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IN THE HIGH COURT OF JUDICATURE AT MADRAS

**Reserved on : 17.07.2025**

**Pronounced on : 23.07.2025**

CORAM

**THE HON'BLE MR JUSTICE ABDUL QUDDHOSE**

**Arb O.P(COM.DIV.) No. 10 of 2025**

M/s.LARSEN AND TOUBRO LTD.,  
Rep by its Authorised signatory Mr.K.Manikandan  
Having its registered office at,  
L and T House,Ballard Estate,  
P.O.BOX 278,Mumbai-400001.  
Also having construction Headquarters at,  
979,Mount Poonamallee Road,  
Manapakkam,  
Chennai- 600089

..Petitioner(s)

Vs

M/s.Jain Steels Industries  
Rep by its Managing partner Mr.Pankaj Jain  
Having its Works and office at  
G.T Road,Khanna side,Mandi Gobindgargh,  
District Fatehgarh sahib,Punjab-147301

..Respondent(s)

To Set aside the impugned award dated 02.07.2024 in case NO.MSEFC/68 OF 2021 passed by the District level Micro and small Enterprises Facilitation Council, Fatehgarh sahib, Punjab.

For Petitioner(s): Mr.Anuraaj Rajagopalan  
for Mr.Anirudh Krishnan

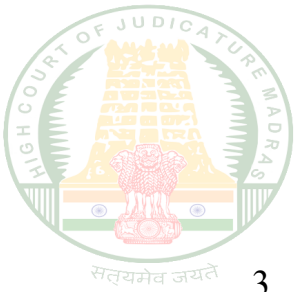
For Respondent(s): Mr.B.Arvind Srevatsa

**ORDER**

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This petition has been filed under Section 34 of the Arbitration and Conciliation Act, 1996 (in short “the Act”) challenging the impugned arbitral award dated 02.07.2024 passed by the District Level Micro & Small Enterprises Facilitation Council, Fatehgarh Sahib, Punjab (in short “Council”) directing the petitioner to pay a sum of Rs.59,42,986/- along with interest of Rs.1,39,86,180/- upto 02.07.2024, totally amounting to Rs.1,99,29,166/-, to the respondent. Further, the petitioner was also held liable to pay future interest on the delayed payment as per the provisions of the Micro, Small and Medium Enterprises Development Act, 2006 (in short “MSMED Act”) to the respondent on the awarded amount from 03.07.2024 till its realization.

2. The respondent had lodged a complaint with the Council against the petitioner as per the provisions of MSMED Act for the recovery of alleged dues payable to them by the petitioner for the supplies effected by them. The conciliation proceedings as per the MSMED Act between the parties failed and thereafter, the Council referred the dispute to arbitration. The Arbitrator acted upon the reference and has passed the impugned arbitral award as stated supra in favour of the respondent against the petitioner.



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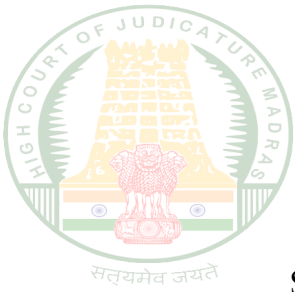
3. The petitioner has challenged the impugned arbitral award on the following grounds:-

(a) The impugned arbitral award is a non-speaking award and has been passed without any evidence and the Council has absolutely ignored the evidence placed on record by the petitioner.

(b) The materials supplied by the respondent to the petitioner were defective in nature and despite the petitioner having produced evidence to substantiate the same, the Council by total non-application of mind to the said evidence has passed a non-speaking arbitral award.

(c) There is absolutely no discussion in the impugned arbitral award passed by the Council with regard to the counter-claim made by the petitioner against the respondent.

(d) The petitioner has complied with the statutory requirements of making the pre-deposit amount as per the provisions of Section 19 of the MSMED Act by depositing 75% of the determined amount as stated in the impugned arbitral award.



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(e) The petitioner has satisfied the requirements of Section 34 of the Act for the purpose of setting aside the impugned arbitral award.

4. The learned counsel for the petitioner in support of the aforesaid grounds raised by the petitioner drew the attention of this court to the following documents:-

(a) The impugned arbitral award.

(b) The contract entered into between DFFCIL and the petitioner dated 04.03.2015.

