

REPORTABLE**IN THE SUPREME COURT OF INDIA****CIVIL APPELLATE JURISDICTION****CIVIL APPEAL NO. 9106 OF 2019****(Arising out of Special Leave Petition (C) No. 22324/2018)****M/S DEEP INDUSTRIES LIMITED****Appellant(s)****VERSUS****OIL AND NATURAL GAS CORPORATION LIMITED & ANR. Respondent(s)****J U D G M E N T****R.F. Nariman, J.**

- 1) Leave granted.
- 2) The present appeal raises important questions relating to the High Court's exercise of jurisdiction under Article 227 of the Constitution of India when it comes to matters that are decided under the Arbitration and Conciliation Act, 1996 ("the Act" for short).
- 3) In the present case, the respondent-Oil and Natural Gas Corporation Limited (for short "ONGC") awarded a contract to the appellant for supply of one Mobile Air Compressor for a period of five years. Shortly after entering into the contract, the contract was terminated on 11.10.2017 by the ONGC on the ground that some part of the equipment was not new but only second hand. This position was disputed by the appellant. On the very next day, i.e. on 12.10.2017, the Vendor Code of the appellant was blocked, meaning thereby,

that the appellant would be unable to bid for any other further bids floated by the ONGC. On 18.10.2017, a Show Cause Notice was issued by the ONGC to the appellant asking the appellant why it should not be put "on Holiday" i.e. black listed for a period of two years.

4) Since disputes had arisen between the parties, the appellant invoked the arbitration clause contained in the contract on 02.11.2017. This notice is the subject-matter of dispute before the Arbitrator as well as before this Court and will be adverted to subsequently. Pursuant to the notice, one Justice J.C. Upadhyaya (Retd. High Court Judge) was appointed as a Sole Arbitrator to decide the disputes between the parties on 21.12.2017. On 02.02.2018, a claim petition was filed by the appellant before the learned Arbitrator in which the termination of the contract/show cause notice was challenged and damages claimed. After this claim petition was filed, on 15.02.2018, the appellant was blacklisted by an order passed by the ONGC with effect from 11.10.2017 for a period of two years. Meanwhile, a Section 17 application was also been moved before the learned Arbitrator. Applications were then moved by the appellant to amend both the petition as well as the Section 17 application to challenge this order dated 15.02.2018, which amendments were granted by the learned Arbitrator on 10.03.2018.

5) Meanwhile, a Section 16 application was before the learned Arbitrator basically on the ground that since the

arbitration notice was confined only to termination of the agreement, blacklisting would be outside the Arbitrator's ken. This Section 16 application was dismissed on 09.05.2018 by the learned Arbitrator, in which the learned Arbitrator held that the notice dated 02.11.2017 was not merely confined to termination of the contract but was also in respect of the two year ban that was sought to be imposed at that time. He further held that the ban order was relatable to Clause 18 of the contract and that therefore the validity of the 15.02.2018 office order could be decided by him, and consequently dismissed the Section 16 application filed by the respondent.

6) On the same day i.e. 09.05.2018, the Section 17 application was separately disposed of by the learned Arbitrator, in which the learned Arbitrator stayed the operation of the order dated 15.02.2018 on condition that the two year ban will only operate if the appellant ultimately loses in the final arbitration proceedings.

7) An appeal against the Section 17 Order was filed and disposed of by the City Civil Court, Ahmedabad on 31.05.2018 by which the learned Arbitrator's order was upheld. Consequently, the first appeal filed under Section 37 was dismissed. At this stage, and which is the major bone of contention between the parties before us, a Special Civil Application being Application No. 9305/2018 was filed under Article 227 of the Constitution of India before the High Court Gujarat at Ahmedabad in which the City Civil Court's

order was challenged. By the impugned judgment dated 25.07.2018, the High Court of Gujarat referred to a preliminary contention raised on behalf of the petitioner that the petition filed under Article 227 should be dismissed at the threshold as it did not raise any jurisdictional issue. The High Court, without answering this question, then went on to state that the ban order had, in fact, been passed under a General Contract Manual and not under Clause 18 of the Agreement as a result of which serious disputes arose as to the jurisdiction of the Arbitrator to deal with the same. It was also held on a reading of the notice for arbitration that the notice did not raise the issue of the ban for two years and was confined only to illegal termination. The High Court finally held that no stay could possibly have been granted under Section 17 of the ban order as an injunction cannot be granted in cases where the party can be compensated later in damages. This being the case, the Writ Petition was allowed and the Ahmedabad City Civil Court's order was set aside.

