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IN THE HIGH COURT OF JUDICATURE AT MADRAS

RESERVED ON	PRONOUNCED ON
13.08.2026	18.11.2026

CORAM

THE HON'BLE MR.JUSTICE K.KUMARESH BABU

Arb O.P(COM.DIV.) No.329 of 2026 &
A.Nos.2798, 2799 & 2141 of 2026
Cont.P.2320 of 2026 & Sub Appln.No.705 of 2026

Arb O.P(COM.DIV.) No.370 & 373 of 2026

1.M/s.Sri Kaleeswari Stores
A Partnership Firm
Rep., by its Partners,
Mr.R.Venkateswaran & Mrs.V.Selvi,
No.133, TSR, Big Street,
Kumbakonam – 612 001.

2.Mr.R.Venkateswaran

3.Mrs.Selvi ... Petitioners in all cases

Vs.

Equitas Small Finance Bank Limited,
Rep., by its Authorised Signatory,
4th Floor, Phase-II, Spencer Plaza,
No.769, Anna Salai,
Chennai – 600 002. ... Respondent in all cases

Mr.A.Alexander
Authorised Officer,
Equitas Small Finance Bank Limited,
Rep., by its Authorised Signatory,
4th Floor, Phase-II, Spencer Plaza,
No.769, Anna Salai,
Chennai – 600 002. ... Respondent in Cont.P. &
Sub Appln (OS).No.705/2026

PRAYER in Arb O.P(COM.DIV.) No.329 of 2026:- Arbitration Original

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Petition filed under Section 34(2)(b)(ii) of the Arbitration and Conciliation Act, 1996 seeking to set aside the impugned arbitral award, dated 16.02.2026 passed by the learned Sole Arbitrator and to direct the respondent Bank to pay the costs of these proceedings.

PRAYER in A.No.2141 of 2026:- Application has been filed to stay all further proceedings of the award passed by the learned Arbitrator, dated 16.02.2026 in Arbitration Case No.1 of 2025 in Section 33 Application, pending disposal of the above Arbitration OP and pass such other suitable orders.

PRAYER in A.No.2798 of 2026:- Application has been filed to issue an order of interim direction to direct the respondent Bank, its men, agents, and officers to immediately remove any seals, locks, or obstructions placed on the property situated at T.S.No.2000, Door No.134/133, TSR Big Street, Kumbakonam and restore the complete, physical possession of the said business premises to the applicants pending final disposal of the main Arbitration O.P.

PRAYER in A.No.2799 of 2026:- Application has been filed to accept the partial payment of Rs.50,00,000/- made via Demand Draft No.125763, dated 20.06.2026 drawn on Indian bank, Melacauvery Branch and consequently grant an extension of time by eight (8) weeks to pay the remaining balance of Rs.50,00,000/- as ordered in A.No.2141 of 2026 in O.P.No.329 of 2026, dated 14.05.2026.

Prayer in Cont.P.No.2320 of 2026:-Petition had been filed to punish the respondent Bank for their Willful and deliberate disobedience of the interim order, dated 14.05.2026, passed by this Court in A.No.2141 of 2026 in Arb.O.P. (Com.Div) No.329 of 2026.

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Prayer in Sub Application No.705 of 2026 in Cont.P.No.2320 of 2026:-

Application had been filed to issue an interim direction to direct the respondent to immediately restore the physical possession of the petitioner's Shop situate in T.S.No.2000, Door No.134, Old Door No.133, TSR Big Street, Kumbakonam to the petitioners herein by removing locksor seals placed thereon and to re-establish the status quo ante that prevailed prior to 20.06.2026.

In both Arb.O.P.(COM.DIV.) & Applications:-

For Petitioners : Mr.P.J.Rishikesh
for Mr.B.Ram Kumar

For Respondent : Mr.Ravi, Sr., counsel
for Mr.S.Suresh

COMMON ORDER

The present Arbitration Original Petition have been filed seeking to set aside the impugned Award dated 16.02.2026 passed by the Learned Sole Arbitrator, Hon'ble Mr.Justice K.Kannan (Retd.) and further direct Respondent Bank to pay the costs of the proceedings.

