HC-KAR

NC: 2026:KHC:54134-DB
COMAP No. 202 of 2025

CNR: KAHC010237572025

IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 29TH DAY OF SEPTEMBER, 2026

PRESENT

THE HON'BLE MR. JUSTICE D K SINGH

AND

THE HON'BLE MR. JUSTICE H.SHANTHI BHUSHAN

COMMERCIAL APPEAL NO. 202 OF 2025

BETWEEN:

PRAGATI METALLURGICAL SERVICES
FORGING INSPECTION & CONSULTANT,
HAVING ITS OFFICE AT 26,
SANKALP HOUSING SOCIETY,
INDRAYANI NAGAR, BHOSARI, PUNE - 39
THROUGH ITS PROPRIETOR
MR. VASANT DESHMUKH

...APPELLANT

(BY SRI. VENKATESH P DALWAI, ADVOCATE)

AND:

1. THE STEEL AUTHORITY OF INDIA LTD.,
   VISHVASARAIYA IRON AND STEEL PLANT,
   A GOVERNMENT OF INDIA ENTERPRISES
   BHADRAVATI - 577 301
   THROUGH ITS DEPUTY GENERAL
   MANAGER CONTRACT CELL

2. HONBLE M.N. DHARWADKAR,
   DISTRICT AND SESSIONS JUDGE (RETD.)
   SOLE ARBITRATOR, ARBITRATION TRIBUNAL,
   KHANIJA BHAVAN, 3RD FLOOR,
   RACE COURSE ROAD, SHESHADRIPURAM,
   BENGALURU - 560 001.

...RESPONDENTS

Digitally signed by B VEENA KUMARI
Location: HIGH COURT OF KARNATAKA

THIS COMAP FILED UNDER SECTION 13(1-A) OF COMMERCIAL COURTS ACT, PRAYING TO A) SET ASIDE THE JUDGMENT AND ORDER DATED 30.01.2025 PASSED BY THE LEARNED 4TH ADDITIONAL DISTRICT AND SESSIONS JUDGE, SHIVAMOGGA,

SITTING AT BHADRAVATI IN COM.AP NO.5002/2023 AND B) CONSEQUENTLY, SET ASIDE THE IMPUGNED THE AWARD AND ORDER DATED 16.09.2021, PASSED IN ARBITRATION CASE NO.136/2020, BY LEARNED SOLE ARBITRATOR, I.E., RESPONDENT NO.2 AND ALLOW THE CLAIM MADE BY THE APPELLANT IN ARBITRATION CASE NO.136/2020.

THIS APPEAL, COMING ON FOR ADMISSION, THIS DAY, JUDGMENT WAS DELIVERED THEREIN AS UNDER:

CORAM: HON'BLE MR. JUSTICE D K SINGH
AND
HON'BLE MR. JUSTICE H.SHANTHI BHUSHAN

ORAL JUDGMENT

(PER: HON'BLE MR. JUSTICE H.SHANTHI BHUSHAN)

This Commercial Appeal is filed under Section 13(1) of the Commercial Courts Act, 2015, (**'Act 2015'**) read with Section 37(1) of the Arbitration and Conciliation Act, 1996, (**'Act 1996'**) challenging the judgment and order dated 30.01.2025 passed by the learned IV Additional District and Sessions Judge, Shivamogga, sitting at Bhadravathi, (**'Commercial Court'**) in COM.A.P. No. 5002/2023.

2. For the sake of convenience, and to avoid any confusion, the parties are referred to herein by their respective ranking before the Commercial Court.

I. <u>Before the Arbitral Tribunal – AC No.136/2020:</u>

<u>Facts of the claimant/petitioner:</u>

3. The petitioner, was entrusted with the work of finishing rolled materials after rolling and heat treatment, straightening and cutting of alloy and carbon steel forged products by the respondent - Steel Authority of India Limited, Visvesvaraya Iron and Steel Plant, Bhadravathi. The respondent had floated Tender No.381739 dated 05.10.2015, and the petitioner's bid came to be accepted by letter dated 25.04.2016. Accordingly, Work Order No.3820665 dated 26.04.2016 was issued for a period of three years commencing from 01.05.2016 and ending on 30.04.2019, for a total contract value of Rs.8,95,51,250/-.