(c) Letter of Intent(LOI) dated 10.09.2016 issued by the petitioner to the respondent for supply of Masts.

(d) Performance Bank Guarantee dated 05.11.2016 for a sum of Rs.2,11,80,061/-.

(e) Purchase Orders placed by the petitioner on the respondent which contains General Conditions of the Contract applicable for all the purchase orders.

(f) A copy of the inspection reports dated 25.03.2017 and 29.03.2017 submitted by the Engineer.



5. Relying upon the aforesaid documents, the learned counsel for the petitioner would submit as follows:-

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(a) The impugned arbitral award is a non-speaking award and has been passed without any evidence and by total non-application of mind to the contentions of the petitioner and by ignoring the documents produced by the petitioner before the Council.

(b) The inspection reports reveal that the materials supplied by the respondent were defective and the respondent also did not rectify those defects thereafter.

(c) The performance bank guarantee as per the LOI dated 10.09.2016 issued by the petitioner in favour of the respondent ought to have been furnished by the respondent within 15 days from the date of LOI. But, the same was furnished by the respondent only on 05.11.2016, much beyond the stipulated time fixed under the LOI. Apart from the delay in supply of materials, the respondent has also supplied defective materials causing huge losses to the petitioner.

(d) The counter-claim made by the petitioner against the respondent before the Council for the losses suffered by them has been rejected without assigning any reason whatsoever in the impugned arbitral award.



6. The learned counsel for the petitioner submits that the petitioner having made the statutory pre-deposit amount as stipulated under Section 19 of the MSMED Act by depositing 75% of the determined amount under the impugned arbitral award, this petition filed under Section 34 of the Act is maintainable. He would further submit that by way of abundant caution, the petitioner is also willing to deposit 75% of the post-award interest directed to be paid by the petitioner in the impugned arbitral award, though he would contend that as per Section 19 of the MSMED Act, the petitioner need not make such a pre-deposit for the post-award interest and it would be sufficient if the determined amount under the impugned arbitral award is alone calculated for the purpose of making the statutory pre-deposit amount as per the provisions of Section 19 of the MSMED Act. He would point out that under Section 19 of the MSMED Act, it has been made clear that the petitioner will have to deposit 75% of the amount in terms of the award and, as the case may be, this court can also pass such other orders to satisfy the requirements of Section 19 of the MSMED Act. He has also brought a Demand Draft taken by the petitioner for any balance amount that may be payable by the petitioner for the post-award interest. He would submit that the petitioner is also prepared to deposit the said amount by way of abundant caution if so directed by this Court. He also submits that only in accordance with the General Conditions of the Contract

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applicable for all purchase orders, which are the subject matter of the dispute between the parties, the petitioner has filed this petition before this Court under Section 34 of the Act, as, according to him, only this Court has got jurisdiction to decide this petition as the arbitration clause makes it clear that only Chennai Courts have got jurisdiction for hearing this petition.

7. He also drew the attention of this Court to Clauses 16 and 17 of the respective Purchase Orders pertaining to arbitration and jurisdiction and would submit that all disputes relating to the agreement shall be subject to the court of competent jurisdiction situated within the limits of Chennai. Hence, he would submit that only this Court is having the jurisdiction to decide this petition filed under Section 34 of the Act.

8. The learned counsel for the petitioner, in support of his contentions, drew the attention of this Court to the following authorities:-

- (a) Goodyear India Ltd. Vs. Norton Intech Rubbers Pvt Ltd and another [2012 (6) SCC 345]; and
- (b) Gammon Engineers & Contractors Pvt Ltd Vs. Sahay Industries and others [AIR 2023 Bom 65].



9. The learned counsel for the petitioner relying upon the aforesaid decisions would submit as follows:-

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(a) The Court has got no discretion either to waive or reduce the amount of 75% of the awarded amount as a pre-deposit for filing a petition under Section 34 of the Act. But, however, the Court has discretion to allow pre-deposit to be made in instalments if required. The phrase “in the manner directed by such court” has been interpreted by the Hon'ble Supreme Court in the aforesaid manner.

(b) Once the arbitral award is pronounced by the Council as per the provisions of MSMED Act and there is an exclusionary clause of jurisdiction agreed between the parties, the challenge initiated by the aggrieved party under the Act, even against an award passed by the Council under the MSMED Act, will lie only before the court upon which the parties agreed to place exclusive jurisdiction.

