

Delhi High Court Clarifies On The Scope Of Judicial Interference In Writ Petitions Pertaining To Arbitration Proceedings

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Introduction

In a recent judgment in ***Agarwal Associates (Promoters) Ltd. v. Sharda Developers***¹ the Delhi High Court, while dismissing the petitions filed by Agarwal Associates, reinforced the limited scope of judicial interference under Article 227 of the Constitution of India in matters involving arbitral proceedings.

The case dealt with issues relating to interrogatories and discovery of documents in an arbitration matter concerning land transactions. The High Court clarified the exceptional circumstances under which it would intervene in ongoing arbitral proceedings and reiterated the importance of allowing arbitral tribunals to function without undue judicial intervention.

Facts

The case arose from two separate agreements executed between *Agarwal Associates (Promoters) Ltd.* ("**Seller**") and *Sharda Developers* ("**Buyer**") for the sale of two plots of land, Plot Nos. 129 and 130, located in Sector-1, Aditya World City, NH-24, Ghaziabad, Uttar Pradesh. These agreements were part of a larger township project being developed by the Seller in collaboration with the Ghaziabad Development Authority (GDA). The Seller was registered as a "Private Developer" by GDA and undertook to develop and sell plots within the project.

The agreements between the parties outlined that the Seller would develop and transfer the said plots to the Buyer upon completion of the requisite formalities. However, the Buyer claimed that despite making payments as per the agreements, the Seller failed to deliver possession of the plots or provide any information regarding their status. The Buyer alleged that the Seller evaded all communications, did not provide possession of the plots, nor did it offer any refund or alternative plot as per the agreement. This led the Buyer to invoke arbitration, seeking either the execution of transfer deeds for the plots, alternative plots, or compensation at the current market value.

On the other hand, the Seller contended that the land for these specific plots had not been acquired by the GDA, thereby frustrating the contract. The Seller argued that it had offered alternative plots in 2019, which the Buyer failed to accept. The Seller maintained that the arbitration proceedings were beyond the scope of the agreement since the Buyer was only entitled to a refund with interest in the event the land was not acquired.

Dispute over interrogatories and discovery

During the arbitration proceedings, the Buyer submitted applications under Order XI Rules 1, 12, and 14 of the Civil Procedure Code, seeking leave to serve interrogatories and request discovery and production of documents. The Buyer sought detailed information regarding

¹ *Agarwal Associates (Promoters) Ltd. v. Sharda Developers*, 2024: DHC: 7635.

unsold plots within the project, including their locations, availability, and market prices, as well as correspondences from government authorities regarding the non-acquisition of land where the subject plots were located.

The Seller objected to these applications, contending that the requested information was irrelevant and fell outside the scope of the arbitration. The Seller relied on Clause 2 of the agreement, which expressly excluded other plots in the project from the scope of the agreement. The Seller argued that since the Buyer had no right over unsold plots, it could not seek such information.

Arbitrator's Decision

The sole arbitrator, after examining the matter, allowed the interrogatories related to the unsold plots in Sector-1, while reserving a decision on certain other requests as premature. The Arbitrator also allowed the Buyer's application for the discovery of documents, particularly those related to the Seller's communication with government authorities about land acquisition.

Delhi High Court's Analysis

The Seller approached the Delhi High Court under Article 227, challenging the Arbitrator's decision to allow the interrogatories and discovery of documents. The Seller argued that the Arbitrator had exceeded his jurisdiction by granting relief beyond the terms of the agreement, thereby warranting judicial interference.

Judicial Interference under Article 227

At the outset, the High Court emphasised the narrow scope of judicial review in matters arising out of arbitral proceedings. Citing precedents, the High Court noted that interference under Article 227 is warranted only in cases of "exceptional rarity," where there is palpable perversity or bad faith involved. The High Court referred to judgments in *Puri Investments v. Young Friends and Co.* and *IDFC First Bank Ltd. v. Hitachi MGRM Net Ltd.*, which outlined the limited circumstances under which the Court may intervene in ongoing arbitrations.

Relevance of Interrogatories and Discovery

The High Court scrutinised the Seller's contention that the Arbitrator had overstepped his jurisdiction by permitting the Buyer to inquire about other plots in the project. It found that the Seller's own defense hinged on the availability of alternative plots, and thus it could not now claim that the Buyer was precluded from seeking information about such plots. The High Court stated that merely asking for information regarding the unsold plots did not confer any right or title over them to the Buyer and was, therefore, not barred by Clause 2 of the agreement.

Moreover, the High Court observed that the Seller had offered no compelling evidence to demonstrate that the Arbitrator's order was beyond the scope of the agreement. The Arbitrator's decision to allow discovery of documents relating to the government's refusal to allot land was held to be crucial to the Seller's own defense, which rested on the non-acquisition of land by the authorities.

High Court's Conclusion

The High Court dismissed the Seller's petitions, holding that the impugned order did not suffer from any jurisdictional error or bad faith. The High Court reiterated that the role of a High Court under Article 227 is limited to ensuring that the arbitrator does not act outside his jurisdiction, and in this case, no such error had been established. The High Court further clarified that the Arbitrator had acted within his powers by allowing interrogatories and ordering the discovery of documents, which were pertinent to resolving the issues in the arbitration.

Comment

The Delhi High Court's judgment emphasises on the principle that arbitral tribunals must be allowed to function with minimal interference from the judiciary. The decision also highlights the importance of interrogatories and discovery in ensuring a fair and transparent arbitration process. The High Court's refusal to interfere with the arbitrator's decision to allow the Buyer's requests for information reflects the broader trend in Indian jurisprudence toward supporting arbitration as an effective and independent dispute resolution mechanism.

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