4. The petitioner contended that under Condition No.12(8) of the Work Order read with Condition No.4.3 of the General Terms and Conditions of the Contract, it was required to pay wages to the workmen at the rates fixed by the appropriate Government from time to time under the Minimum Wages Act, 1948 (**'Act 1948'**). According to the petitioner, though it had initially proceeded on the basis that the

Government of Karnataka was the appropriate Government, the respondent, by its communication dated 26.09.2017, insisted that the Central Government Notifications were applicable and required the petitioner to pay wages accordingly.

5. It was the specific case of the petitioner that the revision in minimum wages during January 2017 and April 2017 had substantially increased its financial liability, particularly when the wages of skilled, semi-skilled and unskilled workers were revised. The petitioner asserted that the increase in January 2017 was to the extent of nearly 40%, resulting in an additional expenditure of Rs.26,70,280/- up to 31.10.2017. It was further contended that the respondent had reimbursed the additional statutory bonus payable on the revised wages, pursuant to its communication dated 20.09.2016, but had declined to reimburse the enhanced wages themselves.

6. The petitioner, therefore, issued a legal notice dated 02.03.2018 seeking reimbursement of Rs.26,70,280/- and further difference in wages payable during the remaining contract period. The respondent, by reply dated 30.03.2018, referred the petitioner to Clause 25 of the Contract. Claiming

that it had ultimately incurred an additional expenditure of Rs.72,10,119/- towards revised wages, apart from Rs.26,70,280/- towards interest, the petitioner sought recovery of Rs.98,80,399/- with further interest at 18% per annum.

Defence of the respondent:

7. The respondent resisted the claim contending that the contract between the parties was a concluded commercial arrangement, entered into after acceptance of the petitioner's bid for Rs.8,95,51,250/-, and the parties were bound by the Work Order dated 26.04.2016 and the General and Special Conditions forming part thereof. It was contended that Condition No.12(8) of the Work Order read with Condition No.4.3 specifically cast the responsibility upon the contractor to pay minimum wages, including dearness allowance, as notified by the appropriate Government from time to time. The liability to comply with statutory requirements relating to payment of wages, bonus, provident fund and other labour benefits was that of the petitioner.

8. The respondent further maintained that there was no provision in the contract for reimbursement of any

subsequent increase in minimum wages and that the petitioner, having accepted the contractual terms, could not seek enhancement of the accepted bid amount on account of the expenditure incurred in performing its contractual obligations.

9. The respondent also relied upon its communication dated 26.09.2017, wherein it had clarified that the Central Government was the appropriate Government in respect of Visvesvaraya Iron and Steel Plant and that the petitioner was required to pay wages in accordance with the notifications issued by the Government of India. The respondent specifically pointed out that the said communication had also made it clear that the contractor was not entitled to reimbursement of wages paid pursuant to subsequent Notifications.

10. It was further contended that the reimbursement of statutory bonus, pursuant to the letter dated 20.09.2016, was a specific arrangement relating to bonus and could not be treated as an admission of liability to reimburse enhanced wages. The respondent denied that such payment or its conduct could introduce a new term into the contract or confer upon the petitioner a right which was not provided under the

Work Order. It accordingly sought dismissal of the claim petition.

