IN THE HIGH COURT FOR THE STATE OF TELANGANA
AT: HYDERABAD
HON'BLE SRI JUSTICE K. LAKSHMAN

ARBITRATION APPLICATION No. 196 OF 2025

Date:31-07-2026

Between:

Kambhampati Venkata Rama Krishna Rao

…Applicant

And

M/s. Amarkrishna Constructions and Developers ….Respondent

This Court passed the following:

ORDER

Heard Sri Achutha Ram, learned counsel representing Sri K. Raghava Ramana, learned counsel for the Applicant and Mr. M.S. Chandresh, learned Counsel for the Respondent.

2. The present Arbitration Application is filed under Section 11 (5) and (6) of the Arbitration and Conciliation Act, 1996 (hereinafter "the Act") for the appointment of Arbitrator to adjudicate disputes between the parties.

3. The Applicant, Mr. Kambhampati Venkata Rama Krishna Rao and Mr. Amarnadh Kantheti, Managing Partner of the Respondent firm had together formed a partnership firm named "M/s Amarkrishna Constructions and Developers" *vide* "Partnership Deed" dated 04.01.2018 and registered with the Registrar of Firms, Ranga Reddy District. The said partnership firm was formed for carrying out the business of purchase and sale of immovable properties, and for construction of residential and commercial buildings. By virtue of the said partnership deed, the Applicant had 59% share and Mr. Amarnath Kantheti had 41% share in the profit and losses of the firm. Both of them were working partners, jointly operated bank accounts, and carried out day-to-day management of the affairs of the firm. Subsequently, a "Reconstitution of Partnership Deed" dated 10.03.2021 was executed by the parties, whereby both partners were jointly authorized and empowered to sign all documents related to purchase and transfer of land/plots/flats on behalf of the firm. Thereafter, another "Reconstitution of Partnership Deed" (hereinafter, "Retirement Deed") dated 15.03.2023 was executed; whereunder the Applicant retired from the Respondent

firm, and simultaneously one K. Murali Mohan was inducted as the partner with 5% share, and the share of Mr. Amarnadh Kantheti was increased to 95%.

4. The Applicant submits that while he and Mr. Amarnadh Kantheti were partners of the Respondent firm, they entered into four (4) Development Agreements followed by Supplementary Agreements. The details pertaining to the Development Agreements have been extracted below:

Registered Development Agreement-cum-GPA bearing Doc.No.11347/2018 dated 09.07.2018	Plot No. 101, adm. 389 sq.yds, Sy.No.44/1, Miyapur, Serilingampally, RangaReddy – Flat Nos. 201 & 401, 50% share in Flat No. 501
Registered Development Agreement-cum-GPA bearing Doc.No.3172/2019 dated 24.12.2019	Plot No. 1047, adm. 400 sq.yds, Sy.No.44/1, Miyapur, Serilingampally, RangaReddy – 50% share in Flat No. 101, 201, and 501
Registered Development Agreement-cum-GPA bearing Doc.No.11827/2018 dated 18.07.2018	Plot No. 82, adm. 389 sq.yds, Sy.No.44/1, Miyapur, Serilingampally, RangaReddy – Flat Nos. 101 & 501, 50% share in Flat No. 301
Registered Development Agreement-cum-GPA bearing Doc.No.1217/2019 dated 16.01.2018	Plot No. 490, adm. 525 sq.yds, Sy.No.44/1, Miyapur, Serilingampally, RangaReddy – Flat Nos. 201, 202, 401, 402, 50% share in Flat No. 501 & 502

5. The Applicant submits that at the time of his retirement and settlement of accounts, Mr. Amarnadh Kantheti requested him that the

