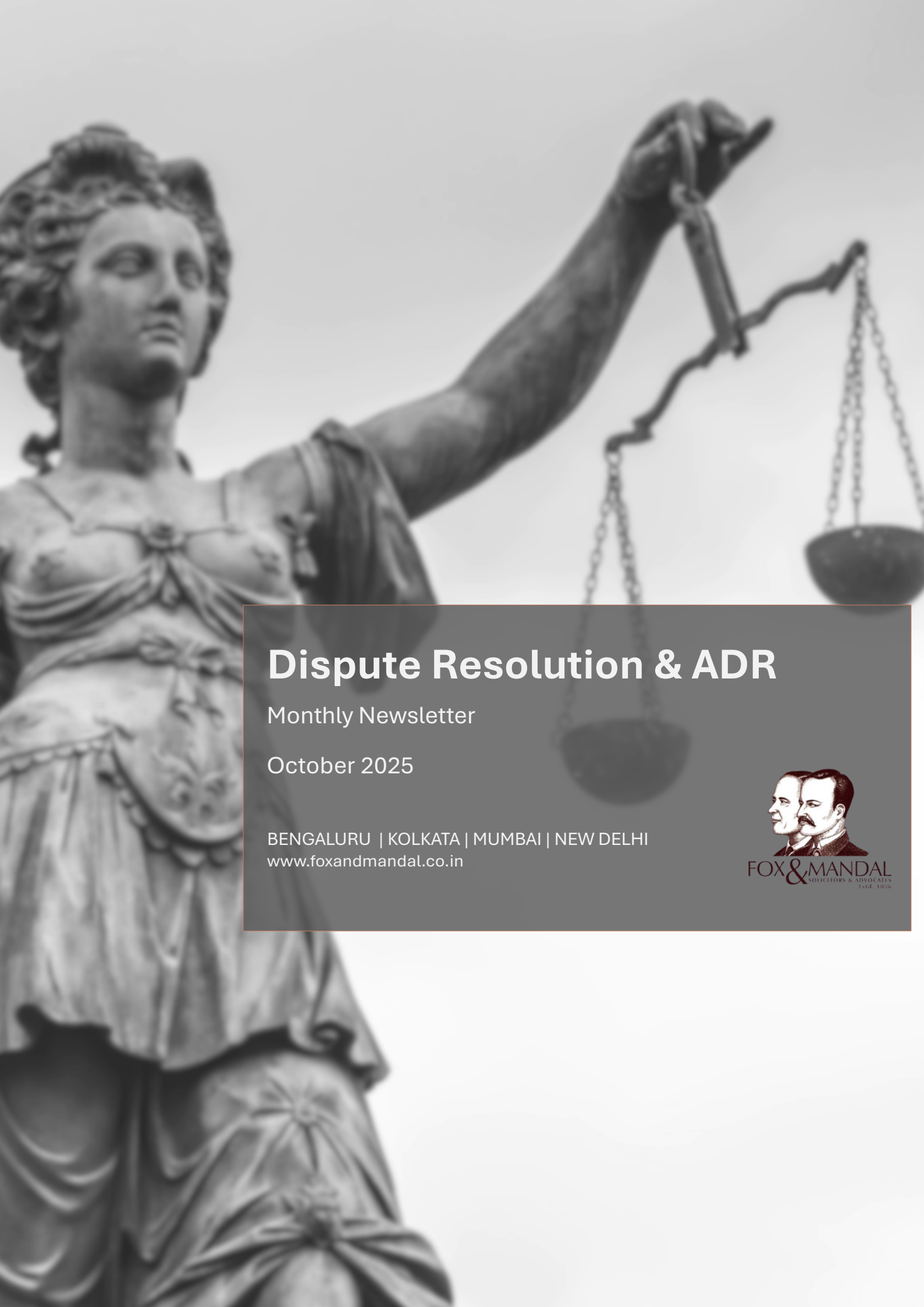




Dispute Resolution & ADR

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TABLE OF CONTENTS

- **Non-signatories cannot attend arbitration despite having a stake in the subject property**
Kamal Gupta v. LR Builders Pvt Ltd
- **Integration of essential parts constitutes 'manufacture' under excise law**
Quippo Energy Ltd v. Commissioner of Central Excise, Ahmedabad – II
- **Post-award interest in an arbitral award is mandatory**
State of Uttar Pradesh v. Satish Chandra Shiv Hare-Brothers
- **State cannot retain stamp duty from failed transactions**
Qwik Supply Chain Pvt Ltd v. Chief Controlling Revenue Authority
- **Specified value and pecuniary value under the Commercial Courts Act, 2015 are distinct thresholds**
Janset Labs Pvt Ltd vs. Agilent Technologies India Pvt Ltd
- **State tax regimes discriminating against manufacturers outside the State are impermissible**
UP Asbestos Ltd v. State of Rajasthan

