

IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 1<sup>ST</sup> DAY OF JUNE, 2026

PRESENT

THE HON'BLE MR. VIBHU BAKHRU, CHIEF JUSTICE

AND

THE HON'BLE MR. JUSTICE C.M. POONACHA

COMMERCIAL APPEAL NO. 314 OF 2025

BETWEEN:

1. ALABAMA DESIGN CONSULTANTS LLP  
A LIMITED LIABILITY PARTNERSHIP  
INCORPORATED UNDER THE  
LIMITED LIABILITY PARTNERSHIP ACT, 2008  
HAVING ITS REGISTERED OFFICE AT 3C-137  
3<sup>RD</sup> FLOOR, 3<sup>RD</sup> CROSS, 2<sup>ND</sup> MAIN  
KASTURI NAGAR, BANASWADI  
BENGALURU - 560 043  
REPRESENTED BY ITS  
AUTHORIZED SIGNATORY  
MR. UDAYA SHANKAR KRISHNAPPA
2. SDSS MANAGEMENT SERVICES LLP  
A LIMITED LIABILITY PARTNERSHIP  
INCORPORATED UNDER THE  
LIMITED LIABILITY PARTNERSHIP ACT, 2008  
HAVING ITS REGISTERED OFFICE AT  
NO.3C-137, 3<sup>RD</sup> FLOOR, 2<sup>ND</sup> MAIN ROAD  
3<sup>RD</sup> CROSS ROAD, KASTURI NAGAR  
EAST OF NGEF LAYOUT  
BENGALURU - 560 043  
REPRESENTED BY ITS  
AUTHORISED SIGNATORY  
MR. DEEPAK NAGRAJ
3. MR. UDAYA SHANKAR KRISHNAPPA  
RESIDING AT NO.152, GROUND FLOOR

Digitally  
signed by  
VEERENDRA  
KUMAR K M  
Location:  
High Court of  
Karnataka



CHANDRASHEKARAN ROAD  
BEML 3<sup>RD</sup> STAGE, R.R. NAGAR, VTC  
PO: RAJARAJESHWARINAGAR  
BENGALURU - 560 098

...APPELLANTS

(BY SRI C.K. NANDA KUMAR, SENIOR ADVOCATE A/W  
SRI TEJAS S.R., ADVOCATE)

**AND:**

1. MS. PAYAL SANDHU KHURANA  
RESIDING AT Q 503  
ROHAN JHAROKHA APARTMENTS  
PHASE 2, YEMALUR MAIN ROAD  
BEHIND HAL AIRPORT  
BENGALURU - 560 037
2. JUSTICE ANAND BYRAREDDY  
HIGH COURT JUDGE (RETD.) -  
SOLE ARBITRATOR  
ARBITRATION AND CONCILIATION CENTRE  
BENGALURU (COMESTICE & INTERNATIONAL)  
3<sup>RD</sup> FLOOR, EAST WING  
KAHNIJA BHAVAN, RACE COURSE ROAD  
BENGALURU - 560 001

...RESPONDENTS

(SRI DHYAN CHINNAPPA, SENIOR ADVOCATE A/W  
SRI SARAH ABRAHAM, ADVOCATE FOR R-1;  
VIDE ORDER DATED 29.07.2025, R-2 IS DELETED)

THIS COMMERCIAL APPEAL IS FILED UNDER SEC.13(1-A) OF  
COMMERCIAL COURTS ACT, 2015 PRAYING TO SET ASIDE THE  
JUDGMENT DATED 12.03.2025 IN COM.A.P.NO.66/2023, PASSED BY  
THE COURT OF LXXXVII ADDITIONAL CITY CIVIL AND SESSIONS  
JUDGE, BENGALURU (ANNEXURE - A) AND ETC.

THIS COMMERCIAL APPEAL HAVING BEEN HEARD AND RESERVED FOR JUDGMENT, COMING ON FOR PRONOUNCEMENT THIS DAY, JUDGMENT WAS PRONOUNCED AS UNDER:

CORAM: HON'BLE MR. VIBHU BAKHRU, CHIEF JUSTICE  
and  
HON'BLE MR. JUSTICE C.M. POONACHA

**C.A.V. JUDGMENT**

(PER: HON'BLE MR. VIBHU BAKHRU, CHIEF JUSTICE)

1. Appellant No. 1 - M/s Alabama Design Consultants LLP — a Limited Liability Partnership(hereinafter referred to as '**Alabama LLP**') incorporated under the Limited Liability Partnership Act, 2008;appellant No. 2 - M/s SDSS Management Services LLP (hereinafter referred to as '**SDSS**'), and appellant no. 3, Mr. Udaya Shankar Krishnappa, have filed the present appeal under Section 37(1)(c) of the Arbitration and Conciliation Act, 1996 (hereinafter referred to as '**the A&C Act**'), impugning an order dated 12.03.2025 (hereinafter '**the impugned order**') passed by the LXXXVII Additional City Civil and Sessions Judge (Commercial Court), Bengaluru (hereinafter referred to as '**the Commercial Court**') in Com.A.P.No.66/2023.The respondent had filed the said petition under Section 34 of the A&C Act, praying for setting aside of the arbitral award dated 21.03.2023 (hereinafter '**the impugned award**') passed by the Sole Arbitrator (hereinafter '**the Arbitral**

**Tribunal**’). The learned Commercial Court allowed the said petition and set aside the impugned award as vitiated by patent illegality.

2. The dispute, broadly stated, arises from the expulsion of the respondent as a partner of Alabama LLP and the consequences thereof. The respondent had invoked arbitration by filing C.M.P. No. 358/2022 before this Court under Section 11 of the A&C Act, which was allowed and the arbitral tribunal was constituted. The respondent preferred various claims before the arbitral tribunal and the appellants filed counter-claims. The arbitral tribunal rejected the claims and partly allowed the counter-claims. The impugned award, which substantially decided the disputes in favour of the appellants, was set aside by the Commercial Court on the ground that the same was vitiated by ‘patent illegality’ within the meaning of Section 34(2A) of the A&C Act.

3. Before considering the challenge in the present appeal, it is relevant to set out the context in which the controversy arises.

#### **PREFATORY FACTS**

4. A partnership firm by the name of ‘Design Alphabet’ was constituted on 27.04.2018 by and between the third appellant and one Mr. Prabhprit Singh Kochar (hereinafter referred to as

**‘Mr.Kochar’**), for the purpose of undertaking the business as engineers, consultants and contractors, including civil, electrical, mechanical, architectural, plumbing, structural, environmental and air conditioning work, and to provide integrated turnkey solutions. The respondent was not a party to the said partnership deed.