Respondent firm would transfer Flat No. 402 in Plot No. 490, Sy.No.44/1, Miyapur, Serilingampally, RangaReddy district in his name or his nominee’s name and that the sale consideration amount would be adjusted in his capital account. It was promised that the semi-finished flat would be completed within three months. Accordingly, the said flat was registered in the name of the Applicant’s wife Smt. K. Padmaja under registered Sale Deed bearing Doc.No.4246 of 2023 dated 15.03.2023. The sale consideration of Rs. 34,16,000/- was adjusted in his capital account. After deducting the said amount, his account was settled and an amount of Rs. 28,30,000/- was paid *vide* Cheque No. 46421 dated 23.03.2023. However, his share in immovable properties standing in the name of the firm as on the date of his retirement was not included. Mr. Amarnadh Kantheti had assured him that a separate registered document would be executed in respect of his 59% share in the immovable properties i.e. Flat Nos. 201, 401, and 50% share in Flat Nos. 501 & 502. Believing the false representation and assurances of Mr. Amarnadh Kantheti, the Applicant executed the Retirement Deed dated 15.03.2023 and also an affidavit dated 18.03.2023. However, after his retirement, the pending work in semi-finished flats was not completed and his share was not transferred to him.

6. The Applicant issued Legal Notice dated 01.07.2025 under Article 12 of the Retirement Deed dated 15.03.2023 for settlement of disputes by initiating arbitration. The said notice was served on the Respondent on 02.07.2025. The Respondent issued Reply Legal Notice dated 28.07.2025 disputing the claim of the Applicant. Article 12 of the Retirement Deed is relevant and extracted hereunder:

> ***"12. Whereas all the disputes and differences in connection with the deed arising between the parties and the legal representatives shall be referred to arbitration."***

7. According to the Applicant, there are disputes between the Applicant and the Respondent with regard to the recovery of 59% share in the immoveable assets of the Respondent firm i.e. Flat Nos. 201 & 401; and 50% share in Flat Nos. 501 & 502 existing as on the date of his retirement. Therefore, the Applicant issued Notice invoking arbitration dated 01.07.2025 proposing the name of Sri A. Bhuvana Sunder Reddy (Advocate) to be appointed as the Sole Arbitrator to resolve the disputes. The Respondent issued Reply Legal Notice dated 28.07.2025, whereby

the allegations/contentions made by the Applicant were categorically denied. The Respondent submits that the Applicant voluntarily retired after receiving a sum of Rs. 28,30,000/- as full and final settlement towards all his claims, whereby he is estopped from making further claims. In this regard, Clause 7 of the Retirement Deed dated 15.03.2023 was referred to, which is extracted hereunder:

> *"7. Whereas the first partner shall not have any right in the assets of the firm from the date of this deed and he has received his entire due share from the partnership business on this day of execution of this deed as full and final payment and settlement. Against payment of amount Rs. 28,30,000 (Rupees Twenty Eight Lakhs Thirty Thousand Only) received vide Cheque No: 146421 drawn on the Eenadu Cooperative Urban Bank Ltd., Beeramguda Branch, Mallikarjuna Nagar, Medak District – 502032."*

8. In regard of Flat No. 402, the Respondent submits that a registered Sale Deed was executed in the name of the Applicant's wife Smt. K. Padmaja on the promise made by the Applicant that the sale consideration of Rs. 34,16,000/- would be paid later. On failure of payment of the agreed sale consideration, the Respondent firm filed a suit for cancellation of Sale Deed *vide* O.S No. 26 of 2024, which is pending on the file of Senior Civil Judge, Ranga Reddy District. The present Arbitration Application has been filed with false allegations after lapse of

two years as a counterblast to the aforesaid suit filed by the Respondent firm. The Applicant has misrepresented facts which amounts to fraud.

9. The Respondent submits that the Applicant had sworn to an affidavit dated 18.03.2023, wherein he declared that there were no disputes between the partners, and that he received an amount of Rs. 28,30,000/- towards partnership settlement. He stated that there were no immovable properties in the firm and he would not make any claims in the future too. The relevant portion is extracted hereunder:

> That I am one of the Partners of “M/s. AMARKRISHNA CONSTRUCTIONS AND DEVELOPERS” Firm Registration bearing No. 70 of 2018, and now I am tendering my Resignation and outgoing from the said Partnership Firm due to unavoidable circumstances. Further I hereby declare that there are no disputes between our partners. I myself intentionally outgoing from the Partnership Firm with my own consent and willing. I am taking an amount of Rs. 28,30,000/- (Rupees Twenty Eight Lakh Thirty Thousand Only) received vide Cheque No. 146421 drawn on the Eenadu Cooperative Urban Bank Ltd, Beeramguda Branch, Malikarjuna Nagar, Medak District. Towards my partnership settlement and there are no immovable properties involved in the above said firm. I will not claim. In future too. Hence this Affidavit.

