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

% ***Judgment reserved on: 09.04.2026***
Judgment pronounced on: 18.04.2026
Judgment uploaded on: 18.04.2026

\+ FAO (COMM) 98/2026
AUSTIN HYUNDAI (AUSTIN DISTRIBUTORS PVT LTD)
.....Appellant

Through: Mr. Samrat Nigam, Sr. Adv. with Ms. Archana Sonthalia, Ms. Prachi Pratap, Dr. Prashant Pratap, Mr. Amjid Maqbool, Ms. Anupriya Dixit, and Ms. Pallavi Pratap, Advs.

versus

AXALTA COATING SYSTEMS INDIA PVT LTD
.....Respondent

Through: Mr. Piyush Sharma and Mr. Armaan Verma, Advs.

CORAM:
HON'BLE MR. JUSTICE ANIL KSHETARPAL
HON'BLE MR. JUSTICE AMIT MAHAJAN

J U D G M E N T

ANIL KSHETARPAL, J.:

1. Through the present Appeal preferred under Section 37 of the Arbitration and Conciliation Act, 1996[1] [hereinafter referred to as the 'A&C Act'], the Appellant assails the order dated 18.03.2026 [hereinafter referred to as the 'Impugned Order'] passed by the learned District Judge whereby the petition filed by the Appellant under Section 34 of the A&C Act[2] [hereinafter referred to as 'Section 34 Petition'] seeking setting aside of the arbitral award dated 13.09.2024 [hereinafter referred to as the 'Award'] came to be

[1] Section 37
[2] Section 34

dismissed.

2. By virtue of the Impugned Order, the learned District Judge declined to interfere with the findings returned by the learned Sole Arbitrator, who had allowed the claims of the Respondent arising out of a Supply Agreement dated 19.07.2019 [hereinafter referred to as 'Supply Agreement'] and held the Appellant liable towards repayment of the amount treated as upfront investment support along with allied claims.

3. The principal question which therefore arises for consideration before this Court is whether the learned District Judge, while exercising jurisdiction under Section 34, committed any jurisdictional error or patent illegality in refusing to set aside the arbitral award, warranting interference by this Court in exercise of its limited appellate jurisdiction under Section 37.

FACTUAL MATRIX:

4. Before adverting to the rival submissions advanced on behalf of the parties, it would be apposite to briefly notice the factual background leading to the present Appeal.

5. The Appellant, Austin Hyundai (Austin Distributors Pvt. Ltd.), entered into a dealership agreement dated 30.04.2011 [hereinafter referred to as 'Dealership Agreement'] with Hyundai Motors India Ltd. for operating a non-exclusive automobile dealership at Kolkata. The said dealership arrangement was subsequently renewed in the years 2014 and 2017.

6. In furtherance of its obligation to provide after-sales services

under the Dealership Agreement, the Appellant entered into the Supply Agreement with the Respondent, Axalta Coating Systems India Pvt. Ltd., for procurement of refinish paints, tints, thinner and allied paint ancillaries required for authorised workshop operations.

7. The Supply Agreement contemplated that supplies could be effected either directly by the Respondent or through its authorised distributors/business associates, with payments to be made in accordance with invoices issued from time to time. The relevant portion is reproduced below:

> *"Axalta Coating Systems shall supply the Products itself or through Axalta Coating Systems's Authorised Distributors/Stockist (hereinafter referred as Business Associates) to Austin Hyundai (Austin Distributors Pvt. Ltd.) at the prices mentioned in Axalta Coating Systems's MRP list which shall be provided to Austin Hyundai (Austin Distributors Pvt. Ltd.) annually. The payment shall be made by Austin Hyndai (Austin Distributors Pvt. Ltd.) to Business Associates on the terms as mentioned in the invoice(s) issued from time to time."*

8. Pursuant thereto, the Respondent extended an amount of Rs.39,60,000/- to the Appellant, described as 'upfront investment support'. Subsequently, the dealership agreement between the Appellant and Hyundai Motors India Ltd. stood terminated on 11.08.2020, as a consequence whereof the Appellant ceased to operate authorised Hyundai workshops and was unable to fulfil the minimum purchase commitment envisaged under the Supply Agreement.

