



2026:KER:63191

IN THE HIGH COURT OF KERALA AT ERNAKULAM

PRESENT

THE HONOURABLE MR. JUSTICE P.M.MANOJ

TUESDAY, THE 11TH DAY OF AUGUST 2026 / 20TH SRAVANA, 1948

WP(C) NO. 27664 OF 2026

PETITIONER:

M/S PALAPPILLIL SPECIFIED BLOCK RUBBERS PVT. LTD.
KARUKADAM P.O., PALLIPPADY, KOTHAMANGALAM, ERNAKULAM
DISTRICT, KERALA , A MICRO ENTERPRISE BEARING UDYAM
REGISTRATION NO. UDYAM-KL-02-4911, REPRESENTED BY ITS
MANAGING DIRECTOR, VARGHESE P.M, AGED 67 YEARS, S/O
MATHAI, RESIDING AT PALAPPILLIL HOUSE,
PALLIPPADYBHAGOM, KARUKADAM, KOTHAMANGALAM., PIN -
686691

BY ADVS.
SMT.AYSHA ABRAHAM
SRI.JOSE KURIAKOSE (VILANGATTIL)
ADV.YESHWANTH SHENOY

RESPONDENTS:

- 1 REGIONAL MICRO AND SMALL ENTERPRISES FACILITATION
COUNCIL
ERNAKULAM, DISTRICT INDUSTRIES CENTRE, CIVIL STATION
P.O., KAKKANAD, ERNAKULAM, REPRESENTED BY THE CHAIR
PERSON., PIN - 682030
- 2 TVS SRICHAKRA LTD
TVS BUILDING, 7B, WEST VELI STREET, MADURAI, TAMIL
NADU, REPRESENTED BY ITS MANAGING DIRECTOR.,
PIN - 625001

OTHER PRESENT:

ADV RAJASREE R NAIR GP

THIS WRIT PETITION (CIVIL) HAVING COME UP FOR ADMISSION ON
11.08.2026, THE COURT ON THE SAME DAY DELIVERED THE FOLLOWING:



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JUDGMENTDated this the 11th day of August, 2026

The petitioner is a Micro, Small and Medium Enterprise engaged in the manufacture and supply of natural rubber. The grievance raised in the present writ petition arises out of the non-payment of an amount of Rs.47,25,000/- due to the petitioner towards goods supplied to the 2nd respondent under Invoice No. PA 192 dated 24.01.2025.

2. It is the specific case of the petitioner that, though the goods were duly supplied to the 2nd respondent, the sale consideration was not received by the petitioner on account of the fraudulent diversion of the payment instructions. According to the petitioner, the payment was sought to be diverted by furnishing altered bank account particulars through an email purportedly sent from the petitioner's email identification, without the knowledge or consent of the petitioner.

3. In the above circumstances, the petitioner preferred O.A. No.73/2025 before the 1st respondent – Regional Micro and Small Enterprises Facilitation Council, in the



prescribed online format, seeking recovery of the principal amount of Rs.47,25,000/- together with applicable interest. The said application was preferred invoking Section 18 of the Micro, Small and Medium Enterprises Development Act, 2006 (hereinafter referred to as "the Act").

"Section 18. Reference to Micro and small Enterprises Facilitation Council.

"Notwithstanding anything contained in any other law for the time being in force, any party to a dispute may, with regard to any amount due under section 17, make a reference to the Micro and Small Enterprises Facilitation Council."

4. Section 18(2) requires the Council either to conduct mediation itself or to refer the matter to a mediation service provider in accordance with the Mediation Act, 2023. Where such mediation is unsuccessful and terminates without settlement, Section 18(4) mandates that the Council shall either itself take up the dispute for arbitration or refer the dispute to an institution or centre providing alternative dispute resolution services for arbitration.

5. Accordingly, the petitioner submitted Ext.P1 before the 1st respondent Council seeking adjudication of its claim. The Council entertained the reference and considered



the rival contentions of the parties. In the course of the proceedings, the Council recorded that there was no dispute regarding the supply of goods by the petitioner to the 2nd respondent and that there was also no serious dispute regarding the fact that the sale consideration had not reached the petitioner's bank account.

6. The principal issue noticed by the Council was the alleged fraudulent alteration or diversion of the bank account particulars communicated through an email purportedly originating from the petitioner. The Council observed that clarification regarding the manner in which the email had been sent and the new bank account details had been communicated required examination. The Council further observed that the allegations raised by the parties involved matters of a criminal nature and penal provisions and proceeded to hold that such matters were outside its jurisdiction.

