



## The Evolution of Arbitration in India: Insights from Judicial Case Analysis and SIAC Report 2021

Navneet Kaur, Assistant Professor in Law<sup>1\*</sup>, Garima Narula, LL.M<sup>2</sup>

<sup>1\*</sup>Assistant Professor, Sant Baba Bhag Singh University, Jalandhar, Punjab, India

Orchid Id: 0009-0009-3271-9304

Email: navneetsaini4444@gmail.com

<sup>2</sup>School of Law, Lovely Professional University, Phagwara, Punjab, India

Orchid Id: 0009-0002-8100-4240

Email: garimananarula54@gmail.com

**\*Corresponding Author:** Navneet Kaur LL.M

<sup>\*</sup>Assistant Professor, Sant Baba Bhag Singh University, Jalandhar, Punjab, India

Orchid Id: 0009-0009-3271-9304

Email: navneetsaini4444@gmail.com

### Abstract:

This research paper investigates the case analysis of judgments handed down by the Indian judiciary, with a specific focus on the efforts made to rectify lacunae in the arbitration system. Additionally, the paper incorporates an analysis of the SIAC (Singapore International Arbitration Centre) report, highlighting India's increasing adoption of arbitration as a dispute resolution mechanism. By examining the judicial judgments, this study aims to understand the measures taken by the Indian judiciary to address gaps and strengthen the arbitration system. Furthermore, the analysis of the SIAC report offers insights into India's progress in embracing arbitration as an effective means of resolving disputes. The combination of case analysis and SIAC report analysis lends an enhanced understanding of India's evolving arbitration landscape and its commitment to involving the overall efficacy of the system.

### Introduction:

India is toddling on the esplanade to achieve her ambition i.e., to be an arbitration capital of the world. To achieve this goal, India is facing a catalogue of obstacles in her way like issues relating to time, cost, enforcement, corruption, etc. To overcome these lacunae in the laws many verdicts or interpretations were given by the Indian judiciary. In this research paper, an analysis of judgements 2021 and the SIAC Report is covered. The main aim of the Indian judiciary is to make arbitration better day by day in India. All the verdicts passed by the Indian Judiciary are to make arbitration time and cost-friendly.

### ESSAR HOUSE PVT LTD v. ARCELOR MITTAL NIPPON STEEL INDIA LIMITED

#### Introduction:

Two commercial entities are in disagreement over an arbitration agreement in the case of Essar House Pvt Ltd v. Arcelor Mittal Nippon Steel India Limited<sup>1</sup> (formerly Essar Steel India Limited). The objective of this case analysis is to review the pertinent facts, legal contentions, and most recent rulings rendered by the right court. The case emphasizes the need of including arbitration provisions in commercial contracts and of upholding arbitral rulings.

#### Factual Background:

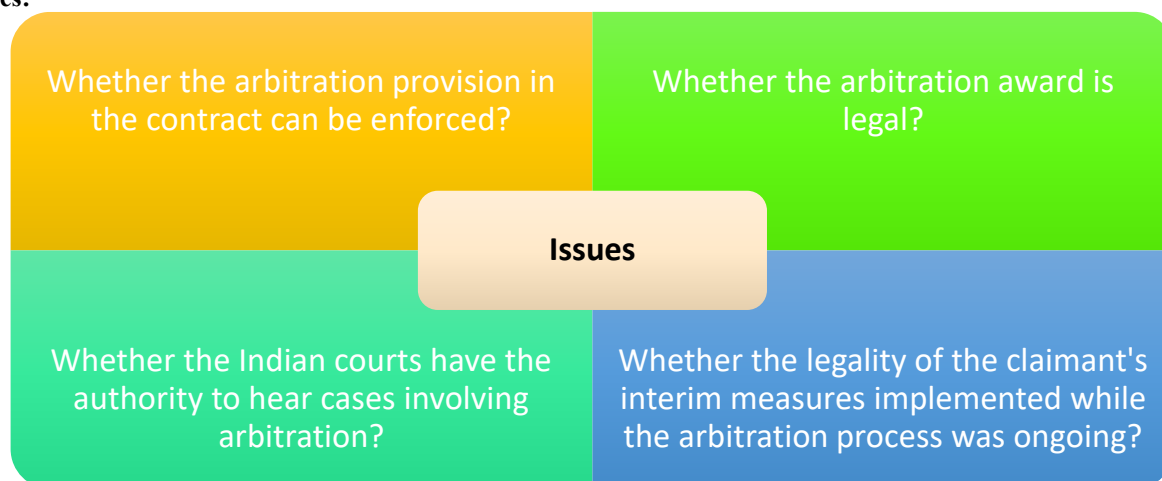
Essar House Pvt Ltd, the claimant, and Essar Steel India Limited (now Arcelor Mittal Nippon Steel India Limited), the respondent, entered into a business contract. Any dispute arising out of the contract was to be submitted to and finally settled by arbitration in accordance with the rules of the Indian Council of Arbitration, according to the arbitration clause in the agreement.

The claimant raised numerous arguments, saying that the respondent had failed to pay the agreed-upon dues. The claimant triggered the arbitration clause and started the arbitration process by hiring an arbitrator after unsuccessful attempts to settle the disputes amicably.