2. The present Contempt Petition has been filed seeking to punish the Respondent Bank for their willful and deliberate disobedience of the Interim Order dated 14.05.2026 passed by this court in the A.No.2141 of 2026 in Arb.OP.(Com.Div)No.329 of 2026

3. The Application in A.No.2798 of 2026 have been filed seeking interim direction directing the Respondent Bank, to immediately remove any seals,

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locks or obstructions placed on property situate at T.S.No.2000, Door No.134/133, TSR Big Street, Kumbakonam and restore the complete, physical possession of the said business premises to the applicants pending final disposal of the main Arbitration OP.

4. The Application in A.No.2141 of 2026 have been filed seeking to stay all further proceedings of the Award passed by the Learned Arbitrator dated 16.02.2026 in the Arbitration Case No.1 of 2025

5. The Application in A.No.2799 of 2026 have been filed seeking this court may be pleased to accept the partial payment of Rs.50,00,000/- made via Demand Draft No.125763 dated 20.06.2026 drawn on Indian Bank, Melacauvery Branch, and consequently grant an extension of time by eight weeks to pay the remaining balance of Rs.50,00,000/- as ordered in A.No.2141 of 2026 in OP.No.329 of 2026 dated 14.05.2026

6. Heard Mr.P.J.Rishikesh learned counsel appearing for Mr.B.Ram Kumar learned counsel appearing on behalf of the petitioners and Mr.Ravi learned Senior Counsel appearing for Mr.S.Suresh learned counsel appearing on behalf of the respondent and the contemnor, in both the Arb.OP and the Contempt Petition.

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7. For the ease of adjudication and understanding, the parties in the above Contempt Petition and Applications are referred to by their respective ranks in the Arbitration Original Petition.

8. Mr.P.J.Rishikesh the learned counsel appearing on behalf of the petitioner submits that the facts giving arise to the present dispute, is that the first petitioner is a partnership firm engaged in the retail business of utensils, furniture and home appliances with the 2nd and 3rd petitioners as its partners. The petitioners had approached the Respondent Bank seeking credit facilities aggregating to Rs.10 Crores, which were sanctioned vide the letter dated 28.11.2017 in form of a cash credit for amount of Rs.3,50,00,000 and two term loans for Rs.1,53,00,000 and Rs.4,97,00,000. The 1st petitioner has hypothecated its stocks and movables, whereas the 2nd and 3rd petitioners executed Deeds of Gurantee dated 28.11.2017 and further the 2nd petitioner additionally created an equitable mortgage by deposit of the Title Deeds in January 2018. He submits that the Petitioners have diligently repaid one of the term loans amounting to ₹1,53,00,000/- in full, without a single default. He further submits that, owing to the severe downturn in their business, aggravated by the COVID-19 pandemic, the Petitioners were unable to timely discharge the outstanding dues.

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9. The learned counsel submits that the respondent had initially chosen to invoke the Arbitration clause in the loan agreement and had filed applications under section 9 of the Arbitration and Conciliation Act, 1996 (hereinafter referred to as the 'Act') in Arb Applns No.585 to 587 of 2024, seeking appointment of the Advocate Commissioner, pursuant to which this court vide its order dated 20.09.2024 had appointed an Advocate Commissioner to take inventory of the hypothecated stocks. Thereafter the petitioners filed the applications in A.Nos.1320 to 1322 of 2025 to vacate the aforesaid interim order dated 20.09.2024. It is submitted that the petitioners had paid a sum of Rs.1,00,00,000/- (Rupees One Crore Only) pursuant to the common order dated 13.03.2025 made in the aforesaid Arbitration applications and applications. Further the Respondent had also filed an Arbitration Original petition in Arb.OP.(Com.Div)No.147 of 2025 under section 11 of the Act, seeking for appointment of an Arbitrator. He submits that thereafter this court vide its common order dated 16.04.2025 had disposed the Applications and Original Petition *supra* and had appointed Hon'ble Mr.Justice K.Kannan, Former Judge of this court and Punjab and Haryana High court to adjudicate the disputes between the parties. Subsequently the learned Sole Arbitrator had conducted the Arbitration proceedings under the Arbitration Case No. 1 of 2025. The learned counsel submits that, despite framing five issues, the learned Sole Arbitrator, without duly appreciating the facts and circumstances of the case or the efforts undertaken by the Petitioners to dispose of their properties and mobilise

