



WEB COPY IN THE HIGH COURT OF JUDICATURE AT MADRAS

(ORDINARY ORIGINAL CIVIL JURISDICTION)

FRIDAY THE 17TH DAY OF SEPTEMBER 2021

THE HON'BLE MR.JUSTICE N.SATHISH KUMAR

O.P.NO.411 OF 2018

In the matter of Arbitration and
Conciliation Act 1996 And
In the matter of Dispute Between:
International Aviation Academy (P)Ltd.,
Represented by its Chief Executive
Officer, Mr.Kannan Ay And
The Airports Authority of India
Represented by its chairman and two
others

Between

International Aviation Academy (P) Ltd.,
Rep. by its Chief Executive Officer, Mr.Kannan
No.60, III Floor, Jai Durga Complex,
Ashok Nagar First Avenue,
Ashok Nagar, Chennai – 600 083.

...Petitioner

Vs

1. Airports Authority of India,
Rep. by its Chairman,
Rajiv Gandhi Bhavan,
Safdarjung Airport, New Delhi.

2. Regional Executive Director,
Southern Region,
Airports Authority of India,
Chennai Airport, Chennai – 600 027.

3. Airport Director,
Airports Authority of India,
Salem Airport, Salem – 636 309.

...Respondents



WEB COPY Original Petition praying that this Hon'ble Court be pleased to set aside the award dated 01.07.2017 & 08.11.2017 passed by the Hon'ble Sole Arbitrator and pass an order allowing all the claims of the Petitioner/Claimant and any other order as deemed fit by this Hon'ble court and thus render justice.

This Original Petition along with O.P.No.662 of 2018 having been heard on 03.09.2021 in the presence of Mr.I.Jayasingh Manoharan, advocate for the petitioner herein and Mr.V.Ramesh, advocate for the respondents herein and upon reading the petition and the award dated 01.07.2017 filed herein and having stood over for consideration till this date and coming on this day before this court for orders in the presence of the said advocates for the parties hereto and this court having observed that the fact remains that the Aircraft Act and the Airports Authority of India Act operate in different field and the power of the Airports Authority is wide, the very contract itself clearly shows that at the time of entering contract the person who participates in the tender must have the basic infrastructure and such being the position the contention that the contract itself is violation of the Aircraft Act is not sustainable and **it is**



WEB COPY That the O.P.No.411 of 2018 be and is hereby dismissed.

WITNESS THE HON'BLE MR. JUSTICE SANJIB BANERJEE,
CHIEF JUSTICE, HIGH COURT AT MADRAS AFORESAID, THIS
THE 17TH DAY OF SEPTEMBER 2021.

Sd./-

ASSISTANT REGISTRAR (O.S. II)

//Certified to be true copy//

Dated at Madras this the day of 2021.

COURT OFFICER(O.S.)

From 25th Day of September 2008 the Registry is issuing certified
copies of the Orders/Judgments.



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VSP

22/10/2021

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O.P.No.411 of 2018

ORDER

DATED :17.09.2021

THE HON'BLE MR. JUSTICE
N.SATHISH KUMAR

FOR APPROVAL:09.11.2021

APPROVED ON:09.11.2021



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THE HIGH COURT OF JUDICATURE AT MADRAS

Reserved on	Delivered on
03~09~2021	17-09~2021

CORAM:

THE HONOURABLE MR.JUSTICE N. SATHISH KUMAR

O.P. Nos.411 and 662 of 2018

O.P.No.411 of 2018

International Aviation Academy (P) Ltd.,
Rep.by its Chief Executive Officer, Mr.Kannan
No.60, III Floor, Jai Durga Complex
Ashok Nagar First Avenue,
Ashok Nagar, Chennai 600083.

...Petitioner / Claimant

-Vs-

- 1.Airports Authority of India,
Rep. By its Chairman,
Rajiv Gandhi Bhavan
Safdarjung Airport,
New Delhi.
- 2.Regional Executive Director,
Southern Region,
Airports Authority of India
Chennai Airport, Chennai 600027

- 3.Airport Director
Airports Authority of India
Salem Airport, Salem 636309

...Respondents / Respondents

O.P.No.662 of 2018

- 1.Airports Authority of India,
Rep. By its Chairman,



Rajiv Gandhi Bhavan
Safdarjung Airport,
New Delhi.

