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IN THE HIGH COURT OF JUDICATURE AT BOMBAY
ORDINARY ORIGINAL CIVIL JURISDICTION
COMMERCIAL ARBITRATION PETITION NO. 201 OF 2023

National Insurance Company Limited
Registered and Head Office
3, Middleston Street
Kolkatta-700 071

And

DO-IV, MBRO – II
NTC House, N Morarji Marg
Ballard Estate, Mumbai-400 001

.... Petitioner

Versus

Coromandel International Ltd.
Office No. 504, Eastern Court
Sion-Trombay Road, Opp Wasan
Motors, Chembur, Mumbai-400 071

.... Respondent

Mr. Rushabh Vidyarthi a/w. Mr. Mohit Turathia i/b. Mr. Asim Vidyarthi for the Petitioner.

Mr. Rohaan Cama a/w. Mr. Rahul Jain, Ms. Khushboo Rupani and Mr. Sharan Shetty i/b. HSA Advocates for the Respondent.

CORAM : GAURI GODSE, J.

RESERVED ON: 9th JANUARY 2026

PRONOUNCED ON: 7th MAY 2026

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JUDGMENT:

BASIC FACTS:

1. This petition is filed under Section 34 of the Arbitration and Conciliation Act 1996 to challenge the Arbitral Award dated 28th March 2019, passed by the Arbitral Tribunal consisting of a sole Arbitrator awarding a sum of Rs. 1,54,65,031/- under the Insurance policy along with interest at a simple interest rate of 7.5% p.a from the date of commencement of the arbitral proceedings, i.e. 7th July 2014 till the date of payment. The impugned Award further directs that if the amount is not paid within the said stipulated time of 60 days, it shall carry interest @ 9.5% per annum from the date of the Award till the date of actual payment.

2. The respondent, i.e. the original claimant, is engaged in manufacturing and marketing multiple products of specialty chemicals and crop protection chemicals, with its manufacturing facilities located in Gujarat. The respondent obtained a Fire Insurance Cover for a value of Rs. 4 crores for a new storage place at Sarigam, Gujarat, for its stock.

3. The respondent reported to the petitioner a fire incident that took place on 4th February 2012. The petitioner appointed SIB & Associates - Engineers, Surveyors, Loss Assessors and Valuers ("the surveyors") to verify and assess the claim. The surveyors first released their Preliminary Report dated 15th February 2012 and thereafter issued the Final Survey Report dated 22nd November 2012. Under the Loss Adjustment clause, the Surveyor assessed the loss at Rs. 60,15,541/-, after deducting 2% for maximum incidental storage outside permissible limits.

CLAIMANT'S CASE:

4. The Insurance company had agreed to insure and cover the claimant's raw materials and packaging materials against loss or damage by fire stored at the premises described as the storage space at Plot No. 4503. The Insurance company issued a fire insurance policy for a sum insured of Rs.1,00,00,000/-. The policy covered the stocks of raw materials and packaging materials at Plot No. 4503, Sarigam. The sum insured under the policy was enhanced to Rs.2,00,00,000/- on payment of additional premium. There was no change in the terms and

conditions of the original policy. A policy document was accordingly issued to the claimant. The insurance company subsequently purported to unilaterally insert and alter the terms and conditions in the renewal policy document without informing the claimant and without consent. The additions and alterations would not be binding upon the claimant.

5. A fire incident took place at the insured premises, which destroyed the claimant's goods stored at the premises. The incident was reported to the insurance company immediately. Accordingly, the insurance company appointed a surveyor. The claimant submitted all the required documents and particulars as called upon by the surveyor. The surveyor on 1st November 2012 intimated to the claimant that the loss had been assessed at Rs.2,80,42,619/-. After three weeks, the claimant received another communication from the surveyor alleging that the claimant had been advised that the policy allegedly covered only the godown, and hence only the stocks in the closed godown stood covered. It was informed that the stocks stored in the open were not covered. Accordingly, the loss on stocks covered inside the building was assessed at Rs. 60 lakhs.

