

MOOT PROPOSITION

1. Aerovolt Mobility Private Limited (“Aerovolt”) is a company incorporated under the Companies Act, 2013, having its registered office in Indrapuri, Aryavarta. The company is engaged in the manufacture and sale of electric two-wheelers. Nexus Electronics India Private Limited (“Nexus”) is a company incorporated under the Companies Act, 2013, having its registered office and principal manufacturing facility in Dakshin Pradesh. Nexus manufactures electronic control systems and develops embedded software for automobile and electric vehicle manufacturers.
2. In January 2025, Aerovolt announced its intention to launch a new electric scooter under the name “Aero-X1”, designed to operate under varying climatic conditions and incorporating a new battery management architecture. The proposed system required continuous monitoring of battery temperature, charging rate, battery condition and motor output. Around the same time, Nexus approached Aerovolt with a proprietary electronic control system known as the “N-Cell Adaptive Controller” (“N-Cell”). N-Cell consisted of electronic hardware together with embedded firmware designed to regulate battery charging, discharge and thermal protection. Nexus represented to Aerovolt that N-Cell had undergone extensive testing and was capable of operating safely within the technical parameters specified by Aerovolt. Nexus further represented that the system could be integrated into Aerovolt’s existing vehicle-control architecture without materially affecting other vehicle functions.
3. Aerovolt conducted laboratory testing and limited road trials using prototype N-Cell units supplied by Nexus. The system performed satisfactorily during the tests. Relying upon the test results and the representations made by Nexus, Aerovolt decided to incorporate N-Cell into the Aero-X1. On 18 February 2025, the parties entered into a Technology Supply and Integration Agreement (“Agreement”), under which Nexus agreed to supply 18,000 N-Cell units over a period of nine months. Nexus was required to supply units conforming to the technical specifications agreed between the parties, provide the embedded firmware necessary for their operation, ensure compatibility with Aerovolt’s vehicle-control architecture, provide technical assistance during integration and rectify defects discovered during the warranty period. Aerovolt paid ₹8.4 crore as advance consideration towards the initial consignments.
4. The Agreement provided for an eighteen-month warranty period. Clause 8 of the Agreement stated that *“the Supplier shall remain responsible for defects in the hardware, firmware and embedded control logic supplied by it, including defects which become apparent during ordinary operation of the vehicle.”* Clause 9 further provided that *“the Supplier shall be afforded a reasonable opportunity to*

cure any defect capable of being remedied without material prejudice to the Purchaser.” The Agreement also contained a limitation-of-liability clause under which neither party would be liable for indirect or consequential losses arising out of the Agreement, except where such loss resulted from fraud, wilful misconduct or fundamental breach. The Agreement contained an arbitration clause providing that any dispute, controversy or claim arising out of or in connection with the Agreement, including any question concerning its existence, validity, interpretation, performance or termination, would be finally resolved by a three-member arbitral tribunal. Each party was entitled to nominate one arbitrator, and the two nominated arbitrators were required to appoint the presiding arbitrator. The Agreement specified Indrapuri, Aryavarta as the seat and venue of arbitration, with English as the language of the proceedings. The parties had not agreed to institutional arbitration and the Agreement did not contain a separate provision identifying the law governing the arbitration agreement.

5. Nexus supplied the first consignment of N-Cell units in April 2025. Aerovolt conducted further laboratory testing and limited road trials, during which no material defect was detected. Commercial production of the Aero-X1 commenced in June 2025. Within two months of its launch, however, Aerovolt began receiving complaints from customers that certain vehicles unexpectedly entered a reduced-power mode during prolonged journeys. Some customers also reported excessive heating around the battery compartment. Aerovolt initially suspected that the problem might have originated in the battery cells supplied by an independent third-party manufacturer. Nexus was nevertheless notified of the complaints and sent a technical team to Aerovolt’s manufacturing facility. Following an initial inspection, Nexus maintained that the N-Cell system appeared to be operating according to its programmed specifications and suggested that Aerovolt investigate the battery cells and the vehicle control software developed by Aerovolt.
6. Aerovolt subsequently commissioned an independent technical investigation. The investigation identified a particular combination of high ambient temperature, high battery charge, rapid acceleration and a specific sequence of sensor readings which could cause the N-Cell firmware to incorrectly classify a temporary temperature fluctuation as a critical thermal event. According to the report, the resulting response could cause the vehicle to enter an emergency power-reduction mode. The report further observed that the malfunction appeared to involve an interaction between the N-Cell firmware and modifications made by Aerovolt to its own vehicle-control software. Nexus disputed the conclusions of the report and alleged that Aerovolt had modified its vehicle-control software after the original integration testing without informing Nexus. Nexus maintained that the N-Cell system was not defective when operated within the system architecture for which it had originally been tested.

