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Order QR

O.S.A.No.205 of 2018

IN THE HIGH COURT OF JUDICATURE AT MADRAS

**RESERVED ON : 06.08.2026**

**PRONOUNCED ON : 29.09.2026**

Coram:

**THE HONOURABLE MR. JUSTICE P.VELMURUGAN**  
**and**  
**THE HONOURABLE MRS. JUSTICE K.GOVINDARAJAN THILAKAVADI**  
**O.S.A.No.205 of 2018 and**  
**C.M.P.No.21089 of 2018**

1. Pradeep Ranganathan(died)
2. Cheryl Ranganathan
3. Shefali Ranganathan
4. Vaishali Ranganathan
5. Rahul Ranganathan

..Appellants

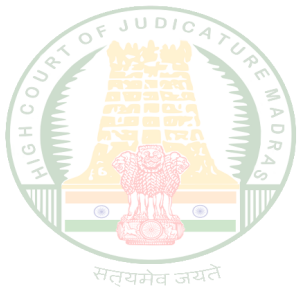
(Appellants 2 to 5 are brought on record as LR's of the deceased sole appellant vide order dated 28.11.2024 in C.M.P.Nos..12803, 12807 & 12808 of 2024)

Vs.

M/s.Industrial Venture Capital Limited,  
having registered office at  
Vairams 112, Thiyagaraja Road,  
T.Nagar, Chennai – 600 017.  
Represented by its Manager – Legal and  
Duly Constituted Attorney V.Krishnan  
Having its registered office currently at No.10,  
R Block, II Floor, Prem Nagar Colony,  
South Boag Road, T.Nagar, Chennai – 600 017.  
Represented by its Law Officer A.Hema Jothi

...Respondent

**Prayer :** The Original Side Appeal has been filed under Order XXXVI Rule 9 of Original Side Rules r/w Clause 15 of the Letters Patent to set aside the judgment and decree passed in C.S.No.21 of 2002 dated 17.08.2016.



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For Appellants : Mr.Srinath Sridevan, Senior Counsel  
for Mr.C.K.M.Appaji

For Respondent : Mr.V.P.Raman and Mr.K.Seshasayee

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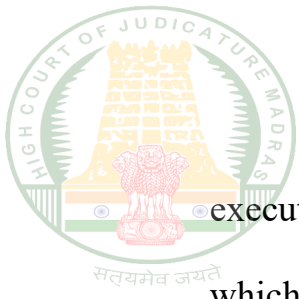
### **JUDGMENT**

**P.VELMURUGAN, J.**

The deceased appellant is the defendant in the suit in C.S.No.21 of 2002 filed by the respondent/plaintiff seeking recovery of money.

2 The respondent filed the suit in C.S.No.21 of 2002 for recovery of money of Rs.1,45,93,508.31 together with interest thereon at the rate of 24% per annum on the principal of Rs.59,87,400/- from the date of plaint till realisation based on the document styled as loan agreement.

3 It is the case of the respondent/plaintiff before the learned Single Judge that the deceased appellant/defendant applied for a personal loan of Rs.59,87,400/- to the plaintiff for purchase of 3,52,200 equity shares of Neptune Inflatable Limited at Rs.10 per share, which was promoted by the defendant along with one S.N.Natarajan, at a premium of Rs.7/- each and the loan was sanctioned by respondent/plaintiff. Loan Agreement was



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executed between the plaintiff and the defendant on 11.01.1996, as per

which, the appellant/defendant agreed to pledge 3,52,200 equity shares purchased by him as security for the loan amount and the same would be kept till repayment. The deceased appellant/defendant further admitted the liability vide his letter dated 06.01.1999. But, despite several demands by the respondent/plaintiff, the appellant/defendant failed to repay the loan amount and further the respondent/plaintiff could not sell the shares pledged, since the shares of Neptune Inflatables Limited were not listed. Hence the respondent/plaintiff sent a notice on 06.12.2001 calling upon the appellant/defendant to pay the loan amount with interest, for which, there was no reply from the appellant/defendant and hence the respondent filed the present suit.