2.Regional Executive Director,
Southern Region,
Airports Authority of India
Chennai Airport, Chennai 600027

3.Airport Director
Airports Authority of India
Salem Airport, Salem 636309.

...Petitioners/Respondents

-Vs-

International Aviation Academy (P) Ltd.,
No.60, III Floor, Jai Durga Complex
Ashok Nagar First Avenue,
Ashok Nagar, Chennai 600083.

...Respondent / Claimant

Prayer in O.P.No.411 of 2018: Petition filed under Section 34 of the Arbitration and Conciliation Act, 1996, to set aside the Award dated 01.07.2017 passed by the Sole Arbitrator and pass an order allowing all the claims of the Petitioner/Claimant.

Prayer in O.P.No.662 of 2018: Petition filed under Section 34 of the Arbitration and Conciliation Act, 1996, to set aside the Award dated 01.07.2017 by allowing the Counter Claim of the Petitioner/Respondent.

For Petitioner : Mr. I. Jayasingh Manoharan
in O.P.411/2018
and Respondent
in O.P.662/2018

For Respondents : Mr. V. Ramesh
in O.P.411/2018
and Petitioners
in O.P.662/2018



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COMMON ORDER

1.(a) Two Original Petitions are filed Challenging the Arbitral Award passed by the learned sole Arbitrator dated 01.07.2017.

1.(b) O.P.No.411 of 2018 has been filed by the Claimant to set aside the Award and to allow his Claim Statement.

1.(c) O.P.No.662 of 2018 has been filed by the Respondents before the Arbitral proceedings to set aside the Award and allow their Counter Claim.

1.(d) The parties are arrayed as per their own rankings before the Arbitral Tribunal. The Petitioner who filed O.P.No.411 of 2018 is referred as Claimant herein and the Petitioners who filed O.P.No.662 of 2018 is referred as Respondents for the convenience sake.

1.(3) Since both the Petitions are arising out of the same award, they are disposed by way of this Common Order.

2. The brief facts leading to file these Original Petitions are as follows:

2.(a) The 1st Respondent called for Tenders from the private agencies, possessing basic infrastructure and having a financial Net Worth of Rs.3 Crores, for setting up of Flying School, at 28 Airports,



including Salem Airport functioning under the 1st Respondent. The Claimant participated in the tender along with others and the Claimant was declared as successful bidder for one of the two sites at Salem Airport. The 1st Respondent conveyed the same to the Claimant the formal Approval of the Allotment of land, for setting up a Flying School at Salem, by letter dated 21.12.2008. In the letter dated 23.03.2009, the 3rd Respondent conveyed the details of the allotment of land to the Claimant. It is also imposed a restriction that the covered area of the plot should be only 50% of the Plot area, i.e., $3750/2 = 1875$ Sq.M. The allotment was for the period of 5 years from the date of handing over the site and it was extendable for further 5 years and then for another 5 years as mutually agreed Terms and Conditions. The License fee shall be at Rs.350/- per Sq.ft.per annum with effect from 01.04.2008 with annual Compound Escalation @ 7.5% on the 1st April every year. The rates of License Fee and Escalation shall be decided by the Respondents from time to time. The Claimant was to pay the Annual License Fee, in advance, every year for the first year same was to be paid within 15 days from the date of Allotment Letter. Apart from the said License Fee, Claimant was to pay the Royalty on gross Turnover or minimum Royalty as mentioned in NIT. The Claimant has to submit a Security Deposit of



with Tender, the Claimant was asked to give FDR or Bank Guarantee for the balance of Rs.15,00,000/- towards Security Deposit. The Claimant paid License Fee for the year, in advance, Royalty for one year on the projected Gross Turn Over and the balance Security Deposit.

2.(b) On inspection, the Claimant found that about 2100 Sq.M.of land was unusable. After the 3rd Party inspection, the area allotted to the Claimant was brought down to 4062 Sq.M. Though the Claimant was informed that it could take up the original extent of 6138.75 Sq.M. itself, the Claimant was finally allotted to with a land measuring 5689 Sq.M on 22.06.2009. The drawing submitted by the Claimant was approved by the 1st Respondent on 30.09.2009. As there was a delay caused by the Respondent, Claimant could not get approval/license from Director General of Civil Aviation (DGCA)for more than two years. NoC was issued by DGCA, which delayed the project by another three months.