7. In August 2025, Nexus proposed to provide a firmware update and replace certain N-Cell controllers at no additional cost. Nexus stated that the proposed update would prevent the software from treating temporary temperature fluctuations as critical thermal events and requested that Aerovolt permit further validation testing before taking any decision regarding termination of the Agreement. Aerovolt declined to deploy the proposed firmware update in vehicles already sold, stating that the proposed update had not been independently validated and that it could not expose its customers to another potential safety risk. Nexus contended that Aerovolt had failed to provide it with the reasonable opportunity to cure contemplated by the Agreement.
8. In September 2025, Aerovolt voluntarily recalled approximately 6,500 Aero-X1 vehicles. Aerovolt estimated the direct cost of the recall at approximately ₹22 crore and further claimed that the recall had affected its reputation and resulted in the postponement of the scheduled launch of its subsequent electric vehicle model. On 15 October 2025, Aerovolt issued a notice terminating the Agreement and demanded refund of the outstanding portion of the advance payment, reimbursement of expenses incurred in connection with the recall, replacement costs relating to the allegedly defective N-Cell units and compensation for losses allegedly suffered due to the postponement of the subsequent vehicle launch. Nexus rejected the termination and maintained that Aerovolt had prematurely terminated the Agreement without giving Nexus the contractual opportunity to cure the alleged defect. Nexus further contended that the malfunction had resulted, at least in part, from modifications made by Aerovolt to its own vehicle-control software.
9. On 3 November 2025, Aerovolt invoked the arbitration clause. Aerovolt nominated Ms. Kavya Rao, an advocate practising primarily in commercial arbitration, as its nominee arbitrator. Nexus nominated Mr. Arvind Mehta, a retired technical director of a major automobile manufacturer. Before accepting the appointment, Mr. Mehta disclosed that approximately six years earlier he had served as an unpaid technical adviser to AeroMax Motors, a company competing directly with Aerovolt in the electric two-wheeler market. Mr. Mehta's engagement with AeroMax had ended before Aerovolt and Nexus entered into the Agreement. He stated that his work for AeroMax concerned manufacturing efficiency and had no connection with N-Cell, Aerovolt or the Aero-X1. Aerovolt objected to his appointment, contending that his previous professional association with a direct competitor created justifiable doubts concerning his independence and impartiality. Nexus rejected the objection, arguing that the relationship had ended approximately six years earlier, that Mr. Mehta had no continuing relationship with AeroMax, that his previous engagement had no connection with the present dispute and that he had made a complete disclosure before accepting the appointment.

10. Aerovolt submitted a formal challenge to Mr. Mehta before the Arbitral Tribunal. The Tribunal rejected the challenge and held that the circumstances disclosed by Mr. Mehta did not establish sufficient grounds for his removal. The two party-appointed arbitrators thereafter appointed Justice R. K. Sen (Retd.) as the presiding arbitrator. The Tribunal commenced proceedings and both parties filed their respective pleadings and documents.
11. During the arbitration, Nexus alleged that Aerovolt had modified its vehicle-control software after the original integration testing and sought production of Aerovolt's internal records relating to such modifications. Nexus sought access to software version histories, internal testing records and specified communications between Aerovolt's engineering team and its battery supplier, contending that the documents were necessary to determine whether Aerovolt's own modifications had contributed to the malfunction. Aerovolt opposed the application, arguing that the requested materials contained commercially sensitive information and proprietary source-code information unrelated to the dispute. Aerovolt further contended that production of the documents would expose confidential technology to Nexus. The Tribunal directed Aerovolt to preserve the relevant records and produce specified categories of documents while permitting Aerovolt to redact portions containing unrelated trade secrets. Aerovolt complied with the preservation direction but maintained its objection to the scope of production.
12. In March 2026, Aerovolt received information that Nexus intended to transfer certain specialised manufacturing equipment from its Dakshin Pradesh facility to Nexus Advanced Systems Private Limited, a newly incorporated company belonging to the same corporate group. The equipment included specialised testing and calibration machinery used in the production of N-Cell units. Nexus stated that the proposed transfer formed part of an internal restructuring of its business and that the equipment would remain within the same corporate group and continue to be used for manufacturing and testing activities. Aerovolt became concerned that the proposed transfer could make it difficult to enforce any monetary award that might ultimately be passed in its favour. Aerovolt also alleged that Nexus was considering transferring certain intellectual-property rights relating to N-Cell to the newly incorporated entity. Nexus denied that the restructuring was intended to defeat Aerovolt's claims and stated that it remained financially solvent and that the proposed transfer constituted an ordinary commercial restructuring.
13. On 21 March 2026, Aerovolt approached the Commercial Division of the High Court of Aryavarta at Indrapuri under Section 9 of the Arbitration and Conciliation Act, 1996. Aerovolt sought interim measures restraining Nexus from transferring or alienating the specified manufacturing equipment, transferring specified intellectual-property rights relating to N-Cell, disposing of documents and

electronic records relevant to the arbitration, or taking any other step that could materially prejudice the enforcement of a future arbitral award. Aerovolt contended that the proposed restructuring created a genuine risk that assets against which an eventual award could be enforced might be placed beyond effective reach and that waiting for the conclusion of the arbitration would defeat the purpose of interim protection.