10. On the other hand, the learned counsel for the respondent raised a preliminary objection questioning the maintainability of this petition, and he would submit as follows:-

(a) The petitioner has not made the statutory pre-deposit amount of 75% as per the provisions of Section 19 of the MSMED Act. According to the



learned counsel for the respondent, the petitioner has calculated the 75% amount only based on the award amount to the date of the passing the impugned arbitral award, but, has failed to pay the 75% amount for the post-award interest payable by the petitioner as per the impugned arbitral award. Having not paid the full amount in accordance with Section 19 of the MSMED Act, this petition is not maintainable.

(b) The respondent being a supplier at Punjab and the Council, which has passed the award, is also situated at Punjab, this court lacks territorial jurisdiction to decide this petition under Section 34 of the Act.

11. In support of his contentions, the learned counsel for the respondent has relied upon the following authorities:-

(i) India Glycols Limited & Anr. Vs. Micro and Small Enterprises Facilitation Council, Medchal-Malkajgiri [2023 SCC Online SC 1852];

(ii) Goodyear India Ltd Vs. Norton Intech Rubbers (P) Ltd Vs. Ors. [MANU/TN/1768/2013];

(iii) Gujarat State Disaster Management Authority Vs. Aska Equipments Limited [2022 (1) SCC 61]; and

(iv) Hameed Leather Finishers Vs. Associated Chemical Industries Pvt Ltd. [2013 SCC Online 9058].

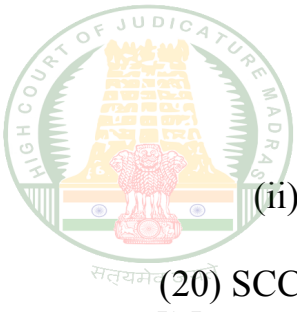


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12. The learned counsel for the respondent would submit that the petitioner having acknowledged its liability to the respondent through their email dated 12.05.2017 and it is also reflected in the impugned arbitral award and therefore, the petitioner cannot now raise a contention that the materials supplied by the respondent to the petitioner were of defective quality and the said supplies were also made belatedly. He drew the attention of this Court to email dated 12.05.2017 sent by the petitioner to the respondent, which, according to the respondent, is an admission of liability issued by the petitioner.

13. The learned counsel for the respondent also drew the attention of this Court to the impugned arbitral award and would submit that though the arbitral award may not be correctly worded, sufficient reasons have been given by the Arbitrator determining the amount under the impugned arbitral award payable by the petitioner to the respondent. He would submit that the view taken by the Arbitrator is a plausible view and therefore, this Court under Section 34 of the Act cannot interfere with the impugned arbitral award. In support of the said contention, he has relied upon the following authorities:-

(i) Ssangyong Engineering Vs. National Highway Authority of India  
[2019 (15) SCC 131];



(ii) Dyna Technologies Pvt Ltd. Vs. Crompton Greaves Limited [2019

(20) SCC 1]; and

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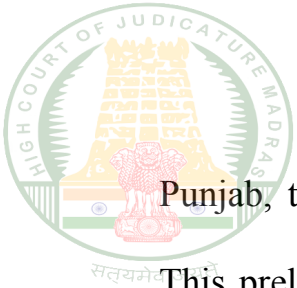
(iii) Vijay Karia Vs. Prysmian Cavi E Sistemi [2020 (11) SCC 1].

14. Relying upon the aforesaid authorities, the learned counsel for the respondent would reiterate that as seen from the aforesaid decisions, it is clear that if the view taken by the Council under the impugned arbitral award is a plausible view, this Court cannot interfere with the impugned arbitral award under Section 34 of the Act.

15. He would further submit that a detailed award need not be passed by the Arbitrator with regard to the respective contentions of the respective parties to the dispute. In support of the said contention, he drew the attention of this Court to a decision of the learned Single Judge of the Delhi High Court in the case of Tex Maco Limited Vs. Union of India [2010 (6) RCR Civil 246].

### DISCUSSION:

16. A preliminary objection has been raised by the respondent that this Court lacks territorial jurisdiction to decide this petition filed under Section 34 of the Act by contending that since the arbitral award has been passed in



Punjab, the petitioner ought to have filed this petition before Punjab Courts.

