





3. On 15.10.2017, a fire broke out in the premises of the insured-respondent no.1. A claim for losses caused in the incident was lodged by the insured with the company. A surveyor was appointed by the Insurance Company for assessment of loss. Mr. B. S. Chawla was appointed as the Surveyor. He submitted his report acknowledging the factum of fire in the premises of the insured and assessed the loss to the tune of ₹ 1,32,68,000/- . This amount was received under protest by the insured, who instituted arbitration proceedings by submitting additional claim to the tune of ₹ 3,63,03,387/-. Undisputedly, there existed an arbitral clause in the insurance policy, which was invoked by the insured. The claim was ultimately referred to the Arbitral Tribunal presided over by Justice H. S. Bhalla (Retd.) with Dr. Jaswant Singh and Mr. Deepak Malhotra as co-arbitrators. The Arbitral Tribunal has gone into the facts of the case and framed nine issues for its consideration. Ultimately, the award has been made by the Arbitral Tribunal on 16.01.2021 holding the insured entitled to additional sum of ₹ 2,28,82,977/- along with interest @ 9% per annum with effect from 17.11.2018 till the date of payment of the awarded amount and in addition the Arbitral cost of ₹ 20 lacs. The award was not unanimous. The Presiding Arbitrator as well as Dr. Jaswant Singh have recorded the reasons, while the co-arbitrator Mr. Deepak Malhotra has decided to give a dissenting note/ award, which was passed subsequently on 21.02.2021.

4. Aggrieved by the award of the Arbitral Tribunal, the Insurance Company has filed objection before the Additional District Judge under Section 34 of the Act. This objection has been rejected by the concerned Court. Thus aggrieved, the Insurance Company is before us in the present appeal.



5. At the outset, we may note that when the FAO was filed, an objection was taken on behalf of the appellant that subject matter of dispute fell within the ambit of commercial disputes under Section 2(c) of the Commercial Courts Act, 2015, but it has been decided not by the Commercial Court but by the Civil Court. Taking cognizance of such contention, learned Single Judge invited report from the learned District & Sessions Judge, Ludhiana, as to whether the Court of Mr. Jagdeep Sood, Additional District Judge, Ludhiana, was nominated as Commercial Court ?

6. A report has been received from the District Judge, Ludhiana, dated 05.04.2025, as per which the learned 5<sup>th</sup> ADJ, Ludhiana, Shri Jagdeep Sood's Court was a nominated Commercial Court. Consequently, the matter has been placed before the Commercial Appellate Bench of this Court.

7. The appellant Insurance Company contends that Additional District Judge, Ludhiana has erred on facts as well as in law in passing the order impugned, whereby appellant's objection under Section 34 of the Act has been rejected. It is submitted that independent surveyor, duly licensed by the Insurance Regulatory and Development Authority of India (IRDAI), had submitted its detailed assessment and survey report and made recommendations for partly accepting the claim of the insured on the basis of which a sum of ₹ 1,32,68,000/- was paid in full and final settlement of the claim, and therefore, no further amount could have been paid to the insured-respondent.

8. It is argued that report of the surveyor is entitled to due weight in terms of Regulation 13(2) of the Insurance Regulatory and Development Authority of India (Insurance Surveyors and Loss Assessors) Regulations,



2015. It is argued that Arbitral Tribunal has erroneously found errors in the report of the surveyor which suffers from no illegality. Challenge is also laid to the award of the Tribunal on the ground that assessment of loss by the surveyor was based upon materials on record, which was liable to have been accepted, and the contrary view taken by the Arbitral Tribunal is erroneous. It is also urged that in the particular year when the incident occurred, there were large number of new parties from where material has been purchased which was in excess of the quantum of the purchases in previous years. It is submitted that this aspect of the matter has escaped the attention of the Arbitral Tribunal. It is also submitted that VAT/GST Returns relied upon by the Arbitral Tribunal were for the period after the incident of fire and could not have been relied upon.

