

## **M.L. Gupta and Bros. and Others Vs Union of India (UOI)**

**Court:** High Court Of Punjab And Haryana At Chandigarh

**Date of Decision:** Feb. 28, 1989

**Acts Referred:** Arbitration Act, 1940 " Section 20, 37(3), 37(5)  
 Limitation Act, 1908 " Article 137, 14

**Citation:** (1989) 2 ILR (P&H) 180

**Hon'ble Judges:** J.V. Gupta, J

**Bench:** Single Bench

**Advocate:** Ravinder Seth, for the Appellant; Jaishree Anand, for the Respondent

**Final Decision:** Dismissed

### **Judgement**

J.V. Gupta, J.

The brief facts, giving rise to this revision petition are that there was an agreement between the parties dated August 23,

1973, which contained an arbitration clause as well. The said agreement was entered into for constructing accomodation for the JCOs, Havildars

and other ranks at Suranussi. When there was some dispute between the parties, an application was made on behalf of the Union of India on

December 20, 1973, for making a reference to the arbitrator. A reference was made to the arbitrator,--vide order dated November 14, 1974.

The award was given by the arbitrator on September 12, 1975, which was set aside by the Court on November 23, 1978. Fresh application was

filed on behalf of the Union of India purporting to be u/s 20 of the Arbitration Act, (hereinafter called the Act). Ultimately, the said application was

returned on January 5, 1981, so as to enable the Union of India to file the same before a competent Court. Consequently, the said application was

filed before the competent Court on January 28, 1981. One of the objections raised on behalf of the Petitioners was that the same was barred by

time. On the pleadings of the parties, the learned Subordinate Judge, First Class, Jullundur, framed the necessary issues and allowed the parties to

lead evidence. One of the issues was whether the application is within time. According to the learned subordinate Judge, the period of limitation

under Article 137 of the Limitation Act commenced on November 23, 1978, when the award was set aside and then the cause of action had

arisen to the Union of India. Since the application u/s 20 of the Act, was originally tiled on December 20, 1978, though in a wrong Court and the

instant application was filed on January 28, 1981, even if the period for which the Petitioner had been prosecuting the application in a wrong Court

is not deducted, the subsequent application was within time. Consequently,--vide order dated September 15, 1982, the said application u/s 20 of

the Act, was allowed. In appeal, the learned Additional District Judge affirmed the said finding of the learned Subordinate Judge and, thus,

maintained the said order. According to the learned Additional District Judge, the period spent in prosecuting the earlier arbitration proceedings till

the award was set aside has to be excluded for computing the period of limitation. If that period is excluded lor computing the period of limitation,

the application is certainly within limitation. Reliance in this behalf was placed on a judgment of the Jammu and Kashmir High Court in Union of

India v. S. Kesar Singh AIR 1978 J&K. 102.

2. The learned Counsel for the Petitioners submitted that under Sub-section (5) of Section 37 of the Act, certain period is to be excluded, but that

does not give a fresh cause of action from the date when the award was set aside on November 23, 1978. According to the learned Counsel,

under Article 137 of the Limitation Act, the period of limitation provided is three years and it commences to run when the right to apply accrues.

The right to apply accrued when the first application was filed on December 20, 1973, when the arbitrator was appointed on November 14, 1974,

and the award was given on September 12, 1975. Thus, argued the learned Counsel, even if the period between the commencement of the

arbitration and the date of the order of the Court setting aside the award is excluded, even then, the application filed on January 28, 1981, was

barred by time. According to the learned Counsel, there was absolutely no explanation why the subsequent application was filed on December 5,

1979, whereas the award was set aside on November 23, 1978. Even no application for condonation of delay was filed on behalf of the Union of

India. In support of the contention, the learned Counsel relied upon Union of India v. Vijay Construction Co. AIR 1981 Del 193, and The Kerala

State Electricity Board, Trivandrum Vs. T.P. Kunhaliumma, .

3. It is no more disputed that it is Article 137 of the Limitation Act, which governs the period of limitation in the present case. The period of

limitation provided therein is three years which begins to run when the right to apply accrues. The right to apply accrues when the contract was

rescinded by the Union of India by moving an application on December 20, 1973, lor appointment of an arbitrator. When once the period of

limitation begins to run, it does not stop and, therefore, the said period expired during the pendency of the proceedings when the award was set

aside on November 23, 1978. Sub-section (5) of Section 37 of the Act, provides,--

Where the Court orders that an award be set aside or orders, after the commencement of an arbitration, that the arbitration agreement shall cease

to have effect with respect to the difference referred, the period between the commencement of the arbitration and the date of the order of the

Court shall be excluded in computing the time prescribed by the Indian Limitation Act, 1908, for the commencement of the proceedings (including

arbitration) with respect to the difference referred.

Under the said provision, the period between the commencement of the arbitration and the date of the order of the Court could be excluded in

computing the time prescribed under Article 137 for the commencement of the proceedings with respect to the difference referred. Even if the said

period is excluded, there is absolutely no explanation why the second application u/s 20 of the Act, after setting aside of the award, was filed on

December 5, 1979, that is, after more than a year of the setting aside of the award. The view taken by the Courts below that the period of three

years commenced from, the date of the setting aside of the award, i.e., November 23, 1978, is apparently wrong. The right to apply had accrued

to the Union of India when the earlier application for appointment of an arbitrator was made on December 20, 1973. Second application, if any,

for the appointment of an arbitrator, if at all, could be filed immediately after when the award was set aside, as the said period could be excluded

under Sub-section (5) of Section 37 of the Act. Since the said period of three years when once commenced on December 20, 1973, has expired,

meanwhile, no fresh period of three years after the setting aside of award was available. Sub-section (5) of Section 37 does not provide for fresh

period of limitation. It only provides for the exclusion of certain period as is contemplated u/s 14 of the Limitation Act. Thus, in the absence of any

explanation on behalf of the Union of India for not making the application for more than one year after the setting aside of the award, when the

limitation under Article 137 of the Limitation Act, had expired, the application filed subsequently, by the Union of India u/s 20 of the Act was

barred by time.

4. Consequently, this revision petition succeeds and is allowed, The impugned orders are set aside and the application filed by the Union of India

u/s 20 of the Act is dismissed with no order as to costs.