4 The deceased appellant/defendant did not file his written statement in time and consequentially he lost his right to file the written statement, against which, he went on appeal before the Hon'ble Supreme Court. The Hon'ble Supreme Court refused to entertain the appeal and while dismissing the same, allowed the deceased appellant/defendant to participate in the trial and to cross examine the plaintiff side witnesses.



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5 On the side of the respondent/plaintiff, P.W.1 was examined and five documents were marked as Exs.P1 to P5.

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6 The learned Single Judge, vide judgment dated 17.08.2016, decreed the suit in favour of the respondent/plaintiff, against which, the appellant is before us with the present Original Side Appeal.

7 The learned Senior Counsel for the appellant would submit that the deceased appellant along with one another S.N.Natarajan promoted a Company under the name and style of Neptune Inflatables Limited. The respondent is a Venture Capital Company involved in investment in equity share capital of Company, which is speculative in nature and after detailed study of the Project Report of the appellant/defendant's Company, the respondent/plaintiff evinced interest in investing in the appellant's company.

7.1 The respondent/plaintiff had invested by acquiring 4,28,900 equity shares @ Rs.10/- @ a premium of Rs.7/- each totalling Rs.72,91,300/- in the appellant/defendant's Company and in order to avoid statutory restriction of crossing the maximum permissible limit of Inter



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Corporate Share Purchase, purchase of 3,52,200 equity shares @ 10/- @ a premium of Rs.7/- each totalling Rs.59,87,400/- was treated as Loan Agreement and a share purchase agreement was entered in the caption of Loan Agreement dated 11.01.1996, which was marked as Ex.P2.

**7.2** Unfortunately the appellant/defendant's Company was not profitable as expected and hence in order to adjust the loss, the respondent/plaintiff initiated plenty of litigations both in civil and criminal against the Directors of appellant/defendant's Company and further fraudulently set up a Sale Deed dated 16.04.1997 in respect of the valuable properties of the Directors of the Company and the present suit is one among the legal action taken by the respondent/plaintiff.

**7.3** The learned Senior Counsel for the appellant would further contend that in the suit in O.S.No.437 of 2007 and O.S.No.275 of 2006 in connection with dubious sale deed, respondent/plaintiff took a plea that they had purchased the said property from the Directors of the appellant/defendant's Company for the consideration towards repurchase of the appellant/defendant's shares valued Rs.5,00,000/- @ Rs.31.36/- per share



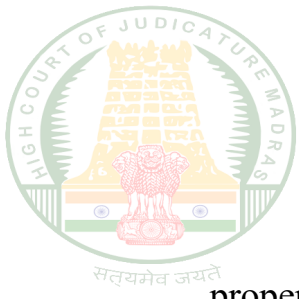
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for 15,944 shares by the appellant/defendant, but in the present suit it was pleaded that since the shares of the appellant/defendant's Company were not listed, the respondent/plaintiff could not sell the shares of the appellant/defendant's Company pledged with them.

**7.4** Hence it is clear that the agreement executed between the appellant and the respondent is only a share purchase agreement and not a loan agreement. The nomenclature of the document is not a criterion to decide the Ex.P2 Agreement, but the contents of the document have to be looked into.

**7.5** The learned Senior Counsel further contended that to prove that Ex.P2 is the Loan Agreement, the respondent/plaintiff did not file the Loan Application Form or the Loan sanction letter. Even though the appellant/defendant could not file written statement, but had properly cross-examined P.W.1, who in fact admitted that the respondent/plaintiff had invested shares in the appellant/defendant's Company and hence the appellant/defendant clearly disputed the authenticity of Ex.P2 Agreement and made out the case that Ex.P2 is only a Share Purchase Agreement.



