

**Case Comment: Gayatri Project Limited vs. Madhya Pradesh Road
Development Corporation Limited, 2025 INSC 698 (Supreme Court of India)**

I. Introduction:

1. The Hon'ble Supreme Court in this recent decision was faced with the issue whether a party can be allowed to seek setting aside of an award on the ground of lack of jurisdiction, if the party failed to file an application under section 16 of the Arbitration & Conciliation Act, 1996 (“**A&C Act**”) contesting the jurisdiction of the arbitral tribunal at the appropriate time.

II. Brief Facts:

2. Gayatri Project Limited (hereinafter referred to as the “**Appellant**”) had executed a works contract on 12.12.2005 with the Madhya Pradesh Road Development Corporation Limited (hereinafter referred to as the “**Respondent**”) for “Rehabilitation and Strengthening of Khargone - Barwani Road (SH-26) Project Road No. 19 & Rehabilitation and Strengthening of Khargone - Bistan Road (SH-31) Project Road No. 20” in the State of Madhya Pradesh (hereinafter referred to as “**Contract**”).
3. Since the Contract was executed with a State Government undertaking, the M.P. Madhyastham Adhikaran Adhiniyam, 1983 (“**MP Act, 1983**”) was applicable to the present dispute. The MP Act, 1983, provides for a special statutory arbitration mechanism for resolving disputes arising out of works contracts executed by or on behalf of the State Government or its public undertakings. Under Section 2(1)(d) of the MP Act, 1983, all such disputes fall within the exclusive jurisdiction of the M.P. Arbitration Tribunal constituted under the MP Act, 1983, thereby excluding the applicability of the A&C Act.
4. A dispute subsequently arose between the parties regarding the Appellant's claim for reimbursement of additional costs following a legislative increase in the entry tax on High-Speed Diesel. The Appellant thereafter initiated arbitration against the Respondent under the A&C Act, and not the MP Act, 1983.

5. The arbitral tribunal, by a unanimous award dated 08.07.2011, ruled in favour of the Appellant and awarded a sum of Rs. 1,03,55,187 (approx. Rs. 1.04 crore) (hereinafter referred to as “**Award**”). Pertinently, the Respondent did not raise any objection to the jurisdiction of the Tribunal during the arbitral proceedings.
6. The Respondent challenged the award before the Hon’ble High Court, *inter alia*, on the ground that the arbitral tribunal lacked jurisdiction in view of the State legislation, that is, the MP Act, 1983. In support of its contention, the Respondent placed reliance on the decision of the Full Bench in *Viva Highways Ltd & Ors v. M.P. Road Development Corporation Limited*¹ (AIR 2017 MP 103), wherein it was held that the State legislation would govern all works contracts executed within the State of Madhya Pradesh, irrespective of an arbitration agreement in such contracts.
7. The Hon’ble High Court allowed the Respondent’s petition under Section 34 of the A&C Act, for setting aside the Award on the ground of lack of jurisdiction. Aggrieved by this decision, the Appellant preferred an appeal before the Hon’ble Supreme Court. (“**Hon’ble Court**”)

III. Issues for Consideration and Analysis of the Hon’ble Court:

- i. **Issue 1: Whether the MP Act, 1983 or the A&C Act govern the arbitration proceedings arising out of works contracts within the State of Madhya Pradesh?**
8. The Hon’ble Supreme Court, while examining the interplay between the MP Act, 1983, and the A&C Act, relied on a line of precedents including *M.P. v. Anshuman Shukla*², *VA Tech Escher Wyass Flovel Limited v. M.P. State Electricity Board & Anr*³, *Ravikant Bansal v. M.P. Rural Road Development Authority*⁴, *L.G. Chaudhary (I)*⁵, and *L.G. Chaudhary (II)*. The Hon’ble Court held that the MP Act, 1983, is a *special and self-contained legislation* which establishes a statutory arbitration mechanism for disputes involving the State Government or its public undertakings in Madhya Pradesh. Therefore,

¹ Viva Highways Ltd & Ors v. M.P. Road Development Corporation Limited, AIR 2017 MP 10 103

² M.P. v. Anshuman Shukla, (2008) 7 SCC 487

³ VA Tech Escher Wyass Flovel Limited v. M.P. State Electricity Board & Anr, (2011) 13 SCC 261

⁴ Ravikant Bansal v. M.P. Rural Road Development Authority, (2012) 3 SCC 513

⁵ MP Rural Road Development Authority & Anr v. L.G. Chaudhary Engineers & Contractors, (2012) 3 SCC 495

the MP Act, 1983, prevails over the A&C Act for disputes arising from works contracts involving the State or its instrumentalities within Madhya Pradesh.

