereinafter, 'NBFC'), *inter alia*, challenging the order dated 11th February, 2020 passed by the Respondent No. 1 *i.e.*, the Appellate Authority which confirmed the order dated 12th September, 2018 passed by the Reserve Bank of India – cancelling the registration of the Petitioner as an NBFC. The



order dated 12th September, 2018 was communicated to the Petitioner *vide* letter dated 17th September, 2018. Further, the challenge in the present petition is also to the Net Owned Fund (hereinafter '*NOF*') notification being ***Notification No. 132/CGM(VSNM)-99*** dated 20th April, 1999.

3. The brief background of the present case is that the Petitioner had filed an application for registering itself as an NBFC and it was granted registration with the Reserve Bank of India (hereinafter, '*RBI*') on 19th August, 1999. The Petitioner was thereafter conducting its business as an NBFC.

4. A revised regulatory framework had come into existence *w.e.f.* 10th November, 2014 *vide* ***Circular No. 002/03/10.001/2014-15***. As per the said circular, the requirement of minimum NOF of Rs.2 crore was made applicable to all NBFCs and the deadline for achieving the said NOF was 1st April, 2017.

5. In the present case, as per the RBI, the NOF was not achieved by the Petitioner and accordingly, a Show Cause Notice (hereinafter, '*SCN*') was issued by the RBI on 2nd May, 2018 to the Petitioner. Reply dated 10th May, 2018 was thereafter filed by the Petitioner to the SCN. The impugned cancellation order was passed by the RBI on 12th September, 2018, however, it appears to have been communicated to the Petitioner on 17th September, 2018.

6. The case of the Petitioner is that it achieved Rs.2 crore NOF on 21st September, 2018 but had received the impugned cancellation order on 22nd September, 2018. Hence, it deserves to be considered that the NOF was achieved and the impugned cancellation order passed by the RBI should be set aside and remanded back to the RBI for fresh consideration.

7. On behalf of the Respondent No.2-RBI, it is submitted that by the time the NOF was achieved, the only remedy available with the Petitioner was to



apply afresh as per the extended Rules and Guidelines. Ld. Counsel has also placed on record similar orders passed by the Id. Single Judge of this Court where similarly placed NBFCs have been permitted to file fresh applications for licensing.

8. The Court has considered the matter. There are several petitions which have been filed by various NBFCs before this Court, wherein different orders have been passed from time to time, depending upon the facts of each case. The broad principle that has been adopted by this Court is that prior to the passing of the cancellation order, if the NOF has been achieved, the Court has set aside the impugned order and remanded the matter for fresh consideration.

9. However, in this case, it is seen that the impugned cancellation order was passed on 12th September, 2018 and was communicated *vide* letter dated 17th September, 2018. Even on the date when the RBI had communicated the letter through speed post to the Petitioner, it had not achieved the requisite NOF.

10. The case of the Petitioner at best is in terms of bank statement which has now been filed with the application being **CM APPL. 21862/2026**, wherein the Petitioner is stated to have achieved Rs.2 crore NOF on 21st September, 2018 and not on 25th September, 2018.

11. At this stage, Mr. Babu, Ld. Counsel for the RBI submits that merely bank statements are not sufficient to show the NOF as there is no auditor certificate proving that the NOF has been achieved as the liabilities of the NBFC would also have to be considered apart from infusing of funds.

12. Under these circumstances, this Court is of the view that the NOF having not been achieved despite sufficient time having been given to the Petitioner, the impugned cancellation order dated 12th September, 2018



cannot be set aside or remanded back.

13. It is, accordingly, directed that if any fresh application is filed by the Petitioner, the same shall be considered by the Respondents in accordance with the prevalent/extant provisions – however the said application shall be considered without being influenced by the earlier cancellation order, which is impugned herein.

14. Petition is disposed of in the above terms. All pending applications, if any, are disposed of.

PRATHIBA M. SINGH
JUDGE

MADHU JAIN
JUDGE

APRIL 6, 2026/MR/ck