8) Mr. Mukul Rohatgi, learned senior counsel appearing for the appellant has argued that the High Court referred to the preliminary objection before it but did not answer the same. He took us painstakingly through the Act, in particular, to the provisions of Sections 5 and 37 and argued that given the non-obstante clause contained in Section 5 together with the constricted right of first appeal under Section 37, and the denial of the right of second appeal, that a second bite

at the cherry would not be permissible under any circumstances, and that despite the fact that Section 5 of the Act could not possibly interdict a constitutional provision, namely, Article 227, yet the statutory scheme ought to be taken into account in order to deny relief in almost every case. For this purpose, he relied upon this Court's judgment in SBP & Co. vs. Patel Engineering Ltd. & Another, (2005) 8 SCC 618. He also relied upon Fuerst Day Lawson Limited vs. Jindal Exports Limited, (2011) 8 SCC 333 for the proposition that the Act is a self-contained Code as a result of which not only would second appeals be interdicted expressly under Section 37(2) of the Act but appeals filed under the Letters Patent would also be so interdicted. He was at pains to point out that even under Section 115 C.P.C. as amended, a revision would lie only in cases where no appeal lies, and under the proviso inserted with effect from 2002, no revision petition would be maintainable against interlocutory orders. He then took us through the impugned judgment, and stated that the observations made on merits were themselves erroneous and that "serious disputes as to jurisdiction" would not amount to lack of jurisdiction. He also stated that, at best, there can be stated to be a mere error of law, which could not, in any case, be interfered with under Article 227 of the Constitution of India.

9) Mr. K.M. Nataraj, learned Additional Solicitor General appearing on behalf of the respondent, took us through the

facts and was at pains to point out that under the relevant clause of the contract, which is Clause 27.1, the notice invoking the arbitration must specify all points of dispute with the details of the amount claimed at the time of invocation of arbitration and not thereafter. He stressed the fact that even a cursory reading of the notice dated 02.11.2017 would show that it was confined to illegal termination and did not raise any plea as to the ban that was imposed for two years. He further went on to distinguish the *SBP & Co. (supra)* stating that it only applied at a stage where an order of the Arbitral Tribunal was sought to be interfered with directly under Article 226/227, in which context the seven-Judge bench made its observations. The present is a case where the Tribunal's orders had travelled to the first appellate court, which appeal was then dismissed, as a result of which the first appellate court's order came directly under the supervisory jurisdiction of the High Court under Article 227. He then referred to *Punjab Agro Industries Corporation Limited vs. Kewal Singh Dhillon*, (2008) 10 SCC 128 which is a judgment which distinguished *SBP & Co. (supra)* in a case in which an article 227 petition was held to be maintainable against an order rejecting a Section 11 application for appointment of an Arbitrator. He then referred to several judgments stating that the power under Article 227, though to be sparingly exercised, can certainly be exercised in cases of patent lack of jurisdiction, and that the present case is

one such. He then defended the judgment under appeal stating that the judgment under appeal correctly held that in the circumstances of the present case no stay order could possibly have been granted by the Arbitrator under Section 17 on the basis of fundamental principles contained in the Specific Relief Act, in that damages could always be granted, and that therefore, the injunction granted in the facts of the present case should have been denied.

10) Having heard learned counsel for both parties, it is first necessary to set out certain provisions of the Arbitration & Conciliation Act, 1996.

Section 5 states:-

"5. Extent of judicial intervention.- Notwithstanding anything contained in any other law for the time being in force, in matters governed by this Part, no judicial authority shall intervene except where so provided in this Part."

Section 37 which is also material states as follows:-

"37. Appealable orders.- (1) An appeal shall lie from the following orders (and from no others) to the Court authorized by law to hear appeals from original decrees of the Court passing the order, namely:-

- (a) refusing to refer the parties to arbitration under section 8;
- (b) granting or refusing to grant any measure under section 9;
- (c) setting aside or refusing to set aside an arbitral award under section 34.