9. Disputes thereafter arose between the parties regarding the nature of the aforesaid payment. While the Respondent asserted that the amount constituted a recoverable financial support/loan linked to minimum purchase obligations, the Appellant contended that it was in the nature of a commercial business investment incapable of recovery.

Upon exchange of legal notices dated 02.03.2022 and denial of liability by the Appellant, the Respondent invoked arbitration under the Supply Agreement.

10. The learned Sole Arbitrator [hereinafter referred to as 'the Arbitrator'] adjudicated the disputes and, by Award dated 13.09.2024, held *inter alia* that the Appellant was a party to the Supply Agreement, had received upfront investment support along with GST, had obtained supplies at discounted value, and had breached the minimum purchase commitment stipulated under the contract. The relevant portions are reproduced as follows:

> *"Tribunal also makes a finding that Austin Distributors Pvt. Ltd. is a party to supply Agreement and is the only Respondent in these proceedings* (Issue A and B)
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> ***
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> *For reasons set out above, the Tribunal makes a finding that Claimant did pay to Respondent i.e., Austin Distributors Pvt. Ltd. and Respondent did receive from Claimant Upfront Investment Support of INR 39,60,000 along with GST of INR 7,12,800.* (Issue C)
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> *For reasons set out above, the Tribunal makes a finding that Claimant supplied Respondent with Products at a discounted value of INR 12,30,313.63.* (Issue D)
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> ***
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> *For reasons set out above, the Tribunal makes a finding that Respondent breached the Supply Agreement by failing to discharge the obligation of making the Minimum Purchase Commitment for each of the three Contract Years.* (Issue E)
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> ***
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> *As a result, the Tribunal makes no finding with regard to Issue F.* (Issue F)"

11. Aggrieved thereby, the Appellant instituted proceedings under Section 34 before the learned District Judge contending, *inter alia*, that the Award suffered from perversity, patent illegality, and misinterpretation of contractual and evidentiary material.

12. During the pendency of proceedings, the Appellant also

invoked Section 33 of the A&C Act seeking correction of certain aspects of the Award. The learned Arbitrator permitted limited clerical corrections but rejected objections relating to alleged misappreciation of evidence by order dated 09.11.2024.

13. The Appellant further filed applications before the learned District Judge seeking production of additional evidence and summoning of a third party, namely Dial Automobiles Pvt. Ltd. The application seeking stay of the Award under Section 36(3) of the A&C Act was dismissed as not pressed.

14. Ultimately, by order dated 18.03.2026, the learned District Judge dismissed the Section 34 Petition. Aggrieved by the refusal to set aside the Award, the Appellant has preferred the present Appeal.

CONTENTIONS OF THE PARTIES:

15. Heard learned counsel appearing for the parties and perused the record with their assistance.

16. Learned Senior Counsel for the Appellant submits as under:

i. The Arbitrator erred in treating the invoice dated 05.09.2019 as "upfront investment support", despite the amount being accounted as taxable service income attracting GST and income tax, thereby permitting impermissible recovery of a sum already treated as revenue.

ii. The Supply Agreement was intrinsically dependent upon continuation of the Hyundai dealership. Upon its termination, the substratum of the contract stood extinguished, rendering enforcement

of minimum purchase obligations legally unsustainable.

iii. The Award impermissibly relies upon invoices issued by Dial Automobiles Pvt. Ltd., a non-signatory and non-party to arbitration, thereby fastening liability on the Appellant based on third-party transactions beyond the Arbitrator's jurisdiction.

iv. The Arbitrator erroneously rejected the Appellant's application under Section 23(3) of the A&C Act [hereinafter referred to as 'Section 23(3) Application'] seeking amendment, counter-claim, and impleadment of a necessary party without hearing and by attributing motives, thereby violating principles of natural justice.