This preliminary objection raised by the respondent has to be rejected by this

Court for the following reasons:-

MSMED Act only provides for a mechanism to protect MSME's, particularly, through arbitration initiated under Section 18 of the MSMED Act. In the instant case, the impugned arbitral award has been passed under the MSMED Act in Punjab. The jurisdiction clause mentioned in the purchase orders, which have to be read in conjunction with the original agreement, namely, LOI dated 10.09.2016, takes precedence, once the arbitral award is passed under the MSMED Act. The arbitration venue under the MSMED Act, which, in the instant case, is at Punjab, is treated only as convenience for the supplier, namely, the respondent herein, and post-award challenges must follow the jurisdiction clause contained in the original contract (LOI). Therefore, challenge initiated by the petitioner aggrieved by the order passed by the Council will lie only before the Court upon which the parties agreed to place exclusive jurisdiction. In the case on hand, as seen from the terms and conditions of the purchase orders, which have to be read in conjunction with the original agreement, namely, LOI dated 10.09.2016, the jurisdiction is vested exclusively with the Courts at Chennai. The Bombay High Court, in its decision rendered in the case of *Gammon Engineers (cited supra)*, relied upon



by the learned counsel for the petitioner, has also taken the same view. Hence, the respondent cannot contend that this Court lacks territorial jurisdiction to decide this petition under Section 34 of the Act.

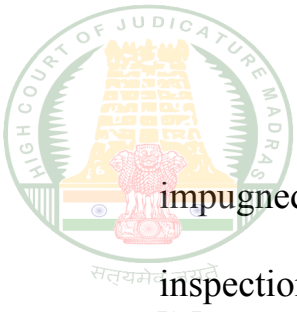
17. The following are the undisputed facts:-

(a) Through a Letter of Intent (LOI) dated 10.09.2016, the respondent was employed as a sub-contractor by the petitioner, who entered into a contract with Dedicated Freight Corridor Corporation of India (DFCCI) on 04.03.2015.

(b) The LOI dated 10.09.2016 issued by the petitioner to the respondent for supply of Masts contains an arbitration clause. As per the arbitration clause contained in the LOI, the seat of arbitration is only at Chennai.

(c) As per the LOI dated 10.09.2016, the respondent has to furnish Performance Bank Guarantee (PBG) for a sum of Rs.2,11,80,061/- within a period of 15 days from the date of the LOI. However, Performance Bank Guarantee was submitted by the respondent with the petitioner for the said sum only on 05.11.2016.

(d) The Inspection Reports dated 25.03.2017 and 29.03.2017, which reveal that there are certain defects and deformations in the Masts supplied by the respondent, were marked as exhibits before the Council, but, in the



impugned arbitral award, the Council has not discussed as to why those inspection reports are incorrect and they cannot be relied upon.

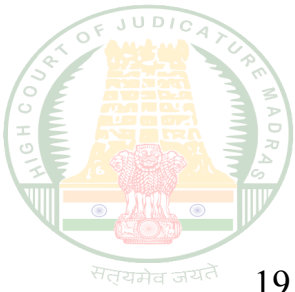
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(e) The respondent made a total claim of Rs.77,42,361/- against the petitioner, which includes the principal amount of Rs.59,42,986/-, and the remaining amount towards interest.

(f) The petitioner has also made a counter-claim before the Council against the respondent for a sum of Rs.71,17,824/-.

(g) Under the impugned arbitral award, the Council has passed an arbitral award in favour of the respondent by directing the petitioner to pay a sum of Rs.1,99,29,166/-.

18. Various documents were filed by the petitioner as well as the respondent before the Council. The petitioner has filed documents dated 15.12.2017, 24.01.2018, 01.01.2018-31.01.2018 and 20.02.2019 in support of their counter-claim made against the respondent for a sum of Rs.71,17,824/-. The Council has awarded interest based on the interest calculation sheet, that was submitted by the respondent, after the arguments were heard by the Council, without granting an opportunity to the petitioner to dispute the same either through the cross-examination of the respondent's witness or through other evidence.