(2) An appeal shall also lie to a Court from an order granting of the arbitral tribunal.-

- (a) accepting the plea referred in sub-section (2) or sub-section (3) of section 16; or
- (b) granting or refusing to grant an interim measure under section 17.

(3) No second appeal shall lie from an order

passed in appeal under this section, but nothing in this section shall affect or take away any right to appeal to the Supreme Court.”

What is also important to note is that under Section 29A of the Act which was inserted by the Amendment Act, 2016 a time limit was made within which arbitral awards must be made, namely, 12 months from the date the arbitral tribunal enters upon the reference. Also, it is important to note that even so far as Section 34 applications are concerned, Section 34(6) added by the same amendment states that these applications are to be disposed of expeditiously, and in any event, within a period of one year from the date on which the notice referred to in sub-section (5) is served upon the other parties.

11) Given the aforesaid statutory provision and given the fact that the 1996 Act repealed three previous enactments in order that there be speedy disposal of all matters covered by it, it is clear that the statutory policy of the Act is that not only are time limits set down for disposal of the arbitral proceedings themselves but time limits have also been set down for Section 34 references to be decided. Equally, in Union of India vs. M/s Varindera Const. Ltd., dated 17.09.2018, disposing of SLP (C) No. 23155/2013, this Court has imposed the self-same limitation on first appeals under Section 37 so that there be a timely resolution of all matters which are covered by arbitration awards.

12) Most significant of all is the non-obstante clause contained in Section 5 which states that notwithstanding anything contained in any other law, in matters that arise under Part I of the Arbitration Act, no judicial authority shall intervene except where so provided in this Part. Section 37 grants a constricted right of first appeal against certain judgments and orders and no others. Further, the statutory mandate also provides for one bite at the cherry, and interdicts a second appeal being filed (See Section 37(2) of the Act)

13) This being the case, there is no doubt whatsoever that if petitions were to be filed under Articles 226/227 of the Constitution against orders passed in appeals under Section 37, the entire arbitral process would be derailed and would not come to fruition for many years. At the same time, we cannot forget that Article 227 is a constitutional provision which remains untouched by the non-obstante clause of Section 5 of the Act. In these circumstances, what is important to note is that though petitions can be filed under Article 227 against judgments allowing or dismissing first appeals under Section 37 of the Act, yet the High Court would be extremely circumspect in interfering with the same, taking into account the statutory policy as adumbrated by us herein above so that interference is restricted to orders that are passed which are patently lacking in inherent jurisdiction.

14) In Nivedita Sharma vs. Cellular Operators Association of India and Others, (2011) 14 SCC 337, this Court referred to several judgments and held:

"11. We have considered the respective arguments/submissions. There cannot be any dispute that the power of the High Courts to issue directions, orders or writs including writs in the nature of habeas corpus, certiorari, mandamus, quo warranto and prohibition under Article 226 of the Constitution is a basic feature of the Constitution and cannot be curtailed by parliamentary legislation - *L. Chandra Kumar v. Union of India* (1997) 3 SCC 261. However, it is one thing to say that in exercise of the power vested in it under Article 226 of the Constitution, the High Court can entertain a writ petition against any order passed by or action taken by the State and/or its agency/instrumentality or any public authority or order passed by a quasi-judicial body/authority, and it is an altogether different thing to say that each and every petition filed under Article 226 of the Constitution must be entertained by the High Court as a matter of course ignoring the fact that the aggrieved person has an effective alternative remedy. Rather, it is settled law that when a statutory forum is created by law for redressal of grievances, a writ petition should not be entertained ignoring the statutory dispensation.

12. In *Thansingh Nathmal v. Superintendent of Taxes* AIR 1964 SC 1419, this Court adverted to the rule of self-imposed restraint that the writ petition will not be entertained if an effective remedy is available to the aggrieved person and observed:

"7... The High Court does not therefore act as a court of appeal against the decision of a court or tribunal, to correct errors of fact, and does not by assuming jurisdiction under Article 226 trench upon an alternative remedy provided by statute for obtaining relief. Where it is open to the aggrieved petitioner to move another tribunal, or even itself in another jurisdiction for obtaining redress in the manner provided by a statute, the High Court normally will not permit by entertaining a

petition under Article 226 of the Constitution the machinery created under the statute to be bypassed, and will leave the party applying to it to seek resort to the machinery so set up."