9. Reliance has been placed upon judgment of this Court in **Khatema Fibres Limited vs New India Assurance Company Limited** (2023) 15 SCC 327 to submit that report of the surveyor can be discarded only under the specified contingencies which do not arise in the facts of the case. He submits that the rejection of the report of the surveyor is arbitrary. It is further urged that as the Arbitral Tribunal has not followed the legal principles and provisions while reversing the conclusions of the surveyor, as such, the award is contrary to public policy and requires interference in exercise of powers under Section 34 of the Act. It is lastly urged that the award of the Arbitral Tribunal is in conflict with and in contravention to the public policy of India, and the refusal by the Court below to interfere with such award renders the judgment of the Court below liable to interference in the present appeal.



10. Per contra, learned counsel for the respondent-insured argued that the Arbitral Tribunal has examined the evidence brought before it *in extenso* and there is neither any perversity in the award nor there is any violation of public policy, and therefore, the Court below has rightly rejected the objections of the Insurance Company.

11. We have heard Mr. Ashwani Talwar, learned counsel for the appellant, Mr. Puneet Jindal, learned senior counsel for the respondent-Insurance Company and have perused the materials brought on record.

12. From the facts noticed above, it is not disputed that there existed a valid insurance policy for Standard Fire & Special Perils in favour of respondent no.1 from 01.08.2017 to 31.07.2018. The incident of fire occurred in the premises of the respondent/ insured on 15.10.2017 is also not disputed. The valid claim was lodged by the respondent before the Insurance Company and Mr. B. S. Chawla was appointed as surveyor by the Insurance Company for survey and assessment of loss. The surveyor has submitted his report based upon which a sum of ₹ 1,32,68,000/- has been paid to the respondent/insured.

13. Further claim has been instituted by the respondent amounting to ₹ 3,63,03,387/-. In terms of the policy such claim was referred to Arbitral Tribunal where the award has been passed.

14. The Insurance Company has primarily relied upon the surveyor's report to contend that no further amount over and above the claim accepted by the surveyor was actually due and payable to the respondent/ insured.

15. We have perused the award of the Arbitrator as also the judgment of the Court below. We find that the evidence brought before the



Arbitral Tribunal has been duly considered and the specific objections of the appellant company have been dealt with.

16. The respondent company is a manufacturer of hosiery at Ludhiana. Its premises situated near Gurbax Colony, Near Dyeing Complex, Bahadur Ke Road, Ludhiana. The total plot size is around 3247 square yards having constructed area around 16000 square feet. It is a three storey building and the firm is engaged in manufacturing and exporting a trendy collection of Winter Embroidered Kurtis, Winter Jacquard Kurtis, Ladies Woolen Kurtis, Ladies Woolen Tops, Ladies Winter Coats, Winter Tweed Kurti, etc. and these products are sold under the name and style of "Preston". It has been functioning for the last several decades. The unit was succinctly covered by the Insurance policy available from time to time. As per the material brought on record, the unit makes various purchases of raw material including yarn, etc. between July-September-December and the manufactured items then are sold in open market. The respondent company is also exporting finished hosiery products abroad.

17. The surveyor in his report has noticed that the raw material is purchased from local market and sales are made by the respondent company to different States across the country, in addition to exports made to different countries. The respondent had taken a CC Limit from HDFC Bank, Ludhiana. The turnover of the respondent company for the previous year was around 9 crores. The respondent had declared total purchase of ₹ 6,11,10,195.80 and submitted copy of month-wise purchase summary, ledger accounts along with few purchase invoices/ GRs, etc. The surveyor, whose report has been relied upon by the appellant, has appeared before the Arbitral Tribunal and his



statement has been recorded by it in para 12 of the award, which is reproduced hereunder:-

*“I did not visit Punjab National Bank and HDFC Bank to check the stock statements. I did not visit the Excise Department to verify GST Return and VAT Returns..... I did not visit any vendor in order to verify the bills of purchase... I have not gone through the investigation report. We know the rates of yarn, therefore, I did not feel the necessity of finding out the market rates of the yarn in dispute.”*

18. The Arbitral Tribunal has also observed as under in para 15 of the award:-

*“15. After having gone through the report of the Investigator we find that he has categorically concluded under para 3.2.1 (A&B) that the insured has filed GST returns before the date and there is no delay in filing the GST returns and with regard to stock statement, Investigator has mentioned in his report that the stocks statements were submitted by the bank through mail. The date of mail sent to HDFC bank is the date of receiving by bank and he has placed on record Annexure No.VI along with report i.e. copy of mail sent to HDFC bank.”*

19. The Arbitral Tribunal has extensively gone into the facts and has observed that the surveyor has ignored the fact that the sum insured for the stock of respondent company has increased from ₹ 4.5 crores to ₹ 6 crores during the past two years. It was also noticed that June/July to October is the peak purchase time in the hosiery industry and in view of rising sales and turnover of the respondent, the claim for losses was clearly made out.