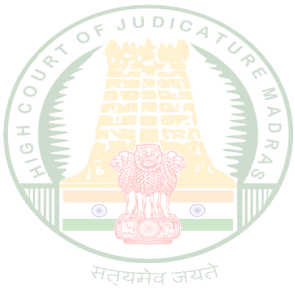
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19. “Reason is the soul of justice” and that is the reason why under Section 31(3) of the Act, it has been made clear that the arbitral award shall state the reasons upon which it is based. The Hon'ble Supreme Court in the case of *Kranti Associates Private Limited Vs. Masood Ahmed Khan [2010 (9) SCC 496]* stressed upon the importance of reasoned judicial orders and elaborated on why “reason is the soul of justice”. Though the said decision was not dealing with the petition filed under Section 34 of the Act, it can be inferred that the arbitral award should also contain reasons for arriving at the conclusions, though proper reasons given need not be so stringent as in the case of regular civil disputes. The Hon'ble Supreme Court in the aforesaid decision, summarised the following points:-

(a) Insistence on recording of reasons is meant to serve the wider principle of justice that justice must not only be done it must also appear to be done as well.

(b) Recording of reasons also operates as a valid restraint on any possible arbitrary exercise of judicial and quasi-judicial or even administrative power.

(c) Reasons reassure that discretion has been exercised by the decision maker on relevant grounds and by disregarding extraneous considerations.



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(d) Reasons have virtually become as indispensable a component of a decision making process as observing principles of natural justice by judicial, quasi-judicial and even by administrative bodies.

(e) Reasons facilitate the process of judicial review by superior Courts.

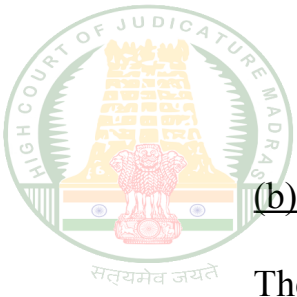
(f) The ongoing judicial trend in all countries committed to rule of law and constitutional governance is in favour of reasoned decisions based on relevant facts. This is virtually the life blood of judicial decision making justifying the principle that reason is the soul of justice.

20. The primary contention of the petitioner in this petition is that the impugned arbitral award is a non-speaking award and is an unintelligible one and has been passed in violation of the principles of natural justice.

21. The conclusions arrived at by the Council for the points of determination framed are as follows:-

(a) Contentions regarding jurisdiction:

The respondent is a registered enterprise under the MSMED Act and therefore, the respondent is entitled to invoke the jurisdiction of the District Council and the District Council has the jurisdiction to adjudicate the same.



(b) Contentions regarding the quality of materials supplied:-

The petitioner failed to submit any documentary evidence in support of their contention regarding defective materials said to have been supplied by the respondent and the delay in supplying the same.

(c) Relief against the invocation of Performance Bank Guarantee:-

Since the petitioner failed to make payment to the respondent as claimed by the respondent, the Council decided unanimously that a sum of Rs.59,42,986/- is due and payable by the petitioner to the respondent and the petitioner is also liable to pay compound interest with monthly rests to the supplier on delayed amount at three times of the bank rate notified by the Reserve Bank of India as per the provisions of Section 16 of the MSMED Act and the counter-claim of the petitioner against the respondent is rejected.

22. The Council has not given any reason whatsoever in the impugned arbitral award with regard to the counter-claim made by the petitioner against the respondent, but, summarily, the Council has rejected the counter-claim. Various documents were filed by the petitioner before the Council, which include the documents dated 15.12.2017, 24.01.2018, 01.01.2018-31.01.2018 and 20.02.2019 to substantiate their contentions that no monies are due and payable by the petitioner to the respondent, but, instead, it is only the



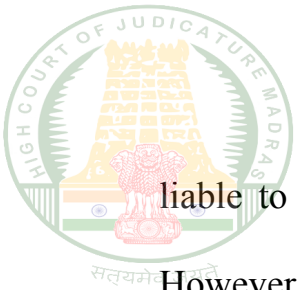
respondent who owes monies to the petitioner on account of, (a) breach of the LOI committed by the respondent; (b) not furnishing the Performance Bank Guarantee on time as per the LOI; and (c) supplying the defective materials with an inordinate delay. In the impugned arbitral award, there is absolutely no discussion and analysis made by the Council with regard to the documents filed by the petitioner and marked as exhibits and the Council has not given any reason as to why those documents cannot be relied upon in respect of the petitioner's counter-claim and in respect of the petitioner's contention that they do not owe any money to the respondent under the LOI dated 10.09.2016, which is the subject matter of the dispute between the parties.