13. In *Titaghur Paper Mills Co. Ltd. v. State of Orissa* (1983) 2 SCC 433, this court observed:

"11. It is now well recognised that where a right or liability is created by a statute which gives a special remedy for enforcing it, the remedy provided by that statute only must be availed of. This rule was stated with great clarity by Willes, J. in *Wolverhampton New Waterworks Co. v. Hawkesford* (1859) 6 CBNS 336 : 141 ER 486 in the following passage: '... '... There are three classes of cases in which a liability may be established founded upon a statute But there is a third class, viz., where a liability not existing at common law is created by a statute which at the same time gives a special and particular remedy for enforcing it. The remedy provided by the statute must be followed, and it is not competent to the party to pursue the course applicable to cases of the second class. The form given by the statute must be adopted and adhered to.'

The rule laid down in this passage was approved by the House of Lords in *Neville v. London Express Newspapers Ltd.* 1919 AC 368 : (1918-19) 10 All ER Rep. 61 (HL) and has been reaffirmed by the Privy Council in *Attorney General of Trinidad and Tobago v. Gordon Grant and Co. Ltd* 1935 AC 532 (PC) and *Secy. of State v. Mask and Co.* (1939-40) 67 IA 222 : AIR 1940 PC 105. It has also been held to be equally applicable to enforcement of rights, and has been followed by this Court throughout. The High Court was therefore justified in dismissing the writ petitions in limine."

14. In *Mafatlal Industries Ltd. v. Union of India* (1997) 5 SCC 536, B.P. Jeevan Reddy, J. (speaking for the majority of the larger Bench) observed:

"77. ... So far as the jurisdiction of the High Court under Article 226 - or for that matter, the jurisdiction of this Court under Article 32 - is concerned, it is obvious that the provisions of the Act cannot bar and curtail these remedies. It is, however, equally obvious that while exercising the power under Article

226/Article 32, the Court would certainly take note of the legislative intent manifested in the provisions of the Act and would exercise their jurisdiction consistent with the provisions of the enactment."

15. In the judgments relied upon by Shri Vaidyanathan, which, by and large, reiterate the proposition laid down in *Baburam Prakash Chandra Maheshwari v. Antarim Zila Parishad* AIR 1969 SC 556, it has been held that an alternative remedy is not a bar to the entertaining of writ petition filed for the enforcement of any of the fundamental rights or where there has been a violation of the principles of natural justice or where the order under challenge is wholly without jurisdiction or the vires of the statute is under challenge.

16. It can, thus, be said that this Court has recognised some exceptions to the rule of alternative remedy. However, the proposition laid down in *Thansingh Nathmal v. Superintendent of Taxes* (supra) and other similar judgments that the High Court will not entertain a petition under Article 226 of the Constitution if an effective alternative remedy is available to the aggrieved person or the statute under which the action complained of has been taken itself contains a mechanism for redressal of grievance still holds the field."

In *SBP & Co. (supra)*, this Court while considering interference with an order passed by an arbitral tribunal under Article 226/227 of the Constitution laid down as follows:-

"45. It is seen that some High Courts have proceeded on the basis that any order passed by an arbitral tribunal during arbitration, would be capable of being challenged under Article 226 or 227 of the Constitution. We see no warrant for such an approach. Section 37 makes certain orders of the arbitral tribunal appealable. Under Section 34, the aggrieved party has an avenue for ventilating his grievances against the award including any in-between orders that might have

been passed by the arbitral tribunal acting under Section 16 of the Act. The party aggrieved by any order of the arbitral tribunal, unless has a right of appeal under Section 37 of the Act, has to wait until the award is passed by the Tribunal. This appears to be the scheme of the Act. The arbitral tribunal is, after all, a creature of a contract between the parties, the arbitration agreement, even though, if the occasion arises, the Chief Justice may constitute it based on the contract between the parties. But that would not alter the status of the arbitral tribunal. It will still be a forum chosen by the parties by agreement. We, therefore, disapprove of the stand adopted by some of the High Courts that any order passed by the arbitral tribunal is capable of being corrected by the High Court under Article 226 or 227 of the Constitution. Such an intervention by the High Courts is not permissible.