7. On the said reasoning, the Council dismissed O.A. No.73/2025. At the same time, the Council recorded that mediation had been initiated but had failed to result in a settlement. The Council thereafter expressed its decision to



proceed with arbitration under the Arbitration and Conciliation Act, 1996 and directed the petitioner to furnish the names of arbitrators.

8. The principal grievance of the petitioner is that, having found that mediation had failed, the Council could not merely dismiss the original application and leave the petitioner to pursue the matter independently. Section 18(4) of the Act specifically provides the statutory course to be followed upon failure of mediation. The provision states that, where mediation initiated under Section 18(3) is unsuccessful and stands terminated without settlement, the Council shall either itself take up the dispute for arbitration or refer the dispute to any institution or centre providing alternative dispute resolution services for such arbitration. The Arbitration and Conciliation Act, 1996 is thereafter made applicable to such arbitration as if the arbitration were pursuant to an arbitration agreement contemplated under Section 7(1) thereof.

9. Therefore, the statutory scheme does not contemplate the dismissal of the reference merely because the mediation has failed. On the contrary, failure of mediation is



the event which triggers the further statutory obligation under Section 18(4), namely, to proceed with arbitration either before the Council itself or by referring the dispute to an appropriate arbitral institution or centre.

10. I have heard Adv.Yeshwanth Shenoy, appearing on behalf of Adv.Aysha Abraham, learned counsel for the petitioner.

11. The apprehension of the petitioner is that, by dismissing O.A.No.73/2025, the Council has effectively brought the petitioner's claim for recovery of Rs.47,25,000/- to an end, notwithstanding its own finding that the goods had admittedly been supplied and that the sale consideration had not been received by the petitioner. Such an approach, according to the petitioner, defeats the very object and statutory mechanism contemplated under Section 18 of the Act.

12. It is pertinent to note that institutional arbitration and mediation facilities are available through various centres in the State of Kerala, including the mediation and arbitration facilities attached to the High Court and other competent institutions. Therefore, upon failure of mediation, the Council ought to have either itself taken up the dispute for



arbitration or passed a specific and effective order referring the dispute to an appropriate arbitral institution or centre in accordance with Section 18(4) of the Act.

13. In the present case, though the Council has recorded that mediation had failed and has indicated its intention to proceed with arbitration, no effective order of reference to arbitration has been made. Instead, the original application itself has been dismissed and the petitioner has been directed to furnish the names of arbitrators. The petitioner submits that such a course does not constitute compliance with the mandatory requirement contained in Section 18(4) of the Act.

14. In these circumstances, the petitioner's prayer for appropriate directions from this Hon'ble Court to ensure that the dispute is proceeded with in accordance with the statutory mechanism prescribed under Section 18(4) of the Act has relevance. The dismissal of O.A. No.73/2025 is consequently set aside to the limited extent necessary, and the 1st respondent Council is directed to refer the dispute to an appropriate arbitration centre/institution, including the competent arbitration facility attached to the High Court of



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Kerala under Section 18(4) of the Act , or to proceed with the arbitration itself in accordance with law so that the petitioner's claim for recovery of Rs.47,25,000/- together with applicable interest is adjudicated on merits in accordance with law. The entire exercise has to be completed within a period of two months from the date of receipt of a copy of this judgment.

With the above directions, this writ petition is disposed of.

Sd/-

P . M . MANOJ

JUDGE

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APPENDIX OF WP(C) NO. 27664 OF 2026

PETITIONER'S EXHIBITS

Exhibit P1	THE TRUE COPY OF THE APPLICATION OF THE PETITIONER DATED 12.05.2025 FILED BEFORE THE 1ST RESPONDENT
Exhibit P2	THE TRUE COPY OF THE PETITION DATED 28.10.2025 IN OA NO.73/2025 OF THE MSME FACILITATION COUNCIL
Exhibit P3	TRUE COPY OF THE AWARD OF THE MSEFC, ERNAKULAM DATED 28.10.2025 IN OA NO.73/2025 OF RMSEFC, EKM
Exhibit P4	THE TRUE COPY OF THE LETTER DATED 18.11.2025 GIVEN BY THE PETITIONER TO THE 1ST RESPONDENT