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**7.6** It is to be noted that in the application to attach the house property of the appellant/defendant, in A.No.2666 of 2003 it was observed that serious dispute is raised as to the nature of transaction and liability of the appellant/defendant to pay the amount since no interest is payable on the loan amount and all options were available to the lender, who is the respondent/plaintiff for the sale of the pledged shares in the open market and whether the transaction would partake the character of the loan transaction remains to see only at the time of parties adduce oral and documentary evidence and at present the suit claim is very nebulous and no substantial evidence have been adduced to change the nebulous character of the suit.

**7.7** The respondent/plaintiff undertook to sell away the shares to adjust the claim amount, but without taking any effective steps, made suit claim against the appellant/defendant, who had already suffered loss. The learned Single Judge in total contradiction of Clause 3 of Ex.P2/Agreement, erroneously concluded that the right of redemption of security was given to the defendant in the said Clause.

**7.8** The learned Senior Counsel further contended that in the



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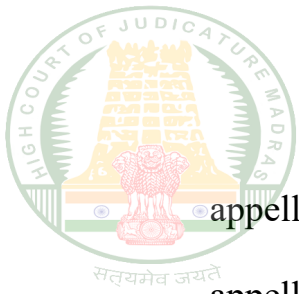
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absence of any clause dealing with interest payable to the principal sum

under Ex.P2, the learned trial Judge erred in confirming the claim amount of Rs.1,45,93,508.31 charging 24% interest per annum for the principal of Rs.59,87,400/- treating the loan agreement as commercial transaction.

**7.9** Further in the absence of repurchase or redemption of shares by the appellant/defendant under Ex.P2 Agreement, the conclusion arrived at by the learned Single Judge that the defendant failed to repay the loan amount and hence he is not entitled to question the enforceability of the agreement, is not legally sustainable.

**7.10** In Ex.P4, Legal Notice, the respondent/plaintiff had not expressed their intention to hand over the pledged shares to the appellant/defendant, while demanding the repayment of the alleged loan amount with interest and hence the mandatory Agreement under Section 176 of the Indian Contract Act is violated, while filing the suit and hence the respondent/plaintiff has no cause of action to file the suit. If the shares of the appellant/defendant's Company remained unlisted, the plaintiff could have very well filed a suit for recovery of loan against the shares pledged by the



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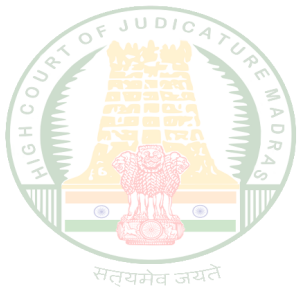
appellant/defendant's Company, but getting an acknowledgment of the appellant/defendant (Ex.P3) and three years thereafter filing the suit, would clearly demonstrate the manipulation of the plaintiff. The learned Senior Counsel placed reliance on the following decisions rendered by the Hon'ble Supreme Court and the High Court.

1. *AIR 1958 J& K 20 (Jammu and Kashmir Bank Ltd., vs. Ghulam Rasul Naquishbandi)*
2. *(2008) 2 SCC 444 (JC Budhraj vs. Orissa Mining Corporation)*
3. *2025 SCC OnLine SC 1562 (M/s.Airen and Associates vs. M/s.Sanmar Engineering Services Limited)*
4. *(2016) 6 SCC 36 (Unior of India vs. Ambica Construction)*

Referring to the above judgments, the learned Senior Counsel contended that where the acknowledgment pertains to only the principal debt, interest cannot be claimed for the period for which the claim has become time-barred and further when the contract expressly bars the levy of interest, there can be no interest awarded.

**7.11** Therefore the learned Senior Counsel contends that at any angle decreeing the suit together with interest @ 6% per annum for the principal sum from the date of decree till the realization, is excessive and onerous and the same is liable to be set aside.