Points for consideration:

11. On the basis of the pleadings and the evidence placed on record, the Arbitral Tribunal has framed the following points for consideration:

1. *Whether claimant proves that, respondent is liable to pay increased wages, as prayed by the claimant?*
2. *Whether claimant further proves that, claimant is entitled to interest at 18% amounting to Rs.26,70,280.00 and cost of the proceedings?*
3. *Whether claimant further proves that there is an agreement between the parties for claim amount?*
4. *Whether claimant further proves that the notification of Central Government has no application to the contract between the parties?*
5. *Whether claimant proves that, the letter dated 26.09.2017 does not bind the claimant?*
6. *Whether claimant further proves that he is entitled for increased escalation charges?*
7. *Whether Respondent proves that, the claim petition is not maintainable?*
8. *Whether respondent proves that the claims made are with respect to a period prior to the contract?*
9. *Whether respondent proves that the petition is hit by principles of misjoinder of actions?*
10. *Whether respondent further proves that claim of the petitioner does not arise out of the contract?*
11. *Whether respondent further proves that contract having been granted on the basis of the lowest bid claimant cannot seek to increase the bid amount by this approach?*
12. *Whether respondent further proves that the reliefs sought does not arise out of the contract between the parties and hence deserves to be dismissed with cost?*
13. *Whether respondent further proves that claim is prematured?*
14. *What Order/what Award?*

Reasons for dismissal of the claim petition:

12. The learned Arbitrator, on consideration of the contractual documents, particularly Ex.C1, the Work Order No.3820665 and the correspondence exchanged between the parties, held that the petitioner had entered into the contract with full knowledge of the conditions governing the work. Condition No.12(8) of the Work Order read with Condition No.4.3 of the General Terms and Conditions required the petitioner to pay minimum wages as fixed by the appropriate Government from time to time.

13. The obligation was not restricted to the rates prevailing on the date of entering into the contract. On the contrary, the expression employed in the contractual condition clearly contemplated subsequent revisions also. The petitioner had accepted the said condition and had undertaken the work for the agreed consideration of Rs.8,95,51,250/-. The Arbitrator, therefore, found that the subsequent increase in minimum wages, by itself, would not create an additional contractual liability upon the respondent, particularly when the

contract did not contain any escalation or reimbursement clause in that regard.

14. The learned Arbitrator also considered the correspondence dated 26.09.2017 issued by the Assistant Manager, Contract Cell, wherein the respondent had specifically clarified that the Central Government was the appropriate Government and that the petitioner was required to follow the notifications issued by the Government of India. The said communication further clarified that the petitioner was not entitled to reimbursement of the wages paid to its workers on account of such notifications. The Arbitrator noticed that the petitioner had not produced the subsequent letter dated 05.08.2017 addressed to the General Manager, in response to which the clarification was issued.

15. The petitioner's reliance upon the judgment in ***Steel Authority of India Ltd. v. National Union Waterfront Workers and Others***[1] was also considered, but the Arbitrator found that the said decision, dealing with the appropriate Government in the context of contract labour, did not advance

[1] (2001) 7 SCC 1

the petitioner's case in the manner suggested. The fact that the respondent had reimbursed Rs.34,438.08 towards enhanced statutory bonus, or the other amount referred to in the petitioner's pleadings, could not be construed as an acceptance of liability to reimburse the increased wages, since the two liabilities arose under different contractual and statutory considerations.

16. The learned Arbitrator further held that the burden was upon the petitioner to establish the respondent's liability to pay the enhanced wages and not merely to establish that such amounts had actually been disbursed to the workmen. Even assuming that the petitioner had incurred the expenditure of Rs.72,10,119/- towards revised wages, the same would not entitle it to recover the amount from the respondent in the absence of a contractual provision.

17. The petitioner, having participated in the tender and accepted the Work Order, could not seek to alter the agreed consideration on the ground that the subsequent notifications had increased its expenditure. The claim for interest of Rs.26,70,280/- was consequential and could not survive once

the principal claim itself was found not maintainable. Accordingly, the learned Arbitrator answered the material points against the petitioner and dismissed the claim petition with costs by award dated 16.09.2021.