Non-signatories cannot attend arbitration despite having a stake in the subject property

Kamal Gupta v. LR Builders Pvt Ltd

Supreme Court of India | SLP (Civil) No. 4775 of 2025

The Supreme Court recently ruled that the presence of non-signatories in arbitral proceedings amounts to a breach of confidentiality and is impermissible under the Arbitration and Conciliation Act, 1996 (**Act**). The decision reinforces the fundamental principles of party autonomy and confidentiality that underpin arbitration. It clarifies that a non-signatory, even if having a commercial or proprietary stake in the subject matter, cannot participate in or attend arbitral proceedings to which they are not bound. The decision safeguards the consensual nature of arbitration, ensuring that only those who have expressly agreed to arbitrate can be part of the process. Allowing outsiders would compromise confidentiality under Section 42A of the Act and dilute the integrity of private dispute resolution. Parties should therefore ensure that all necessary stakeholders are expressly included in arbitration agreements at the contracting stage, and adopt strict confidentiality protocols to avoid procedural challenges or breaches.

SUMMARY OF FACTS

Pawan Gupta and Kamal Gupta entered into an oral family settlement agreement, subsequently converted into a Memorandum of Understanding (**MoU**), to which Kamal's son, Rahul, was not a signatory.

Disputes arose under the MoU, and Pawan filed an application under Section 11(6) of the Act seeking the appointment of an arbitrator. Rahul filed an application seeking intervention. The Court rejected Rahul's application, citing party autonomy and appointed a sole arbitrator.

After disposal of the application under Section 11(6) of the Act, Rahul filed an application under Section 151 of the Code of Civil Procedure, 1908, seeking withdrawal of the earlier order. The subsequent order allowed him to be present in the arbitral proceedings, and his share in the MoU properties (23%) was excluded from the award.

Aggrieved, Pawan and Kamal approached the Supreme Court.

DECISION OF THE COURT

The Court held that a non-signatory to an agreement leading to arbitration could not be present in such proceedings. As Section 35 of the Act only binds parties to an arbitration agreement, a non-signatory would not be bound by the award. As such, there is no legal basis to permit a stranger/non-party to remain present in the proceedings.

Further, permitting a stranger to observe the proceedings would be a clear breach of Section 42A, which requires the arbitrator, arbitral institution, and parties to maintain confidentiality. While Rahul may have had a *bona fide* apprehension about any alienation of his share of properties in the MoU, the same could not justify his presence in the arbitration.

Integration of essential parts constitutes ‘manufacture’ under excise law

Quippo Energy Ltd v. Commissioner of Central Excise, Ahmedabad – II

Supreme Court of India | 2025 SCC OnLine SC 2021

The Supreme Court has recently reaffirmed the twin tests of transformation and marketability to determine when a process constitutes ‘manufacture’ under Section 2(f) of the Central Excise Act, 1944. While addressing additional parts, the Court drew a clear distinction between the incorporation of components/parts integral to the functioning of a new product (constitutes ‘manufacture’) and addition of accessories that merely enhance convenience or support.

The decision emphasises that ‘manufacture’ occurs only when the process results in a new commercial product with a distinct name, character, and use – rather than from minor modifications such as sterilisation. Where integration of additional components fundamentally alters the structure and function of the original item, the process qualifies as ‘manufacture’. Businesses should reassess assembly and conversion processes to ensure compliance and manage excise exposure proactively.

SUMMARY OF FACTS

Quippo Energy Ltd (QEL) imported Gas Generating Sets (Gensets) for its business of leasing Containerised Gensets (Power Packs).

For ease of relocation and transportation, QEL mounted the imported Gensets inside steel containers and indigenously fitted various components such as radiators, fans, oil tanks, silencers, and control panels.

