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OSA(CAD) No. 40 of 2025



Order QR

IN THE HIGH COURT OF JUDICATURE AT MADRAS

RESERVED ON : 10-09-2026

DATE OF DECISION : 29-09-2026

CORAM

**THE HONOURABLE MR.JUSTICE P.VELMURUGAN
AND
THE HONOURABLE MR.JUSTICE GK.MUTHUKUMAAR**

**OSA(CAD) No. 40 of 2025
and
CMP No. 22834 of 2026**



Case QR

CNR:{HCMA010493162025}

GMMCO Limited
53A, HootaGali, Industrial Area
Belvadi, Mysore 570 001

Appellant

Vs

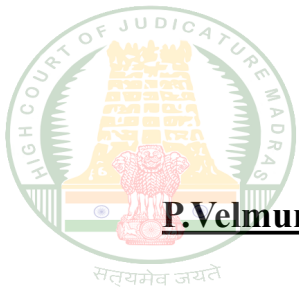
The Supreme Industries Ltd.,
Rep. by Mr.Rajendra Jugalkishore Saboo
The AVP (Corporate Affairs) and Company
Secretary and its Authorized Signatory
612, Raheja Chambers, Nariman Point
Mumbai 400 021

Respondent

Memorandum of Grounds of Original Side Appeal under Order XXXVI, Rule 9 of the Original Side Rules read with Clause 15 of the Letters Patent and Section 37 of the Arbitration and Conciliation Act, 1996 read with Section 13 of the Commercial Courts Act, 2013 against the order dated 31.01.2025 passed by the learned single Judge in O.P.No.56 of 2020.

For Appellant : Mr.Rahul Balaji

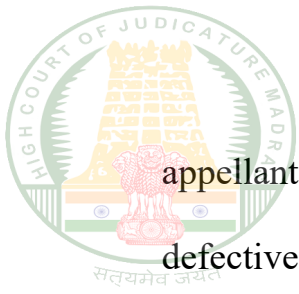
For Respondent : Mr.P.R.Raman
Senior Counsel assisted by
Mr.Gautam S.Raman
and Ms.Manorama Mohanty

**JUDGMENT****P.Velmurugan J.**

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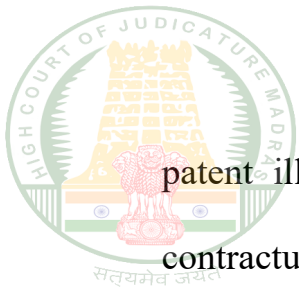
Aggrieved by the order dated 31.01.2025 passed by the learned single Judge in O.P.No.56 of 2020 under Section 34 of the Arbitration and Conciliation Act upholding the arbitral award dated 30.09.2019, the appellant is before this Court by way of the present appeal under Section 37 of the Arbitration and Conciliation Act, 1996.

2. The case of the appellant is that in and by a contract entered into between the appellant and the respondent, the appellant was required to supply and commission a Caterpillar Brand Gas Genset Engine of 500 KW capacity (Genset). However, the running and maintenance of the Genset was outside the scope of the contract and post commissioning of the Genset, the appellant was required to replace parts which were under warranty. Admittedly, the manufacturer of the Genset was M/s.Caterpillar India Private Limited and the appellant only supplied the said Genset to the respondent. The appellant supplied and commissioned the said Genset and thereafter, the respondent claimed that the Genset suffered from inherent manufacturing defects which were not noticed at the time of commissioning, but only during the operation of the Genset. In view of the said disputes raised by the respondent, the respondent initiated arbitration proceedings and made nine claims against the appellant. The



appellant resisted the same claiming that the Genset was not inherently defective as claimed by the respondent and that the problems arose only because of the manner of operation and maintenance and quality of fuel used by the respondent and opposing all the nine claims, sought for dismissal of the claim petition. The learned Arbitrator, after elaborate trial, awarded a sum of Rs.1,08,54,024/- along with interest at 12% per annum in respect of claims 1 & 2 alone and rejected the claims 3 to 9 under the award dated 30.09.2019. Aggrieved by the award directing the appellant to pay a sum of Rs.1,08,54,024/- along with interest @ 12% per annum from the date of claim (29.12.2017) till the date of payment to the respondent, the appellant filed the O.P.No.56 of 2020 under Section 34. Similarly, the respondent also filed Arb.O.P. (Com.Div.)No.199 of 2021 against the rejection of claims 3 to 9 and both the petitions were taken up together and dismissed by the impugned order. However, the appellant has chosen to file the present appeal under Section 37 before this Court.