5. On 18.03.2019, M/s Design Alphabet, through its partners, executed Share Purchase Agreements for acquiring 70% (seventy percent) of the equity stake in M/s Adrianse India Private Limited (hereinafter referred to as **‘AIPL’**) through Share Purchase Agreement dated 18.03.2019 [Ex. C1 & C1(a)] for a consideration of USD 400,000 as per the principal agreement. Consequent to the said acquisition, the shares in AIPL were held by M/s Design Alphabet (holding 70%) and Mr. Atul Kukreja (holding 30%). It is material to note that Mr Kochar had contributed ₹5,20,00,000/- (Rupees Five Crores Twenty Lakhs only) as of 31.03.2019, which amount was utilised towards the acquisition of AIPL shares and the capital expenditure of the office of Design Alphabet. The same was reflected in the partner’s current capital account, in the financial statements of Design Alphabet (Ex. R8).

6. The respondent joined AIPL as an employee on 03.04.2019. It is pertinent to note that the respondent was not a partner of Design Alphabet at this stage.

7. On 25.07.2019, Design Alphabet was converted into a Limited Liability Partnership under the Limited Liability Partnership Act, 2008, and was registered under the name 'Alabama Design Consultants LLP', i.e., the first appellant herein. The Main LLP Agreement dated 25.07.2019 (hereinafter referred to as '**the Main LLP Agreement**') (Ex. C4) was executed by and between Mr. Kochar and the third appellant as the designated partners. At the time of executing the Main LLP Agreement, the capital contribution of the third appellant and Mr. Kochar was 10% (ten percent) and 90% (ninety percent), respectively. It was agreed that the profit and loss would be shared in the said ratio.

8. On 29.07.2019, Mr. Kochar resigned as a partner of Alabama LLP (Ex. RD1). A meeting of the partners was held on the same date to discuss the restructuring of the LLP and the manner in which the capital contribution and loan of Mr. Kochar would be repaid (Ex. RD2). Subsequently, on 29.08.2019, the 1st Supplementary LLP Agreement (hereinafter referred to as '**the 1st Supplementary**

**Agreement'**) (Ex. R3) was executed, by virtue of which: (a) Mr. Kochar's resignation as a partner was recorded; (b) SDSS and the respondent were inducted as partners of Alabama LLP; and (c) Mr. Sukant Gupta (representative of SDSS) and the third appellant were designated as the Designated Partners. The 1st Supplementary Agreement was filed with the Registrar of Companies on 31.08.2019.

9. In terms of the 1<sup>st</sup> Supplementary Agreement, the capital contribution and profit/loss sharing ratio of the partners of Alabama LLP was as follows: SDSS was to contribute ₹7,00,000/- (Rupees Seven Lakhs only) for a 70% (seventy percent) interest; the third appellant was to contribute Rs. 1,50,000/- (Rupees One Lakh Fifty Thousand only) for a 15% (fifteen percent) interest; and the respondent was to contribute ₹1,50,000/- (Rupees One Lakh Fifty Thousand only) for a 15% (fifteen percent) interest. Clause 6 of the 1<sup>st</sup> Supplementary Agreement provided that profit and loss shall be shared between the partners in the following ratio, "Mr. Uday Shankar Krishnappa - 15%; M/s SDSS Management LLP - 70%; Ms. Payal Sandhu Khurana - 15%". The respondent furnished her contribution on 29.11.2020 (Ex. CD14).

10. On 17.07.2020, a notice of separation from AIPL was sent to the respondent (Ex. CD9). The respondent's separation from AIPL took effect from 15.09.2020. Admittedly, from August 2020 onwards, the respondent undertook consulting work for M/s Vestian pertaining to a project at Hebbal in Bengaluru and received consideration for the same. This was acknowledged by her during her cross-examination before the Arbitral Tribunal.

11. A meeting of the partners of Alabama LLP was held on 25.11.2020 (Ex. RD6). At the said meeting, *inter alia*, the financial statements for the financial year ending 31.03.2020 were approved, and Clause 13 of the Main LLP Agreement, pertaining to the expulsion of a partner, was amended. Prior to the amendment, Clause 13.1 of the Main LLP Agreement provided that the majority of partners could not expel any partner except in the situation where the partner had been found guilty of carrying on the activity/business of the LLP with a fraudulent purpose. The amendment, effected by way of the 2nd Supplementary LLP Agreement dated 25.11.2020 (hereinafter '**the 2nd Supplementary Agreement**') (Ex. C14), introduced an additional ground for expulsion, namely, the failure of a partner to pay his/her contribution towards the capital of the LLP. The appellant claim that notice of the meeting, along with the

agenda and the audited financial statements, was sent to the respondent on 18.11.2020 (Ex. CD10). This is disputed by the respondent. The respondent did not sign the 2<sup>nd</sup> Supplementary Agreement. The said agreement was nevertheless filed with the Registrar of Companies on 23.12.2020.

12. A further meeting of the partners of Alabama LLP was held on 23.12.2020 (Ex. RD7), wherein the signing of the 2<sup>nd</sup> Supplementary Agreement was discussed. The respondent attended this meeting and raised certain objections regarding the manner in which the meeting had been conducted on 25.11.2020.

13. Subsequently, the 3<sup>rd</sup> Supplementary LLP Agreement dated 07.05.2021 (hereinafter '**the 3<sup>rd</sup> Supplementary Agreement**') was executed, amending Clause 6 of the Main LLP Agreement in relation to the capital contribution structure and profit/loss sharing ratio (Ex. C27). Thereafter, at the partners' meetings held on 15.03.2021 and 01.04.2021 (Ex. RD3; Ex. R4), the partners were called upon to contribute additional capital in proportion to their profit/loss-sharing ratio for the repayment of the loan advanced by Mr. Kochar in two instalments. The respondent did not contribute her share of the first instalment, and the appellants state that SDSS

was constrained to pay the same. The consequent changes to the capital structure were recorded in the 3<sup>rd</sup> Supplementary Agreement, whereby the respondent's share stood diluted from 15% to 0.58%. Subsequently, by a letter dated 13.05.2021 (Ex. C25), Alabama LLP called upon the partners to contribute additional capital towards the repayment of the second instalment of the loan. The respondent, in her communication dated 14.05.2021, stated that she would not pay her portion. In view of the respondent's refusal, the remaining partners contributed the requisite amounts, and the respondent's share was further diluted from 0.58% to 0.28%, as recorded in the 4<sup>th</sup> Supplementary LLP Agreement dated 22.06.2022 (Ex. RD18). It is pertinent to note that the respondent has admitted in her cross-examination before the Arbitral Tribunal that she did not contribute any additional capital, while admitting that SDSS and the third appellant had done so.

14. It is the case of the appellants that, from at least November 2021 onwards, the respondent was associated with M/s Zyeta Interiors Private Limited / M/s Zyeta Studios Private Limited (hereinafter collectively referred to as '**Zyeta**'), which is stated to be a direct competitor as it is in the same business as Alabama LLP. The appellants contend that the respondent had an email address

registered with the domain Zyeta; had visited clients of the entities with which Alabama LLP was engaged; had participated in engagements with prospective clients as a representative of Zyeta; and had failed to respond to various communications from Alabama LLP seeking clarification on the subject. The respondent, on the other hand, disputed the said allegations.

