

Allahabad High Court Holds Administrative Delay Cannot Justify a Belated Section 34 Challenge

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Introduction

In *Union of India, Ministry of Railways v. Gallant Ispat Limited*¹, the Allahabad High Court, Lucknow Bench, considered whether a delay of 28 days in filing a challenge to an arbitral award could be condoned merely because the challenge was filed within the additional thirty-day period permitted by the proviso to Section 34(3) of the Arbitration and Conciliation Act, 1996 (the "**Arbitration Act**"). The Court held that the additional period is available only where the applicant establishes sufficient cause. Routine movement of files, internal legal opinions, and administrative processing did not satisfy that requirement. The Court further held that a government department is subject to the same limitation standards as a private litigant and that the perceived merits of the proposed challenge cannot compensate for an unexplained delay.

Facts

Gallant Ispat Limited ("**Gallant**") operates an integrated steel plant at Sahjanwa in District Gorakhpur. For the movement of raw material from Sahjanwa railway station to its plant, Gallant required approximately 7,702.07 square metres of railway land for a private siding.

The Railway Authorities initially fixed the annual lease rent at INR 15,87,527. Following Gallant's request for a reduction, the land was classified partly as non-agricultural residential land and partly as agricultural land, and the annual rent was reduced to INR 9,60,684. The parties entered into an agreement on 16 June 2010, and Gallant deposited the stipulated amount.

After the agreement expired, the Railway Authorities proposed a fresh agreement on 2 June 2016, enhancing the annual lease rent to INR 13,47,409 together with service tax at 7%. Gallant disputed the enhancement and sought a lower rent. As the parties could not agree upon the appointment of an arbitrator, the High Court, in proceedings under Section 11 of the Arbitration Act, appointed a sole arbitrator on 7 April 2022.

The Arbitral Award and Section 34 Proceedings

By an award dated 8 December 2023, the sole arbitrator allowed Gallant's claim. The Railway Authorities were directed to revise the annual lease rent to INR 1,23,300 and refund INR 1,79,26,701 received in excess, together with interest at 8%.

The Railway Authorities challenged the award before the Commercial Court, Lucknow, under Section 34 of the Arbitration Act. The application was filed with a delay of 28 days beyond the prescribed period of three months. Since the delay fell within the further period of thirty days contemplated by the

proviso to Section 34(3), the Railway Authorities also sought condonation of delay.

On 5 June 2025, the Commercial Court rejected the application for condonation after finding that no sufficient cause had been established. The Section 34 challenge was consequently dismissed as barred by limitation. The Railway Authorities appealed under Section 13 of the Commercial Courts Act, 2015 read with Section 37 of the Arbitration Act.

Submissions Before the High Court

The Railway Authorities submitted that the delay was only 28 days and therefore remained within the maximum condonable period under Section 34(3). They attributed the delay to administrative requirements, including the procurement of legal opinions, transmission of the file between departments, appointment of counsel, preparation of the challenge, and execution of the pleadings.

It was also argued that a government department should receive some latitude because its decisions pass through several official levels and are affected by procedural bottlenecks. The Railway Authorities further contended that they had a strong case on the merits and that limitation, being procedural, should not prevent consideration of a meritorious challenge.

Gallant opposed the appeal and submitted that filing within the additional thirty-day period did not create an automatic right to condonation. The applicant was still required to prove sufficient cause and demonstrate reasonable diligence. Gallant contended that ordinary file movement and administrative delay could not constitute sufficient cause and that no separate or more liberal standard applied merely because the applicant was a government entity.

Issues Before the Court

The High Court identified two principal questions. First, it examined the scope of appellate interference under Section 37 with an order passed under Section 34. Secondly, it considered whether the Railway Authorities had shown sufficient cause for the 28-day delay and whether the Commercial Court's refusal to condone that delay required interference.

Court's Findings and Reasoning

Scope of an Appeal Under Section 37:

The Court began by reiterating that the Arbitration Act seeks speedy and inexpensive resolution with minimal judicial intervention. Section 34 permits interference with an arbitral award only on the limited grounds expressly specified in the statute. An appeal under Section 37 is even more constrained and does not confer ordinary appellate jurisdiction over either the award or the decision under Section 34.

Relying upon the Supreme Court's decision in *Punjab State Civil Supplies Corporation Ltd. v. Sanman Rice Mills*², the High Court observed that the Section 37 court is principally concerned with whether the Section 34 court acted within its jurisdiction, exceeded it, or failed to exercise it. The appellate power is closer to superintendence or revision than to a full rehearing. The appellate court cannot independently assess the merits of the award, reappraise evidence, or interfere merely because another view appears preferable.

Accordingly, the High Court's task was not to reconsider the arbitral dispute. It was limited to determining whether the Commercial Court had applied the statutory standard under Section 34(3) within the bounds of its discretion.

Sufficient Cause Is a Condition Precedent:

The Court noted that Section 34(3) prescribes three months for filing an application to set aside an arbitral award. A court may entertain the application within a further period of thirty days only if it is satisfied that sufficient cause prevented the applicant from filing within the initial period. The additional thirty days therefore represent the outer limit of the court's power, not an unconditional extension.