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resources towards repayment of the outstanding dues, proceeded to pass the impugned award dated 16.02.2026.

10. The learned counsel submits that, during the pendency of the arbitration proceedings, the Respondent simultaneously invoked the SARFAESI Act. Pursuant thereto, a Demand Notice under Section 13(2) and a Possession Notice under Section 13(4) of the SARFAESI Act were issued. Thereafter, the Petitioner challenged the legality of the aforesaid measures under the appal in SA.No.15 of 2025 before the DRT. While the said proceedings were pending along with the arbitration proceedings, the Respondent Bank instituted fresh proceedings in Crl.MP.No.67 of 2025 under Section 14 of the SARFAESI Act, before the Chief Judicial Magistrate Thanjavur @ Kumbakonnam, seeking appointment of an Advocate Commissioner to take physical possession of the secured assets, including by breaking open the locks with police assistance. The said application came to be allowed vide order dated 22.04.2025.

11. Challenging the aforesaid order, the Petitioner filed a Writ Petition in W.P.(MD).No.14527 of 2025 before the Madurai Bench of this Court. Subsequently, by order dated 21.05.2025 this Court granted an interim stay of the order passed in Crl.MP.No.67 of 2025 supra, subject to the condition that the Petitioner to pay a sum of Rs.10,00,000/- to the Respondent, which

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condition was duly complied with. Thereafter, by order dated 25.08.2025 this Court dismissed the Writ Petition, directing the Petitioner to avail the alternative remedy available in law. The Respondent thereafter forthwith filed another application under Section 14 of the SARFAESI Act for appointment of an Advocate Commissioner in Crl.MP.No.835 of 2025 in Crl.MP.No.67 of 2025 before the Chief Judicial Magistrate, Thanjavur @ Kumbakonam, which came to be allowed.

12. Aggrieved thereby, the Petitioner preferred an application under Section 17 of the SARFAESI Act before the Tribunal, inter alia, seeking an interim injunction restraining the Respondent Bank from taking physical possession of the properties. The said application came to be dismissed by the Tribunal vide order dated 04.10.2025. Subsequently, the Petitioner preferred an Arbitration Appeal before the Division Bench of this Court in . Thereafter, this Court passed an order granting an interim injunction restraining the Respondent Bank from taking physical possession of the properties and directed the Petitioner to pay a sum of Rs.25,00,000/- to the Respondent, which direction was duly complied with by the Petitioner on 13.10.2025.

13. The Impugned Award dated 16.02.2026 *inter alia* had held that the petitioners are jointly and severally liable to pay Rs.7,52,32,079 - (Rs.4,35,679

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+Rs.10,00,000+ Rs.25,00,000) as per the rate of interest as stipulated therein, along with an additional cost of Rs.10,00,000/- payable to the Respondent Bank.