10. The Respondent submits that no disputes subsist between the parties out of the Retirement Deed dated 15.03.2023 and that the Applicant has no locus standi to nominate the Arbitrator. The Respondent

does not accept the name proposed by the Applicant to be appointed as an arbitrator. Article 12 of the Retirement Deed provides for appointment of Arbitrator to adjudicate disputes among partners of the firm, and as the Applicant was no longer a partner of the firm, he had no right to initiate the same under the said clause. Therefore, the Applicant filed the present application.

11. It is apt to note that as per Article 12 of the Retirement Deed, an arbitration agreement exists between the parties. It clearly states that all the disputes and differences, in connection with the said Deed arising between the parties shall be referred to arbitration.

12. On perusal of facts of the present case, *prima facie*, it is evident that there are arbitrable disputes between the Applicant and the Respondent. However, the Respondent contends that present application has been filed on account of fraud and misrepresentation of facts, and thereby liable to be dismissed. In this regard, reference is made to the Order passed by this Court in **Chitanuri Vijay Kumar v. M/s Sama Constructions**[1]**,** wherein the Court referred to the judgment of the

[1] Arbitration Application No. 68 of 2020

Hon'ble Supreme Court in **A. Ayyasamy v. A. Paramasivam**[2]. A distinction was drawn between *serious fraud* and *fraud simpliciter* arising out of disputes with regard to arbitrability of matters vitiated with fraud. The relevant paragraphs are extracted below:

> **15.** "Fraud" is a *knowing misrepresentation of the truth or concealment of a material fact to induce another to act to his detriment.* Fraud can be of different forms and hues. Its ingredients are an intention to deceive, use of unfair means, deliberate concealment of material facts, or abuse of position of confidence. The *Black's Law Dictionary* defines "fraud" as a concealment or false representation through a statement or conduct that injures another who relies on it [See *Ramesh Kumar* v. *Furu Ram*, (2011) 8 SCC 613 : (2011) 4 SCC (Civ) 303 (a decision rendered under the Arbitration Act, 1940).] . However, the moot question here which has to be addressed would be as to whether mere allegation of fraud by one party against the other would be sufficient to exclude the subject-matter of dispute from arbitration and decision thereof necessary by the civil court.
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> **18.** When the case involves serious allegations of fraud, the dicta contained in the aforesaid judgments would be understandable. However, at the same time, mere allegation of fraud in the pleadings by one party against the other cannot be a ground to hold that the matter is incapable of settlement by arbitration and should be decided by the civil court. The allegations of fraud should be such that not only these allegations are serious that in normal course these may even constitute criminal offence, they are also complex in nature and the decision on these issues demands extensive evidence for which the civil court should appear to be more appropriate forum than the Arbitral Tribunal. Otherwise, it may become a convenient mode of avoiding the process of arbitration by simply using the device of making allegations of fraud and pleading that issue of fraud needs to be decided by the civil court. The judgment in *N. Radhakrishnan* [*N. Radhakrishnan* v. *Maestro Engineers*, (2010) 1 SCC 72 : (2010) 1 SCC (Civ) 12] does not touch

[2] (2016) 10 SCC 386

upon this aspect and the said decision is rendered after finding that allegations of fraud were of serious nature.