The Court proceeded on the basis that the award had been received on 8 December 2023, since the Railway Authorities had not pleaded any later date of receipt. The prescribed three-month period expired on 7 March 2024. The explanation submitted by the Railway Authorities disclosed that the first legal opinion was issued on 29 January 2024, approximately 51 days after the award. The file was sent to the legal department on 12 February 2024, a further opinion was issued on 29 February 2024, counsel was nominated on 14 March 2024, and the petition was prepared and sent for signature on 18 March 2024.

The challenge was ultimately filed on 5 April 2024. The Court placed particular emphasis on the 17 days taken to sign and return the prepared papers, even though the competent authority, counsel, and Commercial Court were all situated in Lucknow. No specific explanation was offered for this interval, despite the Railway Authorities knowing that the ordinary limitation period had already expired.

The Court held that these gaps demonstrated a casual and negligent approach rather than circumstances beyond the applicant's control. Referring to *Shivamma (Dead) by LRs v. Karnataka Housing Board*³, it observed that sufficient cause is not a general remedy for negligent or stale claims. The expression must be applied with justice-oriented flexibility, but gross negligence, deliberate inaction, and casual indifference cannot be condoned.

Proof of sufficient cause was therefore a condition precedent to the exercise of discretion. Since the Railway Authorities failed to cross that threshold, there was no occasion to weigh other considerations in favour of condonation.

Government Departments Receive No Preferential Treatment:

The High Court rejected the submission that governmental decision-making justified a more liberal standard. It held that the law of limitation applies equally to government bodies and private parties. Both must establish a bona fide, cogent, and sufficient explanation before the court's discretionary power can be exercised. The Court also referred to Section 18 of the Arbitration Act, which requires equal treatment of the parties.

The Court relied upon the principles stated in *Government of Maharashtra v. Borse Brothers Engineers & Contractors Pvt. Ltd.*⁴ and *Office of the Chief Post Master General v. Living Media India Ltd.*⁵. Bureaucratic red tape, movement of files, and inherited administrative procedures cannot routinely be accepted as sufficient cause. Condonation remains an exception and cannot be treated as an anticipated benefit available to government departments.

Merits Cannot Cure a Failure to Explain Delay:

The Court also declined to examine the Railway Authorities' contention that their proposed Section 34 challenge was strong on the merits. Limitation is an anterior question. At the stage of condonation, the court is concerned only with whether the applicant had a reasonable and bona fide explanation for failing to act within time.

The Court observed that considering merits at this stage would produce inconsistent results, allowing negligent litigants with apparently stronger cases to receive condonation while denying it to others. It could also prejudice the court's consideration of the substantive challenge. The test of sufficient cause therefore cannot be replaced by a preliminary assessment of the underlying merits.

Conclusion

The Allahabad High Court dismissed the appeal and affirmed the Commercial Court's order dated 5 June 2025. It held that the affidavit filed by the Railway Authorities was inadequate, disclosed negligence, and did not explain the 28-day delay with the diligence required under Section 34(3). The Court also noted that the Section 34 application had initially been inadequately stamped and that the requisite stamp duty was paid only on 15 February 2025, more than ten months later.

Given the restricted scope of Section 37 and the absence of sufficient cause, the Commercial Court had neither exceeded nor failed to exercise its jurisdiction. The appeal was dismissed without an order as to costs.

Comment

The judgment reinforces that the further thirty-day period under Section 34(3) is not a grace period available as of right. Even a delay falling within that narrow window must be supported by a specific, credible, and complete explanation showing that the applicant acted with reasonable diligence.

The decision is particularly significant for public authorities. Internal approvals, legal opinions, and movement of files may describe how a delay occurred, but they do not necessarily explain why the applicant was prevented from acting within time. Government departments must organise their decision-making processes around the strict limitation regime governing arbitral challenges and cannot rely upon institutional delay as a routine defence.

The judgment also connects limitation discipline with the restricted appellate role under Section 37. Once the Section 34 court has applied the correct legal test and exercised its discretion within jurisdiction, the appellate court cannot substitute its own view merely because the delay was short or the proposed challenge appears arguable. This approach protects the finality of arbitral awards and the rights that accrue to the successful party when the statutory period for challenge expires.

Endnotes

1. *Union of India through Ministry of Railways v. Gallant Ispat Limited*, Appeal Under Section 37 of Arbitration and Conciliation Act 1996 No. 25 of 2025 (Allahabad High Court, Lucknow Bench), decided on 29 July 2026.
2. *Punjab State Civil Supplies Corporation Ltd. v. Sanman Rice Mills*, 2024 SCC OnLine SC 2632.
3. *Shivamma (Dead) by LRs v. Karnataka Housing Board*, 2025 SCC OnLine SC 1969.
4. *Government of Maharashtra (Water Resources Department) v. Borse Brothers Engineers & Contractors Pvt. Ltd.*, (2021) 6 SCC 460.
5. *Office of the Chief Post Master General v. Living Media India Ltd.*, (2012) 3 SCC 563.

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