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<sup>1</sup> SLP (C) No. 3187 of 2021

**Issues:**



**Judgment and Analysis:**

The relevant court's most recent ruling emphasized the following major points:

- **Enforceability of the arbitration clause:** The arbitration provision in the contract was scrutinized by the court for its wording and purpose. It reaffirmed the widely accepted rule that an arbitration clause that was freely negotiated should be given priority and enforced unless it is obviously against public policy or cannot be carried out. The Indian Arbitration and Conciliation Act of 1996 was satisfied with in this instance, hence the court maintained the enforceability of the arbitration clause.
- **The legal status of the arbitral award:** The court examined the claimant's solitary arbitrator's decision-making process. It highlighted the widely accepted legal principle that an arbitral award has the same standing and applicability as a judicial order. In accordance with the limited grounds for appeal set forth in Section 34 of the Arbitration and Conciliation Act, the court acknowledged the award's finality and binding nature. The arbitral award in question was determined by the court to be legitimate, enforceable, and binding on the parties.
- **Jurisdiction of Indian courts:** The respondent asserted that the Indian courts lacked jurisdiction because a foreign party was participating in the arbitration procedures, however the court explained the jurisdictional difficulties made by the respondent. The court cited the territoriality principle in holding that Indian courts have jurisdiction over the case because the arbitration proceedings were conducted there in accordance with the rules of the Indian Council of Arbitration. The respondent's contention that the presence of the foreign party had no bearing on the jurisdictional issue was rejected by the court.
- **Validity of interim measures:** The claimant's interim measures, including the attachment of some respondent assets while the arbitration was still pending, were taken into consideration by the court. It was decided that these actions fell under Section 9 of the Arbitration and Conciliation Act, which gives judges the authority to order temporary safeguards for parties' rights. The court did warn that such actions shouldn't affect how the arbitration hearings turn out in the end.

**Conclusion:**

The ruling in the dispute between Essar House Pvt Ltd and Arcelor Mittal Nippon Steel India Limited emphasizes the importance of arbitration clauses in business contracts and the requirement to implement arbitral rulings. In addition to providing clarity on jurisdictional concerns and the validity of arbitration agreements, the court's decision confirmed the pro-arbitration stance of Indian courts. This decision serves as a reminder for parties to commercial agreements to design and include arbitration terms with care, supporting the quick and efficient resolution of disputes through arbitration.

**HEMLATA JAIN V. PADMAVATI MISHRA<sup>2</sup>**

**Introduction:**

An important issue in the realm of arbitration law is whether an application under Section 11 of the Arbitration and Conciliation Act, 1996 can be denied if relevant details of the dispute are not included in the notice of arbitration. In situations when the parties are unable to agree on arbitrators, Section 11 of the Act deals with the court's appointment of arbitrators. The notice of arbitration, on the other hand, is a vital document that outlines the specifics of the dispute and is typically a need for beginning arbitration proceedings. Examining the pertinent clauses of "Hemlata Jain v. Padmavati Mishra" is important in order to objectively evaluate the ruling in regard to the aforementioned assertion.

<sup>2</sup> R/PETN. UNDER ARBITRATION ACT NO. 194 of 2021

**Background:**

If the parties are unable to agree on arbitrators, Section 11 of the Arbitration and Conciliation Act, 1996 allows the court to do so. The necessity of material particulars in the notice of arbitration for the acceptance or rejection of an application under this provision is not stated directly in the section. It is crucial to remember that the Act intends to offer a just and effective framework for the arbitration of disputes. In order to ensure that the legislative goals are achieved, the courts have adopted a purposeful interpretation of the Act.

**Facts:**

The Supreme Court of India had the chance to examine the question of whether an application under Section 11 can be dismissed if important details of the dispute are not provided in the notice of arbitration in the case of "Hemlata Jain v. Padmavati Mishra". In this instance, the respondent had submitted a Section 11 application to the court asking for the appointment of an arbitrator. The petitioner argued against the application on the grounds that the notice of arbitration lacked important details about the issue. The petitioner's main argument was that the application under Section 11 should be denied because the notice of arbitration did not adhere to the Act's criteria.

**The decision of the Supreme Court:**

According to the Supreme Court's ruling, the Act's conditions were not met by the arbitration notice. The notification was found to be lacking in essential details, according to the court, including the nature of the claims, the requested relief, and the pertinent facts and legal stipulations. The notice, the court further observed, did not clearly forth the specifics of the dispute but was only a request for the appointment of an arbitrator. These remarks led the court to dismiss the Section 11 application.<sup>3</sup>

**Analysis:**

It is possible to critically evaluate the decision in "Hemlata Jain v. Padmavati Mishra" in light of the claim that an application under Section 11 may be denied if relevant dispute details are omitted from the notice of arbitration. The decision upholds the fundamental idea that arbitration proceedings must be fair and effective. Initiating the arbitration procedure and making sure that the parties are aware of the claims and defences are both important functions performed by the notice of arbitration. As a result, it is fair to anticipate that the notice will provide relevant and sufficient details of the dispute.