3. The learned counsel appearing on behalf of the appellant, by way of filing written submissions, would contend that the award passed by the Arbitral Tribunal is void for want of jurisdiction, as the Tribunal assumed authority in the absence of a valid arbitration agreement within the meaning of Section 7 of the Arbitration and Conciliation Act and the finding on jurisdiction is a case of

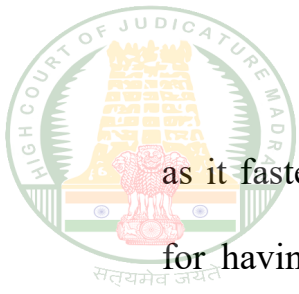


patent illegality arising from a perverse and selective interpretation of the contractual documents. Even the contemporaneous record clearly establishes that the parties never agreed to arbitrate and there is no subsequent correspondence evincing any mutual intention to arbitrate. The parties were thus *ad idem* only on the terms contained in the proposal dated 29.07.2010, as accepted through the LOI and Purchase Order, both of which exclude arbitration. Despite this unambiguous record, the Tribunal held that both the 26.07.2010 and 29.07.2010 offers were accepted, relying on the phrase “we are pleased to confirm the acceptance of your offers” in the LOI, by disregarding the LOI’s express reference to “subsequent discussion”, not prior offers and treating an unsigned and rejected commercial bid as a binding precedent. Even the respondent’s own legal notice, Ex.C93 dated 30.04.2013 identifies the governing instrument as the Proforma Invoice, Ex.C21 dated 25.08.2010, which contains no arbitration clause. In the absence of a valid arbitration agreement, the Tribunal lacked inherent jurisdiction and thus the award is void under Section 34(2)(a)(v) of the Arbitration and Conciliation Act and the failure of the learned single Judge to correct this foundational error under Section 34 constitutes a non-exercise of jurisdiction, warranting appellate interference.

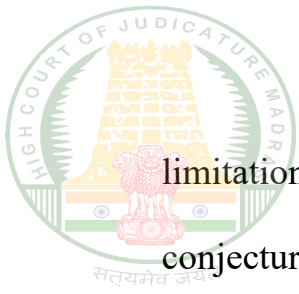
4. The learned counsel would further contend that it is undisputed that the Genset was commissioned on 11.01.2011 and the respondent’s claim was not for



repairs or replacement, but for refund of the price paid in advance on the ground that the goods failed to conform to contractual specifications. Though the limitation period expired on 10.01.2014 and the arbitration was invoked only on 03.02.2014 rendering the claim hopelessly time barred, the finding of the Tribunal that limitation commenced only upon expiry of the extended warranty period i.e., 10.07.2015 betrays a fundamental misreading of the law constituting patent illegality on the face of the award. The impugned order also erred in upholding the award on limitation, as it wrongly proceeded on the premise that the claim statement disclosed breach of condition and warranty and was therefore not a mere claim for refund. Further crucial evidence demonstrating that the Genset had no inherent or manufacturing defect has also been completely overlooked, as the Tribunal relied solely on unverified report while ignoring expert and documentary evidence, rendering the award patently perverse. Therefore, the conclusion reached by the Tribunal that the Genset suffered a manufacturing defect and the appellant is liable - is internally inconsistent, evidentially unsustainable and legally indefensible and it ignores operational evidence, technical standards, admitted mishandling, fuel deviations, routine maintenance records and the parties own admissions, rendering it patently illegal and vitiated under Section 34(2A) of the Arbitration and Conciliation Act. The award granting a full refund without requiring the return of the Genset and without accounting for years of use, is patently illegal,