14. It is submitted that the Petitioners had filed an Application under the section 33 of the Act before the learned Sole Arbitrator, seeking correction of the arithmetical correction in the Clause Nos.6.1.4 and 7.1(a) of the impugned Award dated 16.02.2026, wherein the petitioners had specifically contended that deduction formula in Clause No.7.1(a) of the award only subtracts the difference of Rs.4,35,679/- (which being the difference between the admitted payment of Rs.1,00,00,000/- and the credited amount of Rs.95,64,321/-), along with the repaid sums of Rs.10,00,000/- and Rs.25,00,000/- pursuant to the orders of this court from the Gross Claim of Rs.7,52,32,079/-. However in contrary to the impugned Award the Principal Claim amount was Rs.6,50,1092/- and the total amount repaid by the petitioners pursuant to the orders of the court was Rs.1,35,00,000/-, which ought to deducted from the principal claim. Further submitted that the failure to do such bonafide deduction results in the “double-charge” of the Petitioners, wherein the petitioner are being legally mandated to pay nearly Rs.1,00,00,000/- twice. However learned sole Arbitrator without considering the facts and averments made by the petitioners had dismissed the Section 33 Application vide his order dated 08.03.2026.

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15. The learned counsel contends that the Respondent Bank initiating three separate proceedings namely, the Arbitration proceedings before the Tribunal, the SARFAESI proceedings before the DRT and the Section 14 proceedings, for the same alleged debt, is vexatious and blatant abuse of the process of law. He submits the Respondent Bank's failure to proceed with the arbitration proceedings even after getting the arbitrator appointed clearly shows its *mala fide* intent is not to adjudicate the dispute but to harass the petitioners. It is submitted that the petitioners in total have paid upto a sum of Rs.1,35,00,000/- (Rs.1,00,00,000+ Rs.10,00,000 + Rs.25,00,000) pursuant to the Orders of this court as stated *supra*. The learned counsel vehemently contends that the aforesaid payments unequivocally demonstrate the Petitioners' *bona fide* intention to discharge their repayment obligations. He submits that the COVID-19 pandemic, being an unprecedented crisis and a force majeure event had brought the Petitioners' business to a standstill, rendering them unable to service the EMI dues on time, consequent to which their loan accounts were classified as Non-Performing Assets (NPAs).

16. The learned counsel submits that the petitioners have admittedly repaid a sum of Rs.1,35,00,000/- in compliance to the orders made by this court, however the Sole Arbitrator had failed to take the same into consideration and had allowed only a deduction of sum of Rs.39,35,679/- while computing the amount to be paid by the petitioners. Hence it is contended that the impugned

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Award dated 16.02.2026 is vitiated by the patent illegality in its operative portion, namely Clause No.7.1(a) therein. He further submits that the Sole Arbitrator had erred in Computational Calculation of the operative portion of the impugned Award, which results in the "double charging". The learned counsel further contends that the Clause 7.1(d) of the Impugned Award which supports to protect the right of recovery of enforcement of security under the SARFAESI Act, which is extra-jurisdictional as the same is a distinct statutory remedy which does not fall under the scope of the Claim statement. Therefore the *suo motu* granting protection to the SARFAESI proceedings by the Sole Arbitrator exceeds the scope of reference which was limited to the disputes arising from the Facility and Guarantee Agreements, which renders the impugned Award liable to be set aside under the section 34(2)(a)(iv).

17. It is further submitted that the Sole Arbitrator had committed a patent illegality by holding that the Doctrine of Election is inapplicable to the present case wherein the Respondent Bank having invoked the both the Arbitration Process is legally estopped from pursuing the parallel recovery remedy under the Section 14 of the SARFAESI Act. He submits that the impugned order actively allows double jeopardy towards the petitioner, which is a clear abuse of the process of law. The learned Counsel further submits that the learned Sole Arbitrator erred in law by treating the force *majeure plea* as a claim for blanket extinguishment of debt, when the petitioners had only sought mitigation and

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restructuring on account of the COVID-19 pandemic. It is contended that the Arbitrator thereby mischaracterized the defence, violated the principles of natural justice and failed to adjudicate the actual dispute.

