

13<sup>th</sup> April, 2026

# Section 34 of the Arbitration Act: Supreme Court Rules Full Deposit Not a Condition Precedent: Mumbai Metro Rail Corporation Limited v. L and T-STEC JV Mumbai

## Introduction

The Arbitration and Conciliation Act, 1996 (for short "1996 Act") is structured to ensure minimal judicial interference with arbitral awards while preserving limited grounds of challenge under Section 34. A recurring procedural issue in arbitration litigation has been whether a court can compel the award debtor to deposit the entire awarded amount as a condition precedent to the hearing of a Section 34 petition.

In *Mumbai Metro Rail Corporation Limited v. L and T-STEC JV Mumbai*, Civil Appeal No. 14483 of 2025 decided on 1st December 2025, the Supreme Court addressed this issue in the context of an interim order being passed by the Bombay High Court. The Court clarified that there is no legal necessity to direct deposit of the entire decretal amount as a precondition for deciding proceedings under Section 34 of the 1996 Act.

This decision reinforces the statutory scheme of the 1996 Act, and delineates the limits of judicial discretion in imposing monetary conditions during the pendency of a challenge to an arbitral award.

## Brief Facts

1. An arbitral award was passed in favour of L and T-STEC JV Mumbai (for short "Respondent").
2. Mumbai Metro Rail Corporation Limited (for short "Petitioner") filed a petition under Section 34 of the 1996 Act before the High Court of Judicature at Bombay, challenging the award.
3. By an interim order dated 10th October 2025, the High Court directed the appellant to deposit the entire disputed or decretal amount along with interest with the Registry of the High Court within eight weeks.
4. Aggrieved by the said direction, the Petitioner approached the Supreme Court by way of Special Leave Petition.

## Issue for Adjudication

Whether, in proceedings under Section 34 of the 1996 Act, a court can require the deposit of the entire awarded or decretal amount as a condition precedent to adjudicating the challenge to the arbitral award.

## Findings of the Supreme Court

The Supreme Court, held that there is no legal necessity for the High Court to direct the deposit of the entire decretal amount with the Registry as a condition precedent for deciding proceedings under Section 34 of the 1996 Act.

The Court partly allowed the appeal and modified the impugned order with the following directions:

1. The Petitioner shall not be required to deposit the entire decretal amount or furnish any bank guarantee as a condition precedent to the Section 34 proceedings.
2. The appellant shall furnish an undertaking along with particulars of the immovable properties owned by it in Mumbai.
3. A chart containing the description of the properties shall be annexed to the undertaking.

## Analysis in light of the Statutory Framework

The decision turns on the proper interpretation of Section 34 within the framework of the 1996 Act. Section 34 creates a statutory remedy to challenge an arbitral award on specific grounds. The text of the provision does not impose any precondition of deposit of the awarded amount. Imposing such a requirement would effectively introduce a substantive limitation not found in the statute. While Section 36 permits the court to impose conditions when granting a stay of enforcement, that power is distinct from the adjudicatory function under Section 34.



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The Supreme Court's reasoning makes clear that a blanket direction to deposit the entire decretal amount as a prerequisite to hearing a Section 34 petition lacks a statutory foundation.

At the same time, the Court did not leave the award holder without protection. By directing the furnishing of an undertaking supported by particulars of immovable properties, the Court ensured that the award creditor's interests were secured in the event the award attains finality.

The approach reflects a balancing of equities rather than an automatic financial barrier to access the statutory remedy. The ruling therefore affirms that conditions imposed in arbitration matters must trace their authority to the statute and must be proportionate to the purpose sought to be achieved.

### **Judicial Position on Deposit Conditions Under Sections 34 and 36**

Although the order in *Mumbai Metro Rail Corporation Limited v. L and T-STEC JV Mumbai* does not expressly cite precedents, the issue of monetary conditions in post award proceedings has previously engaged judicial attention.

In *Board of Control for Cricket in India v. Kochi Cricket Pvt. Ltd.* AIR 2018 SC 1549, the Supreme Court examined the amended framework of Section 36 of the 1996 Act. The Court clarified that after the 2015 amendment, filing a Section 34 petition does not automatically stay enforcement of an arbitral award. A separate application is required, and the court may impose conditions while granting stay. The decision underscored that enforcement and challenge are distinct stages under the Act.

Similarly, in *Pam Developments Pvt. Ltd. v. State of West Bengal* 2019 8 SCC 112, the Supreme Court considered whether government entities are entitled to unconditional stay of arbitral awards. The Court held that Section 36 does not create a special dispensation in favour of the State and that courts may impose conditions, including deposit, while granting stay of enforcement.

These decisions operate within the framework of Section 36, which concerns stay of enforcement. The ruling in *Mumbai Metro Rail Corporation Limited v. L and T-STEC JV Mumbai* is significant because it addresses a distinct question. It clarifies that while conditions may be imposed in the context of stay under Section 36, there is no legal necessity to require deposit of the entire decretal amount merely as a condition precedent to adjudicating a Section 34 challenge.