23. The Hon'ble Supreme Court has interpreted Section 34(2)(b)(ii) of the Act, by which, this Court is given power to set aside an arbitral award when the same is in conflict with the public policy of India and the Hon'ble Supreme Court has held in *Vijay Karia (cited supra)* that failure to consider vital evidence by the Arbitrator would amount to the arbitral award being passed in conflict with the public policy of India. In the case on hand, inspection reports dated 25.03.2017 and 29.03.2017 were filed by the petitioner before the Council, which were marked as exhibits and which reveal that there are certain defects and deformation in the masts supplied by the respondent to the



petitioner. However, in the impugned arbitral award, there is absolutely no discussion or analysis made by the Arbitrator with regard to the inspection reports dated 25.03.2017 and 29.03.2017.

24. Under the LOI dated 10.09.2016, it has been made clear that the respondent will have to furnish Performance Bank Guarantee for a sum of Rs.2,11,80,061/- in favour of the petitioner within a period of 15 days from the date of LOI. However, it is an undisputed fact that the respondent had furnished the Performance Bank Guarantee for the said sum only on 05.11.2016, well beyond the period of 15 days stipulated under the LOI dated 10.09.2016. In the impugned arbitral award, there is absolutely no discussion with regard to the delay on the part of the respondent in furnishing a Performance Bank Guarantee for a sum of Rs.2,11,80,061/- in favour of the petitioner. The Hon'ble Supreme Court in Ssangyong Engineering (cited supra) while interpreting patent illegality falling under Section 34(2-A) of the Act has also made it clear that if the Arbitrator fails to consider the vital evidence, it amounts to patent illegality. In the case on hand, the inspection reports filed by the petitioner as well as the Performance Bank Guarantee clause provided under the LOI dated 10.09.2016 are indeed a vital piece of evidence in support of the petitioner's counter-claim and the petitioner's contention that they are not



liable to pay any money to the respondent under the LOI dated 10.09.2016.

However, under the impugned arbitral award, those vital evidences have been totally ignored by the Council and the Council has also not given any reason as to why those documents are irrelevant for the purpose of adjudicating the counter-claim made by the petitioner against the respondent as well as for adjudicating the petitioner's contention that no monies are due and payable by the petitioner to the respondent under the LOI dated 10.09.2016. The Hon'ble Supreme Court in *Vijay Karia (cited supra)* and *Dyna Technologies (cited supra)* has held that failure on the part of the Arbitrator to consider the material evidence will also amount to the arbitral award having been passed in conflict with the public policy of India.

25. The petitioner also contended before this Court that the Council under the impugned arbitral award has awarded interest based on an interest calculation sheet that was given by the respondent behind the back of the petitioner, after the final hearing in the arbitral proceedings. There is absolutely no discussion in the impugned arbitral award as to when interest calculation sheet was given by the respondent and as to whether the same was given to the petitioner and whether the petitioner has accepted or rejected it. Any evidence, based on which, any arbitral award is passed must be recorded



only in the presence of both the parties to the dispute to enable the other party against whom the evidence has been produced to rebut the same either through contra evidence produced by the other party or through oral evidence. The interest portion of the impugned arbitral award is a huge component. The petitioner has been directed to pay interest, which is three times more than the principal amount awarded under the impugned arbitral award. Therefore, any evidence relied upon by the Council for the purpose of awarding interest ought to have been made available to the petitioner during the course of arbitral proceedings, but, not after the final hearing in the arbitration is complete. Therefore, the petitioner's contention before this Court that for awarding interest, the Council has relied upon the calculation sheet submitted by the respondent, which was not given to the petitioner during the course of the arbitral proceedings, but, was given to the petitioner only after the final hearing, has to be accepted by this Court, since no contra evidence is placed on record before this Court to rebut the same.

26. As observed earlier, the interest component under the impugned arbitral award is three times more than the principal amount stated in the contract. The interest calculation relied upon by the Council will amount to an award having been passed in conflict with the public policy of India. Any



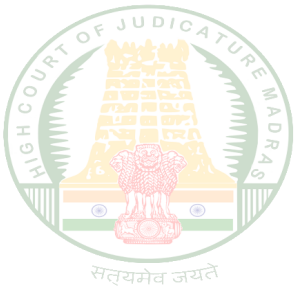
evidence taken behind the back of the parties by the Arbitrator is patently illegal as held by the Hon'ble Supreme Court in Ssangyong Engineering (cited supra), while interpreting Section 34(2)(b)(ii) of the Act.