15. A meeting of the partners was held on 16.05.2022 (Ex. RD15), wherein the alleged engagement of the respondent with Zyeta was discussed and a decision was taken to issue a show cause notice to the respondent. Accordingly, by a show cause notice dated 18.05.2022 (Ex. C37), Alabama LLP called upon the respondent to explain as to why she should not be expelled from the LLP as a partner, in view of the alleged breach of her obligations under the Main LLP Agreement. The respondent furnished her response to the show cause notice on 25.05.2022 (Ex. C38). Thereafter, a meeting of the partners was held on 26.05.2022 (Ex. C39), at which the respondent was not present, and by a unanimous resolution, the attending partners resolved to expel the respondent as a partner of Alabama LLP with effect from 12:00 PM on 26.05.2022. A notice of expulsion was issued to the respondent on the same date (Ex. C39).

16. Thereafter, by a letter dated 24.06.2022, Alabama LLP returned the respondent's capital contribution of ₹1,50,000/- (Rupees One Lakh Fifty Thousand only) by way of a demand draft dated 22.06.2022 (Ex. C43). The said demand draft was returned by the respondent.

17. The respondent had invoked arbitration under Clause 34 of the Main LLP Agreement by notice dated 16.07.2021, and the appellants, by their reply dated 09.08.2021, while consenting to the reference of disputes to arbitration, declined to accept the respondent's nominee as the Sole Arbitrator. The parties having thus failed to agree on the constitution of the tribunal, the respondent approached this Court by filing C.M.P. No. 358/2022 on 28.02.2022 under Section 11 of the A&C Act. During the pendency of the said petition, the respondent came to be expelled as a partner on 26.05.2022 in the circumstances noticed above. Thereafter, by an order dated 22.06.2022 in C.M.P. No. 358/2022, this Court appointed a former Judge of this Court as the Sole Arbitrator, and the arbitral tribunal stood constituted.

## **ARBITRAL PROCEEDINGS**

18. The respondent filed her Statement of Claims before the Arbitral Tribunal, seeking, *inter alia*, the following reliefs:

“1. Declare that the purported expulsion of the Claimant from the 1 Respondent, vide notice dated 26.05.2022 as illegal, null and void and not binding on the Claimant.

2. To set aside the purported expulsion of the Claimant vide notice dated 26.05.2022 and reinstate the Claimant as the Partner of the 1st Respondent LLP in terms of the Main LLP Agreement dated 25.07.2019 read along with the 1st Supplementary Agreement dated 30.07.2019.

3. To set aside the amendment to clauses. 6 and 13 of the Main LLP Agreement dated 25.07.2019, made by virtue of 2nd and 3rd. Supplementary Agreements dated 25.11.2020 and 7.05.2021 respectively.

4. Appoint an independent valuer to value the 1st Respondent LLP as a 'going concern' taking into account its 70% holding in Adrianse India Pvt Ltd.

5. Direct the 1st Respondent to pay a sum of INR 4,88,88,000/- (Rupees Four Crores Eighty Eight Lakhs and Eighty Eight Thousand) towards the exit valuation of the Claimant from the 1st Respondent LLP, with interest thereto at 18% p.a from 22.08.2022 till date of award and till the date of payment. Alternatively direct the 1<sup>st</sup> Respondent to pay such incremental sum derived from the valuation of the 1<sup>st</sup> Respondent by an independent valuer appointed by this Hon' Tribunal, equivalent to her 15% holding in the 1<sup>st</sup> Respondent, along with interest thereto, at 18% p.a from 22.08.22 till the date of the award and till the date of payment.

6. Appoint an independent Chartered Accountant to audit the books of accounts of the 1<sup>st</sup> Respondent LLP and submit a report to this Hon. Tribunal for the dispute period namely April 2019 till date.

7. Direct the Respondents 1-3 to pay a sum of Rs. 1,50,00,000 (Rupees One Crore Fifty Lakhs) towards damages together with interest at the rate of 18% per annum from 22.08.2022 till the date of award and till the date of payment, for willful oppressive actions against the Claimant coupled with mental agony, disparaging the reputation of the Claimant in the industry and for purposefully choking the livelihood of the Claimant.

8. Grant costs of the Arbitration as also stamp duty payable on the award

9. Any further Orders.”

19. The appellants filed their Statement of Reply and Counter Claim before the Arbitral Tribunal denying the claims of the respondent and seeking dismissal thereof. The appellants also raised counterclaims against the respondent, inter alia, seeking a sum of approximately ₹38,50,000/- (Rupees Thirty Eight Lakhs and Fifty Thousand only) as tentative profit allegedly earned by the respondent during her engagement with Zyeta while continuing as a partner of Alabama LLP, ₹5,00,00,000/- (Rupees Five Crores only) as damages. They also sought certain injunctive reliefs.

20. The Arbitral Tribunal framed the following points (thirty-five in number) for determination:

**"POINTS FOR DETERMINATION**

1. Whether the can include respondent No.4, M/s Adriane India Private Limited, New Delhi, as a party to this Arbitration, before this Tribunal, without the said party

being included in the reference by the Hon. High Court of Karnataka, to this Tribunal? And without being impleaded by this Tribunal?

2. Whether the claimant proves that this Tribunal would have jurisdiction over respondent No.4?

3. Whether the claimant proves that she had associated with the respondent No.3 and his associate, Mr.P.S.Kochar, in establishing the firm, Design Alphabet, and had been involved with its activities and business, before she was inducted as a partner of respondent No.1 firm?

4. Whether the claimant proves that there were business offers made to her by Mr.Kochar during January 2018, and those offers had remained the same, when she eventually was inducted as a partner of respondent No. 1 firm, over 16 months thereafter?

5. Whether respondent Nos. 1 to 3 prove that the claimant had no access to the Share Purchase Agreements and Shareholders Agreements - that had been executed prior to the claimant becoming a partner of respondent No.1?

6. Whether the respondent Nos. 1 to 3 prove that they had provided the claimant with all relevant information pertaining to the subject that was to be taken up at the meeting of the partners of respondent No.1, as on 25.11.2020, with ample time to enable any objection or questions being raised even if she was not able to attend the meeting physically?

7. Whether the claimant proves that the second Supplementary LLP Agreement, which included an amendment to Clause 13 of the main LLP Agreement, which contemplated an expulsion of a partner, when there is default in making their capital contribution to the firm, was deliberately aimed at her and that it was also, Per se, unlawful?

8. Does the claimant prove that the resolutions passed at the meeting of the partners of respondent No.1 on 25.11.2020, was unlawful and void ab initio?