### **Conclusion**

There is no legal necessity to deposit the entire decretal amount as a condition precedent to adjudication of a petition under Section 34 of the 1996 Act. Section 34 does not contemplate a mandatory deposit requirement. High Court cannot insist on a full deposit or bank guarantee as a precondition to hearing a challenge to an arbitral award.

Courts may, however, craft protective directions such as undertakings and disclosure of assets to safeguard the award holder's interests. The decision strengthens the statutory integrity of the 1996 Act and ensures that the right to challenge an arbitral award under Section 34 is not curtailed by judicially imposed monetary conditions lacking express legislative basis.

**IN THE SUPREME COURT OF INDIA  
CIVIL APPELLATE JURISDICTION**

**CIVIL APPEAL NO. 14483 OF 2025  
(@ SPECIAL LEAVE PETITION (CIVIL) NO. 34547 OF 2025)**

**MUMBAI METRO RAIL CORPORATION LIMITED**

**PETITIONER(S)**

**VERSUS**

**L AND T-STEC JV MUMBAI**

**RESPONDENT(S)**

**O R D E R**

1. Leave granted.
2. The appellant challenges the interim order dated 10<sup>th</sup> October, 2025 passed by the High Court of Judicature at Bombay in exercise of its Ordinary Original Civil Jurisdiction, whereby, in a petition under Section 34 of the Arbitration and Conciliation Act, 1996 (1996 Act), the appellant - Mumbai Metro Rail Corporation Limited, has been directed to deposit the entire disputed/decretal amount alongwith interest with the Registry of the High Court within a period of eight weeks.
3. We have heard Mr. Tushar Mehta, learned Solicitor General, in support of the prayers made in this appeal and Dr. A.M. Singhvi, learned senior counsel appearing

for the respondent/caveator.

4. Having regard to the nature of the controversy, we are of the considered view that there is no legal necessity for the High Court to issue a direction regarding the deposit of the entire decretal amount with the Registry of the High Court as a condition precedent for deciding the proceedings under Section 34 of the 1996 Act.

5. We partly allow this appeal and, consequently, modify the impugned judgment of the High Court with the following directions:

i. The appellant shall not be required to deposit the entire decretal amount or furnish any Bank guarantee as a condition precedent to the proceedings under Section 34 of the 1996 Act.

ii. The appellant is directed to furnish an undertaking along with particulars of the immovable properties owned by it in Mumbai. The undertaking shall expressly recite that in the event the arbitral award attains finality, the appellant shall pay the decretal amount within a period of eight weeks from the date of finality.

iii. A chart containing the description of the

properties shall be annexed to the undertaking.

6. Pending application(s), if any, shall stand disposed of.

.....CJI  
(SURYA KANT)

.....J.  
(JOYMALYA BAGCHI)

NEW DELHI  
01<sup>st</sup> DECEMBER, 2025

ITEM NO.37

COURT NO.1

SECTION IX-A

S U P R E M E C O U R T O F I N D I A  
R E C O R D O F P R O C E E D I N G S

PETITION FOR SPECIAL LEAVE TO APPEAL (C) NO. 34547/2025

[Arising out of impugned final judgment and order dated 10-10-2025 in IA(L) No. 28857/2025 passed by the High Court of Judicature at Bombay]

MUMBAI METRO RAIL CORPORATION LIMITED

PETITIONER(S)

VERSUS

L AND T-STEC JV MUMBAI

RESPONDENT(S)

(IA No. 307249/2025 - EXEMPTION FROM FILING C/C OF THE IMPUGNED JUDGMENT)

Date : 01-12-2025 This matter was called on for hearing today.

CORAM :

HON'BLE THE CHIEF JUSTICE  
HON'BLE MR. JUSTICE JOYMALYA BAGCHI

For Petitioner(s) :

Mr. Tushar Mehta, Solicitor General  
Mr. Balbir Singh, Sr. Adv.  
Mr. Siddharth Dharmadhikari, Adv.  
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Ms. Devanshi Singh, Adv.  
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Mr. Naman Tandon, Adv.  
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Ms. Siya Singh, Adv.  
Ms. Rajeshwari Shankar, Adv.  
M/S. Apsak Consultants Llp, AOR

For Respondent(s) :

Dr. Abhishek Manu Singhvi, Sr. Adv.  
Mr. Mukul Rohatgi, Sr. Adv.  
Mr. Indranil Deshmukh, Adv.  
Mr. Raunak Dhillon, Adv.  
Ms. Madhavi Khanna, Adv.  
Ms. Saloni Kapadia, Adv.  
Mr. Anchit Jasuja, Adv.  
Mr. Karan Gandhi, Adv.  
M/S. Cyril Amarchand Mangaldas, AOR

UPON hearing the counsel, the Court made the following  
O R D E R

1. Leave granted.
2. The appeal is partly allowed in terms of the signed order, which is placed on the file.

(POOJA SHARMA)  
AR-CUM-PS

(PREETHI T.C.)  
ASSISTANT REGISTRAR