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## **Supreme Court of India reiterates that arbitral awards cannot be set aside merely because courts prefer an alternative interpretation**

The Supreme Court of India (“**Supreme Court**”), in the case of *Jan De Nul Dredging India Private Limited vs. Tuticorin Port Trust*<sup>1</sup>, reiterated that the scope of intervention with an arbitral award are narrow and the grounds of challenge are limited to the ones provided in Section 34<sup>2</sup> of the Arbitration and Conciliation Act, 1996 (“**Arbitration Act**”). The Supreme Court further clarified that the powers under Section 37<sup>3</sup> of the Arbitration Act are even more limited and does not include the power to decide issues of merits which were before the arbitral tribunal. Also, the courts have to apply the ‘plausible interpretation’ rule while deciding proceedings under Section 34 and 37 of the Arbitration Act. This means that courts cannot set aside an arbitral award merely because they find an alternative interpretation more appealing, so long as the interpretation adopted by the arbitrator is plausible.

### **Brief facts**

The judgment has been passed in an appeal filed by Jan De Nul Dredging India Private Limited (“**Appellant**”) against Tuticorin Port Trust (“**Respondent**”) challenging a judgment passed by the High Court of Judicature at Madras (“**Madras HC**”) under Section 37 of the Arbitration Act (“**Section 37 Appeal**”) whereby the Division Bench of the Madras HC allowed the Section 37 Appeal filed by the Respondent and directed deletion of claim no. 7<sup>4</sup> awarded by the arbitral tribunal.

Briefly, the Respondent issued a tender for the project titled “*Deepening of the Channel and Basin to Cater to 12.80 meter Draught Vessels at Tuticorin Port*” to enhance navigational depth for larger vessels. The Appellant emerged as the successful bidder and, consequently, a formal work order was issued and a License Agreement incorporating the tender conditions was executed on December 27, 2010 (“**License Agreement**”), with a contract value of about INR 465,47,00,000 (Indian Rupees four hundred and sixty-five crore forty-seven lakh). The tender conditions contemplated deployment of suitable dredging equipment, subject to Respondent’s satisfaction, including 1 (one) Backhoe Dredger (“**BHD**”) having bucket capacity of 3-4 cubic meter.

The Appellant deployed more equipment than originally envisaged including 2 (two) major Cutter Suction Dredger (CSD) as well as a BHD, and thus, completed the dredging work ahead of time on August 30, 2011. The project was

<sup>1</sup> 2026 INSC 34 (decided on January 7, 2026)

<sup>2</sup> Section 34 of the Arbitration Act provides recourse to a court against an arbitral award and allows the aggrieved party to file an application seeking setting aside of the arbitral award for *inter alia* being against the public policy of India or being vitiated by patently illegality.

<sup>3</sup> Section 37 of the Arbitration Act lays down the provision for appeal against orders passed by the Court and arbitral tribunal under sections specified therein. Any order passed by a Court setting aside or refusing to set aside an arbitral award under Section 34 is also appealable under Section 37.

<sup>4</sup> Under claim no. 7, the Claimant sought idle time charges due to the alleged delayed handing over of site/access by the Respondent.

commissioned and accepted after joint survey and a completion certificate/taking-over-certificate was issued on April 2, 2012, i.e. before the contractual deadline. However, disputes arose between the parties because the final bill was not fully settled by the Respondent. Accordingly, the Appellant raised 11 (eleven) claims before the arbitral tribunal, out of which claim no. 7 (idle time charges due to delayed handing over of site/access by the Respondent) later became the sole surviving point of challenge the Section 34 and Section 37 proceedings under the Arbitration Act.

The arbitral tribunal awarded INR 14,66,00,000 (Indian Rupees fourteen crore sixty-six lakh) under claim no. 7 towards idling charges of BHD, holding that compensation for idling was contractually permissible under the terms of the License Agreement, and that BHD fell within the equipment contemplated for such relief. The Respondent challenged the award under Section 34, but at the hearing confined its challenge to claim no. 7.

The Single Judge of the Madras HC rejected this challenge and upheld the award, but the Division Bench of the Madras HC, while deciding the Section 37 Appeal, set aside the Section 34 order and consequently, set aside the award in respect of claim No. 7 while dealing with the merits of the same in terms of the contractual clauses. Aggrieved by the Division Bench's order under Section 37 of the Arbitration Act, the Appellant preferred a special leave petition before the Supreme Court raising questions on the permissible scope of interference with arbitral awards under Sections 34 and 37 of the Arbitration Act.