20. The Court below has also adverted to the objections taken by the appellant under Section 34 of the Act. Detailed reasons have been furnished



by the Court below for rejecting the objections of the appellant. Even before this Court an attempt is made by the appellant to seek reassessment of evidence brought on record before the Arbitral Tribunal. Except to state that the Tribunal could not have discarded the report of the surveyor, no other perversity or arbitrariness has been alleged in the award of the Tribunal.

21. Having examined the submissions, we find that this Court while exercising its jurisdiction under Section 37 of the Act is not required to reappraise the evidence led before the Arbitral Tribunal. Neither any apparent perversity nor any arbitrariness or violation of public policy has been shown in the award of the Arbitral Tribunal. In such circumstances, we do not find any merit in this appeal. So far as scope of this Court under Section 37 of the Act is concerned, the law has been succinctly put by the Supreme Court in **Punjab State Civil Supplies Corporation Limited and another vs Sanman Rice Mills and others** 2024 SCC OnLine SC 2632, wherein the Court has observed as under:-

*“9. The object of the Act is to provide for a speedy and inexpensive alternative mode of settlement of dispute with the minimum of intervention of the courts. Section 5 of the Act is implicit in this regard and prohibits interference by the judicial authority with the arbitration proceedings except where so provided in Part-I of the Act. The judicial interference, if any, is provided inter-alia only by means of Sections 34 and 37 of the Act respectively.*

*10. Section 34 of the Act provides for getting an arbitral award set aside by moving an application in accordance with sub-Section (2) and sub-Section (3) of Section 34 of the Act which inter-alia provide for the*



*grounds on which an arbitral award is liable to be set aside. One of the main grounds for interference or setting aside an award is where the arbitral award is in conflict with the public policy of India i.e. if the award is induced or affected by fraud or corruption or is in contravention with the fundamental policy of Indian law or it is in conflict with most basic notions of morality and justice. A plain reading of Section 34 reveals that the scope of interference by the court with the arbitral award under Section 34 is very limited and the court is not supposed to travel beyond the aforesaid scope to find out if the award is good or bad.*

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

22. In Civil Appeal No. 2058 of 2012 **Somdatt Builders – NCC-NEC (JV) vs National Highways Authority of India and others,** decided on 27.01.2025 similar principles have been reiterated by the Supreme Court while clarifying the scope of jurisdiction under Section 37 of the Act of this Court. The Supreme Court has clearly observed that this Court while exercising its jurisdiction under Section 37 of the Act must exercise great deal of restraint or else the purpose of the Act of 1996 itself would be defeated. The observations contained in paragraph 36 to 42 are reproduced as under:-

*“36. In MMTC Ltd. Vs. Vedanta Ltd.<sup>13</sup>, this Court held that as far as Section 34 is concerned, the position is well settled that the court does not sit in appeal over an arbitral award and may interfere on merits only on the limited ground provided under Section 34(2)(b)(ii) i.e. if the award is against the public policy of India. Even then, the interference would not entail a review on the*



*merits of the dispute but would be limited to situations where the findings of the arbitrator are arbitrary, capricious or perverse or when the conscience of the court is shocked or when the illegality (2019) 4 SCC 163 is not trivial but goes to the root of the matter. An arbitral award may not be interfered with if the view taken by the arbitrator is a possible view based on facts. As far as interference with an order made under Section 34 by the court under Section 37 is concerned, it has been held 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.*

*37. What is public policy of India has been explained in Ssangyong Engineer and Construction Company Ltd. (supra). It means the fundamental policy of Indian law. Violation of Indian statutes linked to public policy or public interest and disregarding orders of superior courts in India would be regarded as being contrary to the fundamental policy of Indian law. It would also mean that the arbitral award is against basic notions of justice or morality. An arbitral award can be set aside on the ground of patent illegality i.e. where the illegality goes to the root of the matter but re-appreciation of evidence cannot be permitted under the ground of patent illegality.*