9. Whether the claimant proves that the agenda of the meeting of the partners of respondent No.1, dated 15.03.2021, was in respect of payment of a non-existent and unaudited loan, and the decision to approve the same, as being unlawful?

10. Whether the respondent Nos. 1 to 3, prove that the meeting that was held on 01.04.2021, of the partners of respondent No.1, was necessary to be held physically and the request of the claimant to hold it virtually, being denied, was justified?

11. Whether the claimant proves that the majority of the partners of respondent No.1, with the aid of Mr. Kochar, were intent on ousting the claimant from the partnership?

12. Whether the respondent Nos. 1 to 3 prove that the stake of the claimant was legitimately reduced from 15% to 0.58%, on account of her not having made an additional contribution to the capital fund of the firm, as was made by the other partners?

13. Whether the claimant proves that any increase or reduction in the amount of capital of the respondent No.1 firm, required the assent of all the partners of the firm, as per the main LLP Agreement?

14. Whether the claimant proves that the respondent Nos. 1 to 3, were not justified in seeking a contribution of Rs. 1,58,684/- as the claimant's contribution of capital, for the repayment of a loan, as per email dated 13.05.2021?

15. Whether the respondent Nos. 1 to 3 prove that the claimant has committed breach of the main LLP Agreement by virtue of being employed with M/s Zyeta group of companies, while contributing to be a partner in respondent No. 1?

16. Whether the respondent Nos. 1 to 3 prove that the claimant has parted with confidential information of the respondent No. 1 firm to one entity by the name of Gnanoba & Bhat?

17. Whether the respondent Nos. 1 to 3 prove that the claimant has been misusing, for the benefit of a competitor, the relationships built up in the business of the

respondent No.1, as endorsed by several persons, of the activities of the claimant in that direction?

18. Whether the claimant proves that the allegations of the claimant of gross discrimination of the claimant as a woman and hence not being allowed to evolve successfully in the business is true?

19. Whether the claimant proves that her expulsion from respondent No.1, as a partner, is illegal and that she is entitled to a sum of Rs.4.89 Crore, towards her exit, as valued?

20. Whether the claimant proves that she is entitled to both the reliefs, of reinstatement and the exit valuation, and such a prayer, which is not in the alternative, is maintainable?

21. Whether the respondent Nos. 1 to 3, prove that the claimant had misused the confidential information of the respondent No.1 and its related entities, by illegally employing herself with the Zyeta Group of companies, a direct competitor of the said respondent No.1, while continuing to be a partner of respondent No. 1?

22. Whether the respondent Nos. 1 to 3, prove that they had convened 4 partners' meetings, as on 15.12.2021, 22.12.2021, 16.05.2022 & 26.05.2022 only to discuss with the claimant of her activity, as mentioned in point 21 above, which was a blatant breach of the contract, to which the claimant had not responded?

23. Whether the respondent Nos. 1 to 3 prove that the claimant had misrepresented herself as a founder partner of respondent No. 1 and thereby caused loss of reputation to the said respondents?

24 Whether the respondent Nos. 1 to 3 prove that they are entitled to injunctory reliefs against the claimant from continuing to use confidential information gained from said respondents for her benefit of any competitor, by the claimant?

25. Whether the respondent Nos. 1 to 3 prove that the claimant is bound to pay a sum of Rs.38.50 lakh as the tentative profit she had made on her association with the Zyeta Group of Companies, even when being employed

with the said respondent No.1, from November, 2021 to May 2022, when she was expelled from respondent No.1?

26. Whether the Respondent No. 1 proves that it is entitled to a sum of Rs. 5 Crore, as damages on the ground that sensitive business information of the said Respondent, was misused by the Claimant, to obtain projects for its competitor?

27. Whether the Respondent Nos. 1 to 3, are entitled to interest on the amounts claimed. And what rate?

28. Whether the expulsion of the claimant from partnership was valid and legal?

29. Whether the respondents are entitled to the reliefs claimed at IV to VII of the counter-claims?

30. Which of the parties, are entitled to costs of these proceedings?

31. Which of the parties are entitled to which of the claims made and at what rate of interest and from when?

32. Whether the alteration of the capital Structure vide the IV Supplementary Agreement, dated 22.06.2022, is sustainable in the event of reinstatement of the claimant?

33. Whether the claimant proves that the amendments to Clause 6 and Clause 13 of the main LLP Agreement, dated 25.07.2019, by virtue of the II Supplementary LLP Agreement, dated 25.11.2020 and the III Supplementary LLP Agreement, dated 07.05.2021 are illegal, null, void and not binding on the claimant?

34. Whether the claimant proves that respondent Nos. 1 to 3 have caused the claimant to face severe livelihood challenges?

35. Whether the claimant is entitled to reinstatement as a partner of the first respondent LLP?"

21. Pursuant to an interlocutory application filed by the appellants, the Arbitral Tribunal, by an interim award dated 20.11.2022, permitted to implead AIPL as the fourth respondent. The said

interim award was challenged by the appellants and AIPL before the LXXXIV Additional City Civil and Sessions Judge (Commercial Court), Bengaluru, in Com.A.P.No.127/2022 and Com.A.P.No.128/2022, respectively. The Commercial Court allowed the said petitions and set aside the interim award dated 20.11.2022. The said order attained finality, as it was not challenged by the respondent.

22. Before the Arbitral Tribunal, the respondent led evidence and examined herself as CW-1 (the respondent herself). She also produced documents that were marked as Exhibits C1 to C45 and Exhibits CD1 to CD19. The appellants also led their evidence and produced documents marked as Exhibits R1 to R15 and RD1 to RD20. Based on a suggestion by the Arbitral Tribunal, the documents were bifurcated into admitted documents (C/R series) and disputed documents (CD/RD series), the latter being marked for identification purposes. In the minutes of the seventh meeting dated 04.01.2023, the Arbitral Tribunal recorded that the admissibility or veracity of the disputed documents would be decided by the Arbitral Tribunal having regard to other material, evidence and circumstances placed before it.

## **IMPUGNED AWARD**

23. On 21.03.2023, the Arbitral Tribunal delivered the impugned award. The key findings of the Arbitral Tribunal, relevant for the purposes of the present appeal, may be briefly noted as follows:

(a) The arbitral tribunal held that the respondent had failed to prove that she had associated with the third appellant and Mr Kochar in establishing Design Alphabet, or that she had been involved with its activities and business before her induction as a partner (Points of Determination Nos. 3) ; and further held that she had failed to prove that the business offers made to her by Mr Kochar in January 2018 had remained unchanged when she was eventually inducted as a partner (Point of Determination No. 4).

