



W.P.No.39672 of 2024

IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED: 14.07.2026

CORAM

THE HONOURABLE MR.JUSTICE HEMANT CHANDANGOUDAR

W.P.No.39672 of 2024

and WMP.No.42966 of 2024

M/s.J.B.Conductors
Rep By Its Proprietor Renukha J.Bhojani,
No.239B, Main Rice Mill Compound,
Perur Main Road, Kumarapalayam,
Selvapuram, Coimbatore-621 026.

Petitioner(s)

Vs.

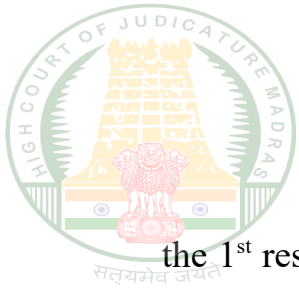
1.The Micro Small Enterprises Facilities Council
Coimbatore Region, Rep By Its Chairman, No.2,
Raja Street, Coimbatore-641 001.

2.M/s.Aquasub Engineering
Rep By Its Partner Kumaravelu,
Thudialur Post, Coimbatore-641 024.

Respondent(s)

Prayer: This Writ Petition filed under Article 226 of the Constitution of India, to issue a Writ of Certiorarified Mandamus, calling for the records of the 1st respondent culminating in the impugned dismissal order of the claim petition bearing MSEFC/CBER/145/2021 online Application No.UDYAM-TN-03-0048679/M/00001 dated 14.3.2022 and quash the same and consequently direct

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the 1st respondent to refer the parties to arbitration in terms of Section 18 of the Micro, Small and Medium Enterprises Development Act 2006 (MSMED ACT) 2006.

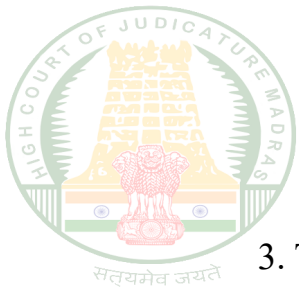
For Petitioner : Mr.M.Santhanaraman

For Respondents : Mr.P.Siddarth for R1
Government Counsel
Mr.Karthik Raja for R2

ORDER

The petitioner has challenged the order dated 14.03.2022 passed by the first respondent, by which the claim petition filed under Section 18(1) of the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) was rejected.

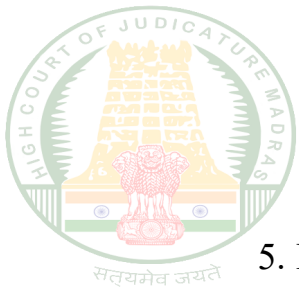
2. The petitioner had filed the claim petition against the second respondent seeking recovery of Rs.1,97,21,053/-, along with compound interest with monthly rests, as provided under Sections 15 and 16 of the MSMED Act. By the impugned order, the first respondent dismissed the claim as not maintainable.



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3. The question as to the procedure to be followed under Section 18 of the MSMED Act was considered by a Coordinate Bench of this Court in W.P. No.13059 of 2023, by order dated 27.04.2023. The Court held that the Facilitation Council must first conduct conciliation in accordance with Sections 18(2) and 18(3) of the Act. If the conciliation fails, the Council has no option but to either itself conduct arbitration or refer the dispute to an appropriate arbitral institution. The Council cannot decide the dispute on merits without following the arbitration procedure prescribed under the Arbitration and Conciliation Act, 1996.

4. The Coordinate Bench further observed that the Council has repeatedly failed to follow this mandatory procedure and has, in several cases, either omitted conciliation altogether or decided disputes on merits immediately after the failure of conciliation. Such a procedure is contrary to the statutory scheme under Section 18 of the MSMED Act and has resulted in unnecessary writ petitions before this Court. The Court, therefore, directed the Council to strictly follow the mandate of Section 18 and observed that continued non-compliance may warrant the imposition of costs and corrective measures by the concerned Ministry.



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5. In the present case, the first respondent dismissed the petitioner's claim

without following the mandatory procedure under Section 18 of the MSMED Act. In view of the law laid down by the Coordinate Bench in W.P. No.13059 of 2023, such a course is unsustainable. Once a claim is filed under Section 18, the Council must first undertake conciliation and, if the conciliation fails, proceed with arbitration or refer the dispute for arbitration in accordance with law. It cannot reject the claim at the threshold without following the statutory procedure.

6. Accordingly, the writ petition is allowed. The impugned order dated 14.03.2022 is set aside. The matter is remanded to the file of the first respondent, who shall strictly comply with the procedure prescribed under Section 18 of the MSMED Act and conclude the proceedings, including the passing of the award, within three months from the date of receipt of a copy of this order. There shall be no order as to costs. Consequently, the connected miscellaneous petition is closed.

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Index : Yes/No
Speaking order : Yes/No
dna

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To

The Micro Small Enterprises Facilities Council
Coimbatore Region, Rep By Its Chairman, No.2,
Raja Street, Coimbatore-641 001.



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HEMANT CHANDANGOUDAR.J.,

dna

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