INSURANCE COMPANY'S CASE:

6. The claimant approached the Insurance Company for obtaining fire insurance cover for a 'new storage place' at Sarigam, Gujarat, for storing imported consignments. The claimant wanted insurance coverage for the stocks stored at their 'Godown' in Sarigam. The claimant opted for a cover of Rs. 1 crore for the stocks stored in the godown at Sarigam. The Insurance company was given to understand that the claimant wanted insurance cover for goods stored at the claimant's godown at Sarigam, and accordingly calculated the premium payable by the claimant for storage at the godown.

7. The claimant sought to increase the sum insured from Rs. 1 Crore to Rs. 2 Crores, and the emails were captioned as an increase in the Insurance cover for Sarigam Godown-Policy. Accordingly, an endorsement of Rs. 2 Crores was made. At no point until the lodging of the claim did the claimant raise any issue regarding coverage under the insurance policy. The policies were issued at the claimant's request, covering goods stored in a godown. Admittedly, the premium was paid only for goods stored in the godown, and this was never objected to or

protested by the claimant until the claim was filed. Thus, it has to be presumed that the said coverage of goods stored in the godown had the claimant's complete acceptance.

SUBMISSIONS ON BEHALF OF THE PETITIONER:

8. Learned counsel for the petitioner submitted that the Endorsement No. 198 in the policy document clearly indicates that the insurance cover was for the entire premises, that is, the godown and not the open premises. Endorsement No. 198 in the policy document is part of the policy's terms and conditions. However, the learned Arbitrator has accepted the claim for the entire stock stored outside the premises that was not covered under the policy document. The survey report and the assessment are not disputed. Hence, there is no dispute on the quantification. The award amount also covers the claim for the stocks that were stored in the open area. Hence, the award amount is beyond the terms of the contract. The learned Arbitrator has recorded no reasons for accepting the policy document for the open area. The correspondence between the parties before issuing the policy also shows that the insurance was requested only for the stocks stored in the godown. Hence,

the amount awarded by the learned Arbitrator exceeds the scope of the policy's terms and conditions.

9. Learned counsel for the petitioner, therefore, submitted that the award is liable to be set aside on the ground of patent illegality that goes to the root of the matter. To support his submission, learned counsel for the petitioner relied upon the decisions of the Apex Court in *Polymat India (P) Ltd and Another vs. National Insurance Co. Ltd. and Others*¹, and *Bajaj Allianz General Insurance Co. Ltd. vs. Mukul Aggarwal and Others*².

SUBMISSIONS ON BEHALF OF THE RESPONDENT:

10. Learned counsel for the respondent (“claimant”) submitted that the learned Arbitrator has rightly accepted the terms and conditions of the policy reflected in the policy document issued to the claimant. The Endorsement No. 198 is accepted as part of the policy document. However, the learned Arbitrator has recorded findings that the two words were unilaterally added by hand. Hence, the learned Arbitrator, after appreciating the evidence on record, has rightly accepted the insurance policy for

1 (2005) 9 SCC 174

2 2023 INSC 1005 – Civil Appeal No.1544 of 2023

the entire premises, including the open area.

11. There was no dispute on the quantification made by the surveyor appointed by the insurance company. Hence, the learned arbitrator has rightly awarded the claim amount in accordance with the evidence on record. The property covered under the insurance policy is described in the policy document. Even if it is accepted that there may be no reason to award only 75% of the assessment amount, the claimant has accepted the amount granted by the learned arbitrator. Hence, the absence of reasons for accepting 75% of the amount is no ground to set aside the award.

12. In the decision of the Apex Court in *Polymat India*, the premises were specifically identified. In the present case, the words unilaterally added in the policy document are rightly not accepted by the learned Arbitrator. Hence, the decision relied upon by the learned counsel for the petitioner would not be of any assistance in the present case. Learned counsel for the claimant therefore submitted that even if the two added words are read in the policy document, the premises described in the policy document is the whole property, that is, the plot. Hence,

the impugned award cannot be set aside on the grounds argued on behalf of the petitioner. No ground for setting aside the award under Section 34 is made out in the present petition.

13. Learned counsel for the respondent relied upon the decisions in *Associate Builders vs. Delhi Development Authority*³, *Canara Bank vs. United India Insurance Company Limited and Others*⁴.

