



VARDHARMA LAW

— EDITION VI · ARBITRATION & ADR INTELLIGENCE · SEPTEMBER 2026

Disputes Digest

IN THIS EDITION

This edition covers five significant developments from September 2026. The Supreme Court decided four matters on tribunal jurisdiction, guarantor liability, the validity of a tribunal's appointment, and interest accrual on court deposits. The Delhi High Court ruled on the effect of delay in pronouncing an arbitral award.

JUDICIAL OVERVIEW

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01 | SUPREME COURT OF INDIA

Whether a Claim Falls Within an Excepted Matters Clause Is a Matter for the Arbitral Tribunal

PARTIES

M/s. GVV Constructions Private Limited v. The Union of India

CITATION

2026 INSC 976

DECIDED

8 September 2026

BENCH

Justices P.S. Narasimha and Alok Aradhe

South Central Railway terminated its contract with GVV Constructions in 2022 under Clause 62 of the Railways' General Conditions of Contract, in connection with the doubling of the Guntur to Guntakal railway line. GVV's writ petition against the termination was dismissed by a Single Judge. The Telangana High Court's Division Bench granted GVV liberty to pursue its claims in arbitration, subject to a direction that the tribunal decide the claims strictly in accordance with the terms of the contract. GVV appealed this direction.

QUESTION

Where a works contract contains an excepted matters clause excluding certain categories of dispute from arbitration, which forum decides whether a particular claim falls within that clause, a writ court or the arbitral tribunal itself?

HELD

The Supreme Court held that this question is squarely within the competence of the arbitral tribunal under Section 16 of the Arbitration and Conciliation Act, 1996. It held that this is not a matter for a court exercising jurisdiction under Section 11, even at the appointment stage, and still less for a court exercising writ jurisdiction under Article 226. The Court noted that Section 11(6A) confines a court at the appointment stage to examining the existence of the arbitration agreement. The Court disposed of the appeal by clarifying that the Division Bench's direction does not restrict the tribunal's jurisdiction under Section 16.

02 | SUPREME COURT OF INDIA

A Personal Guarantee Deemed Part of a Loan Agreement Stands Incorporated With the Loan Agreement's Arbitration Clause

PARTIES

National Skill Development Corporation v. Surya Wires Private Limited & Ors.

CITATION

2026 INSC 977

DECIDED

8 September 2026

BENCH

Justices P.S. Narasimha and Alok Aradhe

National Skill Development Corporation disbursed loans to Surya Wires Private Limited under agreements executed in December 2016 and August 2017. Each loan agreement was accompanied by a personal guarantee executed by the Managing Director of the borrower company in his individual capacity. Following default, National Skill Development Corporation initiated arbitration against all parties, including the guarantor. The sole arbitrator allowed the guarantor's application under Section 16 and directed his deletion from the array of parties, holding that the guarantee contained no arbitration clause of its own. The Delhi High Court affirmed this order under Section 37(2)(a).

QUESTION

Where a personal guarantee contains no arbitration clause of its own, but the underlying loan agreement deems all connected facility agreements to form part of itself, is the guarantor bound by the arbitration clause in the loan agreement?

HELD

The Supreme Court held that he is. It found that the loan agreement's definitional clauses expressly enumerated the personal guarantee as a Facility Agreement, and that a miscellaneous clause deemed all Facility Agreements to form part of the loan agreement as if their provisions were set out therein in extension. The Court also noted that the guarantee was executed as a condition precedent to disbursement, in close proximity to the loan agreement. On this basis, the Court held that the arbitration clause in the loan agreement stood incorporated into the personal guarantee under Section 7(5) of the Act, reversed the High Court's judgment, and restored the guarantor to the arbitral proceedings.

03 | SUPREME COURT OF INDIA

Arbitration Initiated Without Proven Consent to the Tribunal's Appointment Is Non Est in Law

PARTIES

Arth Micro Finance Private Ltd. & Ors. v. Shivalik Small Finance Bank Ltd.

CITATION

2026 INSC 1014 (Non Reportable)

DECIDED

17 September 2026

BENCH

Justices J.B. Pardiwala and K. Vinod Chandran

Shivalik Small Finance Bank appointed an arbitral tribunal by notice dated 2 May 2024, stating that the appointment was made on consent. The appellants objected to the appointment, contending that the tribunal had close links with the bank. The tribunal proceeded to pass three interim orders under Section 17 of the Act, directing the freezing of the appellants' bank accounts, permitting the bank to take possession of the appellants' movable and immovable properties, and directing transfer of the appellants' deposited funds to the bank. The appellants' appeal under Section 37 was dismissed by the High Court on the ground of limitation, no application for condonation of delay having been filed.