2.(c) In the meanwhile DGCA introduced “Civil Aviation Rule-M” for Organisation Approval and the documents submitted by the Claimant were returned. The Claimant submitted new set of documents and final approval to the Claimant was granted on 12.04.2011, though the Award letter has been issued on 23.03.2009. Hence, the Student Enrolments and actual First Flying activity could only begin in March 2012 by the



A) Refund of sum of Rs.42,27,781/- being the Licence fee paid by the Claimant to the Respondents for 2008-2010	Rs. 42,23,781/-
B) Refund of the Sum of Rs.37,06,080 paid by the Claimant to the Respondents towards the First Year's Royalty.	Rs. 37,06,080/-
C) Loss incurred by the Claimant in actual	Rs. 5,31,45,914/-
D) Security Deposit and reversal of the FDR Enashment with accumulated interest	Rs. 23,05,759/-
E) Refund of the deposits made to the Respondents pursuant to Court Orders	Rs. 85,00,000/-
F) Loss in Profit	Rs.18,33,90,000/-
G) Loss of Reputation	Rs. 50,00,000/-
H) Legal and incidental expenses	Rs. 10,00,000/-



2.(d) Respondent in their defence Statement contended that the approval of the Competent Authority for setting up of Flying School at Salem Air was subject to the that the Claimant obtains all the necessary approvals from DGCA and further fulfilling the Aviation Requirements (CARs). As per the Agreement initially the claimant was handed over 4062 Sq.M on 24.04.2009 and additional land of 1627 sq.M was handed over to the Claimant on 05.01.2010. The Claimant has to pay the Land License Fee of Rs.350/- Sq.M. per annum as per the Allotment Order, as on 01.04.2008, with Annual Compound Escalation of 7.5% on 1st April every year. The Claimant has paid one year Royalty and advance Annual Licence fee by way of Demand Draft dated 08.04.2009. The Claimant had also paid the balance Security Deposit of Rs.15,00,000/- on 09.04.2009. Though in the Award letter dated 23.03.2009, the land area was mentioned as 6138.75 Sq.M, the Claimant was allotted only 5689 Sq.M. and Taxi Track area 2388.75 Sq.M, with respect to the payment of Royalty, the Gestation period starts from 20.07.2009 and ends on 19.01.2021. The extension sought for by the Claimant was not agreed. The Claimant was well aware of the facilities of Salem Airport and so the Claimant has to study and calculate every asperc, for the smooth starting of operations. The delay was due to the fact in getting Bank facilities.



The Claimant has not complied with the Construction Order dated 19.12.2011. In spite of arrears, the Respondents have given full co-operation to run the Flying Club. Flying Operation were carried out upto 17.05.2014. The Claimant is bound to pay the dues of Rs.12,39,94,579/- as on 31.03.2016 with accrued interest. The claimant also liable to pay the licence fee including damage charges, Royalty, interest accrued on delayed payment for the occupation of the land beyond the said dated 31.03.2016 to till date of vacating the premises.

2(e) Since the claimant did not pay the dues, as per the Bills raised action was initiated to evict the claimant. After allotment of the land the Flying School was in operation till 17.05.2014 and the lease period also had expired. Due to non payment of amounts, the agreement was terminated on 14.05.2012. But the Claimant continued the flying operation till 17.05.2014. The occupation of the Claimant after termination on 14.05.2012 and after the expiry of the termination on 14.05.2012 and after expiry of lease on 09.09.2014 is illegal and so the claimant has to pay the damages and royalty with interest. The respondents are empowered and competent to collect 2 times of land Licence fee as damage charges apart from Royalty and other charges with interest as per the letter dated 04.02.2014. Hence, Respondents



claimed for rejection of the Claim and also to order the counter Claim as mentioned in the counter.