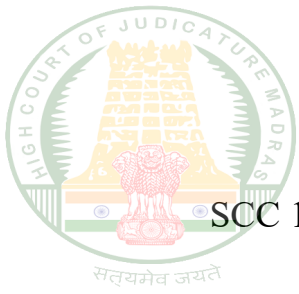


as it fastens liability for an alleged “manufacturing defect” upon the appellant for having acted solely as a dealer and agent for a fully disclosed principal, Caterpillar India. Even assuming, arguendo, that the Genset had defects, the correct remedy under the Indian Contract Act and Sale of Goods Act would have been repair or replacement. However, the Tribunal held without basis that the appellant failed to rectify the alleged defects and awarded the full price of the Genset and the sound-proof enclosure by ignoring the mandate that a buyer must allow the seller an opportunity to take back allegedly defective goods and repay the purchase price. When the respondent admittedly operated the Genset for over three years before raising any grievance, during which period the equipment rendered substantial service and value, yet the Tribunal directed a full refund of the 2010 purchase price without any deduction for use, wear or depreciation. Such an approach is commercially untenable and contrary to settled principles of equity and restitution. Even in cases of rescission or replacement, the law requires that benefits derived from the use of goods must be adjusted to avoid unjust enrichment and the Tribunal’s failure to make such adjustment results in an outcome where the respondent enjoys both the use of the asset and the recovery of its entire cost, thereby placing it in a position far better than if the contract had been duly performed. Thus, the award is vitiated by jurisdictional overreach, patent illegality, perversity of findings and wholesale disregard of the substantive law governing contracts, agency,



limitation and restitution, as it rewrites the parties bargain, substitutes conjecture for evidence, and sanctions a result that offends both commercial sense and the fundamental policy of Indian law. When the said award was questioned in O.P.No.56 of 2020, the learned single Judge failed to correct the above manifest errors and dismissed the petition. For the aforesaid reasons, the impugned order confirming the award is liable to be set aside. The learned counsel also relied upon the following judgments in support of his contentions:-

1. Trimex International FZE Limited, Dubai v. Vedanta Aluminium Limited, India, (2010) 3 SCC 1
2. PSA Sical Terminals (P) Ltd v. V.O.Chidambaranar Port Trust, 2021 SCC OnLine SC 508
3. Ssangyong Engg & Construction Co. V. NHAI, (2019) 15 SCC 131
4. PSA Mumbai Investments P.Ltd v. Board of Trustees of JNPT, (2018) 10 SCC 525
5. Associate Builders v. DDA, (2015) 3 SCC 49
6. DAMEPL v. DMRC, (2022) 1 SCC 131
7. Hindustan Motors Ltd v. N.Sivakumar, (2000) 10 SCC 654
8. Sun Edison Solar Power India P.Ltd v. Kumar Pramendra, 2023 SCC OnLine Mad 5205
9. Murlidhar Chiranjilal v. Harishchandra Dwarkadas and another, 1961 SCC OnLine SC 100
10. Sha Thilokchand Poosaji v. Crystal & Co., AIR 1955 Mad 481



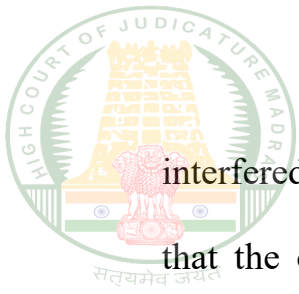
11. Rajratan Babulal Agarwal v. Solartex India P.Ltd., (2023) 1
SCC 115

12. Svenska Handelsbanken v. Indian Charge Chrome, (1994)
1 SCC 504

5. The learned Senior Counsel appearing on behalf of the respondent would contend that the objection raised by the appellant with regard to limitation and warranty period has been rejected by the Arbitral Tribunal, after considering the warranty clause under the proposal dated 26.07.2010, which states that the Genset is guaranteed by the manufacturer for 12 months from the date of commissioning and further, this warranty was subsequently extended by an additional period of six months vide meeting dated 05.03.2011, accepting the case of the respondent that the Genset was not only defective but also a breach of the warranty and hence the limitation starts only after the expiry of the warranty period, taking note of the documentary evidence under Exs.C45, C52, C93 & C95, and the learned single Judge also did not find any material or patent illegality to interfere with the said factual findings while exercising power under Section 34 of the Arbitration and Conciliation Act. Rebutting the contention of the appellant that the award is opposed to fundamental policy of Indian Law as it is opposed to the principle of restitution enshrined under the Indian Contract Act 1882 and thus liable to be set aside under Section 34(2)(b)(ii) of Arbitration and Conciliation Act and Sale of Goods Act, the learned Senior Counsel contended that though the appellant had guaranteed proper functioning of the



