



August 2025

Supreme Court of India reiterates that statutory arbitrations under special enactments override contractual arbitration agreements

The Supreme Court of India (“**Supreme Court**”) has in *Umri Pooph Pratappur (UPP) Tollways Private Limited vs. M.P. Road Development Corporation and Anr.*¹ *inter alia* reiterated that statutory arbitrations enacted under special statutes override private contractual arbitration provisions under the Arbitration and Conciliation Act, 1996 (“**Arbitration Act**”).

Brief facts

The appellant and respondent no. 1 entered into a concession agreement for development of the Umari-Pooph-Pratappur Road on a build, operate and transfer (BOT) basis (“**Concession Agreement**”).

Respondent no. 1 allegedly breached its contractual obligations and caused delays and disruptions, which resulted in escalated costs. Given the same, the appellant referred its claims to the independent engineer for amicable resolution and compensation as required under the Concession Agreement. However, most of these claims were rejected.

Since its claims were rejected, the appellant invoked Section 7 of the Madhya Pradesh Madhyastham Adhikaran Adhiniyam, 1983 (“**1983 Act**”) and initiated arbitration proceedings before the Madhya Pradesh Arbitration Tribunal (“**MPAT**”). As no progress was made beyond the issuance of notice for a significant period of time, the appellant invoked the contractual arbitration provision under the Concession Agreement and referred the dispute to the International Centre for Alternative Dispute Resolution (“**ICADR**”). Despite respondent no. 1’s objection, the ICADR appointed arbitrators on June 2, 2022, and the Arbitral Tribunal (“**Tribunal**”) issued a preliminary hearing notice dated June 7, 2022.

Respondent no. 1 filed a writ petition before the High Court of Madhya Pradesh (“**MP HC**”) challenging the orders dated June 2, 2022, and June 7, 2022, passed by the ICADR and the Tribunal. By its judgment dated September 9, 2024 (“**Judgment**”), the MP HC allowed the writ petition and quashed the orders passed by the ICADR and the Tribunal. The appellant preferred a special leave petition before the Supreme Court against the Judgment.

Issue

Whether the disputes under the Concession Agreement were to be referred to arbitration, in terms of the contractual provision under the Concession Agreement or before the MPAT under the 1983 Act?

¹ 2025 SCC OnLine SC 1569 (decided on July 30, 2025)

Findings and analysis

The Supreme Court dismissed the challenge to the Judgment and *inter alia* observed as follows:

1. The 1983 Act provides a special statutory mechanism for adjudication of disputes arising out of works contracts involving the State Government or its instrumentalities. The Concession Agreement has been executed with a corporation owned and run by the government (i.e., Respondent no. 1), and it relates to the construction of a State highway situated within the State of Madhya Pradesh. The claims raised are quantified and arise from the said agreement. The Concession Agreement falls within the ambit of a 'works contract' defined under the 1983 Act and all of the appellant's claims are covered within the definition of the 'dispute' defined under the 1983 Act. Therefore, the appellant's claims fall within the purview of the 1983 Act.
2. Section 7 of the 1983 Act mandates reference of such disputes to the MPAT, irrespective of whether the agreement between the parties contains an arbitration clause. Sections 2 (3), (4) and (5) of the Arbitration Act demonstrate that reference to a special tribunal under a special enactment would survive irrespective of the existence of a mechanism under the Arbitration Act. Section 20 of the 1983 Act bars the jurisdiction of civil courts, affirming MPAT's exclusive jurisdiction over disputes arising out of a 'works contract' under the 1983 Act. There is no repugnancy between the 1983 Act and the Arbitration Act.
3. A full bench of the MP HC in *Viva Highways Limited vs. Madhya Pradesh Road Development Corporation*² (previously affirmed by the Supreme Court) held that where an agreement qualified as a 'works contract' and the dispute fell within the purview of the 1983 Act, the reference to MPAT would be mandatory. The 1983 Act would have an overriding effect over the Arbitration Act.³

Conclusion

This decision reinforces the overriding effect of special statutory arbitration regimes over the general law on arbitration as contained in the Arbitration Act, . Significantly, the ruling serves as a cautionary reminder for parties, particularly in infrastructure and public works sectors, to be aware of the existence of statutory processes for dispute resolution in order to obviate any legal impediments at the time of invocation of a dispute.

² *M.P. Road Rural Road Development Authority vs. L.G. Chaudhary Engineers and Contractors* [2017 SCC OnLine MP 1448]

³ *State of Chattisgarh vs. KMC Constructions Limited* [(2018) 10 SCC 826], *ARSS Damoh – Hirapur Tolls Pvt. Ltd. vs. M.P. Road Development Corporation* [2018 SCC OnLine SC 3899], *Madhya Pradesh Rural Road Development Authority vs. Backbone Enterprises Limited* [(2018) 15 SCC 660]

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