25. In view of our aforesaid discussions, we are of the opinion that mere allegation of fraud simpliciter may not be a ground to nullify the effect of arbitration agreement between the parties. It is only in those cases where the court, while dealing with Section 8 of the Act, finds that there are very serious allegations of fraud which make a virtual case of criminal offence or where allegations of fraud are so complicated that it becomes absolutely essential that such complex issues can be decided only by the civil court on the appreciation of the voluminous evidence that needs to be produced, the court can sidetrack the agreement by dismissing the application under Section 8 and proceed with the suit on merits. It can be so done also in those cases where there are serious allegations of forgery/fabrication of documents in support of the plea of fraud or where fraud is alleged against the arbitration provision itself or is of such a nature that permeates the entire contract, including the agreement to arbitrate, meaning thereby in those cases where fraud goes to the validity of the contract itself of the entire contract which contains the arbitration clause or the validity of the arbitration clause itself. Reverse position thereof would be that where there are simple allegations of fraud touching upon the internal affairs of the party inter se and it has no implication in the public domain, the arbitration clause need not be avoided and the parties can be relegated to arbitration. While dealing with such an issue in an application under Section 8 of the Act, the focus of the court has to be on the question as to whether jurisdiction of the court has been ousted instead of focusing on the issue as to whether the court has jurisdiction or not. It has to be kept in mind that insofar as the statutory scheme of the Act is concerned, it does not specifically exclude any category of cases as non-arbitrable. Such categories of non-arbitrable subjects are carved out by the courts, keeping in mind the principle of common law that certain disputes which are of public nature, etc. are not capable of adjudication and settlement by arbitration and for resolution of such disputes, courts i.e. public fora, are better suited than a private forum of arbitration. Therefore, the inquiry of the Court, while dealing with an application under Section 8 of the Act, should be on the aforesaid aspect viz. whether the nature of dispute is such that it cannot be referred to arbitration, even if there is an arbitration agreement between the parties. When the case of fraud is set up by one of the parties and

> on that basis that party wants to wriggle out of that arbitration agreement, a strict and meticulous inquiry into the allegations of fraud is needed and only when the Court is satisfied that the allegations are of serious and complicated nature that it would be more appropriate for the Court to deal with the subject-matter rather than relegating the parties to arbitration, then alone such an application under Section 8 should be rejected.

13. In **Avitel Post Studioz Ltd. v. HSBC PI Holdings (Mauritius) Ltd.**[3], the Hon'ble Supreme Court held that the disputes related to fraud are arbitrable as long as the allegations of fraud do not permeate the existence of the agreement itself. "Fraud" includes fraud/cheating at the stage of formation of contract and at the stage of performance of contract. It was observed that it is arbitrable regardless of the stage at which it is alleged.

14. In light of the principles laid down in the aforesaid judgments, and application of the same to facts of the present case, the Respondent's contention as to misrepresentation made by the Applicant does not amount to serious fraud. Only if the fraud is of serious nature and has some implication in public domain, it may oust the jurisdiction of the arbitrator.

[3] (2021) 4 SCC 713

15. Coming to the facts of the present case, needless to state that the scope of enquiry under Section 11 of the Act at referral stage is confined to *prima facie* examine the existence of an arbitration agreement. There is no dispute that parties by incorporating Article 12 in the Retirement Deed dated 15.03.2023, had agreed to resolve their disputes through arbitration. The Respondent contends that the Applicant by virtue of being a retired partner cannot invoke Article 12 of the said Deed and does not have the *locus standi* to nominate an arbitrator. The said contention does not hold water. The arbitration clause clearly specifies that the disputes arising between the parties shall be referred to arbitration. It is nowhere stated that disputes between existing partners can only be referred to arbitration. The Applicant was a party to the said agreement, therefore, the questions as to the Applicant's right to invoke arbitration or *locus standi* do not arise.

16. In the light of the aforesaid discussion, the present Arbitration Application is allowed. Accordingly, **Sri D. Ravindra Sharma, Retired District and Sessions Judge, Mobile No.9848790929, H.No.13-10-95, Flat No.201, Vyshnavi Apartments, New Gaddiannaram,**

Hyderabad, is appointed as the Sole Arbitrator to adjudicate disputes between the parties. The parties are at liberty to take all the pleas and defences before the learned Sole Arbitrator.

Consequently, miscellaneous Petitions, pending if any, in this Arbitration Application, shall stand closed.

K. LAKSHMAN, J

Date:31.07.2026.

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