3. The Rejoinder also filed by the Claimant in reply to the counter statement filed by the Respondent. After hearing both sides the learned Arbitrator framed the following issues for consideration:

- 1. Whether the Claimant is entitled for the Claims made in Para 41 (a)(b)(c) and (d) read with para 40 of the Claim Petition?*
- 2. Whether the Respondents were responsible for the delay in Commencing the classes by the Claimant?*
- 3. Whether the 3rd Respondent was justified in encashing the Bank Guarantee furnished by the Claimant?*
- 4. Whether the proceedings taken by the officials of the 1st Respondent in the capacity as Eviction Officer as sustainable in law?*
- 5. Is the Termination Notice dated 25.11.2011 unsustainable?*



6. *Whether the Respondents are entitled for Counter Claims as mentioned in the Counter Statement?*
7. *Whether the parties are entitled for interest, if it is so, at what rate, on what amount and for what period?*
8. *What other reliefs, including the costs of the proceedings, the parties are entitled to?"*

4. The Arbitrator after considering the various factors has passed the Award as follows:

1. *All the claims including Claim for interest, made by the Claimant are rejected.*
2. *The Counter Claim also rejected*
3. *There is no order as to costs.*

5. Though several grounds have been raised, the main ground canvassed before this Court by the learned counsel for the Claimant is that the contract entered between the parties are in violation of the Aircraft Act 1934, therefore such contract is unenforceable. It is further contention that the contractual terms are in violation of any law such



contract in fact in violation of public policy and void under Section 23 of the Indian Contract Act. Hence, it is his contention that the entire Licence to operate the Flying School is governed under the Aircraft Act 1934. Therefore, any contract issued under Airports Authority of India Act, 1994 is contrary to the provisions of Aircraft Act 1934 and its rules. It is his submission that every approved flying training organization providing training on aircraft below 5700 Kgs. all-up-weight shall obtain the approval of the Director General before the students are enrolled to acquire flying experience as per Rule 41-B of the Aircraft Rules, 1937. So it is his contention that Aircraft Rules 1937 deals with the procedure the manner in which the Flying School License to be obtained and issued by the Director General of Civil Aviation under the Aircraft Rules. Hence it is his contention that the entire Flying operation should be regulated by the Aircraft Act. Tender inviting for operating Flying School by the Airport Authorities is contrary to the Aircraft Act and unenforceable and the contract is void.

6. In support of his contentions he placed reliance of the following judgements:

*I. Nutan Kumar vs. II Additional District
Judge, Banda [1994 AIR(All) 298]*



2. *Patiala Central Co-operative Bank Ltd., vs Patiala Central Co-operative Bank Employees' Union and Ors. [(1996) 11 SCC 202]*

3. *M/s. Samdariya Builders Pvt. Ltd., vs. Jabalpur Development Authority [W.P.No.9343/2010 Madhya Pradesh High Court Dated 18.02.2013]*

4. *Narayanamma & Another vs. Sri Govindarppa & Others [2019 AIR (SC) 4654]*

7. Whereas it is the contention of the learned Counsel for the Respondent that such plea has been raised in this Original Petition alone. Even otherwise the object of Aircraft Act is entirely different. Rule 41-B of the Aircraft Rules 1937 read with object of the Aircraft Act 1934. The Object of the Aircraft Act only to make better provision of the control of the manufacture, possession, use, operation, sale, import and export of aircraft. At any event, it is his contention that Section 12 of the Airports Authority of India Act, 1994 gives power to authority to establish schools or institutions or centers for the training of its officers and



Act. Sub-Clause (q) deals with establish training institutes and workshops and Sub-clause (r) deals with any other activity at the airports and the civil enclaves in the best commercial interests of the authority including cargo handling, setting up of joint ventures for the discharge of any function assigned to the Authority. Hence, it is his contention that though the permission to operate aircraft may be approved by the Director General that itself cannot be a ground to hold that the Airport Authority of India has no power to invite a tender for establish the Flying Schools. Hence submitted that such contention has no leg to stand. Before the learned Arbitrator the contention of the Claimant is that since the DGCA introduced a new regulation called CAR-M, for organizational approval. There was a delay in approval by the DGCA, whereas different plea has been taken before this Court. At any event, it is his contention that Airport Authority of India has power to call for tenders. The contention of the Claimant cannot be sustained in the eye of law. Hence, prayed to dismiss the petition.