14. Nexus opposed the application and contended that the Arbitral Tribunal was already constituted and seized of the dispute. Nexus relied upon Section 17 of the Arbitration and Conciliation Act, 1996 and argued that Aerovolt had failed to establish circumstances rendering the remedy before the Tribunal inefficacious. Nexus further contended that the application was an attempt to obtain substantive protection from the Court merely because Aerovolt was dissatisfied with the procedural directions issued by the Tribunal. Nexus maintained that the proposed transfer of equipment was an ordinary corporate restructuring and did not constitute an attempt to defeat any eventual award. Aerovolt, in response, contended that the powers of the Court under Section 9 and the powers of the Tribunal under Section 17 were complementary and that the existence of a constituted Tribunal did not completely exclude judicial intervention where effective protection could not otherwise be obtained.

15. During the hearing of the Section 9 application, Aerovolt also sought to place its earlier objection concerning Mr. Mehta's appointment before the High Court. Aerovolt contended that the circumstances surrounding his appointment affected the independence and impartiality of the Arbitral Tribunal and that the Court ought to take the same into consideration while determining whether the arbitral proceedings should continue. Nexus opposed the contention and argued that the statutory mechanism for challenging an arbitrator had already been followed before the Tribunal, that the Tribunal had rejected Aerovolt's challenge, and that the Section 9 proceedings could not be converted into a collateral challenge to the constitution of the Arbitral Tribunal.

16. Aggrieved by the aforesaid circumstances and the orders passed during the arbitral proceedings, Aerovolt Mobility Private Limited has approached the Hon'ble High Court of Aryavarta at Indrapuri, raising the following questions for determination:

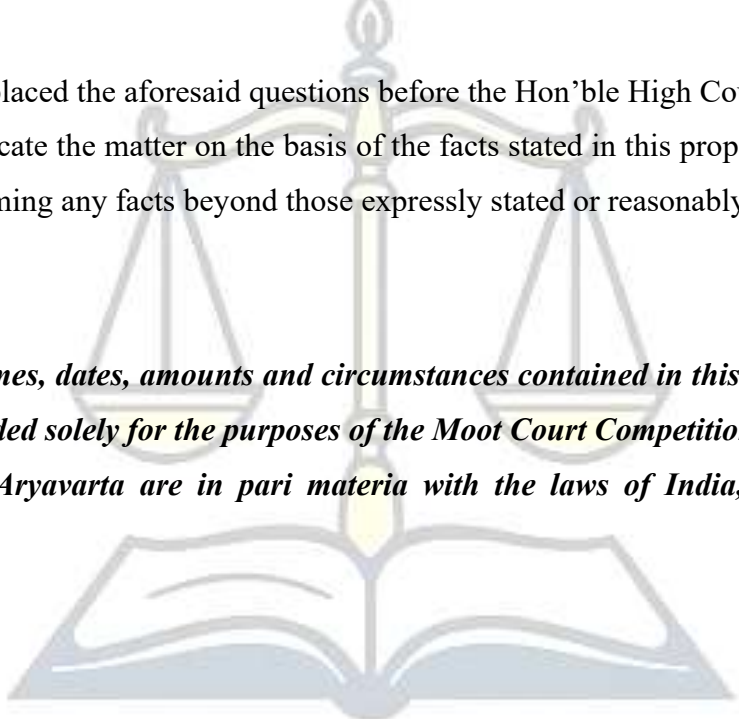
- A. Whether Aerovolt's application under Section 9 of the Arbitration and Conciliation Act, 1996 is maintainable in view of the pending arbitral proceedings and the remedy under Section 17?**
- B. Whether Aerovolt can challenge the appointment or continuation of Mr. Arvind Mehta before the Hon'ble High Court after its challenge under Section 13 was rejected by the arbitral tribunal?**

- C. Whether the arbitral tribunal's directions for preservation and production of commercially sensitive technical and software records are within its procedural powers and amenable to judicial interference at this stage?
- D. Whether Aerovolt was entitled to terminate the Agreement on account of the alleged defects in the N-Cell Adaptive Controller, notwithstanding Nexus's offer to cure?
- E. Whether Aerovolt is entitled to recover the recall expenses and postponed-launch losses in view of the limitation-of-liability clause contained in the Agreement?

17. The parties have placed the aforesaid questions before the Hon'ble High Court for determination. The Court shall adjudicate the matter on the basis of the facts stated in this proposition and the applicable law, without assuming any facts beyond those expressly stated or reasonably arising from the same.

Note: -

- 1. The facts, names, dates, amounts and circumstances contained in this proposition are fictional and are intended solely for the purposes of the Moot Court Competition.*
- 2. The laws of Aryavarta are in pari materia with the laws of India, unless expressly stated otherwise.*



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