



# INDIAN INSTITUTE OF INSOLVENCY PROFESSIONALS OF ICAI

(Company formed by ICAI under Section 8 of the Companies Act 2013)

## IBC Case Law Capsule

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**Sri Lakshmi Hotel Pvt. Limited & Anr. vs. Sriram City Union Finance Ltd. & Anr.**

**Civil Appeal No. 13785 of 2025**

**Date of Supreme Court Judgment: 18th November 2025**

### Facts of the Case: -

This appeal arose from the judgment and order passed by the Division Bench of the High Court of Judicature at Madras (“High Court”) by which the original side appeal under Section 37 of the Arbitration and Conciliation Act, 1996 (“A&C Act”) filed by Sri Lakshmi Hotel Pvt. Ltd. (“appellant”), came to be dismissed thereby affirming the order passed by the learned Single Judge of the High Court under Section 34 of the A&C Act wherein it dismissed the challenge to the arbitral award.

The dispute emanates from two loan transactions under which the appellant availed a total loan of ₹1,57,25,000/- from Sriram City Union Finance Ltd (“Respondent No.1”), an Non-Banking Finance Company (“NBFC”), under two separate loan agreements. Both loans carried an interest rate of 24% per annum. The appellants made part-payments amounting to ₹44,66,250/- but thereafter defaulted, despite repeated reminders and assurances of repayment. Subsequently, even a cheque issued for full settlement in 2008 was dishonoured, prompting initiation of proceedings under Section 138 of the Negotiable Instruments Act, 1881. Owing to continuing default, Respondent No.1 invoked the arbitration clause and initiated arbitration, claiming ₹2,21,08,244/- with interest at 24% p.a. The appellants disputed only the rate of interest, alleging it to be usurious, but did not question the factum of borrowing. During the arbitration, they filed an application seeking expert verification of signatures on the agreements, which was rejected and never challenged further. After considering the pleadings and evidence, the Sole Arbitrator passed an arbitral award directing the appellant to pay the claimed amount with interest at 24% p.a. Being aggrieved, the appellants filed a Section 34 petition, which was dismissed by the Single Judge on the ground that no grounds under Section 34 were made out and that re-appreciation of evidence was impermissible under the said provision of the A&C Act.

Following dismissal of the Section 34 challenge and the appellant’s continued failure to satisfy the award, Respondent No.1 initiated CIRP under Section 7 of the IBC. The NCLT admitted the petition and appointed an IRP. With no resolution plan forthcoming, the NCLT subsequently allowed liquidation. Meanwhile, the appellants pursued an appeal under Section 37 before the Division Bench of the High Court challenging the arbitral award, but the High Court affirmed the findings of both the Arbitral Tribunal and the Single Judge. In this backdrop, the appellants approached the Supreme Court by way of the present appeal.



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### Supreme Court's Observations:

After considering the rival submissions and the record, the Supreme Court held that the central issue was whether the High Court erred in dismissing the appellants' challenge under Sections 34 and 37 of the A&C Act, and whether the arbitral award, particularly the interest component of 24% p.a., suffered from any infirmity warranting interference. The Court noted at the outset that the appellants had undisputedly availed two loan facilities totalling ₹1,57,25,000 and had made only partial repayment before repeatedly defaulting. Their belated challenge to the genuineness of the loan agreements, including allegations of blank signatures and fraud, had been rejected during arbitration and never appealed, thereby attaining finality.

The Court observed that the arbitrator had exercised his discretion under Section 31(7)(a) and (b) of the A&C Act in awarding both pre-award and post-award interest, and that such discretion particularly with respect to post-award interest is wide and not subject to party autonomy. Unless expressly prohibited by contract, an arbitral tribunal possesses full jurisdiction to award interest. The Court reaffirmed that re-appreciation of evidence or reinterpretation of contract terms is impermissible under Section 34(2A) of the A&C Act.

On the contention that the interest rate was usurious or contrary to public policy, the Court held that high interest in commercial transactions, especially involving a high-risk defaulting borrower, does not per se violate the "fundamental policy of Indian law" or "basic notions of morality or justice." Mere excessiveness or unreasonableness does not attract the public policy ground post the 2015 amendment to the A&C Act, in the absence of perversity that shocks the conscience of the court.

### Order/Judgement:

In light of the above facts and circumstances, the Supreme Court concluded that no reason existed to interfere with the order of the High Court, thereby upholding the arbitral award.

**Case Review:** *Appeal dismissed.*