17. *Per contra*, learned counsel for the Respondent submits as under:

i. The Arbitrator correctly construed the payment as upfront investment support based on contractual terms and contemporaneous conduct of parties, which cannot be re-examined in Section 37 proceedings.

ii. Termination of the dealership did not discharge contractual obligations voluntarily undertaken under the independent Supply Agreement between the parties.

iii. Reliance on distributor invoices was contractually permissible since supplies through authorised business associates formed part of the agreed commercial arrangement.

iv. The Section 23(3) Application was belated and rightly rejected to prevent derailment of arbitral proceedings, causing no procedural

prejudice to the Appellant.

18. No other submissions have been urged on behalf of the parties.

ANALYSIS AND FINDINGS:

19. This Court has considered the submissions advanced by learned Counsel for the parties.

20. Before examining the rival contentions, it is necessary to delineate the scope of appellate interference under Section 37.

21. The contours of judicial scrutiny of arbitral awards stand authoritatively settled by the Supreme Court. In ***McDermott International Inc. v. Burn Standard Co. Ltd. & Ors.***[3], the Court has emphasised that the A&C Act assigns courts only a supervisory role in arbitral matters. Judicial intervention is limited to ensuring fairness of the process on grounds such as fraud, bias, or violation of natural justice, and courts are not empowered to correct errors of fact or law committed by the arbitral tribunal. The Court further held that interpretation of contractual terms and evaluation of the conduct of parties lie primarily within the domain of the arbitrator, and once arbitral jurisdiction is established, interference is warranted only where a patent illegality or jurisdictional infirmity is apparent on the face of the award.

22. The position has also been affirmed in ***MMTC Ltd. v. Vedanta Ltd.***[4], which underscores that the appellate jurisdiction under Section 37 is inherently circumscribed and derivative in nature. The appellate

[3] (2006) 11 SCC 181
[4] (2019) 4 SCC 163

court is concerned not with the correctness of the arbitral award *per se*, but with the legality of the exercise undertaken by the court exercising jurisdiction under Section 34. Interference is therefore warranted only where the court below has either exceeded the permissible contours of Section 34 or failed to exercise jurisdiction vested in it, and not merely because another view on facts or contractual interpretation may appear possible.

23. Similar observations have been made by the Supreme Court in ***Punjab State Civil Supplies Corporation Ltd. v. Sanman Rice Mills***[5], the Supreme Court reiterated that the appellate jurisdiction under Section 37 remains confined within the limits prescribed under Section 34. The Court clarified that an appellate court does not sit as a regular court of appeal over arbitral awards and cannot undertake reappraisal of evidence or reassessment of factual findings merely because another view is possible. The power under Section 37 is supervisory in character, akin to revisional jurisdiction, and interference is justified only where the Section 34 court has either exceeded its jurisdiction or failed to exercise it in accordance with law.

24. Importantly, while dealing specifically with Section 37 jurisdiction, a three-judge Bench of the Supreme Court in ***UHL Power Company Ltd. v. State of Himachal Pradesh***[6] held that an appellate court under Section 37 exercises an even more restricted jurisdiction than that under Section 34, and interference is justified only where the Section 34 court itself has exceeded the permissible limits of review.

[5] 2024 SCC OnLine SC 2632
[6] 2024 SCC OnLine SC 2632

25. Thus, the appellate scrutiny under Section 37 is supervisory in nature. The Court is required to examine only whether the learned District Judge, while exercising jurisdiction under Section 34, applied the correct legal principles and remained within the statutorily permissible bounds of interference.

26. Consequently, unless the Impugned Order discloses patent illegality, jurisdictional error, or manifest perversity in the exercise of Section 34 jurisdiction, this Court would be slow to interfere with the decision under appeal.

27. Tested on the aforesaid settled principles governing appellate interference under Section 37, the submissions advanced on behalf of the Appellant are required to be examined only to ascertain whether the learned District Judge committed any jurisdictional error while declining to set aside the Award under Section 34, and not whether this Court would have arrived at a different conclusion on merits.

