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Can courts modify Arbitral awards?

~Ira Dave

Introduction

Arbitration is meant to offer a final and binding resolution to disputes, free from prolonged court battles. But what happens when parties believe that the arbitral award is unfair or inadequate? Can courts step in and *modify* the award?

This precise question came up in the recent case of *Gayatri Balasamy v. ISG Novasoft Technologies Ltd¹*, leading to a significant Constitution Bench ruling by the Supreme Court in April 2025.

Background of the Case

Gayatri Balasamy was appointed Vice President at ISG Novasoft Technologies in April 2006. Just a few months later, she resigned, alleging sexual harassment by the CEO. This led to a series of legal proceedings, including criminal complaints from both sides.

Eventually, the Supreme Court referred the matter to arbitration, and the tribunal awarded her ₹2 crore. Balasamy, however, was dissatisfied with the award and approached the Madras High Court, which increased her compensation by ₹1.6 crore. A Division Bench later reduced that additional amount to just ₹50,000, stating that the enhancement lacked a rational basis.

This led Balasamy to file a Special Leave Petition before the Supreme Court—triggering a much larger question about the powers of courts under India’s arbitration law.

The Legal Question

At the heart of the case was this: **Can a court modify an arbitral award under Sections 34 or 37 of the Arbitration and Conciliation Act, 1996?**

- **Section 34** allows a court to *set aside* an award under limited circumstances—like procedural unfairness or conflict with public policy.
- **Section 37** enables appeals from orders passed under Section 34.

Neither provision expressly mentions the power to *modify* an award. Yet, past Supreme Court judgments had sent mixed signals—some allowing limited modification, others firmly denying it.

The Verdict: Limited Power to Modify

On **30 April 2025**, the Supreme Court delivered its ruling. In a **4:1 majority**, the Court held that **courts have only limited powers to modify arbitral awards under Section 34**.

The majority opinion, written by CJI Sanjiv Khanna, clarified that:

- Arbitration is intended to be final and binding, with only minimal court intervention.
- Section 34 permits *setting aside* an award but not *rewriting* it.
- Courts may remove illegal or unenforceable parts of an award or correct clerical errors—but cannot reassess or revise the substance of the award.

Justice K.V. Viswanathan dissented, suggesting that courts should have broader authority to correct arbitral awards where justice demands it. However, the majority view now stands as binding law.

Why This Judgment Matters

This ruling settles a long-standing legal debate and strengthens the finality of arbitration in India. It reinforces that courts are not appellate bodies in arbitral matters and should respect the autonomy of the arbitration process.

The judgment also brings India more in line with global arbitration norms, where judicial intervention is carefully limited.

Conclusion

The *Gayatri Balasamy* judgment marks a watershed moment in India's arbitration jurisprudence. By holding that courts have only limited power to modify arbitral awards under Section 34, the Supreme Court has reinforced one of the cornerstones of arbitration: **finality**. Arbitration is designed to offer a streamlined, independent, and efficient alternative to litigation. Allowing courts to routinely interfere with or rewrite arbitral awards **would defeat that very purpose**.

The Court's decision not only clarifies the scope of judicial review but also aligns Indian law with global arbitration standards, where judicial interference is narrowly tailored to exceptional circumstances. This ruling strengthens India's position as a pro-arbitration jurisdiction—something that's essential as the country aspires to become an international hub for commercial dispute resolution.

At the same time, the judgment sends a strong message to both parties and arbitrators. For parties, it underscores the importance of presenting a strong and complete case at the arbitral stage, knowing that courts won't step in later to adjust the outcome. For arbitrators, it is a reminder of the responsibility to act fairly, transparently, and comprehensively—since the award they render will likely be final.

The dissenting opinion also adds nuance to the debate. Justice K.V. Viswanathan's view reflects a legitimate concern about justice in cases where arbitral awards may be unfair or incomplete. While the majority opinion now sets the law, the dissent ensures that future conversations about reform and fairness in arbitration remain alive.

Ultimately, *Gayatri Balasamy v. ISG Novasoft Technologies* is more than just a case about compensation—it is a defining moment in the evolution of arbitration law in India. It answers a critical question, brings much-needed clarity, and firmly establishes the limits of judicial power in arbitral matters. For legal professionals, businesses, and policymakers alike, it is a judgment that will shape arbitration practice for years to come.