18. He further submits that subsequent to the passing of the impugned order dated 16.02.2026, the petitioners had further made a payment of Rs.1,30,00,000/-, leading to a partial Release of the Mortgage (Doc.No.1183/2026) by the Respondent Bank. Hence the total amount repaid by the petitioners amounts to Rs.26,500,000/- (Rs.1,35,00,000/- + Rs.1,30,00,000/-), therefore the Respondent Bank is estopped from proving that the Final Award is now based on an obsolete financial reality and fails to reflect the current state of the discharge of liability. He also contends that imposition of the Rs.10,00,000/- as costs under the Clause 7.1(b) of the impugned Award is wholly excessive and arbitrary, as per the Act the cost must be reasonable, whereas the learned Sole Arbitrator had failed to provide any justification, reasonings or breakdown for the aforesaid cost imposition. Hence the learned counsel in view of the aforesaid facts seeks the impugned Award dated 16.02.2026 to be set aside.

19. Aggrieved by the passing of the impugned Award dated 16.02.2026 and the subsequent dismissal of the Section 33 Application vide order dated 08.03.2026, the petitioner has preferred the present Arbitration Original Petition

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under Section 34 of the Act. Along with the present Arbitration Original Petition, the petitioner had moved a Stay Application before this court in A.No.2141 of 2026 with respect to the impugned Award. An interim order dated 14.05.2026 was passed in the aforesaid Application, wherein this court was pleased to pass an order of interim stay under a condition subject to payment of Rs.1,00,00,000/- by the petitioner/applicant, within eight weeks from the date of order. It is submitted that the impugned Award dated 16.02.2026 bounds and limits the SARFAESI recovery mechanism under its Clause 7.1(d) which stands stayed and any underlying recovery or possession mechanism stands automatically suspended.

20. The learned Counsel submits that despite the eight weeks window granted by this court for the compliance of the aforesaid order dated 14.05.2026 still being active and the Respondent Bank having full knowledge of the same, under the color of the Chief Judicial Magistrate warrent dated 22.09.2025, arbitrarily issued a Possession Notice dated 10.06.2026 through the Advocate Commissioner. Upon receiving the said notice the Petitioners forthwith issued a Contempt Notice dated 20.06.2026, explicitly stating the stay granted by this court in its order dated 14.05.2026 in detail and called upon the Respondent to cease and desist from taking the physical possession of the petitioners property to avoid the wilful contempt. Despite the aforesaid facts the respondent willfully and deliberately, with utter disregard to the order of this court dated 14.05.2026,

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had entered into the business premises of the Petitioners on 20.06.2026 and had locked the premises, stating that respondent is only bound by the order issued by the CJM. Therefore the Petitioners instituted the present Contempt proceedings in Cont.P.No.2320 of 2026 against the Respondent Bank.

21. He submits that the forcible dispossession of the petitioners of the property is completely unlawful, void ab initio and constitutes a wilful contempt on the part of the contemnor. He further submits that the aforesaid aggressive act committed by the Respondent bank had not only resulted in material/financial loss to the petitioners but had also adversely affected the reputation and brand of the Petitioners among the public. Aggrieved by the unlawful action of the Respondent Bank/ Contemnor, the petitioners had further filed the present Sub-Application in Sub Application No.705 of 2026, seeking interim direction towards the Respondent to immediately restore the possession of the petitioners' property/ Shop and to remove the lock or seals placed thereon. The petitioners had further explicitly filed an Application in A.No.2798 of 2026 seeking interim direction directing the Respondent Bank, to immediately remove any seals, locks or obstructions in the Petitioner's shop property.

22. The petitioners had filed present Application in A.No.2799 of 2026, with respect to the payment of sum of Rs.1,00,00,000/- to be made pursuant to

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the order dated 14.05.2026 issued in A.No.2141 of 2026. The said Application has been made seeking this court to accept the partial payment of Rs.50,00,000/- made via Demand Draft No.125763 dated 20.06.2026 drawn on Indian Bank, Melacauvery Branch, and further consequently grant an extension of time by eight weeks to pay the remaining balance of Rs.50,00,000/- as per the order dated 14.05.2026.