Genset for a period of 1 year, which came to be extended by further 6 months, the warranty clause is silent about replacing the product in the event of any defects and taking note of the same, the Arbitral Tribunal made a factual finding that when the product sold to the respondent suffered from manufacturing defects and the failure of the Genset was not due to the non-compliance with the specifications and instructions by the respondent, the natural corollary is compensation in the form of damages and the same cannot be called into question before this Court. Again refuting the contention of the appellant that there is no arbitration clause, as the commercial bid in the proposal contained no signatures of either party and was not in the nature of an agreement, and that the Letter of Intent is the actual agreement between the parties, the learned Senior Counsel contended that evidently, the Letter of Intent was issued only after the acceptance of the proposal by the respondent and all these communications would show a composite agreement between the parties. Indeed, the Letter of Intent is issued in continuation of the proposal and the proposal is a document sent by the appellant to the respondent. Therefore, the respondent cannot wish away a document that they themselves created, as the arbitration clause enshrined in the proposal will indeed be an arbitration agreement within the meaning of Section 7 of the Act. Moreover, strict rules of evidence as per the Indian Evidence Act do not apply to arbitrations and thus the findings rendered by the Arbitral Tribunal based on oral and documentary evidence, cannot be



interfered with by this Court. Therefore, the learned Senior Counsel contended that the order of the learned single Judge confirming the award requires no interference. The learned Senior Counsel also relied upon the following judgments in support of his contentions:-

1. Nabha Power Limited (NPL) v. Punjab State Power Corporation Limited (PSPCL) and another, (2018) 11 SCC 508

2. Glencore International AG v. Shree Ganesh Metals and another, 2025 SCC OnLine SC 1815

3. Exelixi Management Company Pvt.Ltd. v. Nishi Retails Pvt. Ltd., 2026 SCC OnLine Bom 1753

4. M/s Sha Thilokchand Poosaji v. Crystal and Company, AIR 1955 Mad 481

5. Union of India v. A.L.Ralia Ram, 1963 SCC OnLine SC 132

6. City and Industrial Development Corporation of Maharashtra v. Nagpur Steel and Alloys Pvt.Ltd., (1993) MhLJ 193

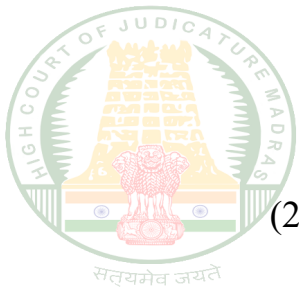
7. Svenska Handelsbanken v. Indian Charge Chrome & others, (1994) 1 SCC 502