(b) The arbitral tribunal held that the respondent had failed to prove her expulsion was illegal or that she was entitled to any exit valuation, and that the appellants had established that the expulsion was valid and legal (Points of Determination Nos. 19 & 28).;

(c)The arbitral tribunal answered Points of Determination Nos. 15 and 21 together and, holding that the respondent was engaged with Zyeta, a competitor, while being a partner of Alabama LLP, answered Point No. 15 in favour of the appellants; it did not, however, record any separate finding on Point No. 21.;

(d) The arbitral tribunal held, in relation to Point of Determination No. 25, that the amount claimed by the appellants towards tentative profit was wholly speculative. The arbitral tribunal, however, held that the appellants were entitled to Rs. 15,00,000/- (Rupees Fifteen Lakhs only) as compensation, with interest at 12% per annum (to be revised to 18% per annum in the event of default);

(e) The arbitral tribunal held, in relation to Point of Determination No. 26, that Respondent No. 4 (Adrianse India Private Limited) had failed to establish their claim for Rs. 5,00,00,000/- as damages, there being no information from Zyeta regarding the number of projects obtained using information provided by the respondent;

(f) The respondent was held to have failed to make out a case in her favour on any of the grounds urged, and was accordingly held not entitled to the relief of reinstatement as a partner of Alabama LLP.

24. The dispositive part of the impugned award is set out below:

**"AWARD**

a. The Claimant has failed to prove her case and is hence disentitled to any of the Claims by her;

b. Respondents no. 1 to 3 have proved several of the Points as framed by this Tribunal and as detailed above. In particular, the said respondents have proved

Point no.25 in their favour and are entitled to receive a sum of Rs. 15,00,000/- (Rupees Fifteen lakh, with interest thereon, at 12% per annum. The said sum shall be paid within a period of three months from the date of this Award. In the event of a default, the amount shall carry interest at the rate of 18%, from the date of default till the date of actual payment.

c. The Claimant shall pay and bear the respondents' cost of these proceedings, apart from its own that may have been paid, in terms of Section 31A of the Arbitration and Conciliation Act, 1996.

d. The Claimant is restrained from continuing to use any confidential information gained from the respondents, including respondent no.1 and its related entities, for the benefit of any competitor.

i) The Claimant is restrained by way of Permanent Injunction from breaching the terms of the main LLP Agreement;

ii) The Claimant is restrained by way of permanent injunction from publishing or making defamatory statements that may cause disrepute or damage to the reputation against the respondents 1 to 3;

iii) The Claimant is restrained by way of Permanent Injunction from passing any confidential information belonging to the R-1;

iv) The Claimant is directed by way of Mandatory Injunction to deliver up and handover to R-1 all confidential information belonging to R-1;

e. Signed copies of this Award are delivered to the parties through their counsel.

f. The stamp duty payable on the Award may be paid by the Claimant, if the Respondent does not immediately supply the same and is entitled to recover such stamp duty from the Respondent in terms of this Award."

**PETITION UNDER SECTION 34 OF THE A&C ACT**

25. Aggrieved by the impugned award, the respondent filed a petition under Section 34 of the A&C Act before the Commercial Court, being Com.A.P.No.66/2023, seeking to set aside the impugned award. The respondent challenged the impugned award, *inter alia*, on the following grounds:

- (a) that the Arbitral Tribunal had awarded costs to the appellants without following the principles under Section 31A, and without awarding similar costs against the appellants for their unsuccessful counter claims;
- (b) that the permanent and mandatory injunctions were couched in language bereft of details or specifics, culminating in alteration of the contractual rights of one party alone.
- (c) that the award was contrary to law and opposed to the public policy of India;
- (d) that the Arbitral Tribunal had relied on disputed documents (particularly in the RD series) without giving the respondent an opportunity to cross-examine the appellants thereon;
- (e) that the Arbitral Tribunal had no power to grant an order of permanent and mandatory injunction;

- (f) that the award was devoid of findings in respect of Point of Determination No. 21;
- (g) that the award of compensation of Rs. 15,00,000/- was without basis; and
- (h) that Arbitral Tribunal's approach in conducting the proceedings was arbitrary and capricious.

### **IMPUGNED ORDER**

26. The Commercial Court, vide its order dated 03.06.2023, granted an ex-parte stay of the arbitral award, subject to the respondent depositing a sum of ₹15,00,000/- (Rupees Fifteen Lakhs only) within two months. Thereafter, the appellants entered appearance and contested the proceedings before the Commercial Court.

27. The Commercial Court, by the impugned order dated 12.03.2025, allowed Com.A.P.No.66 of 2023 and set aside the impugned award. The Commercial Court framed the following point for consideration:

“Whether, the present petition deserves to be allowed and the impugned award dtd: 21.03.2023 passed by the Learned Sole Arbitrator in A.C. No. 329/2022 requires to be set aside under Sec. 34 of Arbitration and Conciliation Act?”

The Commercial Court answered the aforesaid question in the “affirmative”.

28. The Commercial Court set out the provisions of Section 34(2) of the A&C Act and the limited scope of interference with an arbitral award under Section 34 of the A&C Act. The Commercial Court noted that although the Arbitral Tribunal had, taken up Points of Determination Nos.15 and 21 for consideration together, no specific finding was rendered in respect of Point of Determination No.21, which pertained to the respondent’s alleged misuse of confidential information of Alabama LLP and its related entities, by engaging with Zyeta, a direct competitor of Alabama LLP.

29. The Commercial Court further observed that certain disputed documents, particularly Exhibits RD13 and RD19, had been relied upon by the Arbitral Tribunal without the appellants having examined any witnesses for the same, and without the respondent being afforded an opportunity to cross-examine the appellants on the said disputed documents. The learned Commercial Court also observed that while answering Point of Determination No. 25, the Arbitral Tribunal had held that the amount claimed by the appellants as tentative profit was “speculative” and yet proceeded to award a sum of ₹15,00,000/- as compensation. In relation to Point of

Determination No.26, the Arbitral Tribunal held that the appellants had failed to establish their claim, as there was no information from Zyeta regarding the number of projects obtained, despite the information provided by the respondent.

30. The operative reasoning of the Commercial Court is set out below:

“12....In my opinion not giving any reasons and findings for point No. 21, relying on disputed documents, not giving an opportunity to the petitioner to cross-examine respondents on these disputed documents, though holding that respondents failed to prove point No. 26, not giving satisfactory reasons and the basis for awarding compensation of Rs. 15,00,000/- are nothing but patent illegality which go to the root of the case.”

31. The Commercial Court further observed as under:

“12....The very observation made by the Arbitration Tribunal that, the respondent has not proved what was the profit earned by this petitioner when she involved with Zyeta group clearly shows that, respondent failed to prove that, he is entitled for compensation from respondent. When such being the case awarding compensation of Rs. 15,00,000/- seems to be not proper as it is not within the purview of either main LLP agreement or supplementary LLP agreement. Coming to the question of awarding interest, admittedly there is no finding in the award as to on what basis such interest was awarded and also there is no reasons for directing the petitioner to pay and bare the respondents cost of these proceedings. Further, there is no finding in the award as to why the tribunal was inclined to grant relief ‘D’ (i to iv) has to

be granted. Further, the tribunal itself has observed that, respondent has failed to prove what was the confidential information which the petitioner illegally provided to Zyeta group of companies. In my opinion all the above facts clearly indicates that, the award passed by the Arbitration Tribunal deserves to be set aside.”