46. The object of minimizing judicial intervention while the matter is in the process of being arbitrated upon, will certainly be defeated if the High Court could be approached under Article 227 or under Article 226 of the Constitution against every order made by the arbitral tribunal. Therefore, it is necessary to indicate that once the arbitration has commenced in the arbitral tribunal, parties have to wait until the award is pronounced unless, of course, a right of appeal is available to them under Section 37 of the Act even at an earlier stage."

While the learned Additional Solicitor General is correct in stating that this statement of the law does not directly apply on the facts of the present case, yet it is important to notice that the seven-Judge Bench has referred to the object of the Act being that of minimizing judicial intervention and that this important object should always be kept in the forefront when a 227 petition is being disposed of against proceedings that are decided under the Act.

15) It is true that in *Punjab Agro Industries Corporation Limited (supra)*, this Court distinguished *SBP & Co. (supra)* stating that it will not apply to a case of a non-appointment of an Arbitrator. This Court held:

"9. We have already noticed that though the order under Section 11(4) is a judicial order, having regard to Section 11(7) relating to finality of such orders and the absence of any provision for appeal, the order of the Civil Judge was open to challenge in a writ petition under Article 227 of the Constitution. The decision in *SBP & Co.* does not bar such a writ petition. The observations of this Court in *SBP & Co.* that against an order under Section 11 of the Act, only an appeal under Article 136 of the Constitution would lie, is with reference to the orders made by the Chief Justice of a High Court or by the designate Judge of that High Court. The said observations do not apply to a subordinate court functioning as designate of the Chief Justice."

What is important to note is that the observations of this Court in this judgment were for the reason that no provision for appeal had been given by statute against the orders passed under Section 11, which is why the High Court's supervisory jurisdiction should first be invoked before coming to this Court under Article 136. Given the facts of the present case, this case is equally distinguishable for the reason that in this case the 227 jurisdiction has been exercised by the High Court only after a first appeal was dismissed under Section 37 of the Act.

16) One other feature of this case is of some importance. As stated herein above, on 09.05.2018, a Section 16 application had been dismissed by the learned Arbitrator in which substantially the same contention which found favour

with the High Court was taken up. The drill of Section 16 of the Act is that where a Section 16 application is dismissed, no appeal is provided and the challenge to the Section 16 application being dismissed must await the passing of a final award at which stage it may be raised under Section 34. What the High Court has done in the present case is to invert this statutory scheme by going into exactly the same matter as was gone into by the arbitrator in the Section 16 application, and then decided that the two year ban was no part of the notice for arbitration issued on 02.11.2017, a finding which is directly contrary to the finding of the learned Arbitrator dismissing the Section 16 application. For this reason alone, the judgment under appeal needs to be set aside. Even otherwise, as has been correctly pointed out by Mr. Rohatgi, the judgment under appeal goes into the merits of the case and states that the action of putting the Contractor and his Directors "on holiday" is not a consequence of the termination of the agreement. This is wholly incorrect as it is only because of the termination that the show cause notice dated 18.10.2017 proposing to impose a two year ban was sent. Even otherwise, entering into the general thicket of disputes between the parties does not behove a court exercising jurisdiction under Article 227, where only jurisdictional errors can be corrected. Therefore to state that the ban order was passed under a General Contract Manual and not Clause 18 of the

Agreement, besides being incorrect, would also be incorrect for the reason that the General Contract Manual does not mean that such order was issued as an administrative order invoking the executive power, but was only as an order which emanated from the contract itself. Further to state that "serious disputes" as to jurisdiction seem to have cropped up is not the same thing as saying that the Arbitral Tribunal lacked inherent jurisdiction in going into and deciding the Section 17 application. In point of fact, the Arbitral Tribunal was well within its jurisdiction in referring to the contract and the ban order and then applying the law and finally issuing the stay order. Even if it be accepted that the principle laid down by Section 41(e) of the Specific Relief Act was infringed, in that damages could have been granted, as a result of which an injunction ought not to have been issued, is a mere error of law and not an error of jurisdiction, much less an error of inherent jurisdiction going to the root of the matter. Therefore, even otherwise, the High Court judgment cannot be sustained and is set aside.