8. Perused the materials. Though several claims for refund of amount as well as the damages raised and the counter claim also raised towards the damages, Learned Arbitrator dismissed both the Claims and Counter Claim holding that there is no evidence on record to show that



dismissed the claim taking into consideration of various clauses in the Contract and correspondences between the parties. The main submission made before the learned Arbitrator is that new regulations namely, CAR-M issued by DGCA delayed entire process. Therefore, the amount has to be refunded to him. The learned Arbitrator has factually recorded the finding that there was a delay in applying such permission before the DGCA and the application was made to DGCA only on 10.09.2011. The learned Arbitrator factually recorded the finding that the Claimant took one year to file the application before the DGCA and there was no explanation given by the Claimant for such a delay. The contention that the delay was due to procedural time taken by the various Government departments was negatived on the basis of the documents and details adduced before the Court. Learned Arbitrator considered the contractual terms and rejected the claim.

9. Now, with regard to the additional ground raised before this Court during submissions both side submissions are perused, it is relevant to extract the notice inviting tenders. In the Tender Notice, the Salient Features are stated as follows:

“1. Private agencies possessing basic infrastructure and having a financial net worth of not less than Rupees Three Crores, either in their own name or their promoters



or with whom they have tie-up arrangements shall be considered for allotment of land for flying school. Supporting documents showing details of assets and properties, audited annual accounts, audit report, chartered accountants certificate, profit and loss annual account and balance sheet showing financial position of the party shall have to be submitted.

2. The bidders, successful at more than one airport, shall be permitted to set-up flying school at more than one airport. Those agencies who were successful in the tenders called by AAI earlier for setting up of flying schools, can also participate in this tender subject to their meeting the eligibility criteria.”

10. The above makes it very clear that only the private agencies possessing basic infrastructure and having financial net worth of not less than Rupees Three Crores either in their own name or their promoters or with whom they have tie-up arrangements shall be considered for allotment of land for flying school. The word possessing “basic infrastructure” assume significance that indicate the fact that either the party himself should have such basic infrastructure which includes the



License to operate Aircraft or they should have a tie-up arrangements with somebody who have already have such infrastructure including the licence etc., Clause 12 of the tender reads as follows:

“12. The successful tenderer shall be responsible for:-

a. Construction of hangar & other infrastructure at its own cost and expenses on BOT basis within the stipulations and regulations prescribed by AAI. After the expiry of the contract period the licensee shall handover the hangar and other structures to AAI on “As is where is basis”.

b. Compliance with the statutory and regulatory requirements relating to airport security, aircraft safety, environment, fire, health etc., from time to time.

c. Ensuring operational efficiency and maintenance of Flying School and non-interference with the operations of other licencees/airport operations.

d. In the event of the premises of the licensee being required by AAI for operational reasons, the structures put-up by the licensee will have to be relocated at their own cost.”

11. Clause 16 indicate that the period of licence in 5 years from the



another five years on mutually agreed terms and conditions. In the event the licence terms was not renewed, the licensee shall hand over to AAI the site together with all structures, fixtures and fittings thereon, as the case may be on “As is where is basis”. Clause 18 deals with the construction allowed on the land is subject to obtaining No Objection Certificate from AAI which shall be processed on standard forms and considered based on operational requirements. No claim, whatsoever on this account shall be entertained. Decision of AAI in the matter shall be final and binding.

12. Clause 6.5 of the Contract Special Conditions deals with supporting documents for possessing basic infrastructure. From the cumulative effect of all the terms makes it clear that the period of years is fixed taking note of the basic infrastructure including the license already obtained by the successful tenderer. Therefore, it cannot be said that Airport Authority have no power to invite tenders for operating the Flying Schools in the land allowed by them. The tender itself clearly indicate that the person who is possessing basic infrastructure and having sufficient financial net worth alone competent to participate in the tender. Operating the Flying School is not an ordinary thing, the basic infrastructure includes the license. In such a view of the matter this



itself against the Aircraft Act 1934 cannot be countenanced. Anyhow, the object of the Aircraft Act is to make better provisions for the control of the manufacture, possession, use, operation, sale, import and export of aircraft.