The Central Excise Department held that the said activity amounted to ‘manufacture’ under Section 2(f) of the Central Excise Act, 1944 (1944 Act), read with Notes 4 and 6 of Section XVI of the Central Excise Tariff Act, 1985, and thus eligible for levy of excise duty.

Aggrieved, QEL appealed before the Customs, Excise and Service Tax Appellate Tribunal and the Supreme Court, contending that the said activity merely enhanced portability and convenience, without changing the essential character of the Gensets, which were already complete and functional. It had not transformed them into a new product.

DECISION OF THE COURT

Applying the twin tests laid down in *Delhi Cloth & General Mills*,¹ *JG Glass*,² and *Servo-Med*³ – transformation into a distinct product and marketability of the transformed product – the Court found that enclosing the imported Genset in a steel container and integrating items such as radiator, ventilator fan, air-filter unit, and related fittings effects a substantial structural and functional transformation.

As the added components were integral parts of the Power Pack rather than mere accessories that add supplementary/secondary value, the process resulted in the emergence of a new commercial commodity, possessing its own identity, constituent elements, and a defining attribute of containerised, self-contained operation.

Marketability was established, as the Power Packs were independently leased and supplied to customers, demonstrating their recognition as distinct goods in the market.

As such, the activity amounted to ‘manufacture’ as per Section 2(f) of the 1944 Act.

¹ UOI v. Delhi Cloth & General Mills, 1962 SCC OnLine SC 148

² UOI v. JG Glass Industries Ltd, (1998) 2 SCC 32

³ Servo-Med Industries Pvt Ltd v. Commissioner of Central Excise, Mumbai, (2015) 14 SCC 47

Post-award interest in an arbitral award is mandatory

State of Uttar Pradesh v. Satish Chandra Shiv Hare-Brothers

Allahabad High Court | Matters under Article 227 No. 11680 of 2023

This decision reinforces that post-award interest under Section 31(7)(b) of the Arbitration and Conciliation Act, 1996 (**Act**) is mandatory. The only discretion that the arbitral tribunal has is to decide the rate of interest to be awarded. Where the tribunal does not fix any rate of interest, then the statutory rate as provided in Section 31(7)(b) (2% higher than the rate prevalent as on the date of award), shall apply.

For award holders, the ruling provides greater certainty and leverage in enforcement, deterring prolonged non-payment and incentivising timely compliance with arbitral awards. Businesses and Government bodies should therefore ensure that arbitral awards and contracts clearly specify the treatment of post-award interest to avoid exposure to high statutory rates.

SUMMARY OF FACTS

The State of Uttar Pradesh awarded a tender for the construction of a gymnastic hall at Eklavya Sports Stadium, Agra, to Satish Chandra Shiv Hare-Brothers (**SCSHB**).

Disputes arose, leading to arbitration. The arbitral tribunal awarded SCSHB an award of approximately INR 40 lakh along with costs and pre-dispute interest at 18% per annum, while rejecting SCSHB's claim for post-award interest.

As the challenge to the award by the State of Uttar Pradesh remained unsuccessful, SCSHB initiated execution proceedings under Section 36 of the Act before the Commercial Court, Agra and sought simple interest at 18% per annum on the awarded sum for the post-award period of 12 years from 2010.

The Commercial Court awarded post-award interest at 18% per annum. Aggrieved, the State approached the Allahabad High Court.

DECISION OF THE COURT

The Court held that post-award interest under Section 31(7)(b) of the Act is mandatory.

The intent behind the grant of post-award interest is that the award debtor is discouraged from delaying payment to the award holder. The only discretion that the arbitral tribunal has is to decide the rate of interest to be awarded. Where the tribunal does not fix any rate of interest, then the statutory rate, as provided in Section 31(7)(b), shall apply.

Since the arbitral tribunal did not grant post-award interest, the Executing Court was right to apply the statutory rate of 18% from the date of the award to the date of payment per Section 31(7)(b).