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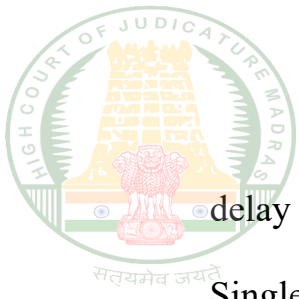
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**8** The learned counsel for the respondent/plaintiff would submit that appellant entered into a loan agreement dated 11.01.1996 (Ex.P2) with the respondent/plaintiff for a sum of Rs. 59,87,400/- to purchase 3,52,200 equity shares of Neptune Inflatables and the execution of loan agreement is also admitted. The appellant/defendant admitted the receipt of the loan amount and the 3,52,200 shares were pledged with the respondent as security until repayment in accordance with the terms of the loan agreement.

**8.1** The respondent/plaintiff called upon the appellant/defendant to repay the sum on multiple occasions, yet no payment has been made. Even though the deceased appellant acknowledged his liability vide letter dated 06.01.1999, which was marked as Ex.P3 and the same is admitted, yet no repayment was made. Hence the respondent/plaintiff issued a notice dated 06.12.2001 (Ex.P4) calling upon the appellant/defendant to pay the sum of Rs.59,87,400/-, for which there was no response and hence the respondent/plaintiff filed the present suit.

**8.2** The appellant/defendant failed to file his written statement within the prescribed time and even though he sought for condonation of

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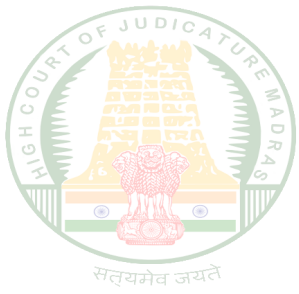
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delay in filing the written statement, the same was rejected by the learned Single Judge and the same was upheld by the Division Bench of this Court.

As against the order of rejection of condonation of delay, the deceased appellant/defendant approached the Hon'ble Supreme Court and the Hon'ble Supreme Court, while upholding the order of rejection of condonation of delay, permitted the appellant/defendant to cross examine the witness of the respondent/plaintiff. Thereafter, the learned Single Judge vide judgment and decree dated 17.08.2016 decreed the suit in favour of the respondent/plaintiff.

**8.3** The Agreement/Ex.P2 is only a loan agreement and the shares pledged therein were in the form of security only and not the share purchase agreement as contended by the learned Senior Counsel for the appellant/defendant. The learned Single Judge of this Court, in judgment dated 17.08.2021 made in C.S.Nos.43 and 417 of 2002, wherein a similar loan agreement was contended by the defendants therein to be an investment agreement due to the pledge of shares, held that the agreement is to be considered only a loan agreement despite its structure and the same was substantiated by the letter of acknowledgment of liability.



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**8.4** It is further submitted that the contention of the learned Senior Counsel for the appellant/defendant that the agreement is a share purchase agreement or investment agreement cannot be brought through oral submissions when there is no document filed by the appellant/defendant contrary to written agreement Ex.P2 and the same is barred by Section 92 of the Indian Evidence Act. The document has to be understood in its plain meaning when there is no confusion or contradiction shown to the same.

**8.5** Further there is no bar to levy the interest. The appellant/defendant was liable to repay the loan amount on demand as evident from Clause 3 of the Agreement and in the event of share value increases, the respondent/plaintiff gets the benefit of the value appreciated. But it is an admitted fact that the share values did not appreciate and hence the respondent is entitled to interest as per the provisions of the Interest Act for the pre-suit period and as per Section 34 for Code of Civil Procedure for the pendente lite and post decree interest.

