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Supreme Court of India clarifies the contours for the grant of unconditional stay of arbitral awards is permissible only in exceptional circumstances

The Supreme Court of India (“**Supreme Court**”), in *Popular Caterers vs. Ameet Mehta and Ors.*¹, set aside an order passed by the Bombay High Court (“**Bombay HC**”) granting an unconditional stay on the execution of an arbitral award. The Supreme Court held that courts may grant such stay only in ‘exceptional circumstances’ and must not allow interim proceedings to assume the character of a substantive adjudication under Section 34 of the Arbitration and Conciliation Act, 1996² (“**Arbitration Act**”). It was clarified that while the second proviso to Section 36(3) of the Arbitration Act, mandates an unconditional stay in cases of fraud or corruption, unconditional stay outside those circumstances is permissible only in rare and exceptional cases. In the absence of such exceptional circumstances, courts must ordinarily impose conditions such as deposit or security.

Brief facts

1. Popular Caterers (“**Appellant**”), a partnership firm engaged in catering services, executed a Memorandum of Understanding dated May 25, 2017 (“**MoU**”) with Maple Leaf Enterprises LLP (“**Respondent No. 6**”), to provide catering for events proposed at the Tulip Star Hotel, Mumbai.
2. Under the MoU, the Appellant agreed to pay an adjustable, interest-free security deposit of INR 8,00,00,000 (Indian Rupees eight crore), out of which the Appellant admittedly paid INR 4,00,00,000 (Indian Rupees four crore).
3. Within days of signing the MoU, the Mumbai Suburban Collector issued directions restraining the Tulip Star Hotel from hosting events. Consequently, the performance of the arrangement became commercially unviable, and disputes arose between the parties.
4. The Appellant invoked arbitration, and the Bombay HC appointed a sole arbitrator. By an award dated November 28, 2022 (read with corrigendum dated December 19, 2022) (“**Award**”), the arbitrator directed respondent nos. 1 to 5 to jointly and severally refund INR 4,00,00,000 (Indian Rupees four crore) with interest at 9% per annum. The arbitrator rejected the counterclaim filed by Respondent No. 6 and awarded costs in favour of the Appellant.
5. The respondents filed petitions under Section 34 of the Arbitration Act before the Bombay HC and by way of interim applications therein, sought a stay on execution of the Award. The Bombay HC granted an unconditional stay of the Award. Aggrieved by this order, the Appellant preferred the present appeals before the Supreme Court.

¹ 2025 INSC 1354 (decided on November 18, 2025)

² Section 34 of the Arbitration Act provides a limited recourse to a court to set aside an arbitral award only on specified grounds, including incapacity of a party, invalidity of the arbitration agreement, breach of natural justice, excess of jurisdiction, patent illegality (in domestic awards), or conflict with the public policy of India. The provision does not permit a merits review or re-appreciation of evidence and is intended to ensure minimal judicial interference with arbitral awards.

Issue

Whether an unconditional stay of a money arbitral award under Section 36(3) of the Arbitration Act can be granted outside the statutory category of fraud or corruption, and if so, what constitutes the ‘exceptional circumstances’ that justify such relief?

Findings and analysis

The Supreme Court allowed the appeals and set aside the Bombay HC’s order, holding that the unconditional stay on the execution of the arbitral award was legally unsustainable. The Supreme Court reasoned as follows:

1. the Supreme Court reaffirmed the post-2015 framework under Section 36 of the Arbitration Act and reiterated that the filing of a petition under Section 34 of the Arbitration Act does not render an arbitral award unenforceable. It emphasised that the power to grant stay is discretionary and must be exercised in a manner that prevents the re-emergence of an automatic stay regime;
2. the Supreme Court examined the scope of the second proviso to Section 36(3) of the Arbitration Act, which mandates an unconditional stay where a *prima facie* case of fraud or corruption in the making of the award is established. It clarified that while this proviso creates a statutory category for unconditional stay, it does not exhaust the court’s discretion under the main provision;
3. relying on its decision in *Lifestyle Equities C.V. vs. Amazon Technologies Inc.*³, the Supreme Court held that even outside cases of fraud or corruption, an unconditional stay of a money award is permissible only in rare and exceptional circumstances. Such circumstances would arise where the award is egregiously perverse, patently illegal, facially untenable, or otherwise demonstrably unsustainable at a *prima facie* level. The Court emphasised that this threshold is stringent and that unconditional stay must remain the exception, not the rule;
4. the Supreme Court also reiterated that the requirement under the first proviso to Section 36(3) of the Arbitration Act to have ‘due regard’ to the principles governing stay of money decrees under the Code of Civil Procedure, 1908 is directory and serves as guidance. However, such guidance cannot be invoked to dilute the pro-enforcement framework of Section 36 of the Arbitration Act or to revive an automatic stay regime through expansive interim scrutiny; and
5. applying these principles, the Supreme Court found that the respondents had neither pleaded nor established any *prima facie* case of fraud or corruption in the making of the Award. They also failed to demonstrate any exceptional circumstances warranting an unconditional stay, even under general principles applicable to stay of money decrees under the Code of Civil Procedure, 1908. Consequently, the Supreme Court directed the respondents to deposit the principal award amount of INR 4,00,00,000 (Indian Rupees four crore) with the Bombay HC and clarified that the Section 34 petitions must be adjudicated independently, uninfluenced by the observations made in this judgment.

Conclusion

The Supreme Court’s decision reasserts the statutory discipline governing stays of arbitral awards under Section 36(3) of the Arbitration Act and reinforces the post-2015 shift away from automatic stays. The Supreme Court clarified that an unconditional stay is permissible only in narrowly confined circumstances, either where a *prima facie* case of fraud or corruption attracts the second proviso to Section 36(3) of the Arbitration Act, or where the award meets the stringent ‘exceptional case’ threshold articulated by the Supreme Court. By directing courts to avoid merits-based scrutiny at the interim stage, the judgment preserves the integrity of the arbitral process and maintains the separation between interim stay proceedings and final adjudication under Section 34 of the Arbitration Act.

³ 2025 INSC 1190

The Supreme Court's decision carries significant practical importance. It strengthens the enforceability of arbitral awards, curtails procedural delays employed by award-debtors, and enhances certainty for award-holders. It further advances the pro-enforcement objectives underlying the 2015 amendments and consolidates India's developing jurisprudence that mandates minimal judicial interference with arbitral outcomes.

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This Prism is prepared by:



Dheeraj Nair
Partner



Vishrutvi Sahni
Principal Associate



Muskaan Gupta
Associate



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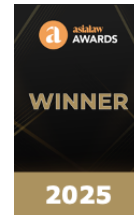
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