
(2025) 10 AP CK 1106

In the Andhra Pradesh High Court, Amaravati

Case No : Writ Petition No: 27157 Of 2025

Air Control And Chemical Engineering Co Ltd

APPELLANT

Vs

Union Of India, Represented By Its Secretary, Ministry Of
Defence, South Block New Delhi-110001 & Ors.

RESPONDENT

Date of Decision : 03-10-2025

Acts Referred:

Citation : (2025) 10 AP CK 1106

Hon'ble Judges : Challa Gunaranjan, J

Bench : Single Bench

Advocate : K Koutilya

Final Decision : Disposed Of

Judgement

Challa Gunaranjan, J

1. The present writ petition is filed assailing the action of respondent No.3 invoking the Performance Bank Guarantee vide PBG number 000371124000026 dated 31.07.2024, which is extended upto 15.10.2025 to be arbitrary, illegal and violation of principles of natural justice.

2. The petitioner has entered into the contract with respondent No.3 on 17.07.2024. The same was awarded in pursuance to tender process initiated by respondent No.3. The total value of work awarded was for Rs.6,33,63,140/- as per the work order. The petitioner was supposed to complete the same within the period of six months. The petitioner was also required to furnish the performance bank guarantee for a value of Rs.19,00,894/- as condition precedent. The same has been complied by the petitioner on 31.07.2024 which is in force till 15.10.2025. In the process of execution of contract, respondent No.3 had issued impugned proceeding dated 25.09.2025 for encashment of Performance Bank Guarantee.

3. Learned counsel for the petitioner tried to advance the arguments on merits of the matter. The contract provided for a specific dispute resolution mechanism of

invoking arbitration, the petitioner had already issued notice dated 01.10.2025 invoking the arbitration clause under the contract. In as much as the disputes are agreed to be resolved through arbitration, under the provisions of Arbitration and conciliation Act, 1996, there is a specific remedy for securing interim measure by way of Section 9 application. The petitioner is therefore required to avail such remedy.

4. Learned counsel for respondent Nos.1 to 3 on instructions submitted that by notice dated 15.09.2025, the contract has been short closed and only thereafter, the Performance Bank Guarantee was sought to be encashed for delay in completion of the project.

5. Since, this Court is inclined to relegate the petitioner to prefer remedy of filing application under Arbitration and Conciliation Act, it is not proposing to examine the merits or otherwise of the respective contentions. In peculiar facts and circumstances of the case, considering that due to intervening vacations, the jurisdictional Court is not functioning, the writ petition is disposed of by granting petitioner liberty to avail appropriate remedy. The respondents are directed not to take any coercive steps in pursuance to the said proceedings for invocation of Bank Guarantee for a period of one week from today. In case the petitioner prefers appropriate application before competent Court, the same shall be considered and disposed of inaccordance with law without being influence by any of observations made herein. No costs.

As a sequel, Miscellaneous Petitions pending, if any, shall stand dismissed as infructuous.