## Issues

Whether the Division Bench of the Madras HC erred in allowing the appeal under Section 37 of the Arbitration Act in context of the following legal and factual issues:

1. whether re-appreciation of contractual interpretation and merits beyond the grounds available under Section 34 of the Arbitration Act is permissible at the stage of appeal under Section 37 of the Arbitration Act; and
2. On facts, whether the BHD could be categorised as a minor dredger or as a major dredger under the contractual framework and whether the License Agreement entitled the Appellant to compensation for idling for the BHD?

## Findings and analysis

The Supreme Court allowed the 37 Appeal and set aside the judgment passed in the Section 37 Appeal, holding that the approach adopted by the Division Bench is unsustainable.

The Supreme Court, relying *inter alia* on *Bombay Slum Redevelopment Corporation Private Limited vs. Samir Narain Bhojwani*<sup>5</sup> and *National Highways Authority of India v. M/s Hindustan Construction Company Limited*<sup>6</sup>, held and reiterated the following principles:

1. the challenge against the arbitral award was on the merits of the claim and not on the ground of violation of the public policy of India or being patently illegal or being against the basic notions of morality or justice. Therefore, the challenge was not on any of the grounds enumerated under Section 34 of the Arbitration Act;
2. the scope of interference of the court with arbitral matters is virtually prohibited, if not absolutely barred. The powers of the Appellate Court are even more restricted than the powers conferred by Section 34 of the Arbitration Act. The appellate power under Section 37 of the Arbitration Act is exercisable only to find out if the court exercising power under Section 34 of the Arbitration Act, has acted within its limits as prescribed thereunder or has exceeded or failed to exercise the power so conferred. Section 37 of the Arbitration Act does not confer any broader power than Section 34 of the Arbitration Act. Its scope is strictly co-extensive and, in fact, even more limited than Section 34 of the Arbitration Act.
3. The courts exercising powers under Section 34 or 37 of the Arbitration Act ought not to interfere with the arbitral award on a mere possibility of an alternate view. Arbitral interpretation of contractual clauses should be held as

<sup>5</sup> (2024) 7 SCC 218

<sup>6</sup> 2024 INSC 388

binding so long as it is a plausible view that does not result in patent illegality or contravene public policy. Competing interpretations, even if more appealing to a court, cannot justify interference under Sections 34 or 37 of the Arbitration Act.

4. The appellate court exercising powers under Section 37 of the Arbitration Act has no authority to consider the matter in dispute before the arbitral tribunal on merits so as to hold whether the award is right or wrong. The award cannot be touched by the court unless it is contrary to the substantive provision of law or any provision of the Arbitration Act or the terms of the agreement.
5. The Division Bench of the Madras HC has wrongly disturbed the findings of the Single Judge by giving an alternate or different interpretation of the clauses of the License Agreement. This is impermissible and cannot be sustained as the interpretation given by the arbitral tribunal was proper and also had the approval of the Single Judge.
6. On merits, the Supreme Court noted that the contractual clauses did not restrict compensation for idling to only major dredgers. Further, the claim for compensation could have been granted regardless of the specific clause under which it is claimed once it is established that the power to grant such relief is available under the Arbitration Act or the contract.

In light of the above, the Supreme Court set aside the judgment passed by the Division Bench under Section 37 of the Arbitration Act and upheld the arbitral award in respect of claim no. 7.

## Conclusion

This judgment reinforces and further sharpens a consistent line in the Indian arbitration jurisprudence reiterating the necessary demarcation between arbitral autonomy and judicial review. The Supreme Court interpreted Sections 5, 34, and 37 of the Arbitration Act as forming a coherent statutory framework that significantly shields arbitral decisions, particularly those involving contractual interpretation and factual findings, from judicial re-assessment, except on the narrow grounds expressly provided in the Arbitration Act.

The Supreme Court reiterated that once a well-reasoned arbitral award interpreting a commercial contract has been sustained under Section 34 of the Arbitration Act, a court exercising powers under Section 37 of the Arbitration Act is not a forum that can reopen the issues on merits for the second time. Thus, a court, while exercising power under Section 37 of the Arbitration Act, functions almost as a supervisory or revisional jurisdiction over the Section 34 court, rather than as a full appellate forum for re-examining the arbitral award itself.

The Supreme Court's findings are driven by a structural concern that layered judicial review of arbitral awards on their merits would 'obviate/frustrate and defeat' the very purpose of the Arbitration Act. Consequently, any award that is not patently illegal or against the public policy of India must be allowed to stand, particularly where it has already withstood scrutiny under Section 34 of the Arbitration Act. This judgment, therefore, strengthens the pro arbitration stand of the judiciary and clarifies the boundary between interpretative disagreement and legal error warranting judicial intervention.

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