23. Therefore, in view of the foregoing submissions and facts, the learned counsel prays that this Court may be pleased to set aside the Impugned Arbitral Award dated 16.02.2026 and allow the present Arbitration Original Petition, along with the present Contempt Petition, Sub Application, and Applications.

24.*Per contra*, the learned Senior Counsel appearing for the Respondent/Contemnor submits that the impugned Award dated 16.02.2026 passed by the learned Sole Arbitrator is well-founded, reasoned and in accordance with the settled principles of law. He submits that the Respondent has pursued the lawful remedies available to it for recovery of the amounts due and payable by the Petitioners and the invocation of such remedies cannot, in any manner, amount to double or triple jeopardy. The learned Senior Counsel further submits that the COVID-19 pandemic, by itself, cannot be a ground for extinguishing or absolving the Petitioners from their contractual and

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commercial obligations. He submits that the Doctrine of *force majeure* cannot be invoked merely on the ground that a supervening event resulted in financial hardship or impaired the Petitioners' ability to perform their contractual obligations.

25. He further submits that the Doctrine of Election has no application to the facts of the present case, as the proceedings initiated under the Arbitration and Conciliation Act and the remedies available under the SARFAESI Act operate in distinct fields and can be pursued simultaneously. According to the learned Senior Counsel, the invocation of remedies under the SARFAESI Act does not prohibit the Respondent from pursuing the arbitral proceedings for adjudication and recovery of the amounts due. The learned Senior Counsel further submits that the learned Sole Arbitrator passed the impugned Award only after hearing both parties and upon duly considering the pleadings, oral and documentary evidence and the materials placed on record before the Arbitral Tribunal. He therefore submits that there is no perversity, patent illegality or violation of the principles of natural justice warranting interference by this Court.

26. With regard to the Petitioners' contention that the learned Sole Arbitrator had committed a patent illegality in computing the operative portion

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of the Award, namely, Clause 7.1(a), the learned Senior Counsel submits that the Petitioners have misconstrued the said clause and have fully omitted the interest payable to the Respondent. He submits that the computation and directions contained in the impugned Award are in accordance with the findings rendered by the learned Sole Arbitrator and do not suffer from any patent illegality, which warrents interference from this court.

27. Insofar as the contempt proceedings are concerned, the learned Senior Counsel submits that the order dated 14.05.2026 passed in A.No.2141 of 2026 relates specifically to the impugned arbitral award dated 16.02.2026 and does not operate in respect of the independent proceedings initiated under the SARFAESI Act. He submits that the Possession Notice dated 10.06.2026 was issued pursuant to the warrant dated 22.09.2025 arising out of the order passed by the learned Chief Judicial Magistrate under Section 14 of the SARFAESI Act, which pertains to the SARFAESI proceedings and not to the enforcement of the impugned arbitral award. Consequently, the possession of the petitioners' property under the proceedings of the SARFAESI Act, cannot be considered as wilful disobedience of the order dated 14.05.2026 of this Court so as to constitute contempt.

28. In view of the foregoing submissions, the learned Senior Counsel

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submits that the Petitioners have failed to establish any ground warranting interference with the impugned Award or to make out a case of contempt against the Respondent. He therefore prays that the Arbitration Original Petition and the Contempt Petition, together with the connected Sub Applications and other pending Applications to be dismissed.

29. I have considered the submissions made on either side and perused the materials placed on record.

30. The Primordial contention of the petitioner is that the cause of action for initiation of the arbitral proceedings has merged with the invocation of SARFAESI Act and therefore, the Arbitrator ought not to have entered the reference as initiated by the respondent. The contention has been raised upon the doctrine of election and in that regard, it is to be noted that the Hon'ble Apex Court had permitted proceedings to be initiated against the borrower under the modes available simultaneously. The Hon'ble Apex Court in the case of ***M.D.Frozen Foods Exports Private Limited & Ors., vs. Hero Fincorp Limited*** reported in ***(2017) 16 SCC 741***, had held that the SARFAESI proceedings and the arbitration proceedings can go hand in hand. In that regard, the contention raised by the learned counsel appearing for the petitioner could not be sustained.