8. UNISSI India Pvt.Ltd. v. Post Graduate Institute of Medical Research, (2009) 1 SCC 107

9. Trimex International FZE Limited, Dubai v. Vedanta Aluminium Limited, India, (2010) 3 SCC 1

10. Associate Builders v. Delhi Development Authority, (2015) 3 SCC 49

11. PSA Mumbai Investments P.Ltd v. Board of Trustees of JNPT, (2018) 10 SCC 525



12. Ssangyong Engg & Construction Co. V. NHAI,
(2019) 15 SCC 131

13. Rajratan Babulal Agarwal v. Solartex India P.Ltd.,
(2023) 1 SCC 115

6. We have considered the rival submissions and also perused the materials available on record.

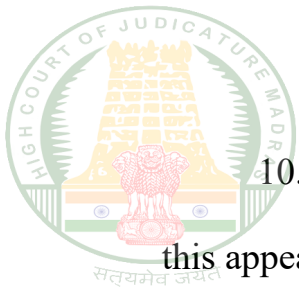
7. The first and foremost contention of the learned counsel for the appellant is that there is no valid arbitration agreement within the meaning of Section 7 of the Arbitration and Conciliation Act and the finding on jurisdiction is a case of patent illegality arising from a perverse and selective interpretation of the contractual documents. The parties never agreed to arbitrate and there is no subsequent correspondence evincing any mutual intention to arbitrate, as one of the letters accepting the offer did not provide the arbitration clause. Even the legal notice, Ex.C93 dated 30.04.2013 identifying the governing instrument as the proforma invoice, Ex.C21 contains no arbitration clause. In the absence of a valid arbitration agreement, the Arbitral Tribunal lacked jurisdiction to entertain the dispute. Therefore, the award is void under Section 34(2)(a)(v) of the Arbitration and Conciliation Act.

8. The second contention of the learned counsel for the appellant is that



the claim of the respondent is barred by limitation. To substantiate the same, the learned counsel contended that the Genset was commissioned on 11.01.2011 and the claim of the respondent was not for repairs or replacement, but for refund of the price paid in advance, on the ground that the goods failed to conform to contractual specifications. When the limitation period expired on 10.01.2014, the arbitration was invoked only on 03.02.2014 and therefore the claim itself is hopelessly barred by limitation. Hence the award of the Arbitral Tribunal suffers from patent illegality on the face of the award. The learned single Judge failed to consider the same and has simply affirmed the award.

9. The third contention made on the side of the appellant is that the conclusion reached by the Arbitral Tribunal that the Genset suffered a manufacturing defect and the appellant is liable to refund the price is internally inconsistent, evidentially unsustainable, legally indefensible and it ignores the operational evidence, technical standards, admitted mishandling, fuel deviations, routine maintenance records and the parties own admissions. Thus the award granting a full refund without requiring the return of the Genset and without accounting for years of use, is patently illegal and vitiated under Section 34(2A) of the Arbitration and Conciliation Act, as the respondent deliberately failed to follow the fundamental tenets of Indian Contract Act and the Sale of Goods Act to mitigate the alleged losses.



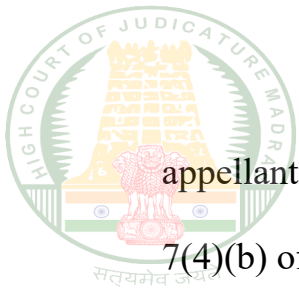
10. In view of the above, the following points arise for consideration in this appeal:-

(i) Whether the Arbitral Tribunal has got jurisdiction to entertain the dispute?

(ii) Whether the claim is barred by limitation?

(iii) Whether the award granting full refund of the cost of the Genset is legally sustainable?

11. Point (i):- A perusal of the order dated 02.05.2018 passed by the Arbitral Tribunal in the application filed by the appellant under Section 16 of the Arbitration and Conciliation Act clearly shows that admittedly, the respondent produced the documents, Exs.C10 to C14 and while appreciating the offer under Ex.C10 dated 26.07.2010 sent by the appellant to the respondent for design, engineering, supply of CAT Genset and its associated accessories containing the technical specification, price bid and commercial bid, the Arbitral Tribunal found an arbitration clause in the commercial bid to resolve any dispute whatsoever arising out of the contract between the parties through arbitration. The Arbitral Tribunal also found that so far as the price bid alone, there were negotiations between the parties and the terms and conditions relating to technical specification and the commercial bid remained unchanged. On appreciation of the documentary evidence under Exs.C10 to C14 between the parties, the Arbitral Tribunal has rightly rejected the contention of the

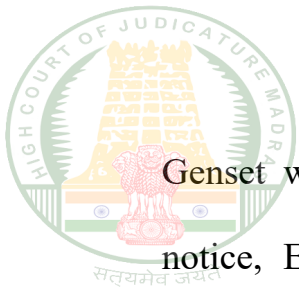


appellant and held that there is a record of arbitration agreement as per Section 7(4)(b) of the Act for adjudication of the dispute.

