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REPORT

2025 Arbitration Year in Review

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India

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Over the past decade, legislative reforms and judicial pronouncements in India have aimed to align the Indian arbitral regime with international best practices.

The Supreme Court of India has progressively sought to limit judicial intervention in matters suitable for arbitration (See Duro Felguera v. Gangavaram Port Limited, 2017 INSC 1026 and Vidya Drolia and others v. Durga Trading, 2019 INSC 290). The Court has held that, at the reference stage, courts need only examine the prima facie existence of a valid arbitration agreement (See SBI General v. Krish Spinning, 2024 INSC 532). Notably, challenges based on insufficient stamping have also been held to be outside the scope of a referral court (See In Re: Interplay, 2023 INSC 1066).

The Supreme Court has consistently recognized party autonomy as the cornerstone of arbitration, (See, PASL Wind Solutions v. GE Power Conversion, 2021 INSC 264), allowing parties to adopt bespoke dispute-resolution mechanisms tailored to their specific needs (See Arif Azim Co. Ltd., 2024 INSC 155).

In cases involving related entities, the Supreme Court has applied the "group of companies" doctrine to honor the mutual intent of parties to bind related non-signatories (See Cox and Kings, 2022 INSC 523). Collectively, these judicial pronouncements have significantly transformed the Indian arbitration landscape, advancing it toward a more sophisticated and mature legal regime.

*The year 2025 marked a period of quiet yet meaningful consolidation in Indian arbitration-law jurisprudence. The Supreme Court's prominent decisions this year reflect a balanced mix of restraint and pragmatism. The Court clarified the rare and limited circumstances under which modification of an award is permitted, Gayatri Balasamy ("**Balasamy**") (2025 INSC 605)], explained when delay renders an award "unworkable", Lancor Holdings Ltd. ("**Lancor**"), defined what constitutes consent in an arbitration agreement, Glencore ("**Glencore**") (2025 INSC 1036)], and addressed confidentiality requirements as well as the participation of non-signatories in arbitrations, Kamal Gupta ("**Kamal**") (2025 INSC 975), and Ajay Madhusudan ("**Madhusudan**") (2024 INSC 710)]. Equally*

*noteworthy were rulings that prioritized commercial realities over interventionism Sri Lakshmi Hotel (2025 INSC 1327)].("**Sri Lakshmi**").*

We now take a closer look at several important Supreme Court judgments.

Modification of an Arbitral Award

A five-judge bench of the Supreme Court in *Balasamy* resolved a long-standing controversy regarding whether courts may modify arbitral awards when deciding challenges under Section 34 or in appellate proceedings under Section 37 of the Arbitration and Conciliation Act, 1996 ("**Arbitration Act**").

By a 4:1 majority, the Supreme Court recognized a narrow power to modify an award, which may be exercised when the offending part can be legally severed and the defect is self-contained, such as typographical or arithmetical errors, clear jurisdictional overreach, or manifest illegality on the record.

While affirming the UNCITRAL Model Law on International Commercial Arbitration 2006's policy of minimal judicial intervention, the majority reasoned that remitting every defective award for re-arbitration undermines the efficiency rationale underlying the Arbitration Act. The Supreme Court therefore permitted "*corrective modification*," limited to substituting an obviously erroneous or patently illegal portion of the award without reopening the merits.

The sole dissenting opinion took the opposite stance, arguing that any judicial modification of an arbitral award, however narrowly defined, amounts to an appellate review of the merits, which is contrary to the limited supervisory jurisdiction under Sections 34 and 37 of the Arbitration Act. The dissent further argued that this blending of functions is fundamentally incompatible with the UNCITRAL Model Law and cautioned that judicial rewriting of an award poses significant risks for international enforceability, as foreign regimes may not recognize a judicially modified award as an arbitral award under the New York Convention (1958).

Delay Rendering an Award "*Unworkable*"

In *Lancor*, the Supreme Court addressed an arbitral award issued after an extraordinary, unexplained delay of nearly 4 years. The Court was particularly troubled that, even after such a prolonged delay, the arbitral tribunal concluded it was unable to offer equitable relief to either party. The award noted that, due to inadequate pleadings and evidence, the parties would have to pursue fresh proceedings, effectively nullifying years of arbitration.

Against this backdrop, the key question before the Supreme Court was whether an arbitral award that is both unreasonably delayed and substantively incapable of resolving the parties' disputes can withstand scrutiny under the Arbitration Act.

The Supreme Court held that delay alone is not sufficient to set aside an award under Section 34 of the Arbitration Act. However, excessive delay that undermines the enforceability of the decision, creates prejudice, or generates uncertainty may render the award inconsistent with fundamental principles of justice and public policy in India. Upon review, the Court found that the arbitrator not only failed to issue the award promptly but also produced an inconsistent and incomplete decision that could not be implemented. The award was therefore set aside. After doing so, the Supreme Court invoked its powers under Article 142 of the Constitution of India to resolve the long-standing dispute by granting appropriate reliefs, acknowledging that the arbitration process had already taken years without a substantial resolution.