27. It is also noticed from the impugned arbitral award that the Council did not allow the parties to cross-examine the witnesses. The impugned arbitral award has been passed merely by relying upon certain selective documents and none of the documents, more particularly, inspection reports submitted by the petitioner to disprove the claim of the respondent, have been considered by the Council. Besides, the quality issues raised by the petitioner against the materials supplied by the respondent have been absolutely ignored by the Council in the impugned arbitral award.

28. The learned counsel for the respondent during the course of his submissions relied upon email dated 12.05.2017 sent by the petitioner to the respondent, which is re-produced hereunder:-

“Dear Mr.Jain,

As discussed, please find below status of your pending payment:-



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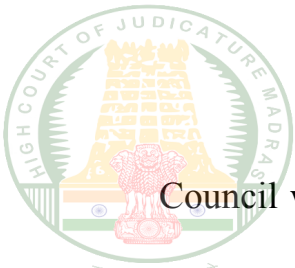


-> Payment of approx. 92 lacs is under processing for discounting with Bank of America. This payment is expected to be done by next week starting.

-> Payment of approx. 57 lacs is under processing by SSC. This payment is expected to be done by next week end.

-> We are starting processing of your balance pending bills. It is further requested to extend the validity of Performance Bank Guarantee which is expiring on 30<sup>th</sup> Jun'17.”

29. The respondent has also contended that the aforesaid email amounts to admission of liability on the part of the petitioner to pay the respondent. However, the learned counsel for the petitioner disputes that the aforesaid email pertains to the subject transaction and it is also evident from the fact that the respondent has made a claim before the Council against the petitioner for a sum of Rs.59,42,986/-, whereas in the email dated 12.05.2017, referred to supra, it refers to various other amounts, which is far exceeding than the respondent's claim. Under the impugned arbitral award, there is absolutely no discussion made by the Council with regard to the aforesaid email dated 12.05.2017 as well, which the respondent claims to be an admission of liability on the part of the petitioner, though there is a passing reference to the said email by the



Council while recording the contentions of the respondent in the arbitral claim made by them against the petitioner.

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30. The petitioner, even prior to the reference of the dispute to the Council by the respondent as per the provisions of Section 18 of the MSMED Act, has raised the issue with regard to defective materials supplied by the respondent, which is also supported by inspection reports of the Engineer, which were also marked as exhibits before the Council. Therefore, the contention of the respondent by relying upon the definition “appointed date” under the MSMED Act that the petitioner did not dispute the claim of the respondent before the Council within a period of 15 days has to be summarily rejected as it is a frivolous one. The definition “appointed date” contained in the MSMED Act is only for the purpose of enabling the supplier to make a claim as per the provisions of Section 18 of the MSMED Act. The definition “appointed date” under the MSMED Act is only for the purpose of giving cause of action for the supplier to make a claim under the MSMED Act and nothing more.

31. The petitioner has also complied with the statutory requirements of Section 19 of the MSMED Act by making the statutory pre-deposit of 75% of



the awarded amount. Based on the said pre-deposit, the Registry had also numbered this petition. Section 19 of the MSMED Act enables this Court to pass such other orders as this Court deems fit with regard to the statutory pre-deposit amount. Though the statutory pre-deposit amount prescribed under Section 19 of the MSMED Act is mandatory and the petitioner has also satisfied the said statutory requirements, if there is any doubt as to whether the amount deposited is based on correct calculation or not, it can be clarified by this Court by exercising its power under Section 19 of the MSMED Act and that is the reason why Section 19 of the MSMED Act makes it clear that 'such other order' as this Court deems fit, can be passed by this Court. Therefore, the term 'such other order' found in Section 19 of the MSMED Act enables this Court to rectify any shortfall in the payment of statutory pre-deposit by directing the petitioner to pay the deficit amount.