State cannot retain stamp duty from failed transactions

Qwik Supply Chain Pvt Ltd v. Chief Controlling Revenue Authority

Bombay High Court | Writ Petition No. 9140 of 2018

The Bombay High Court’s ruling reinforces a vital principle of fairness in fiscal administration – that the State cannot retain stamp duty when a transaction has failed and no transfer has taken place. By rejecting a hypertechnical interpretation of Section 47(c)(5) of the Maharashtra Stamp Act, 1958 (**Act**), the Court emphasised that procedural rigidity should not defeat substantive justice. Importantly, the Court clarified that where a transaction has admittedly not materialised, the absence of a registered cancellation deed cannot be a ground to deny a refund, especially when affidavits and indemnities sufficiently safeguard the State’s interest.

This judgment is a welcome development for developers, companies, and individual purchasers alike. It provides certainty that *bona fide* parties who have paid stamp duty on transactions that ultimately collapse due to disputes or non-performance will not be unfairly penalised through the denial of a refund on mere technicalities. The Court’s direction to grant interest further underscores the principle that the State cannot unjustly enrich itself at the expense of taxpayers.

SUMMARY OF FACTS

In 2010, Qwik Supply Chain Pvt Ltd (**QSCPL**) executed 2 deeds of transfer for flats in Vile Parle, Mumbai, and paid stamp duty for both of them.

Due to disputes, neither consideration was paid nor possession handed over. The deeds remained undated, unregistered, and unacted upon.

QSCPL applied for a refund of stamp duty in 2011, submitting affidavits and an indemnity bond in lieu of a deed of cancellation, since the vendors refused to cooperate in executing cancellation deeds.

The Chief Controlling Revenue Authority (**CCRA**) rejected the applications, as well as subsequent appeals, insisting on a formal cancellation deed.

Aggrieved, QSCPL filed writ petitions before the Bombay High Court.

DECISION OF THE COURT

The Court allowed the petitions and directed a refund of the stamp duty with 4% interest. Since the deeds were unregistered, undated, and never acted upon, the transactions failed at inception and squarely fell under Section 47(c)(5) of the Act. Stamp duty is refundable where the transaction fails, and the State cannot unjustly enrich itself.

The affidavits and indemnity bond submitted by the company sufficiently safeguarded the State’s revenue; insisting on a cancellation deed was an ‘empty formality’. The Court relied on precedents such as *Bano Saiyed Parwaz v. State of Maharashtra*,⁴ *Nanji Dana Patel v. State of Maharashtra*,⁵ and *Kaluram Sitaram v. Dominion of India*⁶ to observe that when dealing with citizens, the State should not rely on technicalities and must act as an ‘honest person’.

Further, the appeal heard by the same authority that passed the original order violated the principle of *nemo judex in causa sua* (no one can be a judge in his own case).

⁴ (2025) 2 SCC 201
⁵ 2024 SCC OnLine Bom 2817

⁶ 1953 SCC OnLine Bom 39

Specified value and pecuniary value under the Commercial Courts Act, 2015 are distinct thresholds

Janset Labs Pvt Ltd vs. Agilent Technologies India Pvt Ltd

Telangana High Court | Civil Revision Petition No.1932 of 2025

The Telangana High Court recently elucidated the distinction between specified value (the threshold for filing a ‘commercial’ suit) and pecuniary value (the jurisdictional hierarchy of Courts), resolving the confusion that followed the 2018 Amendment to the Commercial Courts Act, 2015 (**Act**). The Amendment reduced the specified threshold from INR 1 crore to INR 3 lakh while permitting State Governments to prescribe a higher pecuniary limit. The decision, therefore, confirms that suits valued above INR 3 lakh can be instituted under the Act, enabling faster dispute resolution and curbing frivolous jurisdictional objections. This clarification ensures that substantive disputes are not derailed by procedural technicalities, benefiting litigators and commercial entities alike.

SUMMARY OF FACTS

Agilent Technologies India Pvt Ltd filed a recovery suit against Janset Labs Pvt Ltd (**JLPL**) for approximately INR 1.03 crore, comprising a principal of INR 44.53 lakh, interest of INR 58.58 lakh at 18% per annum, and damages of INR 45 lakh, before the Commercial Court, Ranga Reddy.

JLPL filed an application under Order VII Rule 11 Code of Civil Procedure, 1903 (**CPC**), contending that the suit did not meet the specified value threshold of INR 1 crore under the Commercial Courts Act, 2015.

The Commercial Court rejected this plea, prompting JLPL to approach the Telangana High Court.

DECISION OF THE COURT

The High Court held that the 2018 Amendment to the Commercial Courts Act, 2015 – which reduced the specified value threshold from INR 1 crore to INR 3 lakh – is applicable across India and does not require a separate State notification.