Giving Effect to the Commercial Intent of the Parties

In *Sri Lakshmi* (2025 INSC 1327), the dispute arose from NBFC loan agreements where the borrower repeatedly defaulted despite assurances of repayment. The borrower even tendered a cheque for full settlement, which was later dishonoured.

The arbitrator awarded the full amount in default, along with interest at 24% per annum. This high interest rate was expressly agreed upon by the parties, as the case involved high-risk lending to a borrower already in financial distress.

Given this context, the Supreme Court adopted an approach grounded in economic realism. It held that once parties have consciously agreed on a commercial rate of interest, the arbitral tribunal is bound by that bargain, and courts cannot dilute the agreement under the guise of "*unconscionability.*" The Court noted that NBFC lending is a risk-priced business model, where higher interest rates often reflect the borrower's default profile, the urgency of the loan, and the lender's exposure. Accordingly, the Supreme Court refused to treat a high contractual interest rate as a ground for challenge under the Arbitration Act and reiterated that the tribunal's treatment of interest should be upheld.

Fundamentals of an Arbitration Agreement

In *Alchemist Hospitals* (2025 INSC 1289), the Supreme Court revisited the criteria for what constitutes an arbitration agreement under Section 7 of the Arbitration Act. The Court reaffirmed that the hallmark of an arbitration agreement is a clear, written expression of the mutual intention to submit disputes to a private decision-making body. In the case at hand, the clause only required the parties to attempt amicable settlement and, if unsuccessful, to approach civil courts. The Supreme Court held that this clause did not constitute an arbitration agreement.

Relying on *K.K. Modi* (1998 INSC 63) and subsequent cases, the Supreme Court held that an arbitration agreement must have three key elements:

- a written and binding commitment to refer disputes to arbitration;
- a neutral adjudicator whose decision is final; and
- an enforceable process that substitutes the jurisdiction of civil courts.

In *Glencore*, the Supreme Court affirmed that a binding arbitration agreement can be formed through correspondence and subsequent conduct. In this case, the parties exchanged emails agreeing on essential terms and acted upon those terms by supplying goods and accepting delivery. The Court held that, taken together, the correspondence and conduct satisfied the requirements under Section 7(4) of the Arbitration Act.

Confidentiality and Rights of Non-Signatories

In *Kamal*, the Supreme Court held that Section 42A of the Arbitration Act, which mandates confidentiality of arbitral proceedings, is a fundamental and non-derogable aspect of Indian arbitration law. The central question in this case was whether a non-signatory, claiming an interest in the subject matter, could participate in arbitration hearings as an "*observer.*"

The Supreme Court, emphasizing the confidentiality requirements in Section 42A of the Arbitration Act, answered this question in the negative and refused to permit a non-signatory to participate in the arbitral proceedings.

The decision in *Kamal*, when compared with a similar matter decided earlier in *Madhusudan*, highlights the Supreme Court's varied approach to this issue. In *Madhusudan*, the Court adopted a markedly different stance

regarding the presence of non-signatories. Unlike *Kamal*, where confidentiality was paramount, in *Madhusudan*, the Court held that at the referral stage, the examination is limited to a *prima facie* assessment of whether an arbitration agreement exists and whether there is a reasonably arguable case that the non-signatory intended to be bound by it.

What distinguishes the judgment in *Madhusudan* is its recognition that complex commercial and family arrangements often involve groups of entities and individuals operating as a single economic unit. In such cases, requiring strict signature-based consent could undermine the entire transactional structure.

In *Geojit Financial Services*, (2025 INSC 1021), the Supreme Court held that once a party files an application under Section 33 of the Arbitration Act eeking clarifications regarding an arbitral award within the prescribed thirty-day period and notifies the other party, the limitation period to challenge the award under Section 34 begins from the date the tribunal decides that application. This applies regardless of whether the application under Section 33 is allowed or results in a correction.

Challenge at the Execution Stage

In *MMTC Ltd.* (2025 INSC 1279), the key question before the Supreme Court was whether a judgment debtor could oppose enforcement of an arbitral award at the execution stage by alleging fraud and collusion, even after the award had passed scrutiny in two rounds of litigation under Sections 34 and 37 of the Arbitration Act. The Supreme Court ruled that such objections are not permissible. It reaffirmed that an executing court may intervene only if the decree is a nullity due to fundamental jurisdictional defects. Allegations of misconduct, post-award discovery of facts, or accusations of fraud that do not affect the tribunal's inherent jurisdiction cannot be reopened once finality is achieved.