18. Aggrieved by the award dated 16.09.2021 passed in AC No.136/2020, the petitioner preferred Com.A.P.No.5002/2023 under Section 34 of the Arbitration and Conciliation Act, 1996, before the IV Additional District and Sessions Judge, Shivamogga, sitting at Bhadravathi, seeking to set aside the award.

II. Proceedings under Section 34 of the Arbitration and Conciliation Act, 1996 – Com.A.P. No.5002/2023: Contentions of the petitioner

19. The petitioner contended that the learned Arbitrator had failed to appreciate the effect of the revision of minimum wages during the contract period, particularly the substantial increase of nearly 40% in January 2017. It was argued that such an increase could not have been reasonably anticipated when the contract was entered into on 26.04.2016 and that the petitioner had no option but to comply with the

statutory notifications and disburse the revised wages to its workers.

20. The petitioner further contended that Condition No.3.6 and Condition No.4.3 of the contract, requiring compliance with labour laws and payment of minimum wages, had been wrongly interpreted by the learned Arbitrator. According to the petitioner, the contractual obligation to pay revised wages could not be interpreted as relieving the respondent of its corresponding financial liability.

21. The petitioner further contended that the respondent had reimbursed the additional statutory bonus paid on the revised wages and that such conduct clearly demonstrated its acceptance of the financial consequences arising out of the revision in wages. Reliance was placed upon the evidence of RW.1, who, according to the petitioner, had not disputed the revision of minimum wages and had stated that he was not aware of the reimbursement of the excess bonus amount. It was argued that the learned Arbitrator had failed to appreciate this material admission and had mechanically

proceeded on the basis that there was no specific reimbursement clause in the Contract.

22. The petitioner also relied upon the legal notice dated 02.03.2018 and the reply dated 30.03.2018, contending that the respondent had not specifically denied the demand but had merely referred to Clause 25 relating to arbitration. It was therefore submitted that the award suffered from patent illegality, was opposed to the principles of equity and justice and was liable to be set aside under Section 34 of the Act, 1996.

Defence of the respondent:

23. The respondent entered appearance and opposed the petition, supporting the award passed by the learned Arbitrator. It was contended that the petitioner was attempting to reopen the contractual dispute and seek a fresh appreciation of the evidence, which was impermissible in proceedings under Section 34 of the Act, 1996. The respondent submitted that the Work Order dated 26.04.2016, the Letter of Acceptance dated 25.04.2016 and the other contractual documents did not contain any provision for reimbursement of enhanced minimum

wages. On the contrary, Condition No.4.3 placed the responsibility upon the contractor to ensure payment of minimum wages, including dearness allowance, as in force from time to time.

24. The petitioner had accepted the tender with these conditions and could not subsequently claim an enhancement of the contract value merely because the statutory wages underwent revision during the period of execution. The respondent further maintained that the payment made towards statutory bonus was referable to the specific arrangement in that regard and could not be treated as an amendment of the contract or an acknowledgment of liability to reimburse enhanced wages.

25. The respondent also contended that the clarification dated 26.09.2017 had specifically informed the petitioner about the applicability of the Central Government Notifications and the absence of any entitlement to reimbursement under the Work Order. It was argued that the petitioner had not established any subsequent agreement between the parties modifying the original contractual

conditions. The mere fact that the petitioner had incurred expenditure towards payment of revised wages would not create a corresponding liability upon the respondent.

26. It was further submitted that the learned Arbitrator had considered the documentary and oral evidence, including the relevant contractual clauses and the correspondence, and had arrived at a possible and reasoned conclusion. No ground contemplated under Section 34(2) of the Act,1996 much less patent illegality or violation of public policy, had been made out. The respondent accordingly sought dismissal of the arbitration petition.

III. Judgment in Com.A.P. No.5002/2023

27. The Commercial Court, upon consideration of the rival pleadings and the material available on record, framed the point as to whether the petitioner had established any ground warranting interference with the award dated 16.09.2021 passed in AC No.136/2020. While examining the contractual documents, the Court noticed that the petitioner and the respondent were signatories to the Work Order and the related correspondence, including Ex.C1 to Ex.C4.