ANALYSIS AND CONCLUSIONS:

14. The basic liability had been admitted; however, the construction of the policy led to the dispute. The total amount claimed was Rs.2,80,42,619/- of which Rs.60,14,802/- was sought to be released by way of an Interim Award, being an admitted amount by the Insurance company. The Insurance Company chose not to dispute the loss assessment given by the surveyor and was therefore bound by it. The petitioner admitted the loss and offered a settlement for the loss of stocks inside the building. The petitioner has not questioned the assessment/value of loss on account of the stocks lying outside the building.

3 (2015) 3 SCC 49

4 (2020) 3 SCC 455

15. The claimant, on the other hand, has not disputed the amount of loss assessed by the surveyor and rather restricted their claim to the assessed amount, as against their initial claim of Rs. 3.38 crores. The claimant is held entitled to the entire loss for the stock inside and outside the building for Rs. 2,66,32,791/- suffered on account of the fire accident. The loss on account of stocks inside the building stands settled pursuant to the Interim Award dated 11th December 2014 leaving the balance Rs.2,06,18,709/- to be paid towards the stocks lying outside the building. The learned Arbitrator held that the claimant was entitled to an amount equivalent to 75% of the loss arising from fire damage to the stocks lying in the open on the plot outside the godown.

16. The controversy is therefore whether the learned Arbitrator has rightly accepted the policy document for the entire premises, that is, the godown and the open area. I have perused the policy document on record. The premises described in the policy document is the entire plot. There is nothing shown that the policy was restricted only to the stocks stored in the godown, and that the premises described as the entire plot was not part

of the insurance cover issued by the petitioner. The learned Arbitrator has referred to the policy document and, after appreciating the evidence on record, has concluded that the insurance cover issued by the petitioner covers the stocks stored in the entire premises described in the policy document. It appears from the analysis recorded by the learned Arbitrator that much was argued on the correct document of the policy. The learned Arbitrator has accepted the policy document at Exhibit D to the written statement of the insurance company as the legally valid document.

17. The controversy regarding the additions in the endorsement no. 198 in the policy document is discussed in detail by the learner Arbitrator. The learned Arbitrator held that the changes to the policy document were unwarranted and did not materially alter the policy's pricing or other terms and conditions. The learned Arbitrator also discussed the trail emails on record to examine the dispute regarding the subject 'godown' referred to in the emails. After reviewing the contents of all the emails and the evidence led by the parties, the learned Arbitrator observed that the insurance coverage was requested for the

storage place they rented, and the quoted price was without any restrictions or exclusions. It is held that, accordingly, the claimant paid the premium demanded by the insurance company, and after receipt of the premium in full, the insurance company could not have made an exclusion by unilaterally inserting the words in the policy document. The learned Arbitrator has therefore held that, taking the policy document in evidence as the correct document, the unilaterally added words from coverage to non-coverage were not by consent of the claimant.

18. The learned Arbitrator discussed the word premises and, after referring to the terms and conditions and the description of the insured premises in the policy document, concluded that the policy of insurance was issued to cover all the stocks within the godown and adjacent to the godown in the open in the plot described in the policy document. The learned Arbitrator has accordingly granted the claim for stocks stored in the godown and the open area by accepting that the entire stock in the premises, as described in the policy document, was covered by the insurance policy. Therefore, the grounds argued on behalf of

the petitioner on the terms and conditions of the policy document would amount to reappreciating the evidence on record, which is not permissible under Section 34 of the Arbitration Act.

19. No patent illegality in the reasons recorded by the learned arbitrator is pointed out that would go to the root of the matter. Hence, in view of the well-settled legal principles, the grounds raised on the interpretation of the terms and conditions of the policy document would not warrant any interference in the impugned award.

20. Another point argued on behalf of the petitioner was that no reasons were recorded by the learned Arbitrator for granting 75% of the assessment made in the survey report. In the concluding paragraphs, the learned Arbitrator observed that the tribunal had made an interim award ordering the release of the amount admitted by the insurance company. The surveyor's loss assessment was not disputed by the insurance company. The value of the loss on account of the stocks lying in the premises was not questioned by the insurance company. Considering the evidence on record and the conduct of the parties, the learned

Arbitrator opined that the ends of justice would be met by allowing the claimant an amount equivalent to 75% of the assessment of loss for the stock in the plot. Based on the evidence on record, the learned Arbitrator has recorded his opinion for granting 75% of the amount assessed for the loss. The claimant has accepted the said amount. There is no patent illegality in the view expressed by the learned Arbitrator. It is a well-established legal principle that if the view expressed by the arbitral tribunal is a plausible view, the award cannot be set aside on the ground that another view would be possible by reappreciating the evidence. Hence, I see no reason to set aside the award on the said ground argued on behalf of the petitioner.

