

## Once The Arbitral Mandate Expires Under Section 29A Of The Arbitration Act, Courts Must Order Substitution: Supreme Court Of India

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### Introduction

In a recent decision, the Supreme Court has clarified the consequences that follow once the statutory time limit for making an arbitral award expires under Section 29A of the Arbitration and Conciliation Act, 1996 ("**the Act**"). In ***Mohan Lal Fatehpuria v. Bharat Textiles*** [2025 INSC 1409], the Apex Court held that where the mandate of an arbitrator has terminated by operation of law due to expiry of the prescribed timeline, the Court cannot merely extend the mandate but is required to substitute the arbitrator under Section 29A(6). The judgment draws a clear distinction between extension of time and revival of a mandate that has already ceased to exist.

### Facts

The dispute arose out of a long-standing partnership arrangement between the parties, governed by a partnership deed containing an arbitration clause. Upon disputes arising, the Delhi High Court, by an order dated 13 March 2020, appointed a sole arbitrator and directed that his fees be governed by the Fourth Schedule to the Act.

The sole arbitrator entered upon the reference in May 2020 and issued several directions requiring the parties to deposit amounts towards administrative expenses. Objections were raised by some of the respondents, who approached the High Court under Sections 14 and 15 of the Act seeking termination of the arbitrator's mandate. These petitions were dismissed in January 2022, with the High Court holding that the arbitrator was neither de jure nor de facto ineligible and that expenses were payable on actuals.

Thereafter, further directions were issued by the arbitrator for deposit of administrative expenses. In August 2023, the appellants sought time to approach the High Court under Section 29A, following which the arbitral proceedings were adjourned sine die. The appellants subsequently filed petitions under Section 29A(6) seeking substitution of the sole arbitrator and extension of time.

By an order dated 22 April 2025, the High Court declined to substitute the arbitrator but extended his mandate by four months, while reiterating that fees were to be charged strictly in accordance with the Fourth Schedule. This order was challenged before the Supreme Court.

## **Arguments**

The appellants contended that the sole arbitrator had acted contrary to the terms of his appointment by demanding fees and expenses beyond the Fourth Schedule, and in violation of earlier directions of the High Court. It was further argued that the power of substitution under Section 29A(6) is independent and wider than the grounds available under Sections 14 and 15, and that once the statutory timeline had expired, substitution was mandatory.

The respondents opposed the appeals, submitting that no grounds were made out for substitution and that earlier challenges under Sections 14 and 15 having failed, the appellants could not seek substitution under Section 29A. In the alternative, it was contended that if substitution were ordered, a former judge ought to be appointed as arbitrator.

## **Decision of the Supreme Court**

The Supreme Court allowed the appeals and set aside the High Court's order. Analysing the statutory scheme of Section 29A, the Supreme Court held that the provision is remedial in nature and was introduced to address delays in arbitral proceedings. Once pleadings are completed, an award must be rendered within twelve months, extendable by six months with consent. Failing this, the mandate of the arbitrator terminates by operation of law under Section 29A(4), unless the Court extends time.

On the undisputed facts, the Apex Court found that the arbitrator had entered upon the reference in May 2020, pleadings were completed by November 2020, and even after accounting for the period excluded due to the Covid-19 pandemic, the statutory period for making the award expired on 28 February 2023. No application for extension had been made within this period. Consequently, the arbitrator had become *functus officio* upon expiry of the mandate.

The Supreme Court held that once the mandate has expired, continuation of the same arbitrator is impermissible. In such a situation, Section 29A(6) obligates the Court to substitute the arbitrator if it chooses to extend time. The High Court, therefore, erred in merely extending the mandate of an arbitrator whose mandate had already ceased to exist.

The Apex Court further clarified that remedies under Sections 14, 15 and 29A operate in distinct fields. The earlier rejection of petitions under Sections 14 and 15 did not preclude substitution under Section 29A, particularly since the mandate had not terminated at the time those petitions were decided.

Accordingly, the Supreme Court quashed the impugned order, declared that the mandate of the sole arbitrator had terminated by operation of law, and appointed a former judge of the Delhi High Court as the substituted arbitrator, directing that

the proceedings continue from the stage already reached and be concluded within six months.

## Comment

This decision reinforces the mandatory nature of the timelines prescribed under Section 29A and holds that Courts cannot revive an arbitral mandate once it has expired by operation of law. The judgment draws a clear procedural line between extension of time and substitution of the arbitrator, emphasising that the latter becomes inevitable once the mandate terminates. For parties and practitioners, the ruling highlights the importance of closely monitoring statutory timelines and promptly invoking Section 29A, failing which the composition of the arbitral tribunal itself may stand altered.

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