28. The Court found that none of the said documents contained a specific stipulation requiring the respondent to reimburse any increase in minimum wages notified during the contract period. Condition No.4.3, on the other hand, expressly required the contractor to ensure payment of minimum wages, including dearness allowance, as in force from time to time.

29. The petitioner had also not pleaded or established that a subsequent agreement had been entered into between the parties providing for reimbursement of enhanced wages. The Court further observed that the petitioner, having obtained the contract as the lowest bidder for Rs.8,95,51,250/-, could not seek an increase in the accepted bid amount in the absence of a corresponding contractual provision.

30. The Commercial Court also considered the contention relating to reimbursement of enhanced statutory bonus. It held that the reimbursement of bonus, pursuant to the respondent's letter dated 20.09.2016, could not be treated as an implied modification of the contract so as to create a liability for reimbursement of enhanced minimum wages. The Court noticed that the respondent's communication dated

26.09.2017 had specifically clarified that the Central Government was the appropriate Government for Visvesvaraya Iron and Steel Plant and that the contractor was not entitled to reimburse the wages paid pursuant to subsequent Notifications.

31. The Court also considered the petitioner's reliance upon the decision in ***Steel Authority of India Ltd.*** (*supra*) and found that the said decision did not establish the petitioner's entitlement for reimbursement under the contract in question. The contention that the respondent had not specifically denied the demand made in the legal notice dated 02.03.2018 was also not sufficient to establish a contractual liability, particularly when the respondent's reply dated 30.03.2018 had referred the petitioner to the arbitration mechanism under Clause 25. The Court, therefore, found no reason to displace the findings recorded by the learned Arbitrator.

32. While considering the scope of interference under Section 34 of the Act, 1996, the Commercial Court held that the Court exercising jurisdiction under the said provision was not sitting in appeal over the award and could not undertake a

fresh appraisal of the evidence merely because another view was possible. The Court found that the learned Arbitrator had afforded sufficient opportunity to both parties, considered the pleadings, documentary evidence and oral evidence and had assigned reasons for rejecting the claim.

33. No material was placed before the Court to establish that the award was contrary to the fundamental policy of Indian law, the interests of India, justice or morality, or suffered from patent illegality warranting interference.

34. The Court accordingly answered the point in the negative and dismissed Com.A.P. No.5002/2023, holding that the petitioner had failed to establish any of the grounds contemplated under Section 34 of the Act. The award dated 16.09.2021 passed in AC No.136/2020 was consequently left undisturbed by judgment dated 30.01.2025.

35. Aggrieved by the judgment dated 30.01.2025 passed in Com.A.P. No.5002/2023, whereby the Commercial Court rejected the challenge to the arbitral award dated 16.09.2021 passed in AC No.136/2020, the petitioner/appellant

has preferred the present appeal under Section 13(1) of the Commercial Courts Act, 2015, read with Section 37(1) of the Arbitration and Conciliation Act, 1996.

GROUNDS OF APPEAL IN 202/2025:

36. The petitioner contends that the Commercial Court failed to appreciate the effect of Condition No.12(8) of the Work Order dated 26.04.2016 and Condition No.4.3 of the General Terms and Conditions, which required payment of minimum wages as revised by the appropriate Government from time to time. It is urged that the increase in minimum wages notified by the Central Government during the subsistence of the contract from 01.05.2016 to 30.04.2019, particularly the revision in January 2017, resulted in additional expenditure for the petitioner, and the same was not properly considered by the Arbitral Tribunal or the Commercial Court.

37. The petitioner further contends that the letter dated 26.09.2017, the reimbursement of statutory bonus under communication dated 20.09.2016, and the evidence of RW.1 were not properly appreciated while deciding its claim for Rs.72,10,119/- towards enhanced wages and the consequential

claim for interest. According to the petitioner, the findings recorded by the Arbitral Tribunal are contrary to the contractual conditions and the material on record, amounting to patent illegality within the meaning of Section 34(2A) of the Act, 1996; the Commercial Court, having failed to examine these aspects, has erroneously dismissed Com.A.P. No.5002/2023.