31. On the merits of the award under challenge, this Court finds no

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perversity that the award suffers from the vice of *Wednesbury unreasonableness.* By an adjudicatory process in the arbitration proceedings, the liability of the petitioner had been crystallized. The petitioners' claim for moratorium and restructuring of the account on account of the COVID-19 pandemic as claimed by the petitioners cannot also help the petitioners. The COVID-19 pandemic was long gone as early as in the year 2022 and the initiation of the SARFAESI proceedings was in the month of August 2024 by noting that the accounts of the petitioners had become NPA. The learned Arbitrator had rightly rejected the claim of the petitioner in passing an award in favour of the respondent. In that regard, this Court does not find any grounds to interfere with the award under Section 34 of the Arbitration and Conciliation Act.

32. As regards to the claim of violation of the orders of this Court, it is to be noted that the Arbitrator had held that the right of recovery under the SARFAESI proceedings was limited to the amount as quantified under the award. This Court by order dated 14.05.2026, had stayed the operation of the award on a condition that the petitioners deposit a sum of Rs.1,00,00,000/-, within eight (8) weeks from the date of receipt of copy of the order. Pursuant to the order passed in Section 14 of the SARFAESI Act, made on 22.04.2025, which was followed up with an appointment of Advocate Commissioner on 19.09.2025 possession of the secured assets was taken by the respondent on

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20.06.2026. Such taking of possession under the SARFAESI Act was complained to be in violation of the interim orders passed by this Court. SARFAESI proceedings were held to be proceedings in nature of an enforcement proceedings while arbitral proceedings was held to be an adjudicatory process by the Hon'ble Apex Court in the case of ***M.D.Frozen Foods Exports Private Limited & Ors.,*** (referred *supra*). In the very same judgment, the Hon'ble Apex Court has also held that the proceedings initiated under the SARFAESI Act is to protect the value of the asset vis-a-vis the amount liable to be paid by the borrower. The Hon'ble Apex Court in the case of ***Transcore vs. Union of India & Ors.,*** reported in ***(2008) 1 SCC 125,*** had held that taking of possession of a secured assets by the secured creditor under the provisions of the SARFAESI Act is akin to a Receiver being appointed for protection of the assets. A grant of interim protection in challenge to the arbitral award would only mean that the award could not be enforced as against the petitioners. The property that was taken possession would have to be subjected to further proceedings under the SARFAESI Act to recover the dues that had been determined under the arbitral proceedings. In that regard, this Court is of the view that when under the arbitral proceedings amount had been determined then the enforcement proceedings under the SARFAESI Act would have to be limited to the amount that had been determined under the award, as rightly done so by the learned Arbitrator.

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33. The interim order could only protect the petitioners from recovery of the award amount alone pending the Original Petition and not the authority with the respondent to take possession of the property under the provisions of the SARFAESI Act. This Court is of the further view that the interim protection granted by this Court on 14.05.2026 can only put a bar against the respondent from taking further proceedings under the SARFAESI Act for enforcing the award by dealing with the security so repossessed towards the recovery of the dues under the award. In that regard, this Court finds that there has been no violation of the order dated 14.05.2026 as complained of by the petitioners.

34. In fine, Arbitration Original Petition as well as the Contempt Petition stands dismissed and consequently connected applications stand closed. Considering the fact that an interim protection was granted from enforcement of the award, such interim protection can be continued for a further period of two months to enable the petitioner to work out its remedies and hence, till such time, the respondents are directed not to proceed further by bringing the assets so re-possessed to sale. However, there shall be no order as to costs.

18.11.2026

Index: Yes/No
Speaking/Non-speaking order
Neutral Citation: Yes/No
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K.KUMARESH BABU J.

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A Pre-delivery order made in
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