QUESTION

Where a party disputes that it consented to the appointment of an arbitral tribunal, and the record contains no proof of such consent, what is the legal status of the arbitration and of interim orders already passed by that tribunal?

HELD

The Supreme Court found no material on record to establish that the appellants had consented to the tribunal's appointment. On this basis, the Court held the initiation of the arbitration to be non est in law, meaning it had no legal existence from the outset, and set aside all three interim orders. The Court directed that any amount transferred to the bank be remitted within one week, failing which compound interest at 18 percent per annum, with monthly rests, would apply from the date of debit. The Court appointed a fresh sole arbitrator and expressed no opinion on the merits of the underlying dispute.

04

 | DELHI HIGH COURT, DIVISION BENCH

A Two Year Delay Between Reserving and Pronouncing an Award Does Not, By Itself, Vitiate It

PARTIES

Unison Hotels Private Limited v. IFFCO Tokio General Insurance Company Limited

CITATION

FAO(OS)(COMM) 29/2026
Neutral Citation:
2026:DHC:7875-DB

DECIDED

16 September 2026

BENCH

Justices C. Hari Shankar and
Vinod Kumar

Unison Hotels held two policies with IFFCO Tokio in respect of a fire that damaged its Grand Hotel property in Vasant Kunj, New Delhi, in January 2008. Unison claimed ₹68.64 crore and ₹100 crore under the two policies. The insurer had paid ₹20 crore and ₹30 crore respectively and contended that the claims stood fully settled. A three member arbitral tribunal reserved its award on 6 March 2021 and pronounced it, unanimously, on 6 March 2023, awarding Unison ₹65.12 crore with 9 percent interest and ₹50 lakh in costs. A Single Judge set the award aside under Section 34, holding that the two year delay between reservation and pronouncement had vitiated the award.

QUESTION

Does a delay of two years between an arbitral tribunal reserving its award and pronouncing it, by itself, constitute a ground to set the award aside under Section 34?

HELD

The Division Bench held that it does not. It held that delay in the delivery of an award is a ground to set it aside only where the delay is unexplained and is shown to have adversely affected the findings recorded in the award. The Bench noted that the tribunal had explained the delay, attributing it to the pandemic, delayed written submissions, and difficulty in convening the panel, and had addressed the disputed issues in detail. The insurer had not identified any specific finding shown to have been affected by the delay. The Single Judge's order was set aside and the Section 34 petition remanded for fresh consideration on its remaining grounds.

05 | SUPREME COURT OF INDIA

Interest on a Sum Deposited to Secure a Stay of an Award Ceases Only Where the Deposit Is Unconditional

PARTIES

National Seeds Corporation Ltd. v. National Agro Seed Corporation (India)

CITATION

2026 INSC 1017

DECIDED

18 September 2026

BENCH

Justices P.S. Narasimha and Alok Aradhe

An arbitral award dated 13 June 2019 directed National Seeds Corporation to pay National Agro Seed Corporation ₹1,46,40,005, together with interest at 12 percent per annum from August 2017. National Seeds Corporation challenged the award under Section 34 and obtained a stay conditional on depositing 50 percent of the principal amount. It deposited ₹73,20,003 in November 2019 and paid the balance of ₹1,53,17,792 only in April 2022, after its Section 34 petition was dismissed. It contested the respondent's applications for release of the deposited amount, including a proposal for conditional release against security of title deeds. Unconditional release of the amount was directed on 8 September 2022. The executing court, and subsequently the High Court, held National Seeds Corporation liable for interest at 12 percent per annum for the period between the award and that date.

QUESTION

Does depositing money in court to secure a stay of an arbitral award, by itself, stop interest from continuing to accrue on that sum?

HELD

The Supreme Court held that it does not, unless the deposit is made in accordance with Order XXI Rule 1 of the Code of Civil Procedure, that is, unconditionally, with the award holder genuinely free to withdraw it. Relying on the Constitution Bench decision in Gurpreet Singh v. Union of India and the subsequent decision in DLF Limited v. Koncar Generators and Motors Limited, the Court held that liability to pay interest on a deposited sum ceases only on such an unconditional deposit, and continues to run where the depositor resists or conditions release. The Court observed that the Arbitration and Conciliation Act, 1996 provides no clear guidance on the interplay between conditional deposits and the accrual of interest, and that the practice across High Courts in this regard is inconsistent. It requested the Law Commission of India to examine the issue, in consultation with the Reserve Bank of India and the Ministries of Finance and Law and Justice, and directed the Registry to transmit the judgment for this purpose.



We'd welcome a conversation.

Vardharma Law advises PE and VC funds, portfolio companies, and founders on fund structuring, M&A, regulatory compliance, and disputes. If any developments on this issue are relevant to a current matter, please reach out.

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