**8.6** In support of the above contention the learned counsel for the respondent/plaintiff placed reliance on the decision of the Hon'ble Supreme



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Court, in the case of *State of Rajasthan vs Ferro Concrete Construction (P)*

*Ltd.*, reported in (2009) 12 SCC 1, wherein it was held that where there is no express bar in the contract and where there is also no provision for payment of interest then the principles of Section 3 of the Interest Act will apply in regard to pre-suit or pre-reference period and consequently interest will be payable. Clause 4 of the Agreement/Ex.P2 clearly states that only in the event that the value of the pledged shares increases, interest will not be sought and in this case, admittedly the value of the shares never inflated, rather it fell. Therefore the respondent/plaintiff is entitled to interest and the learned Single Judge rightly granted the same.

**8.7** With regard to the contention of the appellant/defendant that the suit is barred by limitation, the learned counsel for the respondent/plaintiff contended that the present suit was not barred by limitation. The loan agreement date is 11.01.1996 (Ex.P2) and the appellant/defendant acknowledged the loan amount vide letter dated 06.01.1999 (Ex.P3). The respondent/plaintiff issued demand notice dated 06.12.2001 (Ex.P4) and the suit was filed on 17.01.2002 on the next day of reopening of the court. The learned Single Judge, in the judgment impugned in the appeal, has observed



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that the court had reopened only on 17.01.2002 in the year 2002. Therefore

it is clear that no part of cause of action is barred by limitation. Hence the present appeal is liable to be dismissed.

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9 Heard the learned Senior Counsel for the appellant/defendant and the learned counsel for the respondent/plaintiff and perused the materials available on record.

10 It is the main contention of the appellant that the agreement Ex.P2 is the Share Purchase Agreement and not a Loan Agreement as claimed by the respondent. The respondent/plaintiff had invested by acquiring 4,28,900 equity shares @ Rs.10/- @ a premium of Rs.7/- each totalling Rs.72,91,300/- in the appellant/defendant's Company and in order to avoid statutory restriction of crossing the maximum permissible limit of Inter Corporate Share Purchase, purchase of 3,52,200 equity shares @ 10/- @ a premium of Rs.7/- each totalling Rs.59,87,400/- was treated as Loan Agreement and a share purchase agreement was entered in the caption of Loan Agreement dated 01.11.1996, which was marked as Ex.P2. Unfortunately the appellant/defendant's Company was not profitable as



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expected and hence in order to adjust the loss, the respondent/plaintiff initiated plenty of litigations both in civil and criminal against the Directors of appellant/defendant's Company and the present suit is also one among them.

**11** It is the contention of the respondent/plaintiff that the Ex.P2 is the Loan Agreement and not the share purchase agreement. The appellant/defendant further admitted the liability vide its letter dated 06.01.1999, which has been marked as Ex.P3. To disprove the documents Ex.P2 and Ex.P3, the appellant has not filed any proof.

**12** Admittedly the respondent/plaintiff filed the suit for recovery of money based on Ex.P2 Loan Agreement and since it is a commercial suit and the appellant/defendant did not file written statement, his right to file the written statement had been forfeited. The suit was decreed in favour of the respondent/plaintiff.

**13** Now the core question to be decided in this appeal is that whether Ex.P2 Agreement is Loan Agreement as claimed by the



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respondent/plaintiff or Share Purchase Agreement as contended by the appellant/defendant.

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**14** The deceased appellant/defendant at any point of time has not denied the execution of agreement Ex.P2 and his only defence is that Ex.P2 is not Loan Agreement and it is only a Share Purchase Agreement. Ex.P3 the letter written by the appellant/defendant strengthen the case of the respondent/plaintiff, since in that communication, the appellant/defendant admitted the liability. The appellant/defendant has not even denied the Ex.P3, whereby he himself admitted the liability and his only contention is the same is silent about the interest and based on the same interest cannot be awarded.

