



January 2025

## Supreme Court clarifies applicability of Limitation Act, 1963 to petitions challenging arbitral awards

On January 10, 2025, the Supreme Court of India (“**Supreme Court**”) delivered a landmark judgment in *My Preferred Transformation & Hospitality Pvt. Ltd. & Anr. vs. M/s Faridabad Implements Pvt. Ltd.*<sup>1</sup>, addressing the issue of limitation for filing applications to set aside arbitral awards under Section 34 of the Arbitration and Conciliation Act, 1996 (“**Arbitration Act**”). The Court examined the interplay between the Limitation Act, 1963 (“**Limitation Act**”) and Section 34(3) of the Arbitration Act, with a particular focus on whether the additional 30 (thirty) day condonable period provided under Section 34(3) of the Arbitration Act can be extended if it expires during court vacations. This decision has significant implications for arbitration in India, clarifying the scope of judicial discretion in condoning delays under the Arbitration Act.

### Brief facts

The dispute arose from lease agreements between the appellants (*My Preferred Transformation & Hospitality Pvt. Ltd.*) and the respondent (*M/s Faridabad Implements Pvt. Ltd.*). Following such dispute, the respondent invoked arbitration, resulting in an arbitral award dated February 4, 2022, in its favour.

Under Section 34(3) of the Arbitration Act, the appellants were required to challenge the arbitral award before the High Court within 3 (three) months (by May 14, 2022), with a possible condonable extension of 30 (thirty) days. However, pursuant to the Supreme Court’s earlier COVID-19 orders, the limitation period was automatically extended to May 29, 2022. The additional 30 (thirty) day condonable period expired on June 28, 2022, i.e. during the High Court’s summer vacation. The appellants filed their application on July 4, 2022, i.e. the first day after the High Court reopened. The High Court dismissed the challenge to the award being barred by limitation, which the Division Bench affirmed. In view thereof, the appellants then approached the Supreme Court.

### Issues

The Supreme Court addressed the following issues in the judgment:

1. do the provisions of the Limitation Act apply to proceedings under Section 34 of the Arbitration Act, and to what extent?

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<sup>1</sup> Civil Appeal No. 336 of 2025 (Arising out of SLP (C) No. 9996 of 2024)

2. does Section 4 of the Limitation Act apply to Section 34(3) of the Arbitration Act as per an analysis of the statutory scheme as well as precedents of this Supreme Court on the issue? If Section 4 of the Limitation Act applies, does it apply only to the 3 (three) month limitation period or also the 30 (thirty) day condonable period? and
3. in light of the answer to Issue 2, will Section 10 of the General Clauses Act apply to Section 34(3) of the Arbitration Act, and if so, in what manner?

## Brief contentions of the parties

The appellants contended that Section 4 of the Limitation Act, which allows filing on the next working day if the limitation period expires on a court holiday, should apply to the aforesaid 30 (thirty) days condonable period. Alternatively, they argued that Section 10 of the General Clauses Act, 1897 ("**General Clauses Act**"), which similarly addresses the expiration of statutory periods on court holidays, should apply to the proceedings under Section 34(3) of the Arbitration Act. The respondent on the other hand, relied on *Union of India vs. Popular Construction Co.*<sup>2</sup> and *Assam Urban Water Supply and Sewerage Board vs. Subhash Projects*<sup>3</sup>, to contend that the aforesaid provisions do not apply to the 30 (thirty) days condonable period under Section 34(3) of the Arbitration Act.

## Findings and analysis

The Supreme Court analysed the provisions of Section 34(3) of the Arbitration Act alongside the Limitation Act and the General Clauses Act, focusing on the applicability of Sections 4 and 10 of the respective statutes, to arrive at the following findings:

