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## **Delhi High Court examines limits of arbitration agreements and scope of anti-arbitration injunctions**

In a significant judgment on arbitration agreements and anti-arbitration injunctions, the Delhi High Court (“**Delhi HC**”), in the case of *SARR Freights Corporation and Anr. vs. Argo Coral Maritime Limited*<sup>1</sup>, examined whether a Civil Court may intervene to restrain arbitration proceedings that are alleged to be oppressive, vexatious or initiated in the absence of a valid arbitration agreement.

The Delhi HC analysed issues relating to jurisdiction of civil courts, existence of a binding contract, validity of the arbitration clause, and the circumstances in which courts may restrain arbitration proceedings.

The judgment is important in the context of international commercial contracts and foreign-seated arbitration, particularly where a party disputes the existence of the underlying contract or the arbitration clause.

### **Brief facts**

The dispute arose between SARR Freights Corporation (plaintiffs) and Argo Coral Maritime Limited (defendant) in relation to a commercial shipping arrangement evidenced through a booking note.

The plaintiffs contended that the defendant sought to initiate arbitration proceedings in London under the LCIA Rules, 2020 relying upon an arbitration clause allegedly contained in the contractual documents governing the parties’ transaction.

The Plaintiffs disputed: (a) the existence of a binding contractual relationship; (b) the validity of the arbitration clause; and (c) the legitimacy of the foreign arbitration proceedings initiated by the defendant.

Consequently, the plaintiffs filed a civil suit before the Delhi HC seeking an injunction restraining the defendant from continuing the arbitration proceedings, along with interim relief under Order XXXIX Rules 1 and 2 of the Code of Civil Procedure, 1908 (“**CPC**”).

### **Issues**

The Delhi HC framed 4 (four) key issues:

1. whether the court had jurisdiction to entertain the civil suit;
2. whether a binding contract existed between the parties;

<sup>1</sup> CS(OS) 868/2025 (Delhi High Court) (Decided on March 13, 2026)

3. whether the agreement contained a valid arbitration clause; and
4. whether the arbitration proceedings initiated by the defendant were oppressive, vexatious, or unconscionable?

## Findings and analysis

### Jurisdiction of civil courts

The Delhi HC reaffirmed the settled principle under Section 9 of the CPC that civil courts have jurisdiction to entertain all suits of a civil nature unless such jurisdiction is expressly or impliedly barred by statute.

The Delhi HC relied on the settled principle of law that the exclusion of civil court jurisdiction must be clearly established either through explicit statutory provisions or necessary implication.

Accordingly, the Delhi HC held that the suit seeking an injunction against arbitration proceedings was maintainable where the plaintiff challenges the very existence of the arbitration agreement.

### Determination of existence of a contract

The Delhi HC undertook a detailed examination of the booking note and surrounding correspondence to determine whether the parties had entered into a binding commercial agreement.

The Delhi HC emphasised that *consensus ad idem* and mutual intention are essential to the formation of a valid contract. Where the foundational contractual arrangement itself is disputed, the existence of an arbitration clause becomes equally questionable.

### Interpretation of arbitration clauses

The Delhi HC relied upon internationally recognised principles governing arbitration agreements, including the decision of the House of Lords in *Premium Nafta Products Limited vs. Fili Shipping Company Limited*<sup>2</sup> (Fiona Trust Case).

The judgment reiterated that arbitration clauses must be interpreted in a commercially sensible manner, keeping in view the intention of rational commercial parties who generally seek to refer all disputes arising from their relationship to arbitration.

However, the Delhi HC clarified that the presumption in favour of arbitration operates only where a valid arbitration agreement exists. Where the very existence of the agreement is disputed, courts may examine the issue before allowing arbitration to proceed.

### Anti-arbitration injunctions

The Delhi HC recognised that Indian courts have limited but recognised jurisdiction to grant anti-arbitration injunctions in exceptional cases.

Such relief may be granted where:

1. there is no valid arbitration agreement;
2. the arbitration proceedings are oppressive or vexatious; or
3. the arbitration is initiated in abuse of contractual or legal rights.

At the same time, the Delhi HC cautioned that anti-arbitration injunctions must be exercised sparingly, given the strong judicial policy in favour of arbitration.

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<sup>2</sup> [2007] UKHL 40

## Key legal principles

The judgment reiterates several important principles relating to arbitration disputes:

1. first, civil courts retain jurisdiction to determine whether a valid arbitration agreement exists, particularly where the existence of the underlying contract itself is disputed;
2. second, the presumption in favour of arbitration does not override the requirement of a valid agreement between the parties;
3. third, courts may grant anti-arbitration injunctions in exceptional circumstances, including where arbitration proceedings are demonstrably oppressive or initiated without contractual basis; and
4. fourth, arbitration clauses should be interpreted in light of commercial purpose and business efficacy, but such interpretation cannot create an arbitration agreement where none exists.

The judgment is notable for its careful balancing of 2 (two) competing principles in arbitration law: (a) the pro-arbitration policy reflected in Indian arbitration jurisprudence; and (b) the contractual foundation of arbitration, which requires a valid agreement between the parties.

Indian courts have generally been reluctant to interfere with arbitration proceedings, particularly foreign-seated arbitrations. However, this decision demonstrates that courts will intervene where the arbitration clause itself is seriously disputed or invoked in a coercive manner.

The ruling also reinforces the principle that arbitration remains fundamentally consensual. The courts will not compel parties to arbitrate where there is a credible dispute regarding the formation of the underlying contract.

## Practical implications

The judgment carries important implications for commercial parties involved in international transactions:

1. first, it highlights the importance of clear contractual documentation, particularly where arbitration clauses are incorporated through booking notes, trade confirmations, or standard form contracts;
2. second, parties invoking arbitration must ensure that the arbitration clause is validly incorporated into the contract, failing which the proceedings may be challenged before courts; and
3. third, the decision confirms that Indian courts may exercise jurisdiction to restrain arbitration proceedings in exceptional circumstances, particularly where the proceedings are initiated without a valid contractual basis.

## Conclusion

The Delhi HC's ruling reinforces the foundational principle that arbitration derives its authority from the consent of the parties and the existence of a valid arbitration agreement. While courts in India continue to adopt a strong pro-arbitration approach, this decision demonstrates that judicial intervention may still be warranted in exceptional circumstances, particularly where the very existence of the arbitration agreement or the underlying contract is disputed.

At the same time, the judgment reflects India's broader judicial trend of strengthening and supporting arbitration as an effective dispute resolution mechanism, consistent with the legislative and judicial efforts to position India as an arbitration-friendly jurisdiction. The decision therefore strikes a careful balance between respecting party autonomy in arbitration and ensuring that parties are not compelled into arbitral proceedings in the absence of a valid contractual basis.

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### This Prism is prepared by:



**Dheeraj Nair**  
Partner



**Angad Baxi**  
Principal Associate



**Aparna Singh**  
Associate



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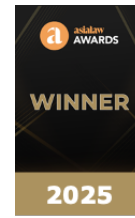
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