The court's judgement in "Hemlata Jain v. Padmavati Mishra" to deny the application can be considered as a step towards ensuring that the Act's criteria are followed. The court encourages clarity and transparency in the arbitration process by stressing the significance of significant details in the notice of arbitration. This strategy is consistent with the Act's legislative goal, which is to establish a strong framework for the arbitration of disputes.

It is crucial to keep in mind that the ruling in "Hemlata Jain v. Padmavati Mishra" does not contain a comprehensive list of all pertinent details that must be contained in the notice of arbitration. The court only decided that the notification in question did not provide enough information about the dispute as required by law. As a result, the judgement must be interpreted fairly, taking into account the unique facts and circumstances of each case.

The practical effects of the necessity for material particulars in the notice of arbitration should also be taken into account. Comprehensively describing the matter in the notification may not always be practicable or appropriate in complex commercial disputes. This can cause a delay in the arbitration process's start and result in extra expenses for the parties. As a result, it is crucial to make sure the notice of arbitration has enough relevant details, but it is also crucial to keep a reasonable and realistic perspective.

**Conclusion:**

In light of the necessity of material particulars in the notice of arbitration, the judgement in "Hemlata Jain v. Padmavati Mishra" is significant. The judgement promotes adherence to the Act's standards and emphasizes the necessity of clarity and transparency in the arbitration process. Nevertheless, it's critical to interpret the ruling fairly, taking into account the unique facts and circumstances of each instance. The court's ultimate goal should be to ensure that the Act's goals are achieved while still taking a reasonable and pragmatic approach to the start of arbitration proceedings.

**Analysis of SIAC Report 2021**

The SIAC 2021 report offers information on the organization's overall success with respect to the cases processed over the course of the year, the types of conflicts, and overseas clients who used SIAC services. These three key facets of the report will be the subject of this analysis.

- First of all, the SIAC report reveals that in 2021, there was an increase in the overall no. of cases handled by SIAC, going from 479 cases to 1080 cases in 2020. This reflects the growing popularity of arbitration among corporations as

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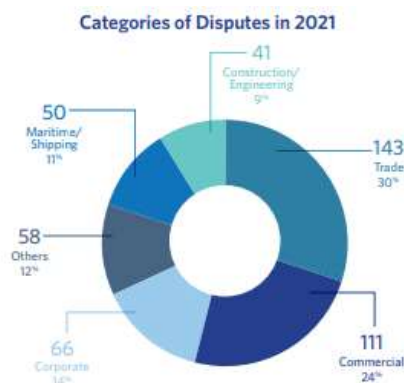
<sup>3</sup> [30 important Judgments on Arbitration by Indian Courts \[June- December 2022\] \(barandbench.com\)](#)

The Evolution of Arbitration in India: Insights from Judicial Case Analysis and SIAC Report 2021 well as the expanding trends towards ADR. It also speaks to SIAC's standing as a preeminent organization for int. arbitration.

- The study also notes that commercial disputes continued to be the most common type of case handled by SIAC in 2021. 9 per cent of cases were construction-related issues, and the final 11 per cent involved marine disputes. This shows how commercial disputes are still common in business dealings on a global scale, and how construction disputes are also growing more common as foreign direct investment rises.
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Source: SIAC Report 2021



Source: SIAC Report 2021

- The data demonstrate that SIAC continues to draw a wide variety of customers from all around the world in terms of foreign users. China, India, the United States, Indonesia, Malaysia, Hong Kong, Japan, Switzerland, South Korea, and Australia were the top 10 foreign consumers of SIAC services in 2021. This demonstrates SIAC's ongoing significance and influence as a reputable centre for int. arbitration.
- The SIAC study also emphasises the variety of sectors and companies that use SIAC to resolve disputes. The most prevalent industries were technology, financial services, and engineering, followed by energy, construction, and engineering. This points to a growing trend of disputes resulting from intricate business transactions, especially in industries that are expanding and growing quickly.<sup>4</sup>

<sup>4</sup> [www.nishithdesai.com](http://www.nishithdesai.com)



Source: SIAC Report 2021

To sum up, the SIAC 2021 research offers helpful insights into the growing importance of int. arb. and the rising business preference for SIAC. It is interesting that while investment conflicts are also on the rise as foreign direct investments increase, commercial disputes continue to be the most common type of dispute. The top ten foreign users of SIAC services demonstrate the institution's continued usefulness and dependability, and the variety of business sectors and industries that use SIAC for dispute resolution points to the expanding demand for specialised dispute resolution services in complicated business transactions.<sup>5</sup>

**Conclusion:**

In the end, after analyzing the above two judgements it is concluded that even the judiciary wants the strengthen the arbitration system in India because it also realizes that the only way to reduce the burden on the Indian courts i.e., promoting arbitration as an ADR method. The main issue resolved by the Indian judiciary by giving these judgements is to reduce the long waiting periods in the Indian court system, which can slow down the processes. After analyzing the SIAC Report, it is concluded that India is included in the list of the top 10 foreign customers of SIAC services in 2021.

<sup>5</sup> siac.org.sg