17) We reiterate that the policy of the Act is speedy disposal of arbitration cases. The Arbitration Act is a special act and a self contained code dealing with arbitration. This Court in *Fuerst Day Lawson Limited (supra)*, has specifically held as follows:

"89. It is, thus, to be seen that Arbitration Act, 1940, from its inception and right through to 2004 (in *P.S. Sathappan v. Andha Bank Ltd.*, (2004)

11 SCC 672 was held to be a self-contained code. Now, if the Arbitration Act, 1940 was held to be a self-contained code, on matters pertaining to arbitration, the Arbitration and Conciliation Act, 1996, which consolidates, amends and designs the law relating to arbitration to bring it, as much as possible, in harmony with the UNCITRAL Model must be held only to be more so. Once it is held that the Arbitration Act is a self-contained code and exhaustive, then it must also be held, using the lucid expression of Tulzapurkar, J., that it carries with it "a negative import that only 'such acts as are mentioned in the Act are permissible to be done and acts or things not mentioned therein are not permissible to be done". In other words, a letters patent appeal would be excluded by the application of one of the general principles that where the special Act sets out a self-contained code the applicability of the general law procedure would be impliedly excluded."

What becomes clear is that had the High Court itself disposed of the first appeal in the present case, no article 227 petition could possibly lie - all that could perhaps have been done was to file an LPA before a Division Bench of the same High Court. This, as we have seen, has specifically been interdicted by *Fuerst Day Lawson Limited (supra)*. Merely because, on the facts of this case, the first appeal was disposed of by a court subordinate to the High Court, an article 227 petition ought not to have been entertained.

18) Mr. Rohatgi is also correct in pointing out that the legislative policy *qua* the general revisional jurisdiction that is contained by the amendments made to Section 115 C.P.C. should also be kept in mind when High Courts dispose of petitions filed under under article 227. The legislative

policy is that no revision lies if an alternative remedy of appeal is available. Further, even when a revision does lie, it lies only against a final disposal of the entire matter and not against interlocutory orders. These amendments were considered in Tek Singh vs. Shashi Verma and Another, 2019 SCC OnLine SC 168 in which this Court adverted to these amendments and then stated:

7. A reading of this proviso will show that, after 1999, revision petitions filed under Section 115 CPC are not maintainable against interlocutory orders.

8. Even otherwise, it is well settled that the revisional jurisdiction under Section 115 CPC is to be exercised to correct jurisdictional errors only. This is well settled. In D.L.F. Housing & Construction Company Private Ltd., New Delhi v. Sarup Singh and Others (1970) 2 SCR 368 this Court held:

"The position thus seems to be firmly established that while exercising the jurisdiction under Section 115, it is not competent to the High Court to correct errors of fact however gross or even errors of law unless the said errors have relation to the jurisdiction of the Court to try the dispute itself. Clauses (a) and (b) of this section on their plain reading quite clearly do not cover the present case. It was not contended, as indeed it was not possible to contend, that the learned Additional District Judge had either exercised a jurisdiction not vested in him by law or had failed to exercise a jurisdiction so vested in him, in recording the order that the proceedings under reference be stayed till the decision of the appeal by the High Court in the proceedings for specific performance of the agreement in question. Clause (c) also does not seem to apply to the case in hand. The words "illegally" and "with material irregularity" as used in this clause do not cover either errors of fact or of law; they do not refer to the decision arrived at but merely to the manner in which it is reached. The errors contemplated by this clause

may, in our view, relate either to breach of some provision of law or to material defects of procedure affecting the ultimate decision, and not to errors either of fact or of law, after the prescribed formalities have been complied with. The High Court does not seem to have adverted to the limitation imposed on its power under Section 115 of the Code. Merely because the High Court would have felt inclined, had it dealt with the matter initially, to come to a different conclusion on the question of continuing stay of the reference proceedings pending decision of the appeal, could hardly justify interference on revision under Section 115 of the Code when there was no illegality or material irregularity committed by the learned Additional District Judge in his manner of dealing with this question. It seems to us that in this matter the High Court treated the revision virtually as if it was an appeal." at Pg.373

19) For all these reasons, the appeal stands allowed with no order as to costs. Accordingly, the arbitration proceedings may now be disposed of as expeditiously as possible, in accordance with the mandate contained in the Act.

..... J.
(ROHINTON FALI NARIMAN)

..... J.
(ANIRUDDHA BOSE)

..... J.
(V. RAMASUBRAMANIAN)

New Delhi;
November 28, 2019.