
Delhi High Court Reaffirms That Writ Petitions Cannot Be Used To Challenge Arbitral Awards Under MSMED Act

Authors: *Vasanth Rajasekaran and Harshvardhan Korada*

Introduction

The Delhi High Court in *Mahanagar Telephone Nigam Ltd. v. Micro and Small Enterprise Facilitation Council* [2025:DHC:102] examined the maintainability of a writ petition under Article 226 of the Constitution against an arbitral award rendered under the Micro, Small and Medium Enterprises Development Act, 2006 ("**MSMED Act**"). The case involved a challenge by Mahanagar Telephone Nigam Ltd. ("**MTNL**") to an award issued pursuant to statutory arbitration under Section 18 of the MSMED Act. The judgment reaffirmed the principle that arbitration-related disputes must be adjudicated within the framework of the Arbitration and Conciliation Act, 1996 ("**Arbitration Act**"), rather than through constitutional remedies. In this article, we navigate through the facts of the case and the findings rendered by the Delhi High Court.

Brief Facts

MTNL, a government-owned telecom company, was engaged in a commercial dispute with a micro-enterprise registered under the MSMED Act. The dispute concerned payments allegedly due for services rendered, with the supplier approaching the Micro and Small Enterprises Facilitation Council ("**MSEFC**") for resolution under Section 18 of the MSMED Act.

Following failed conciliation attempts, the dispute was referred to arbitration under Section 18(3) of the MSMED Act. The Delhi International Arbitration Centre ("**DIAC**") appointed a sole arbitrator, who conducted the proceedings and rendered an arbitral award on 15 October 2024. The award was in favour of the supplier, directing MTNL to make payments along with statutory interest as prescribed under the MSMED Act.

MTNL challenged the award by filing a writ petition before the Delhi High Court under Article 226 of the Constitution, contending that the arbitrator had exceeded the scope of reference by considering claims beyond the original running bill in dispute. MTNL argued that the arbitral proceedings expanded beyond the original claim submitted to MSEFC, thereby rendering the award jurisdictionally defective.

Arguments from Both Sides

MTNL contended that the arbitrator had acted beyond jurisdiction by entertaining claims that were not part of the original reference before MSEFC. It was argued that the reference made under Section 18 of the MSMED Act was limited to a specific invoice of INR 55,80,311, yet the arbitration proceedings considered multiple invoices beyond the scope of the initial claim.

MTNL submitted that its objections regarding jurisdiction were raised before the arbitrator and recorded in the award. However, despite raising these concerns, the

arbitrator proceeded with adjudicating claims beyond the originally referred dispute. MTNL argued that the arbitral award was, therefore, inherently void and liable to be set aside.

The supplier countered these arguments by stating that the reference to arbitration was not confined to a single invoice but rather encompassed the entire work order under which the invoices were raised. It was submitted that the application before MSEFC referred to the entire contractual dues and was not intended to be limited to a single transaction.

The supplier further contended that under Section 18(3) of the MSMED Act, once conciliation fails, arbitration proceedings follow as a natural progression, and there is no requirement that the claim before the arbitrator be identical in wording or scope to the initial reference. The supplier also argued that MTNL had an effective alternative remedy under Section 34 of the Arbitration Act to challenge the award and that invoking Article 226 was an attempt to bypass statutory procedures.

Findings of the Delhi High Court

The High Court first examined whether a writ petition under Article 226 was maintainable in light of the available statutory remedies. The High Court held that arbitral awards passed under the MSMED Act must be challenged under the Arbitration Act, specifically under Section 34, and not through writ proceedings. Referring to *India Glycols Ltd. v. MSEFC, Medchal-Malkajgiri, 2023 SCC OnLine SC 1852*, the High Court reiterated that parties cannot circumvent statutory remedies by filing writ petitions, especially in commercial disputes arising from arbitration.

On the issue of jurisdiction, the High Court held that the arbitrator had not acted beyond the scope of reference. It observed that the reference form submitted to MSEFC mentioned the entire work order, and even if a particular invoice was specified, the arbitration process was not confined to that invoice alone. The High Court noted that arbitration under the MSMED Act arises from contractual disputes in their entirety and not from isolated invoices.

The High Court also relied on *NBCC (India) Ltd. v. Micro and Small Enterprises Facilitation Council, 2024: DHC: 4998-DB*, which held that objections to arbitral jurisdiction must be decided within the arbitration framework and not through constitutional remedies. The High Court found that MTNL had actively participated in the arbitral proceedings and raised its objections before the arbitrator, who had considered them in the award. It was therefore held that a challenge under Article 226 was unwarranted and that the correct forum for addressing such concerns was a challenge under Section 34 of the Arbitration Act.

Further, the High Court emphasised that the MSMED Act was enacted to protect micro and small enterprises from payment delays and that statutory arbitration under Section 18 must be respected. The High Court noted that MTNL's approach appeared to be an attempt to delay enforcement of the award rather than a genuine jurisdictional challenge. It observed that if MTNL believed that the arbitrator had exceeded jurisdiction, the appropriate remedy was to raise this contention before the appropriate forum under the Arbitration Act.

Consequently, the High Court dismissed MTNL's writ petition, directing it to pursue the remedies available under the Arbitration Act. However, it clarified that all contentions on the legality of the award remained open for adjudication under Section 34.

Comment

The High Court, through this judgment, has sent a strong message that parties cannot bypass statutory remedies and that arbitration-related disputes must be resolved within the established legal framework.

Ordinarily, writ petitions should not be used as a means to delay arbitration awards, particularly when an alternative remedy is available. In the broader landscape of commercial arbitration, this decision aligns with the judiciary's pro-arbitration stance, reinforcing the principle that Courts should respect arbitral autonomy and intervene only when absolutely necessary.

Contact

For any query, help or assistance, please reach out at info@trinitychambers.in or visit us at www.trinitychambers.in.

Authors



Vasanth Rajasekaran
Founder & Head
vasanth@trinitychambers.in



Harshvardhan Korada
Counsel
harshvardhan@trinitychambers.in