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12. A combined reading of the various communications including through email exchanged between the parties by way of offer and acceptance would clearly demonstrate the intention of the parties that if any dispute arises regarding the supply of goods and the defects, if any, the same can be resolved through arbitration. It is a settled proposition of law that in arbitral proceedings, the interference is very limited, unless the Court finds that the Arbitral Tribunal travelled beyond the terms of the agreement or the award suffers from patent illegality and opposed to public policy. When the Arbitral Tribunal has rendered factual findings on the jurisdictional point, the learned single Judge, while exercising jurisdiction under Section 34, has also found that there is no illegality or infirmity in the said findings. It is also well settled that the scope of Section 37 is narrow than Section 34 and if two views are possible, the Court cannot substitute the view of the Arbitrator on the factual findings. In view of the same, this Court finds no perversity in the findings of the Arbitral Tribunal, as confirmed by the learned single Judge regarding jurisdiction and the point is answered accordingly.

13. Point (ii): As far as the limitation is concerned, admittedly, though the



Genset was commissioned on 11.01.2011 and the respondent sent the legal notice, Ex.C93 dated 30.04.2013 to the appellant, paragraph-12 reveals in express terms that on 6th September 2011, the respondent observed that things were not moving in the right direction and the defects and deficiencies persisted, the working of the gas Genset further worsened and that the appellant was addressed through the communication dated 20th September 2011. Therefore, even as per the evidence of the respondent, they noted the defects on 06.09.2011 and communicated the same on 20.09.2011 and the period of limitation would expire only on 05.09.2014. However, the respondent invoked the arbitration on 03.02.2014. Even otherwise, as far as limitation is concerned, it is a mixed question of law and fact and therefore, the Court will not interfere with the finding of the Arbitral Tribunal, unless the Court finds that the award is vitiated by patent illegality or opposed to fundamental policy of the law applicable in India. Hence the order of the learned single Judge requires no interference and the point is answered accordingly.

14. Point (iii): So far as the refund of the cost of the Genset is concerned, though the learned counsel for the appellant vehemently contended that the appellant is not liable to pay or refund the cost of the Genset, if any defect is pointed out, in the absence of an express clause in the contract, on perusal of the materials, this Court finds that the claim of the respondent is that the Genset had



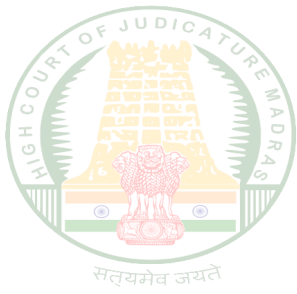
inherent manufacturing defects and the same is not serving the purpose of the respondent due to which they suffered losses. A reading of the entire materials, more particularly, Ex.C93-legal notice itself would show that the respondent has pointed out the various defects. However, the learned counsel for the appellant submitted that the appellant should have been given time to rectify the defects or otherwise they should have been allowed to take back the defective Genset and given opportunity to supply a new one. But the respondent has not chosen any of the above options and only claiming damages. Hence, the Arbitral Tribunal ought to have given opportunity to the parties to rectify the defects or otherwise allowed the respondent to retain the Genset by accounting for the years of use and ought not to have ordered for the entire refund of the cost of the Genset supplied by the appellant to the respondent.

15. We also find force in the said submissions. Even statutorily under the Indian Contract Act or the Sale of Goods Act, assuming that the product was not supplied as per the specifications noted in the purchase order or invoice, the purchaser ought to have asked the supplier to take back the product and replace the same with a new one. If they choose to retain the product, the value towards depreciation ought to be deducted for the period of use from and out of the total claim. Whereas in this case, the respondent's witnesses themselves admitted in the cross examination that they have not taken any steps either to send back the



defective product to the appellant or to sell or dispose of the Genset to reduce its losses. In our considered opinion, the Arbitral Tribunal has miserably failed to consider the said aspects before passing the award for refund of the full cost price of the Genset to the respondent, which is patently illegal. It is trite law that a buyer claiming damages must allow the seller to take back allegedly defective goods and repay the purchase price before claiming full recovery. In this context, useful reference can be made to the order of the learned single Judge of this Court in the case of *Sun Edison Solar Power India Pvt. Ltd represented by its Authorised Signatory v. Kumar Pramendra, 2023 SCC OnLine Mad 5205*, holding as follows:-