The Court also distinguished specified value (Section 2(1)(i) of the Act) and pecuniary jurisdiction (Section 3(1A)). While the former determines whether a dispute qualifies as a commercial suit, the latter governs the jurisdictional competence of Courts. Section 3(1A), also added vide the 2018 Amendment, contemplates that the State Government shall specify the pecuniary jurisdiction of the Commercial Courts, which shall not be less than INR 3 lakh.

Since the prayers in the suit cumulatively exceeded INR 1 crore, which in any case, is well above the INR 3 lakh statutory threshold, the suit clearly qualified as a commercial dispute.

State tax regimes discriminating against manufacturers outside the State are impermissible

UP Asbestos Ltd v. State of Rajasthan

Supreme Court of India | Civil Appeal No. 3577 of 2008

The Supreme Court recently clarified that States cannot discriminate between local and non-local manufacturers while granting tax exemptions under Article 304(a) of the Constitution. While fiscal incentives remain a legitimate tool to attract industries, they cannot override the constitutional guarantee of free and equal trade across India. The ruling restores balance between State autonomy and economic unity, underscoring that freedom of trade enshrined under Article 301 of the Constitution of India is an enforceable safeguard against protectionism. The ruling also curtails the overbroad reliance on *Video Electronics*,⁷ which had permitted narrowly tailored and time-bound exemptions under exceptional circumstances. Such precedents cannot be invoked to justify perpetually renewed ‘temporary’ incentives that effectively become a perpetual tax shelter for local manufacturers. Fiscal incentives must serve genuine public purposes – environmental, developmental, or otherwise – without morphing into enduring trade barriers disguised as industrial policy.

SUMMARY OF FACTS

In 2007, Rajasthan Government issued a notification under the Rajasthan Value Added Tax (VAT) Act, 2003, exempting the sale of asbestos cement sheets and bricks manufactured within the State using at least 25% fly ash by weight from the levy of VAT, provided that production had commenced before 2007 (*Notification*).

UP Asbestos Ltd (UAL) and Everest Industries Ltd (EIL) were manufacturers based outside Rajasthan, operating depots within the State to sell their products. They challenged the Notification before the Rajasthan High Court, arguing that the exemption created an uneven playing field – benefitting local manufacturers with complete tax relief, while external manufacturers selling identical goods were taxed fully – thereby violating Article 304(a) of the Constitution, which prohibits discriminatory taxation against goods imported from other States.

The Rajasthan High Court rejected the challenge, holding that the exemption was justified on environmental and developmental grounds, specifically, to promote the use of fly ash and encourage local industries. The Court relied heavily on *Video Electronics*, where similar exemptions were upheld as temporary measures intended to boost industrialisation in less developed regions. Aggrieved, the manufacturers approached the Supreme Court.

DECISION OF THE COURT

The Supreme Court struck down the Notification, holding it violative of the non-discrimination clause under Article 304(a) of the Constitution.

Revisiting the constitutional scheme under Articles 301 to 304, the Court reiterated that while trade and commerce must flow freely across India, States may levy taxes only if they do not discriminate between locally produced and imported goods. Any fiscal measure that confers a tax advantage exclusively upon local manufacturers necessarily disrupts this parity and contravenes the principle of free and equal trade.

Similar exemptions, initially projected as short-term developmental measures, had been periodically reissued since 2000 and extended up to 2016, effectively maturing into a continuing tax shelter for local manufacturers. This pattern directly undermined the rationale of *Video Electronics*, which tolerated exemptions only when they were exceptional, time-bound, and demonstrably linked to specific developmental exigencies. Absent such constraints, the exemption amounted to fiscal favouritism and was liable to be struck down as discriminatory under *Shree Mahavir Oil Mills*⁸ and subsequent precedents.

Importantly, the Court declined to accept the State’s *post hoc* claim that the exemption served environmental or developmental objectives. Administrative orders must stand or fall by the reasons expressly recorded in them; subsequent justifications offered through affidavits cannot cure constitutional infirmities.

⁷ Video Electronics Pvt Ltd v. State of Punjab, (1989) Supp 2 SCR 731

⁸ Shree Mahavir Oil Mills v. State of J&K, (1996) Supp 9 SCR 356



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