1. **Applicability of Section 4 of the Limitation Act:** By relying on the language of Section 4 of the Limitation Act, which uses the words 'prescribed period', as well as upon the decisions of the Supreme Court in *Assam Urban Water Supply (supra)* and *Bhimashankar Sahakari Sakkare Karkhane Niyamita vs. Walchandnagar Industries Limited*<sup>4</sup>, it was held that Section 4 of the Limitation Act applies only to the 'prescribed period' under Section 34(3) of the Arbitration Act i.e. the initial 3 (three) month limitation period. The additional 30 (thirty) day condonable period under the proviso to Section 34(3) of the Arbitration Act is not the 'prescribed period' but a discretionary period, and hence, Section 4 of the Limitation Act does not apply to it.
2. **Applicability of other provisions of the Limitation Act:** The Court also analysed the applicability of other provisions of the Limitation Act to the Arbitration Act, based on past judgments. Section 12 of the Limitation Act, permitting exclusion of time spent obtaining certified copies, was held to be applicable to proceedings under Section 34 of the Arbitration Act<sup>5</sup>. The Supreme Court clarified that such time can be excluded from the 3 (three) month limitation period under Section 34 of the Arbitration Act. It was also held that Section 14 of the Limitation Act, which excludes time spent in pursuing remedies before the wrong forum in good faith, also applies to Section 34 of the Arbitration Act<sup>6</sup>. Section 17 of the Limitation Act, which delays the start of limitation in cases of fraud or mistake, does not apply to Section 34 of the Arbitration Act. The Supreme Court held that the limitation under the Arbitration Act begins strictly on the date of receiving the arbitral award, cannot be extended by alleging fraud or mistake.<sup>7</sup>
3. **Express and implied exclusion of provisions:** The Court emphasised that the specific timelines for challenging arbitral awards under the Arbitration Act reflects the legislature's intention to ensure the finality of awards and restrict judicial interference. In this regard, the Supreme Court reaffirmed the decisions in *Bhimashankar (supra)* and *Assam Urban Water Supply (supra)* to hold that while the provisions of the Limitation Act generally apply to

<sup>2</sup> (2001) Supp. (3) S.C.R. 619

<sup>3</sup> Civil Appeal No. 2014 Of 2006

<sup>4</sup> (2023) 8 SCC 453

<sup>5</sup> *State of Himachal Pradesh vs. Himachal Techno Engineers*, (2010) 12 SCC 210

<sup>6</sup> *Coal India Limited vs. Ujjal Transport Agency*, (2011) 1 SCC 117; *Commissioner, Madhya Pradesh Housing Board vs. Mohanlal and Company*, (2016) 14 SCC 199

<sup>7</sup> *P. Radha Bai vs. P. Ashok Kumar*, (2019) 13 SCC 445

arbitrations *vide* Section 43(1) of the Arbitration Act, the stringent language of Section 34(3) ‘but not thereafter’ impliedly excludes application of Section 4 of the Limitation Act to the 30 (thirty) days condonable period under Section 34(3) of the Arbitration Act.

4. **Applicability of Section 10 of the General Clauses Act:** Section 10 of the General Clauses Act would not apply to the Arbitration Act as the proviso to Section 10 explicitly excludes the application of the same to acts or proceedings governed by the Limitation Act, including Section 34(3) proceedings under the Arbitration Act.

## Concerns expressed with the current legal framework

The Supreme Court addressed the restrictive interpretation of limitation provisions under Section 34(3) of the Arbitration Act, which significantly curtails the ability of parties to challenge arbitral awards. It reaffirmed that Section 29(2) of the Limitation Act incorporates Sections 4 to 24 unless expressly excluded and noted that Section 34(3) of the Arbitration Act does not explicitly exclude Section 4 of the Limitation Act. However, the judicial precedent set by earlier decisions, such as *Popular Construction Co. (supra)* and *Assam Urban Water Supply (supra)*, equated the ‘prescribed period’ to only the 3 (three) month limitation, thereby *impliedly* excluding the additional 30 (thirty) day condonable period from the ambit of Section 4 of the Limitation Act. This interpretation has created a rigid framework, leaving limited scope for equitable relief. The Supreme Court acknowledged the inconsistency between the legislative intent and the current legal position, suggesting that these precedents effectively deny remedies on procedural grounds. It urged legislative reform to address this imbalance and ensure a fairer application of limitation laws, balancing procedural rules with the need to preserve substantive rights.

With the above concerns, the Supreme Court, being bound by its earlier decisions, dismissed the appeal, affirming that the petition filed under Section 34 was filed beyond the permissible limitation period.

## Conclusion

The Supreme Court rightly expressed anguish at the restrictive interpretation adopted by previous judgments and the implied exclusion of Section 4 of the Limitation Act in the context of Section 34(3) of the Arbitration Act. It emphasised that the Limitation Act and its provisions should not be left to judicial interpretation alone but should be clear and objective enough to be understood and applied by litigants themselves. Legislative intervention is essential to address the ambiguities in the interplay between these statutes, ensuring that procedural rules do not disproportionately hinder substantive justice. Such clarity will foster greater confidence in arbitration as an effective and equitable dispute resolution mechanism.

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