“28. The Sole Arbitrator under the impugned Arbitral Award has also not dealt with mitigation of losses as required by the respondent (buyer) to be done in terms of the explanation to Section 73 of the Indian Contract Act, 1872. The explanation to Section 73 of the Indian Contract Act, 1872 makes it mandatory for any claimant to mitigate its loss and only thereafter seek claim towards unliquidated damages. Having not disclosed in the pleadings or through documentary evidence the steps taken by the respondent for mitigating its alleged losses by either selling the 50 Solar Water Pumps delivered to them to third parties or through any other means, the Arbitrator has committed a patent illegality. By total non application of mind to



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the explanation to Section 73 of the Indian Contract Act, 1872 which deals with mitigation of losses, the Arbitral Tribunal even without any oral or documentary evidence has awarded unliquidated damages to the respondent without granting any opportunity for the petitioner to dispute the same by way of cross examination of the respondent's witness.....”

16. The Hon'ble Supreme Court in the case of *Murlidhar Chiranjilal v. Harishchandra Dwarkadas and another*, 1961 SCC OnLine SC 100, has reiterated the following principles:-

“9. The two principles on which damages in such cases are calculated are well-settled. The first is that, as far as possible, he who has proved a breach of a bargain to supply what he contracted to get is to be placed, as far as money can do it, in as good a situation as if the contract had been performed; but this principle is qualified by a second, which imposes on a plaintiff the duty of taking all reasonable steps to mitigate the loss consequent on the breach, and debars him from claiming any part of the damage which is due to his neglect to take such steps....These two principles also follow from the law as laid down in Section 73 read with the Explanation thereof.....”

17. No doubt the Court, while invoking Section 34 or Section 37, finds



that the award is severable, that can be set aside. If it is not severable, Section 34 Court or Section 37 Court cannot pass an award, but can only set aside that

portion of the award and remit the matter back to the Arbitral Tribunal. Moreover, the other judgments relied upon by the learned Senior Counsel/counsel appearing on either side are distinguishable to the facts of the present case. Admittedly, in this case, the respondent did not return the defective goods and also had not taken any steps to sell the goods and adjusted that amount. The Arbitral Tribunal has not given any finding on this aspect and simply passed an award directing the appellant to refund the entire cost price paid by the respondent. Therefore, when there is no finding about the retention of goods or the value of the defective goods, the award of the Arbitral Tribunal is perverse and the same is liable to be set aside. Accordingly, the award of the Arbitral Tribunal directing the refund of the entire cost price is set aside and the matter is remitted back with a direction to the Arbitral Tribunal to decide this point afresh after giving opportunity to both parties and to pass an award on merits and in accordance with law. The original side appeal stands partly allowed to the extent indicated above. Considering the facts and circumstances of the case, there shall be no order as to costs.

18. In view of our order remitting the matter back to the Arbitral Tribunal, the respondent is not entitled for payment out of the amount lying in fixed



deposit as prayed for in CMP No.22834 of 2026 for the present. Therefore, the
CMP is closed granting liberty to renew the request after the decision of the
Arbital Tribunal.

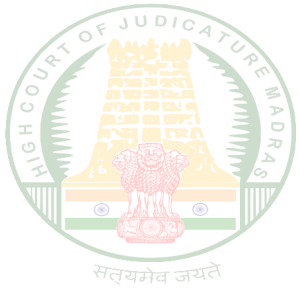
(P.VELMURUGAN J.) (GK.MUTHUKUMAAR J.)
29-09-2026

Index:Yes/No
Speaking/Non-speaking order
Internet:Yes
Neutral Citation:Yes/No

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To

1. The Section Officer
Accounts Section
High Court, Madras



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OSA(CAD) No. 40 of 2025



Order QR

**P.VELMURUGAN J.
AND
GK.MUTHUKUMAAR J.**

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**Judgment in OSA(CAD)
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