28. The principal contention of the Appellant is that the Arbitrator erroneously treated the invoice dated 05.09.2019 as "upfront investment support", despite the amount allegedly being reflected as taxable income attracting GST and income tax, thereby rendering its recovery impermissible.

29. A perusal of the Award, however, reveals that the Arbitrator arrived at the said conclusion upon detailed appreciation of both documentary and oral evidence. The Arbitrator noted the categorical admission emerging from the cross-examination of RW-2, acknowledging payment of upfront investment support along with GST to the Appellant. The Arbitrator further relied upon Clause 6 of

the Supply Agreement, wherein the Appellant expressly acknowledged receipt of Rs.39,60,000/- as upfront investment support and, as security thereof, executed a Demand Promissory Note pursuant to Clause 15 of the Agreement, undertaking repayment upon demand. The Arbitrator also examined contemporaneous correspondence, including the Reply to the Termination Notice, wherein the Appellant admitted receipt of the said amount though disputing its classification as a loan.

30. On the basis of these contemporaneous contractual documents and admissions attributable to the Appellant itself, the Arbitrator recorded a clear finding that the Respondent had paid, and the Appellant had received, upfront investment support of Rs.39,60,000/- along with applicable GST. The Arbitrator further found the Appellant's subsequent denial of receipt, as pleaded in its defence, to be inconsistent with its earlier communications and contractual acknowledgments.

31. The challenge raised before this Court essentially seeks re-appreciation of evidence and reconsideration of the accounting characterization of the transaction. The mere fact that the amount may have been reflected as income for taxation purposes does not render the arbitral interpretation impermissible once the contractual framework and surrounding conduct demonstrated that the payment was linked to minimum purchase obligations under the Supply Agreement. Interpretation of contractual stipulations and evaluation of evidentiary material fall squarely within the exclusive domain of the Arbitrator.

32. The Arbitrator having adopted a reasoned and plausible view founded upon admissions, contractual clauses, and contemporaneous records, the learned District Judge rightly declined to interfere. Such findings, being neither perverse nor patently illegal, cannot be reopened in appellate proceedings under Sections 34 or 37 merely because an alternate interpretation is suggested by the Appellant.

33. The Appellant next contends that termination of the Hyundai dealership extinguished the substratum of the Supply Agreement, thereby rendering enforcement of minimum purchase commitments legally untenable.

34. The Award, however, demonstrates that the Arbitrator specifically examined this defence and found it to be unsupported by any contractual stipulation or evidentiary material. The Arbitrator recorded that although the Appellant asserted existence of an understanding that supplies would continue only so long as the Hyundai dealership subsisted, no evidence whatsoever was produced to establish such an agreement. The Supply Agreement, on its plain terms, imposed independent minimum purchase obligations upon the Appellant for the stipulated contract period, and no clause provided for automatic discharge upon termination of the dealership arrangement.

35. The Arbitrator further noted that while reference was made in the Statement of Defence to business losses allegedly arising from the COVID-19 pandemic and consequent restrictions, no legally cognisable defence, whether of *force majeure*, frustration, statutory restriction, or governmental prohibition, was pleaded or substantiated.

The pleadings contained no averment demonstrating how the pandemic legally excused performance of contractual obligations. Significantly, the Arbitrator found that the Appellant neither advanced nor pursued any such defence during evidentiary hearings or final arguments. In these circumstances, the Arbitrator concluded that failure to meet the minimum purchase commitment constituted a breach of the Supply Agreement.

36. The learned District Judge, while exercising jurisdiction under Section 34, rightly declined to revisit these findings. The conclusions drawn by the Arbitrator represent a plausible construction of the contract and the pleadings before it.