32. Accordingly, the Commercial Court, by the impugned order, set aside the arbitral award dated 21.03.2023 in its entirety on the ground of ‘patent illegality’.

### **REASONS AND CONCLUSION**

33. It is apparent from the above that the learned Commercial Court has set aside the impugned award on essentially three grounds. First, that the Arbitral Tribunal had not given any findings in regard to point No.21 framed for consideration. Second, that the Arbitral Tribunal had relied on the disputed documents and had not given an opportunity to the respondent to cross-examine the appellants on these documents. Third, that there was no basis for awarding compensation of ₹15,00,000/-.

34. The learned Commercial Court also faulted the Arbitral Tribunal for granting certain injunctive reliefs without any findings in that regard.

35. Mr. C.K.Nanda Kumar, learned Senior Counsel appearing for the appellants contended that the learned Commercial Court had undertaken an examination on merits, which was beyond the scope of examination under Section 34 of the A & C Act. He also submitted that the observation that the Arbitral Tribunal had not returned any finding as to point No.21 for consideration is erroneous, as the Arbitral Tribunal had considered the said point along with point No.15. He further submitted that the entire impugned award could not be set aside solely on the ground that the Arbitral Tribunal had not found any material or any evidence for misuse of confidential information. He submitted that there is ample material on record to establish that the respondent had misused the confidential information relating to Alabama LLP. In response to a pointed query from the Court regarding the confidential information used by the respondent, he submitted that the respondent had shared financial information with M/s. Gnanoba & Bhat.

36. We may note that the Arbitral Tribunal rejected the respondent's claims on the ground that she failed to establish her case. Insofar as the counter claims are concerned, the Arbitral Tribunal had awarded a sum of ₹15,00,000/- along with interest and costs in favour of the appellants. Additionally, the Arbitral Tribunal

had restrained the respondent from using confidential information obtained from the appellants for the benefit of any competitor and from breaching the terms of the main LLP Agreement.

37. The appellants had made a counter claim of ₹38.50 lakhs on the ground that the respondent was employed/associated with Zyeta while she was a partner of Alabama LLP and thus was liable to account for the profits/remuneration received. They based the said claim on the annual remuneration of ₹60,00,000/- (Rupees Sixty Lakhs only) – subsequently increased to ₹66,00,000/-(Rupees Sixty-six Lakhs only) which was receivable by the respondent from AIPL. Concededly, there is no material on record to establish that the respondent had made any profit from her association with the Zyeta group of companies during the period from November, 2021 to May, 2022. The Arbitral Tribunal found that the said claim was “clearly speculative”.

38. The appellants had contended that the respondent had benefited by the misuse of confidential information. The Arbitral Tribunal did not accept this contention as well. Notwithstanding these findings, the Arbitral Tribunal held that the appellants had established that they were entitled to a reasonable amount of

compensation and awarded a sum of ₹15,00,000/-. Clearly, we find no basis for the award in question. We find no material or evidence to award the said compensation.

39. We may also note that AIPL had also made a counterclaim of ₹5,00,00,000/- as damages on the ground that sensitive business information had been misused by the respondent to obtain projects for a competitor. The Arbitral Tribunal rejected this claim on the ground that there was no material to identify the projects that were secured by the respondent by using any confidential information relating to the appellants. In view of the aforesaid, we concur with the view that the award of compensation of ₹15,00,000/- is vitiated by patent illegality.

40. Mr. C.K.Nanda Kumar did not seriously contest that the award of compensation was unsustainable. He, however, stoutly contended that the impugned award could not be set aside in entirety on the aforesaid ground. He contended that the impugned award was liable to be set aside only to the extent of awarding compensation in favour of the appellants. He contended that the impugned award, to the extent that it rejected the claims made by the respondent, ought to have been sustained.

41. It is now well settled that the court has an inherent power to set aside an invalid portion of an Arbitral Award while retaining the portion which is found to be valid.

42. In **J G Engineers Pvt. Ltd. v. Union of India**<sup>1</sup>, the Supreme Court had observed this under:

"25. It is now well settled that if an award deals with and decides several claims separately and distinctly, even if the court finds that the award in regard to some items is bad, the court will segregate the award on items which did not suffer from any infirmity and uphold the award to that extent. As the award on Items 2, 4, 6, 7, 8 and 9 was upheld by the civil court and as the High Court in appeal did not find any infirmity in regard to the award on those claims, the judgment of the High Court setting aside the award in regard to Claims 2, 4, 6, 7, 8 and 9 of the appellant, cannot be sustained. The judgment to that extent is liable to be set aside and the award has to be upheld in regard to Claims 2, 4, 6, 7, 8 and 9."

43. In **Gayatri Balasamy v. M/s. ISG Novasoft Technologies Limited**<sup>2</sup>, Mr Justice Sanjiv Khanna, CJI (as he was then), speaking for the majority observed as under:

"33. We hold that the power conferred under the proviso to Section 34(2)(a)(iv) is clarificatory in nature. The authority to sever the "invalid" portion of an arbitral award from the "valid" portion, while remaining within the narrow confines of Section 34, is inherent in the court's jurisdiction when setting aside an award."

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<sup>1</sup> (2011) 5 SCC 758

<sup>2</sup> (2025) 7 SCC 1

44. However, the Court also added a caveat that partial setting aside of the award may not be feasible when valid and invalid portions are legally and practically inseparable.

45. In the present case, the Arbitral Tribunal has found no material to establish that the respondent had misused any confidential information belonging to the appellants to secure any projects or contracts for the Zyeta Group of Companies. The information shared by the respondent with the consulting firm M/s Gnanoba & Bhat, was for the purpose of valuation of her share in Alabama LLP. The same cannot be accepted as use of confidential information for the benefit of any competitor. The respondent had shared some information for her purpose. The same cannot be construed as carrying on any activity or the business of Alabama LLP for fraudulent purpose. The finding that information was confidential is also disputed. According to the respondent the information was not such, which was not otherwise ascertainable. In the absence of any finding as to the nature of the confidential information, the manner of its use, and the benefit derived from it, no compensation could have been awarded on the said count by the learned Arbitral Tribunal. It had also rightly rejected AIPL's claim for

a sum of ₹5,00,00,000/- (Rupees Five Crores Only) on the said ground.

46. We also find no infirmity with the conclusion of the learned Commercial Court that the injunctive reliefs as granted are without any findings to the said effect. Thus, the impugned award in favour of the appellants had been rightly set aside by the learned Commercial Court.

47. The next question that follows is whether the impugned award, to the extent it rejects the claim made by the respondent, is required to be sustained.

