

### LATEST CASE LAWS

- **Alchemist Hospitals Ltd. v. ICT Health Technology Services India (P) Ltd.** (2025 SCC OnLine SC 2354):
  - Simply using the word “arbitration” in a clause does not make it a valid arbitration agreement.
- **Sri Lakshmi Hotel (P) Ltd. v. Sriram City Union Finance Ltd.** (2025 SCC OnLine SC 2473):
  - 24% Interest Award in High-Risk Commercial Loan Case affirmed by Supreme Court.

### EDITOR’S COLUMN

- **Balaji Steel Trade v. Fludor Benin S.A.** (2025 SCC OnLine SC 2517) :
  - Indian Courts lacked jurisdiction to appoint foreign seated arbitration, even if parties are Indian.



# ARBITRATION & COMMERCIAL CASES UPDATES

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An E - Newsletter

**Supreme Court: Alchemist Hospitals Ltd. v. ICT Health Technology Services India (P) Ltd. (2025 SCC OnLine SC 2354):** The Supreme Court held that simply using the word “arbitration” in a clause does not make it a valid arbitration agreement. Clause 8.28 was found to be only a negotiation–mediation mechanism, lacking any intent to submit disputes to a binding tribunal. Parties must draft dispute-resolution clauses with clarity, or risk being sent back to civil courts.

**Background:** The dispute arose from a 2018 Software Implementation Agreement between Alchemist Hospitals Ltd. and ICT Health Technology Services India Pvt. Ltd. for deployment of the “HINAI Web Software” across the hospital’s facilities. After repeated delays, technical failures, and an unsuccessful second rollout, the appellant invoked Clause 8.28 of the Agreement and sought to initiate arbitration. When the respondent did not concur, the appellant approached the Punjab & Haryana High Court under Section 11(6) of the A&C Act for appointment of an arbitrator. The High Court dismissed the application holding that Clause 8.28 did not constitute a valid arbitration agreement, prompting the present appeal before the Supreme Court.

**Decision:** The Supreme Court affirmed the High Court’s finding that Clause 8.28 was not a valid arbitration agreement under Section 7 of the A&C Act. The Court observed that despite multiple uses of the term “arbitration,” the clause merely contemplated internal negotiation and mediation between senior executives and the Chairmen of both parties, without any intention to submit disputes to an independent adjudicatory forum or treat the outcome as final and binding. The clause expressly allowed the complaining party to approach civil courts if the dispute was not resolved within 15 days, negating any intent to arbitrate. As the essential attributes of an arbitration agreement were absent, the Court dismissed the appeal and clarified that the appellant’s remedy lay before the civil court. The Court further reiterated that arbitration arises from clear and mutual consent, and ambiguous drafting cannot substitute for a true agreement to arbitrate. It also reaffirmed that a post-notice exchange of correspondence cannot cure the absence of an arbitration agreement where none existed in the first place.

**Supreme Court: Sri Lakshmi Hotel (P) Ltd. v. Sriram City Union Finance Ltd. (2025 SCC OnLine SC 2473):** Supreme Court confirms 24% Interest Award in High-Risk Commercial Loan Case, holds no interference under Section 34/37 of the A&C Act.

**Background:** The dispute arose from two loan agreements executed in 2006 under which Sri Lakshmi Hotel Pvt. Ltd. and its Managing Director borrowed a total of ₹1,57,25,000 from Sriram City Union Finance Ltd., carrying an agreed interest rate of 24% p.a. on monthly rests. After paying only ₹44,66,250, the borrowers defaulted despite repeated reminders and even issued a dishonoured cheque for ₹1.89 crore. Arbitration was invoked, and in 2014 the sole arbitrator awarded ₹2.21 crore with 24% interest. The borrowers challenged the award under Sections 34 and 37 of the Arbitration and Conciliation Act, 1996, alleging usurious interest, manipulation of loan documents, and violation of RBI guidelines. Both the Single Judge and the Division Bench of the Madras High Court rejected these challenges. Meanwhile, due to continued non-payment, CIRP and later liquidation proceedings were initiated, during which only a part of the award amount could be recovered, prompting the borrowers to approach the Supreme Court in appeal.