Way Forward

In 2025, the Supreme Court of India strengthened the foundational principles of arbitration and continued to steer India toward becoming a global arbitration hub. This year's jurisprudence reflects a consistent trust in arbitral tribunals to manage procedures, affirms party autonomy, and adopts a cautious approach to judicial intervention, intervening only in exceptional circumstances.

Nevertheless, some tensions remain unresolved. The boundary between acceptable modification and impermissible rewriting of an award under *Balasamy* remains a delicate issue for Indian courts. The decisions in *Kamal* and *Madhusudan* also reflect ongoing debates over the appropriate balance between confidentiality and transparency—a concern likely to intensify with increasingly complex, multi-party arbitrations.

The Ministry of Law and Justice has published the Draft Arbitration and Conciliation (Amendment) Bill, 2024 (**"the Bill"**), which introduces significant institutional changes aimed at streamlining procedures, reducing court involvement, and enhancing institutional arbitration. The Bill seeks to create a more modern and efficiency-focused arbitration framework.

Taken together, the key decisions rendered in 2025 reinforce India's development as an arbitration jurisdiction that prioritizes balanced oversight over heavy intervention, maintaining a strong pro-enforcement stance. The evolving jurisprudence increasingly emphasizes practical effectiveness over rigid formalities, focuses on commercial realities rather than interventionism, and supports party autonomy.

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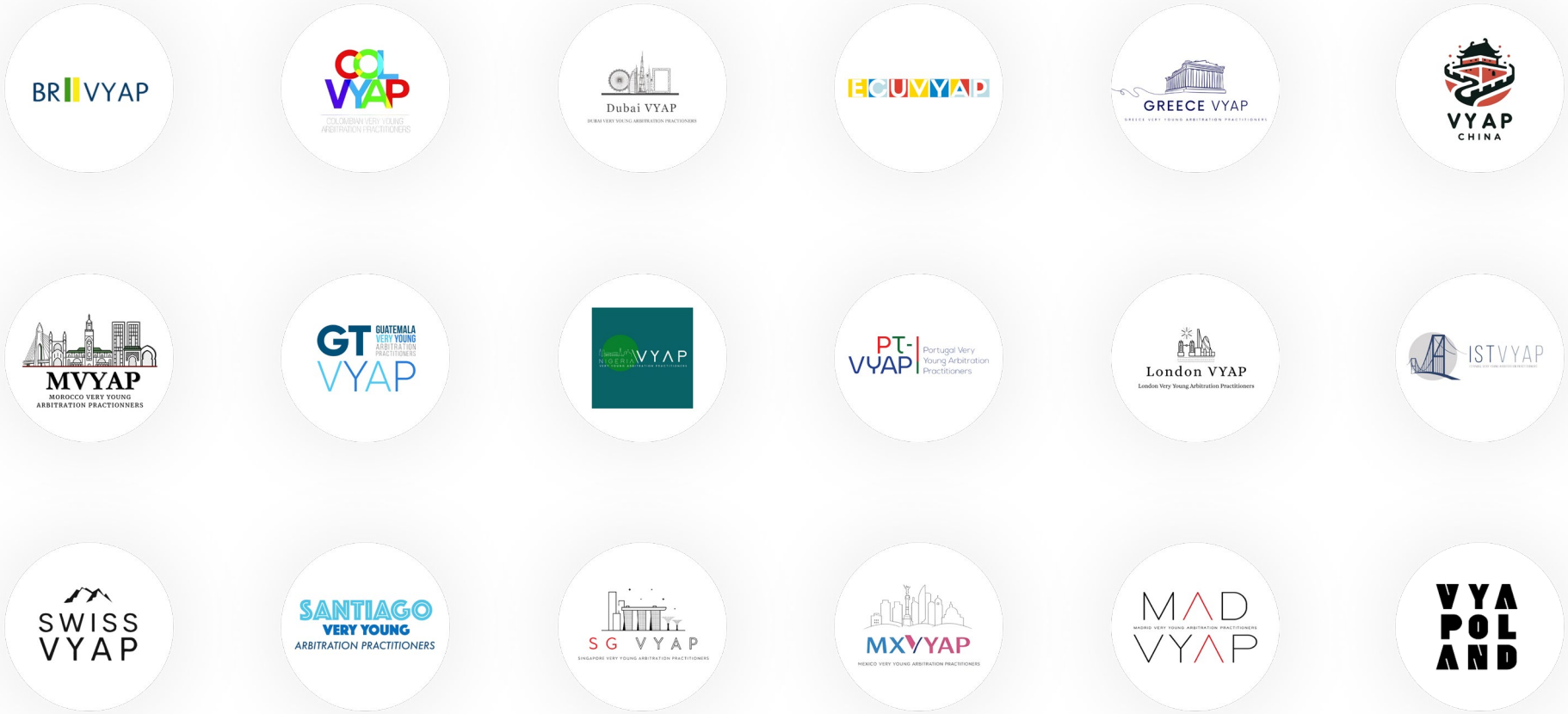

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