48. As noted above, the respondent had challenged her expulsion from the appellant firm and also sought that the amendments to the main LLP agreement made by the 2<sup>nd</sup> and 3<sup>rd</sup> supplementary agreements be set aside. The respondent sought the appointment of an independent valuer to value her share in the appellant LLP. She also claimed ₹4,88,88,000/- towards the value of her share by way of exit valuation, and ₹1,50,00,000/- as damages. As rightly argued on behalf of the appellants, the dispute between the parties broadly centres around her expulsion from appellant No. 1's firm by a notice.

49. The respondent was expelled from Alabama LLP by a notice dated 26.05.2022 on several grounds, which were set out in the show cause notice dated 18.05.2022.

50. Broadly, the allegations against the respondent were that she had engaged with Alabama's competitor; she had not contributed to the capital of appellant No.1's LLP; she had not devoted full time to the affairs of appellant No.1; and there was a breach of other clauses of the main LLP agreement.

51. The appellants relied on clause 13 of the main LLP agreement as amended by the 2<sup>nd</sup> supplementary agreement. The unamended clause (13) of the main LLP agreement is set out below.

**"13.0. EXPULSION OF PARTNER**

13.1. No majority of partners can expel any partner except in the situation where any partner has been found guilty of carrying of activity/business of the LLP with fraudulent purpose. Such expulsion shall be only after serving a show cause notice in writing on that partner giving 7 days time for his response; and in that event the partner expelled shall be entitled to the benefits of a retiring partner and be liable to the same obligations applicable to a retiring partner in accordance with the provisions of this agreement in that behalf. "

52. As is apparent from the above, a partner could be expelled by the majority of partners of Alabama LLP, where such partner was

found guilty of carrying on the activity/business of the LLP with a fraudulent purpose.

53. Thus, one of the questions to be considered is whether the appellants have established that the respondent was guilty of carrying on activity or business of the Alabama LLP with a fraudulent purpose.

54. The notice of expulsion also stated that the respondent was expelled for the reasons stated in the show cause notice, including sharing of confidential and proprietary information of the appellant No.1 that was available with her. The show cause notice, amongst other allegations, also alleges that the respondent had undertaken fraudulent activities and the cheating of Alabama LLP and its partners, *inter alia*, by using confidential information for the benefit of the competitor and failing to contribute to the LLP when she was called upon to do so.

55. Thus, the respondent was expelled from Alabama LLP, *inter alia*, on the aforesaid allegation. As noted above, the Arbitral Tribunal had not cited any instance of confidential information being passed on to a competitor for cheating Alabama LLP as alleged. The Arbitral Tribunal has not accepted the said contention. The

respondent's claims included her challenge to her expulsion from Alabama LLP, which, as noted above, was, *inter alia*, on the ground that she had used Alabama LLP's confidential information to benefit competitors and cheat Alabama LLP and its partners. Thus, it would not be apposite to conclude that the claims were not inextricably connected or linked with the issues involved in the counter-claims, which were partly allowed. In the present case there is an overlap of the disputes.

56. The amendment to the main LLP agreement by virtue of the 2<sup>nd</sup> and 3<sup>rd</sup> supplementary agreements is also central to the dispute.

57. By virtue of the 2<sup>nd</sup> Supplementary Agreement, clause 13 of the main LLP agreement was amended. The amended clause 13 of the main LLP agreement is set out below:

"13.0. EXPULSION OF PARTNER

13.1. No majority of partners can expel any partner except in the situations;

(a) where any partner fails to pay his/her contribution towards the capital of the LLP, and

(b) where any partner has been found guilty of carrying of activity/business of the LLP with fraudulent purpose.

13.2. Such expulsion shall be only after serving a show cause notice in writing on that partner and giving 7 days time for his/her satisfactory response; and in that event the expelled partner shall be provided with

any benefits as determined and decided by the majority of the remaining partners."

58. By virtue of 3<sup>rd</sup> supplementary agreement, the capital structure of Alabama LLP as specified in clause (6) of the main LLP agreement was also amended. The 2<sup>nd</sup> and 3<sup>rd</sup> Supplementary Agreements were not signed by the respondent, clearly she had not consented to it. In view of the above, the respondent had claimed that the amendments to the main LLP agreement are unlawful. However, the Arbitral Tribunal rejected the respondent's challenge. The Arbitral Tribunal's reasoning for the same is set out below:

"92. Re. Point no.7 & Point no.8:

7. *Whether the claimant proves that the second Supplementary LLP Agreement, which included an amendment to Clause 13 of the main LLP Agreement, which contemplated an expulsion of a partner, when there is default in making their capital contribution to the firm, was deliberately aimed at her and that it was also, Per se, unlawful?*
8. *Does the claimant prove that the resolutions passed at the meeting of the partners of respondent No.1 on 25.11.2020, was unlawful and void ab initio?*

It is seen that the sequence of events pursuant to the amendment of Clause 13 of the LLP Agreement, which contemplated as above, would throw some light on the above points. Immediately after the above clause was brought into force, the Claimant and Respondent no.3 have paid their respective capital contribution of Rs.1.50 lakh, that was overdue-at once. (Refer Exhibit CD- 14). This would lead to a presumption that the Claimant was going by the amended clause. However, she has refuted the validity of the resolution passed as regards the above amendment. Further, she has refused to affix her

signature to the Second Supplementary LLP Agreement.

93. But then again, from the terms of the LLP Agreement, any alteration or amendment to the main LLP Agreement can only be made by a majority of the Partners. In the present instance, when the majority of the partners have consented at the meeting. Claimant had not participated at the meeting, but - even if she had and dissented to the amendment, it would have been two against one - leading to the same result.
94. The above procedure is also seen to be in accordance with the law and procedure prescribed under the Limited Liability Partnership Act, 2008, (Refer Clause 8 of the First Schedule to the Act).

The suspicion of the Claimant that the above amendment was deliberately aimed at her, cannot be accepted, as the amended clause would apply to all partners and not merely the Claimant. The Claimant has also failed to demonstrate as to how such an amendment was unlawful.

In the result this Tribunal holds that it is proved by the Respondents, that the Second Supplementary LLP Agreement that included an amendment to Clause 13 of the LLP Agreement was validly made and incorporated and not with any deliberate design to oust the Claimant.

Points no. 7 & 8 are held not proved by the Claimant. Point no.8 is held in the negative, in view of the finding on Point no. 7."

59. It is clear from the above that the Arbitral Tribunal proceeded on the basis that the main LLP agreement and the procedure prescribed in accordance with Clause 8 of the First Schedule to the Limited Liability Partnership Act, 2008, allowed the majority partners of Alabama LLP to amend the main LLP Agreement. However,

there is no clause in the main LLP agreement to the effect that the majority partners are entitled to amend the main LLP agreement.