13. On a careful perusal of the two provisions Airport is not defined under Aircraft Act, 1934. What was defined is only Aerodrome. In Airports Authority of India Act, 1994, Airport includes Aerodrome as defined under Aircraft Act, 1934. The main object of the Aircraft Act as indicated above, is to issue direction to any person or persons using any aerodrome or engaged in the aircraft operations, air traffic control, maintenance and operation of aerodrome, communication, navigation, surveillance and air traffic management facilities and safeguarding civil aviation against acts of unlawful interference as per Section 5-A of the Act. Aircraft Rules 1937 Section 41(b) deals with the License for Flying Training Organisation (FTO) by the DGCO. Whereas the powers under Section 12 of the Airports Authority of India Act, 1994, which includes setting up training institute, workshop and also any other activities in the best commercial interest of the authority. Therefore, the contention of the learned counsel that the very contract itself is against the provisions of Aircraft Act, 1934 is cannot be countenanced. Therefore, the



bound by the terms. The very contract stipulates only the person who have a basic infrastructure to operate the Flying School to participate such a tender. So, merely because the license obtained from the DGCA, it is for the Claimant to take such efforts within a time or should have obtained the license prior to participating tender or should have made tie-up arrangements with somebody who already have such facilities. At any event, after the agreement and even after the new regulations introduced by DGCA, he has made an application after one year delay, which has been factually recorded by the learned Arbitrator. Therefore, the learned Arbitrator factually recorded the finding and held that the claim made by the both sides are not maintainable and rejected the same. Now this court cannot re-appreciate the entire evidence. Therefore, the submissions of the learned counsel for the Claimant that the contract is *void ab initio* cannot be sustained.

14. The judgment referred by the Claimant in ***Nutan Kumar vs. II Additional District Judge, Banda [1994 AIR(All) 298]*** the Allahabad High Court has held that the agreement between the Landlord and Tenant for letting and occupation of a building in contravention of the provisions of the U.P. Urban Buildings (Regulation of Letting, Rent and Eviction) Act, 1972 is void. In the above judgment the Court took note of the fact that the very letting itself is bar under the law. Therefore, the



parties entered such terms is unenforceable.

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15. Similarly, the Apex Court in ***Patiala Central Co-operative Bank Ltd., vs Patiala Central Co-operative Bank Employees' Union and Ors. [(1996) 11 SCC 202]*** held that if the agreement is contrary to any law or if the agreement cannot be implemented without violating any provision of law, then the agreement cannot be enforced at all.

16. In ***M/s. Samdariya Builders Pvt. Ltd., vs. Jabalpur Development Authority [W.P.No.9343 of 2010 dated 18.02.2013]*** which is also relied upon by the Claimant would show that the contract is violative of the public policy said to be void under Section 23 of the Indian Contract Act.

17. In the case of ***Narayanamma & Another vs. Sri Govindarppa & Others [2019 AIR (SC) 4654]*** cited to show that though the illegality not pleaded by the Party not sought to be relied upon by way of the defence, yet the court itself, upon the illegality appearing upon the evidence, will take notice of it, and will dismiss the action *ex turpi caseu non oritur actio* i.e., No polluted hand shall touch the pure foundation of justice.

18. Absolutely there is no dispute in the preposition laid down in the above judgments. But the fact remains that the Aircraft Act and the



the Airports Authority is wide as indicated above. The very contract itself clearly shows that at the time of entering contract the person who participates in the tender must have the basic infrastructure. Such being the position the contention that the contract itself is violation of the Aircraft Act is not sustainable. Accordingly O.P. No.411 of 2018 is dismissed.

19. With regard to O.P.No.662 of 2018 the learned Arbitrator has factually found that there is no evidence available on the side of the Airport Authority to show that they suffered damages. Therefore, no evidence available on record to claim damages. The findings of the Arbitrator in this regard does not require any interference and the Airport Authority has not made out any ground to interfere the Award under Section 34 of the Arbitration and Conciliation Act. Hence, the Original Petition filed in O.P.No.662 of 2018 by the Airport Authority of India is also dismissed.

20. In the result, both the Original Petitions are dismissed.

Sd./-N.S.K.J
17.09.2021

//Certified to be true copy//

Dated at Madras this the day of 2021.

COURT OFFICER(O.S.)

From 25th Day of September 2008 the Registry is issuing certified copies of the Orders/Judgments/Decrees in this format.