38. The petitioner, therefore, seeks to set aside the judgment dated 30.01.2025 and, consequently, the arbitral award dated 16.09.2021 passed in AC No.136/2020.

39. We have heard the learned counsel Sri. Dalwai Venkatesh appearing for the petitioner. Upon consideration of the pleadings, the records placed before this Court and the submissions advanced on behalf of the petitioner, the following point arises for our consideration:

> *"Whether the petitioners have made out any ground warranting interference with the* arbitral award dated 16.09.2021 passed in AC No.136/2020 and the *order of the commercial court in* Com.A.P. No.5002/2023 *dated 30.01.2025?"*

REASONS AND CONCLUSION:

40. We have heard the learned counsel appearing for the petitioner and have perused the award dated 16.09.2021

passed in AC No.136/2020 and the judgment dated 30.01.2025 passed in Com.A.P. No.5002/2023.

41. The dispute essentially relates to the claim made by the petitioner for reimbursement of the enhanced minimum wages paid to its workmen during the subsistence of the contract entered into with the respondent. The petitioner had sought reimbursement of Rs.72,10,119/- towards enhanced wages and Rs.26,70,280/- towards interest, apart from further interest at 18% per annum. The learned Arbitrator, upon consideration of the Work Order dated 26.04.2016 and the conditions governing the contract, rejected the claim. The Commercial Court, on examining the grounds urged under Section 34 of the Act, 1996, found no justification to set aside the award. The question before us is not whether another view could have been taken on the claim, but whether the Commercial Court has committed any error in declining to exercise jurisdiction under Section 34 of the Act, 1996.

42. The principal contention urged by the petitioner is that the learned Arbitrator failed to appreciate the substantial revision in minimum wages during January 2017 and the

subsequent period, particularly when the petitioner was required to comply with the notifications issued by the Central Government. This aspect has been considered by the Commercial Court with reference to Condition No.12(8) of the Work Order and Condition No.4.3 of the General Terms and Conditions.

43. The contract dated 26.04.2016 itself required the petitioner to pay minimum wages, including dearness allowance, as notified by the appropriate Government from time to time. The petitioner had accepted the contract for a total consideration of Rs.8,95,51,250/- and there was no provision in the agreement for reimbursement of the difference arising out of subsequent revision of wages.

44. The Commercial Court has rightly noticed that the statutory obligation of the petitioner to pay revised wages cannot, by itself, be converted into a contractual obligation on the part of the respondent to reimburse the same. We do not find any perversity in the said reasoning.

45. The other contention relates to the reimbursement of enhanced statutory bonus by the respondent pursuant to its communication dated 20.09.2016. According to the petitioner, when the respondent had reimbursed the additional bonus payable on the revised wages, it could not have declined the corresponding claim towards enhanced wages.

46. We are unable to accept the said contention. The reimbursement of statutory bonus pursuant to a specific communication cannot be extended to an altogether different liability, particularly when the Work Order does not contain any corresponding stipulation for reimbursement of enhanced wages.

47. The Commercial Court has also taken note of the communication dated 26.09.2017, wherein the respondent clarified the applicability of the Central Government Notifications and the liability of the contractor to comply with the same. The alleged admission of RW.1 regarding his lack of knowledge of the bonus reimbursement does not establish any contractual undertaking on the part of the respondent to pay

the enhanced wages. The finding recorded by the Commercial Court on this aspect does not call for interference.