**Decision:** The Supreme Court dismissed the appeal, affirming the High Court’s refusal to interfere with the arbitral award. It held that under Section 31(7)(b) of the Arbitration Act, the grant of post-award interest is mandatory unless the award specifies a different rate, and the arbitrator’s discretion in awarding 24% interest consistent with the loan agreements could not be questioned. The Court found no basis to reduce the interest rate on grounds of public policy, unconscionability, or the Usurious Loans Act, noting that the transaction was a commercial loan to an already defaulting borrower, negotiated at arm’s length. It reiterated that re-appreciation of evidence is barred under Section 34(2A) and emphasized the borrowers’ persistent defaults and failure to honour commitments. Finding no patent illegality or violation of fundamental policy, the Court upheld the award in full and confirmed the dismissal of the appeal.

**Hon'ble Supreme Court in Balaji Steel Trade v. Fludor Benin S.A. (2025 SCC OnLine SC 2517):** SC reaffirmed that Indian Courts lacked jurisdiction to appoint foreign seated arbitration, even if parties are Indian.

## Background

Balaji Steel Trade entered into a Buyer and Seller Agreement dated 06.06.2019 with Fludor Benin S.A. for the manufacture and supply of cottonseed cake, with arbitration agreed to take place in Benin. After Fludor assigned its supply obligations to Vink Corporations DMCC, Balaji executed multiple sales contracts with Vink containing Indian-seated arbitration clauses, and later entered into High Seas Sale Agreements with Tropical Industries International Pvt. Ltd. following an Addendum dated 09.01.2021 to the BSA, which removed Balaji's exclusive purchase rights and was followed by alleged short supply. Disputes over supply and payments led Balaji to issue a legal notice on 15.07.2022 and terminate the BSA and Addendum on 06.09.2022. Fludor thereafter invoked arbitration in Benin in 2023, resulting in the appointment of a sole arbitrator by the Benin Commercial Court, while Balaji opposed the proceedings, filed an anti-arbitration injunction suit before the Delhi High Court, and approached the Supreme Court under Section 11 of the A&C Act seeking a composite reference against all respondents; meanwhile, the Benin arbitration concluded with an award dated 21.05.2024, and the Delhi High Court dismissed the anti-arbitration injunction suit on 08.11.2024.

## Decision of the Court

The Supreme Court dismissed the petition under Section 11(6) of the A&C Act, holding that the BSA entered between the parties unequivocally establishes Benin as the juridical seat of arbitration proceedings and excludes the operation of Part 1 of the A&C Act, preventing Indian courts from appointing an arbitrator. It was further held that the subsequent contracts executed between the parties did not supersede the BSA and, therefore, the dispute resolution clause included therein could not supersede the arbitration clause in BSA. The supreme court further emphasised on the finality of the arbitration proceedings initiated in Benin noting that permitting parallel arbitration proceedings in India in respect of the same matter would defeat the territorial principles pertaining to seats of arbitration and undermine the doctrine of kompetenz-kompetenz.

## Our View

The decision reinforces the primacy of the "mother agreement" in complex, multi-contract commercial arrangements and underscores that subsequent or ancillary contracts cannot dilute a clearly agreed foreign-seated arbitration clause in the principal agreement. By rejecting attempts to invoke Part I of A&C Act through later contracts and by declining to apply the group of companies doctrine in the absence of clear mutual intent, the Supreme Court has reaffirmed party autonomy, territoriality of the arbitral seat, and finality of arbitral proceedings. The judgment also sends a strong signal against parallel proceedings and forum shopping once a foreign-seated arbitration has been validly invoked and concluded.



## EDITOR'S COMMENTS

- Foreign seat prevails: The arbitration clause in the principal agreement governs the dispute, and a foreign seated arbitration excludes Part I of the A&C Act.
- No automatic composite arbitration: Mere corporate linkage or performance through group entities does not justify a composite arbitration.



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