**15** Further a careful reading of the disputed Agreement Ex.P2, it reveals that the appellant/defendant agreed to pledge the 3,52,200 Nos. Equity Shares as security for the loan amount of Rs.59,87,400/- borrowed from the respondent/plaintiff. To disprove the contents of the Ex.P2 and Ex.P3, the appellant/defendant has not filed any documents. Section 92 of the Evidence Act prohibits oral evidence being let in for the purpose of



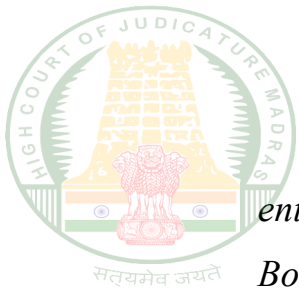
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contradicting, varying, adding to or subtracting from the term of the written instrument. The Supreme Court of India has ruled that if a document is straightforward and easy to understand, Proviso 6 does not apply. It cannot be used as an excuse to bypass the main rule of Section 92. In the present case, the appellant/defendant has to explain how the words in a written paper connect to his oral submissions, which is contrary to the written contents and has to prove the same with external or extrinsic evidence, which is not limited to oral evidence. Therefore mere contention that Ex.P2 is Share Purchase Agreement only; and not the Loan Agreement cannot be acceptable for the reasons stated above. Hence we have no hesitation to hold that Ex.P2 is the Loan Agreement only as claimed by the respondent/plaintiff.

**16** Coming to the question of awarding interest, it is the main contention of the appellant that in Ex.P2 there is no provision for interest and even in Ex.P3 there is no acknowledgement of interest. It is useful to refer Clause 4 of the Agreement Ex.P2, which is extracted hereunder.

*“4. The Lender has agreed not to charge interest on the amount of the Loan on condition that if on a sale of the said shares, the Lender realises by way of net proceeds, an amount which is in excess of what is due under the Loan account, the Borrower is not*



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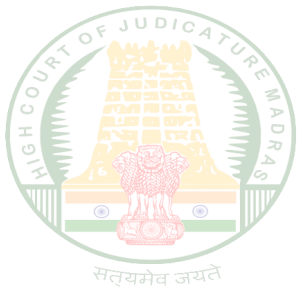
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*entitled to claim payment from the Lender the amount in excess. The Borrower agrees and undertakes that in the even of sale of the said shares by the Lender resulting in the realisation of proceeds which are in excess of the amount due under the Loan account, the Borrower shall not make any claim/demand in respect of the said excess amount.”*

**17** The above clause is clear that interest will not be claimed, in the event of the respondent/plaintiff realises the net proceeds by way of sale of the pledged shares. Admittedly, there is no increase in the value of the shares of the appellant/defendant’s company, rather it fell and it is obvious that the respondent/plaintiff could not sell the pledged shares and realise the value.

**18** Once this Court held that the Agreement Ex.P2 is the Loan Agreement, then the respondent/plaintiff is entitled for interest permissible under law. In the present case, admittedly Ex.P2 is silent about the interest, when the written agreement is silent with regard to interest, the provisions of Interest Act, 1978 would apply and the Court can grant interest at a rate of not exceeding the current rate of interest. The learned Single Judge, exercising discretion under Section 34 of CPC, awarded 6% interest per annum. We do not find any reason to interfere with the same.

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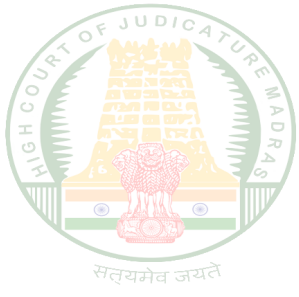
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**19** In view of the above observations and reasons, we do not find any reason to interfere with the order of the learned Single Judge and the Original Side Appeal lacks merit and substance and hence the same is dismissed. Consequently connected miscellaneous petition is closed. No costs.

**[P.V. J.,] [K.G.T. J.,]**  
**29.09.2026**

Speaking Order/Non Speaking Order  
Neutral Citation case: Yes/no  
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**P.VELMURUGAN. J.**

**and**

**K.GOVINDARAJAN THILAKAVADI, J.**

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**Pre-Delivery Judgement in  
O.S.A.No.205 of 2018 and  
C.M.P.No.21089 of 2018**

29.09.2026