21. In *Polymat India*, the Apex Court was dealing with the question of whether the expression “factory-cum-godown” includes all plant and machinery, and all goods lying within the boundary wall of the factory, which were covered under both the insurance policies, while deciding the appeals arising against the order passed by the National Consumer Disputes Redressal Commission. It was held that the terms of the contract must be construed strictly, without altering its nature, as doing so may

adversely affect the parties' interests. In the facts of the case before the Apex Court, it was held that after construing the terms of the contract, it transpired that the intention between the parties was to cover the plant and machinery which were lying in the factory, i.e. in the covered area and in the shed and not the goods which were lying outside the covered area. Therefore, it was held that the order of the Commission directing the payment of the assessment made by the surveyor of the goods which were lying inside and outside the factory was not a correct approach.

22. In the present case, the learned Arbitrator has, in detail, considered the correspondence between the parties and the terms and conditions of the policy, including the description of the premises in the policy document, to conclude that the intention of the parties was to cover the entire stock in the godown and the open area of the plot described in the policy document. In view of the facts of the present case, the decision of the Apex court in *Polymat India* is of no assistance to the petitioner.

23. In *Bajaj Allianz General Insurance Co. Ltd. v. Mukul*

Aggarwal, the Apex Court held that, as far as the interpretation of an insurance policy is concerned, an insured cannot claim anything more than what is covered by the insurance policy and the terms of the insurance policy, which determine the liability of the insurance company, must be read strictly. It is held that if any clause in the contract is ambiguous, it must be interpreted against the party that introduced it; however, for the contract of insurance, the applicability of the said concept is ruled out as the insurance contract is bilateral and mutually agreed upon, like any other commercial contract. In the present case, the learned Arbitrator has correctly interpreted the terms of the contract as agreed upon by the parties and recorded in the policy document.

24. In *Associate Builders* the Apex Court held that when a court is applying the “public policy” test to an arbitration award, it does not act as a court of appeal and consequently errors of fact cannot be corrected. It is further held that the arbitrator is the ultimate master of the quantity and quality of evidence to be relied upon when he delivers his arbitral award, and once it is found that the arbitrator’s approach is not arbitrary or capricious, then he is the last word on facts.

25. In, *Canara Bank v. United India Insurance Co. Ltd.* the Apex Court held that the provisions of the insurance policy must be read and interpreted in such a manner so as to give effect to the reasonable expectations of all the parties including the insured and the beneficiaries and that coverage provisions should be interpreted broadly and if there is any ambiguity, the same should be resolved in favour of the insured.

26. In the present case, the conclusion reached by the learned Arbitrator is a reasonable and plausible view. It is not open in a petition under Section 34 to act as a court of appeal. It is also a well-settled legal principle that perversity would include patent illegality if the finding is based on no evidence at all, if an award ignores vital evidence, or if a finding is based on documents taken behind the back of the parties. In the present case, the learned Arbitrator has considered the entire evidence. Thus, none of the grounds raised by the petitioner is within the limited scope of interference under Section 34 of the Arbitration Act.

27. The law on the scope of interference in the Section 34 petition is no longer res integra. In multiple decisions of the Apex Court, it is held that the Section 34 Court must not lightly

interfere with arbitral awards in a casual and cavalier manner, unless a conclusion can be drawn that the award suffers from perversity and patent illegality that goes to the root of the matter. The Apex Court has held in various decisions that the mandate under Section 34 is to respect the finality of the arbitral award and the party autonomy to get their dispute adjudicated by an alternative forum as provided under the law.

28. In the present case, the conclusions of the learned Arbitrator are based on a possible view and do not warrant any interference. There is no ground to set aside the award under the limited scope of Section 34 of the Arbitration Act. Hence, no interference is called for in the impugned Award.

29. For the reasons recorded above, the petition is dismissed.

[GAURI GODSE, J.]