32. In the case on hand, the petitioner had made the statutory pre-deposit amount, which, according to the petitioner, is the correct amount, and the Registry has also numbered this petition after satisfying itself that statutory pre-deposit amount has been paid by the petitioner. Therefore, the question of now dismissing this petition on the ground that the petitioner has not calculated correctly the 75% statutory deposit will cause the petitioner irreparable



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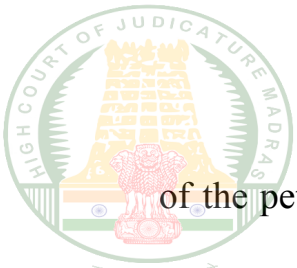
loss/hardship for no fault of theirs. Only to avoid such an eventuality, the legislature has thought it fit to add the phrase “the other order in the manner directed by such court” in Section 19 of the MSMED Act. The petitioner, by way of abundant caution, has also showed a Demand Draft before this Court, when the matter was heard on 17.07.2025 for the shortfall of the deposit amount as claimed by the respondent, without admitting the contention of the respondent that the petitioner has not satisfied the requirements of Section 19 of the MSMED Act by making the required pre-deposit amount. This Court, at this stage, need not decide as to whether there is any shortfall in the payment of the statutory deposit amount or not, as the Registry of this Court only after satisfying itself about the statutory pre-deposit numbered this petition and therefore, the benefit of doubt should be given to the petitioner. When the petitioner is ready to deposit the shortfall amount if any for the purpose of Section 19 of the MSMED Act and that too when this petition having been numbered by the Registry of this Court and the Registry of this Court having accepted the amount deposited by the petitioner to satisfy the requirements of Section 19 of the MSMED Act, this petition cannot be dismissed at this belated stage only on the ground that the amount deposited by the petitioner is not a correct amount to satisfy the requirements of Section 19 of the MSMED Act. The petitioner cannot be made to suffer, when the Registry of this Court has



already numbered this petition after satisfying itself that the petitioner has complied with the requirements of Section 19 of the MSMED Act.

33. In fact, as seen from the decisions relied upon by the learned counsels for the petitioner as well as the respondent, it is clear that though the statutory pre-deposit amount prescribed under Section 19 of the MSMED Act is mandatory, the Court deciding an application under Section 34 of the Act is having the power to allow the pre-deposit to be made in instalments. When such a power is given, the question of raising a dispute that the amount deposited by the petitioner to comply with the requirements of Section 19 of the MSMED Act is not a correct amount, cannot be entertained by this Court at this belated stage.

34. Though the learned counsel for the respondent would submit that there is no necessity for the Arbitrator to pass a detailed judgment, but, however, the law is now well settled that the Arbitrator in the award should give reasons for arriving at the conclusion though the said reasoning may not be an elaborate one. As observed earlier by this Court, reasons are the soul of justice. But, in the impugned arbitral award, the Arbitrator has totally ignored the counter-claim made by the petitioner and has also ignored the contentions

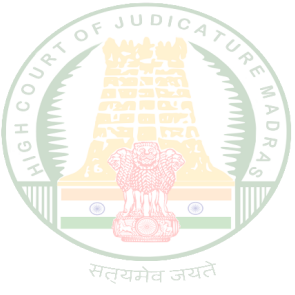


of the petitioner through the statement of defence filed by them. The decision relied upon by the learned counsel for the respondent in *Tex Maco Limited (cited supra)* is not dealing with the calculation of the statutory pre-deposit amount prescribed under any legislation, but, it is only dealing with the case of a defendant questioning the jurisdiction of the Court after the suit got numbered by the court registry. Therefore, the said decision is not applicable to the facts and circumstances of the present case.

35. For the foregoing reasons, the impugned arbitral award passed by the Council has to be set aside by this Court as the said arbitral award passed by the Arbitrator is in conflict with the public policy of India and is also patently illegal. Accordingly, the impugned arbitral award dated 02.07.2024 passed by the Council is set aside and this petition is allowed. However, liberty is granted to both the parties to initiate fresh arbitration against the other party in accordance with law. The time spent by both the parties before the Council in the arbitration as well as before this Court in this petition shall stand excluded for the purpose of saving limitation under Section 14 of the Limitation Act, 1963. No Costs.

**23 -07-2025**

Index: Yes  
Speaking  
Neutral Citation: Yes



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**ABDUL QUDDHOSE J.**

**RKM**

**Arb O.P(COM.DIV.) No. 10 of 2025**

**23-07-2025**