9. The Hon'ble Court further clarified that the MP Act, 1983, mandates reference of disputes to the M.P. State Arbitration Tribunal, thereby overriding any contractual clause invoking the A&C Act. However, where a party participates in arbitration under the A&C Act without raising a timely objection to jurisdiction, either before filing its statement of defence or during the proceedings, it is deemed to have waived its right to subsequently challenge the Award on jurisdictional grounds under Section 34 of the A&C Act, save in exceptional circumstances where sufficient cause for the delay is demonstrated.
- ii. **Whether an arbitral award made under the A&C Act can be set aside solely on the ground of lack of jurisdiction, even if no such objection was raised before the arbitral tribunal as required under Section 16(2) of the A&C Act?**
10. The Hon'ble Court, referring to the *L.G. Chaudhary (II)* (*supra*), held that if a party files a statement of defence without raising a plea of lack of jurisdiction at the pre-award stage, such a plea cannot later be raised under Section 16(2) of the A&C Act. Accordingly, an arbitral award cannot be annulled solely on the ground of a jurisdictional objection raised post-award. Further, the Hon'ble Court emphasized that where no prior objection to jurisdiction was made, the award remains valid although other grounds for challenge under Section 34 of the A&C Act still may be pursued.
- iii. **Whether a plea of lack of jurisdiction can be raised for the first time under Section 34 of the A&C Act if no such objection was taken before the arbitral tribunal?**
11. The Hon'ble Court relying on several judgments such as *Lion Engineering Consultants v. State of Madhya Pradesh*⁶, *Union of India v. Pam Development (P) Ltd*⁷ and *AC Chokshi Share Broker (P) Ltd. v. Jatin Pratap Desai*⁸, *Gas Authority of India Ltd. v. Keti Construction (I) Ltd*⁹ and *L.G. Chaudhary (II)* clarified that mere failure to invoke the applicability of the MP Act, 1983 before the arbitral

⁶ *Lion Engineering Consultants v. State of Madhya Pradesh*, (2018) 16 SCC 758

⁷ *Union of India v. Pam Development (P) Ltd*, (2014) 11 SCC 366

⁸ *AC Chokshi Share Broker (P) Ltd. v. Jatin Pratap Desai*, (2025) SCC OnLine SC 281

⁹ *Gas Authority of India Ltd. v. Keti Construction (I) Ltd*, (2007) 5 SCC 38

tribunal does not constitute a sufficient justification to raise the same for the first time in a Section 34 petition. While a jurisdictional plea can be technically raised under Section 34, the Hon'ble Court held that such pleas are generally barred unless the party can demonstrate compelling reasons for such delay.

IV. Findings of the Hon'ble Court:

12. The Hon'ble Court, after taking into consideration the facts of the present case and *L.G. Chaudhary (II)*, held that:

- i. The Parties have the liberty to raise jurisdictional objections during the arbitral proceedings. However, such an objection must be raised at an appropriate stage, specifically, before filing the Statement of Defence. If this stage has passed, then it would not be appropriate for the party to raise jurisdictional objections later, and the proceedings will continue without transferring it to the M.P. State Arbitration Tribunal under the MP Act, 1983.
- ii. If no jurisdictional objection in view of the applicability of MP Act, 1983 has been taken at the relevant stage, then the arbitral award cannot be annulled solely on the ground of lack of jurisdiction.
- iii. Even if an objection regarding the applicability of the MP Act, 1983 is taken at the relevant stage, but the parties fail to pursue it under Section 16 of the A&C Act, or if such a plea is rejected, then the arbitral award cannot be set aside solely on jurisdictional grounds.
- iv. An award passed under the A&C Act, where the MP Act was applicable, will be enforced as per the MP Act, 1983.

13. In the present case, the Respondent never objected to the arbitral tribunal's jurisdiction at any stage, neither during the constitution of the tribunal, in the statement of defence, under Section 16, nor in the original Section 34 petition. The objection was raised only through an amendment post-award. Relying on *L.G. Chaudhary (II)*, the Hon'ble Court held that the award could not be

annulled solely on jurisdictional grounds raised belatedly, and consequently, the Hon'ble Court set aside the High Court's judgment.

V. Conclusion:

14. The Hon'ble Supreme Court's decision is a significant reaffirmation of the principle that jurisdictional objections in arbitration must be raised at the earliest appropriate stage; failure to do so may result in the party being deemed to have waived its right to challenge the award under Section 34 of the A&C Act.
15. By relying on and clarifying the decision in *L.G. Chaudhary (II) (supra)*, the Hon'ble Court has settled the long-standing uncertainty regarding the interplay between the MP Act, 1983, and the A&C Act. The decision establishes that while the MP Act, 1983, provides a special statutory arbitration mechanism for works contracts in Madhya Pradesh, parties cannot belatedly invoke this jurisdiction after participating in arbitration proceedings under the A&C Act without raising timely objections.
16. This judgment also settles the legal position on the waiver of jurisdictional objections and preserves the distinction between legislative intent and procedural abuse. It stands as a clear precedent to prevent parties from misusing special statutes like the MP Act, 1983, to derail valid arbitral proceedings *post facto*.