60. We may also refer to Clause 8 of the First Schedule of the LLP Act, 2008, which is set out below.

"THE FIRST SCHEDULE  
[See section 23(4)]  
PROVISIONS REGARDING MATTERS RELATING TO  
MUTUAL RIGHTS AND DUTIES OF PARTNERS AND  
LIMITED LIABILITY PARTNERSHIP AND ITS  
PARTNERS APPLICABLE IN THE ABSENCE OF ANY  
AGREEMENT ON SUCH MATTERS

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8. Any matter or issue relating to the limited liability partnership shall be decided by a resolution passed by a majority in number of the partners, and for this purpose, each partner shall have one vote. However, no change may be made in the nature of business of the limited liability partnership without the consent of all the partners."

61. By virtue of the said clause, all issues relating to the LLP may be decided by the majority of partners. However, this clause cannot be considered to empower the majority partners to amend the main

terms of the partnership agreement. While the majority of partners are entitled to make all decisions regarding the affairs of the firm, it is difficult to accept that the majority can, by virtue of such a resolution, alter or amend the terms of the LLP agreement, which, in effect, is the charter of the entity.

62. The Arbitral Tribunal reasoned that the majority partners were entitled to call for further capital contribution. Therefore, even if the resolution to the said effect was passed without the presence or notice to the respondent, the same may not be relevant. However, the 3<sup>rd</sup> Supplementary Agreement amended the main LLP agreement not only with regard to the capital contribution, but also clause 6, which specified the ratio in which the profits and losses of Alabama LLP were to be shared between the partners.

63. The reasoning of the Arbitral Tribunal that a majority of partners are entitled to amend the terms of the LLP agreement (partnership deed) to provide for the additional grounds for expelling a partner or change the ratio in which profits and losses are to be shared, cannot be sustained.

64. The respondent had also sought the value of her share in Alabama LLP terming it as exit valuation. However, the Arbitral

Tribunal rejected the same on the ground that she had failed to establish that her expulsion from the partnership was illegal.

65. A plain reading of unamended clause 13 of the main LLP agreement indicates that even if a partner is expelled, she is entitled to the same benefits as a retiring partner. Clause 11 of the main LLP agreement provides for the takeover of a retiring partner's share. The said clause is set out below:

**"11.0 RESIGNATION OR RETIREMENT OF PARTNERS**

11.1 If a Partner/s wishes to resign or withdraw from the LLP, the retiring partner or withdrawing partner/s shall give a notice in writing of not less than 30 days to all partners of the LLP offering his/her share to the existing partners and the existing partners shall have the right of first refusal. The existing partners shall take the share of the retiring or withdrawing partner in the proportion of the existing profit & loss sharing ratio, if the existing partners within 30 days after the receipt of notice from the retiring or withdrawing partner/s offering his/her share to be purchased fail to buy the share, then the retiring or withdrawing partner/shall have the liberty to sell his/her share to any person/s. However, for the first 3 years no partner shall resign or quit except for non performance."

66. Thus, irrespective of whether a partner was expelled from Alabama LLP or had retired, she would be entitled to receive the value of her share in the said firm.

67. It was the respondent's case that the shares of AIPL are valuable assets of Alabama LLP, and that they must be valued to

determine the value of her share in Alabama LLP. Thus, the value of the respondent's share in Alabama LLP would be required to be determined on the basis of well known principles of valuation of shares.

68. The Arbitral Tribunal had rejected the respondent's claim for exit valuation on the ground that the respondent had failed to prove that her expulsion from Alabama LLP was illegal.

69. As noted above, the partner expelled from Alabama LLP would also be entitled to the value of her share. The main LLP agreement does not provide for the forfeiture of the value of share of an expelled partner. The principal dispute in this regard appears to be whether the market value of AIPL shares is required to be taken into account for valuing the respondent's share in the LLP agreement. There appears to be no discussion in the impugned award in this regard. The only reason set out by the Arbitral Tribunal to reject the claim reads as "when the LLP agreement or the law do not provide for an exit valuation, the claimant is disentitled to any such exercise or claim thereon"<sup>3</sup>.

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<sup>3</sup> Paragraph 111 of the impugned award.

70. The effect of not valuing the assets of the firm for determining the value of the share of an exiting partner would in effect deprive the exiting partner of the unrealised accretion in the value of the assets of the firm. The learned counsel appearing for the appellants could not point out any clause in the main LLP agreement which confined the value of the share of exiting partner to be computed on the historical value of the assets as recorded in the books of accounts.

71. Although the learned Commercial Court had not set aside the impugned award on the grounds as stated above, nonetheless the impugned award is also erroneous for the aforesaid reasons.

72. Learned Commercial Court had also faulted the Arbitral Tribunal for relying on disputed documents without affording the respondent an opportunity to cross-examine the witnesses. Although there is material on record which could sustain some of the findings of the Arbitral Tribunal, it is not disputed that the Arbitral Tribunal had relied on certain disputed documents which were separately marked and the question as to their veracity was left to be determined. However, the appellants had not produced any witness for cross-examination in regard to the veracity of the said

documents. By virtue of Section 19 of the A&C Act, the provisions of the Evidence Act, 1872 and the Code of Civil Procedure, 1908, are not applicable, but, undisputedly, the procedure adopted by the arbitral tribunal is required to be fair and afford equal treatment to the parties. In the present case, the respondent had tendered her evidence and was cross-examined. However, even though some of the disputed documents produced by the appellants were relied upon by the Arbitral Tribunal, the respondent was not afforded any opportunity to cross-examine the witnesses. In this view, we find no infirmity with the decision of the learned Commercial Court in faulting the impugned award on the aforesaid ground.

73. In **Sepco Electric Power Construction Corporation v. GMR Kamalanga Energy Limited**<sup>4</sup>, the Supreme Court found that the arbitral award suffered from the vice of discriminatory treatment of parties and held that such circumstances did not warrant a severance of the arbitral award.

74. Having stated the above, we may also note that some of the findings of the Arbitral Tribunal cannot be faulted. The conclusion that the respondent was associated or engaged with Zyeta, cannot

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<sup>4</sup> (2026) 2 SCC 542

be faulted. The respondent had declined to respond to some of the questions raised during her cross-examination. Thus, there is no infirmity with the Arbitral Tribunal drawing adverse inference on the said basis. However, the respondent had not been expelled solely for the reason of her being associated with Zyeta. Her expulsion was also based on the allegations that she had shared confidential information for the benefit of the competitors and had also failed to make a contribution to the capital. It may not be apposite to separate these grounds and assume that her expulsion can be sustained solely on the ground that she was associated or engaged in some manner with Zyeta.

75. In view of the above, we do not consider it apposite to interfere with the conclusion of the learned Commercial Court in setting aside the impugned award in entirety.

76. The appeal is, accordingly, dismissed.

**Sd/-  
(VIBHU BAKHRU)  
CHIEF JUSTICE**

**Sd/-  
(C.M. POONACHA)  
JUDGE**