48. It is also contended that the learned Arbitrator failed to consider the legal notice dated 02.03.2018 demanding Rs.26,70,280/- and the reply dated 30.03.2018 issued by the respondent. The said contention has also been dealt with in the impugned judgment. Merely because the respondent, in its reply, referred to Clause 25 of the contract providing for conciliation and arbitration, it cannot be construed as an admission of the monetary liability claimed by the petitioner. The petitioner was required to establish its entitlement under the contract and not merely the expenditure incurred by it in paying revised wages to its workmen.

49. Even assuming that the amount claimed was actually disbursed, the same would not establish the liability of the respondent in the absence of a contractual provision. The Commercial Court has considered the relevant documents and the findings of the learned Arbitrator in this regard. We do not find that any material aspect has been left out of consideration

so as to constitute patent illegality within the meaning of Section 34(2A) of the Act, 1996.

50. At this stage, it is necessary to notice the settled position of law governing the jurisdiction of this Court under Section 37 of the Act, 1996. The appellate jurisdiction under Section 37 cannot travel beyond the restrictions imposed under Section 34 of the Act, 1996. In **MMTC Ltd. v. Vedanta Ltd.**[2], the Supreme Court has categorically held that the appellate Court cannot undertake an independent assessment of the merits of the award and its examination is confined to ascertaining whether the Court exercising jurisdiction under Section 34 of the Act, 1996 has exceeded the scope of that provision. The relevant paragraph of the judgment is extracted below:

> *"14. As far as interference with an order made under Section 34, as per Section 37, is concerned, it cannot be disputed that such interference under Section 37 cannot travel beyond the restrictions laid down under Section 34. In other words, the court cannot undertake an independent assessment of the merits of the award, and must only ascertain that the exercise of power by the court under Section 34 has not exceeded the scope of the provision. Thus, it is evident that in case an arbitral award has been confirmed by the court under Section 34 and by the*

[2] (2019) 4 SCC 163

court in an appeal under Section 37, this Court must be extremely cautious and slow to disturb such concurrent findings."

51. The same principle has been reiterated in **Konkan Railway Corporation Ltd. v. Chenab Bridge Project Undertaking**[3], wherein it is held that the jurisdiction under Sections 34 and 37 is not akin to ordinary appellate jurisdiction and that a mere possibility of an alternative view on facts or interpretation of the contract would not justify interference. The principle laid down therein squarely applies to the facts of the present case.

52. Further, in ***Punjab State Civil Supplies Corpn. Ltd. and Another v. Sanman Rice Mills and Others***[4]**,** the Supreme Court has made it clear that the appellate Court under Section 37 of the Act, 1996 can interfere only where the Court exercising jurisdiction under Section 34 of the Act, 1996 has failed to exercise the jurisdiction vested in it or has travelled beyond the permissible limits. The relevant paragraphs of the judgment have been extracted as below.

"20. In view of the above position in law on the subject, the scope of the intervention of the

[3] (2023) 9 SCC 85
[4] 2024 SCC OnLine SC 2632

court in arbitral matters is virtually prohibited, if not absolutely barred and that the interference is confined only to the extent envisaged under Section 34 of the Act. The appellate power of Section 37 of the Act is limited within the domain of Section 34 of the Act. It is exercisable only to find out if the court, exercising power under Section 34 of the Act, has acted within its limits as prescribed thereunder or has exceeded or failed to exercise the power so conferred. The Appellate Court has no authority of law to consider the matter in dispute before the arbitral tribunal on merits so as to find out as to whether the decision of the arbitral tribunal is right or wrong upon reappraisal of evidence as if it is sitting in an ordinary court of appeal. It is only where the court exercising power under Section 34 has failed to exercise its jurisdiction vested in it by Section 34 or has travelled beyond its jurisdiction that the appellate court can step in and set aside the order passed under Section 34 of the Act. Its power is more akin to that superintendence as is vested in civil courts while exercising revisionary powers. The arbitral award is not liable to be interfered unless a case for interference as set out in the earlier part of the decision, is made out. It cannot be disturbed only for the reason that instead of the view taken by the arbitral tribunal, the other view which is also a possible view is a better view according to the appellate court.