37. In the present case, the Arbitrator has specifically found that the Supply Agreement constituted an independent commercial arrangement containing express minimum purchase obligations for a defined contractual period and that no contractual term made its continuance contingent upon subsistence of the Hyundai Dealership Agreement. The question whether the two agreements were interdependent was thus examined on the basis of the contractual terms and evidentiary record, and answered by the Arbitrator upon appreciation of facts. No perversity, patent illegality, or jurisdictional infirmity in this finding, duly affirmed by the Court exercising jurisdiction under Section 34, has been demonstrated so as to warrant interference in appellate jurisdiction under Section 37.

38. The Appellant further argues that the Award is vitiated as reliance was placed upon invoices issued by Dial Automobiles Pvt. Ltd., a non-signatory to the arbitration agreement, thereby allegedly

fastening liability upon the Appellant on the basis of third-party transactions.

39. The Award, however, demonstrates that the Arbitrator examined this aspect in detail. The Arbitrator noted that Annexure C/5 was produced to establish supply of products during the subsistence of the Supply Agreement and comprised a consolidated Credit Note dated 22.07.2020 together with individual invoices reflecting supplies made at a discounted value of Rs.12,30,313.63/-. Significantly, each of the invoices forming part of the said annexure bore the stamp of the Appellant and the signatures of its authorised signatory acknowledging receipt of the products. The credit note itself carried the authorised signatures and company stamps of both the distributor and the Appellant.

40. The Arbitrator further recorded that although the Appellant disputed receipt of products and alleged inferior quality as well as excessive billing, no evidence whatsoever was adduced to substantiate these assertions. In the absence of supporting material, the Arbitrator rejected the defence for failure to prove the same and returned a factual finding that supplies had indeed been effected at the discounted value reflected in the documentary record.

41. It is also material that the Supply Agreement expressly contemplated supplies being effected either directly by the Respondent or through authorised distributors/business associates. The reliance placed upon distributor invoices was therefore consistent with the contractual framework and was undertaken only for evidentiary purposes to establish performance of contractual

obligations, and not for imposing liability upon a non-party to arbitration.

42. The challenge raised by the Appellant thus essentially seeks re-appreciation of documentary evidence and reassessment of factual findings rendered by the Arbitrator. Such an exercise lies wholly outside the permissible scope of scrutiny under Sections 34 and 37. The learned District Judge rightly declined to interfere with these findings.

43. The Appellant has also assailed rejection of its application under Section 23(3) of the A&C Act seeking amendment, counter-claim, and impleadment of a third party, alleging violation of principles of natural justice.

44. The record reveals that the said application was moved at an advanced stage of the arbitral proceedings. The Arbitrator exercised procedural discretion in declining the request so as to avoid derailment of the proceedings. The learned District Judge, upon examination, found no procedural unfairness or denial of opportunity affecting the validity of the arbitral process.

45. It is well settled that procedural management of arbitral proceedings lies primarily within the discretion of the arbitral tribunal. Unless prejudice of a fundamental nature or denial of equal opportunity is demonstrated, such procedural orders do not furnish a ground for setting aside an award. The Appellant has failed to establish any such violation.

46. A cumulative reading of the Award and the Impugned Order

indicates that the learned District Judge correctly confined himself to the parameters of Section 34 review and refrained from reappreciating evidence or substituting the findings of the Arbitrator. The conclusions reached represent a plausible view emerging from the contractual framework and material placed before the Arbitrator.

CONCLUSION:

47. In view of the foregoing discussion and for the reasons recorded hereinabove, this Court is of the considered opinion that the learned District Judge has exercised jurisdiction strictly within the confines of Section 34 and has rightly declined to interfere with the Award.

48. The Appellant has failed to demonstrate any patent illegality, jurisdictional error, perversity, or violation of principles of natural justice either in the Award or in the Impugned Order dated 18.03.2026 so as to justify interference by this Court in exercise of its limited appellate jurisdiction under Section 37.

49. The Appeal, being devoid of merit, is accordingly dismissed.

ANIL KSHETARPAL, J.

AMIT MAHAJAN, J.

APRIL 18, 2026
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