*38. In PSA Sical Terminals Private Ltd. (supra), this Court reiterating the well settled principles held as under:*

*40. It will thus appear to be a more than settled legal position, that in an application under Section*



34, the court is not expected to act as an appellate court and reappreciate the evidence. The scope of interference would be limited to grounds provided under Section 34 of the Arbitration Act. The interference would be so warranted when the award is in violation of “public policy of India”, which has been held to mean “the fundamental policy of Indian law”. A judicial intervention on account of interfering on the merits of the award would not be permissible. However, the principles of natural justice as contained in Sections 18 and 34(2)(a)(iii) of the Arbitration Act would continue to be the grounds of challenge of an award. The ground for interference on the basis that the award is in conflict with justice or morality is now to be understood as a conflict with the “most basic notions of morality or justice”. It is only such arbitral awards that shock the conscience of the court, that can be set aside on the said ground. An award would be set aside on the ground of patent illegality appearing on the face of the award and as such, which goes to the roots of the matter. However, an illegality with regard to a mere erroneous application of law would not be a ground for interference. Equally, reappreciation of evidence would not be permissible on the ground of patent illegality appearing on the face of the award.

41. A decision which is perverse, though would not be a ground for challenge under “public policy of India”, would certainly amount to a patent illegality appearing on the face of the award. However, a finding based on no evidence at all or



*an award which ignores vital evidence in arriving at its decision would be perverse and liable to be set aside on the ground of patent illegality.*

39. In *Reliance Infrastructure Ltd. (supra)*, this Court referring to one of its earlier decisions in *UHL Power Company Ltd. Vs. State of Himachal Pradesh*<sup>14</sup>, held that scope of interference under Section 37 is all the more circumscribed keeping in view the limited scope of interference with an arbitral award under Section 34 of the 1996 Act. As it is, the jurisdiction conferred on courts under Section 34 of the 1996 Act is fairly narrow. Therefore, when it comes to scope of an appeal under Section 37 of the 1996 Act, jurisdiction of the appellate court in examining an order passed under Section 34, either setting aside or refusing to set aside an arbitral award, is all the more circumscribed.

40. Again in *M/s Larsen Air Conditioning and Refrigeration Company (supra)*, this Court reiterated the position that Section 37 of the 1996 Act grants narrower scope to the appellate court (2022) 4 SCC 116 to review the findings in an arbitral award if it has been upheld or substantially upheld under Section 34.

41. This Court in *M/s. Hindustan Construction Company Ltd. (supra)* declared that it is the settled jurisprudence of the courts in the country that arbitral awards which contain reasons especially when they interpret contractual terms ought not to be interfered with lightly. An error in the interpretation of contractual terms by an arbitrator is an error within his jurisdiction and would, therefore, not be a ground to interfere with an arbitral award.

42. As already discussed above, the Arbitral Tribunal had interpreted Clause 51 in a reasonable manner based



*on the evidence on record. This interpretation was affirmed by the learned Single Judge exercising jurisdiction under Section 34 of the 1996 Act. Therefore, Division Bench of the High Court was not at all justified in setting aside the arbitral award exercising extremely limited jurisdiction under Section 37 of the 1996 Act by merely using expressions like ‘opposed to the public policy of India’, ‘patent illegality’ and ‘shocking the conscience of the court’. As reiterated by this Court in Reliance Infrastructure Ltd. (supra), it is necessary to remind the courts that a great deal of restraint is required to be shown while examining the validity of an arbitral award when such an award has been upheld, wholly or substantially, under Section 34 of the 1996 Act. Frequent interference with arbitral awards would defeat the very purpose of the 1996 Act.”*

23. For the reasons and discussion above, we do not find any merit in the present appeal which accordingly is rejected at the stage of admission under Order XLI Rule 11 CPC.

24. Pending miscellaneous application (s), if any, also stands disposed of.

**(ASHWANI KUMAR MISHRA)**  
**JUDGE**

**09.10.2025**

vs

**(ROHIT KAPOOR)**  
**JUDGE**

Whether speaking/reasoned	Yes/No
Whether reportable	Yes/No