21. It must also be remembered that proceedings under Section 34 of the Act are summary in nature and are not like a full-fledged regular civil suit. Therefore, the scope of Section 37 of the Act is much more summary in nature and not like an ordinary civil appeal. The award as such cannot be touched unless it is contrary to the substantive provision of law; any provision of the Act or the terms of the agreement."

53. The same approach finds support in ***Bombay Slum Redevelopment Corporation Pvt. Ltd. v. Samir Narain Bhojwani***[5]. We may also refer to **Somdatt Builders-NCC-NEC (JV) v. National Highway Authority of India**[6], wherein the Supreme Court reiterated the necessity of restraint while examining arbitral awards and held that the Court cannot substitute its own interpretation of the contractual terms merely because another interpretation is possible. The subsequent decision in **Jan De Nul Dredging India (P) Ltd. v. Tuticorin Port Trust**[7]**,** reiterates that the jurisdiction under Section 37 of the Act, 1996 remains confined to examining whether the Court under Section 34 of the Act, 1996 has acted within the limits of its jurisdiction.

54. Applying these principles, we find that the Commercial Court has examined the grounds raised by the petitioner and has assigned reasons for rejecting each of the material contentions. There is no occasion for this Court to undertake a fresh examination of the evidence or give a different interpretation to the contractual conditions.

---

[5] (2024) 7 SCC 218
[6] (2025) 6 SCC 757
[7] (2026) 3 SCC 186

55. Most recently, in, **Saisudhir Energy Ltd. v. NTPC Vidyut Vyapar Nigam Ltd.,**[8] the Supreme Court reiterated the circumscribed role of the appellate court under Section 37 of the Act, 1996 holding as under:

> *"18. ...The modification in the amount of reasonable compensation by the Division Bench is merely a substitution of its view in place of the plausible view taken by the learned Single Judge. Such course of taking a different view of the same matter from the one taken under Section 34 of the Act of 1996 would be beyond the scope of Section 37 of the Act of 1996. As held in AC Chokshi Share Broker Private Limited vs. Jatin Pratap Desai and another..., the Court under Section 37 must only determine whether the Section 34 Court had exercised its jurisdiction properly and rightly, without exceeding its scope."*

56. The principle that the appellate Court under Section 37 of the Act, 1996 cannot re-examine the merits or substitute its own interpretation for a plausible view taken by the Section 34 of the Act, 1996 Court applies with full force to the present appeal.

57. On an overall consideration of the matter, we find that the learned Arbitrator has considered the Work Order

[8] 2026 SCC OnLine SC 125

dated 26.04.2016, the relevant contractual conditions and the correspondence exchanged between the parties and has arrived at a conclusion which is a possible view on the material placed before the Tribunal.

58. The Commercial Court, in turn, has examined the challenge with reference to the grounds available under Section 34 of the Act, 1996 and has recorded its reasons in paragraphs 38 to 43 of the impugned judgment.

59. The petitioner has not been able to demonstrate that the Commercial Court has exceeded its jurisdiction, failed to consider any ground falling within Section 34 of the Act, 1996 or sustained an award suffering from patent illegality.

60. The grounds now urged are substantially an attempt to seek reconsideration of the very same factual and contractual issues which have already been considered by the learned Arbitrator and the Commercial Court.

61. We find no grounds whatsoever to interfere with the well-reasoned judgment dated 30.01.2025 passed in Com.A.P. No.5002/2023. Accordingly, the following:

ORDER

1. The appeal is devoid of merits and stands ***dismissed***.
2. The judgment dated 30.01.2025 passed by the learned IV Additional District and Sessions Judge, Shivamogga, sitting at Bhadravati in Com.A.P.No.5002/2023 is ***affirmed***.

   No order as to costs.

Sd/-
(D K SINGH)
JUDGE

Sd/-
(H.SHANTHI BHUSHAN)
JUDGE

BVK
List No.: 1 Sl No.: 18