IN THE HIGH COURT OF HIMACHAL PRADESH, SHIMLA

Arb. Appeal No.169 of 2025 a/w Arb. Case No.243 of 2026
Date of decision:27.10.2026

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1. Arb. Appeal No.169 of 2025

National Highway Authority of India .....Appellant.

Versus

Shakuntla & others ...Respondents.

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4. Arb. Case No.243 of 2026

Shakuntla & Anr. ...Petitioners.

Versus

Land Acquisition Officer-cum-Competent Authority & others ...Respondents.

Coram:

The Hon'ble Mr. Justice Romesh Verma, Judge.
Whether approved for reporting?[1]
Arb. Appeal No.169 of 2025

For the appellant : Ms. Shreya Chauhan, Advocate.

For the respondents : Mr. Malay Kaushal, Advocate.

Arb. Case No.243 of 2026

For the petitioners : Mr. Malay Kaushal, Advocate.

For the respondents : Mr. Baldev Singh Negi, Additional Advocate General, for respondent-State.

Mr. Bhanwar Bhardwaj, Advocate (through V.C.) and Mr. Bhupinder Thakur, Advocate, for NHAI.

Whether reporters of Local Papers may be allowed to see the judgment?

Romesh Verma, Judge (oral):

Arb. Appeal No.169 of 2025

The instant appeal has been preferred by the National Highway Authority of India against the order passed by the learned District Judge, Bilaspur, dated 06.10.2023, whereby the application filed by the present appellant under Section 34 of the Arbitration and Conciliation Act, 1996, (for short, "the Act") was dismissed and the award passed by the learned Arbitrator was affirmed.

2. As per the case as set up by the present appellant, the land at village Chhat, Tehsil Jhandutta, District Bilaspur, came to be utilized/acquired with respect to the expansion of NH-21 (four-laning between Bilaspur and Ner Chowk). The Central Government, through the Ministry of Roads, Transport and Highways, issued a notification dated 15.03.2013 in the Official Gazette of the Government of India, declaring the intention to acquire the land of the claimants/respondents for the building, maintenance, management, and operation of NH-21 on the stretch of land from KM 126.500 to KM 188.917, Bilaspur-Ner Chowk section, in respect of revenue estate Chhat/161, Tehsil Jhandutta, District Bilaspur, H.P. The notification under Section 3A(1) was published in the Official Gazette on 15.03.2014. Further notification under Section 3D(1) was published in the Gazette of the Government of India on 11.03.2014.

3. The competent authority assessed the market value of the acquired land at the rate of Rs.15,00,000/- per bigha for all kinds/classifications of the land acquired in the revenue estate Chhat/161 for the building, maintenance, management, and operation of the National Highway. The rate was awarded per bigha for all types of land irrespective of classification and nature because all the land was acquired for the same purpose.

4. Feeling dissatisfied, the claimants/respondents filed a petition under Section 3G(5) of the National Highways Act, 1956, against the award passed by the competent authority for the enhancement of the amount of compensation. The record reveals that the petition under Section 3G(5) was instituted by the present respondents on 08.03.2016 and the same was decided on 15.03.2018.

5. As per the award passed by the learned Divisional Commissioner, the petitions filed by the claimants were partly allowed by enhancing the market value of the land to the tune of Rs.21,94,500/- per bigha instead of what was assessed by the competent authority. The learned Arbitrator also granted 30% solatium on the entire compensation amount and 9% interest on the enhanced amount from the date of taking possession of the land till its actual deposit.

6. Feeling dissatisfied, the present appellant filed an application under Section 34 of the Arbitration and Conciliation Act,

challenging the award passed by the learned Arbitrator. The learned District Judge, Bilaspur, vide its impugned order dated 06.10.2023, dismissed the application filed by the present appellant and the award passed by the learned Arbitrator was ordered to be upheld. However, as per the findings returned by the learned District Judge, the claimants were also held entitled to get 12% interest per annum on the enhanced amount of the market value of the land from the date of publication of the notification under Section 3A till the award of the competent authority or till the date of taking possession of the land, whichever is earlier, over and apart from the 30% solatium and 9% interest per annum awarded by the learned Arbitrator.

7. Feeling aggrieved by the dismissal of the application under Section 34 of the Act, the present appellant has approached this Court by filing the instant appeal under Section 37 of the Act.

8. Learned counsel for the appellant has mainly contended that the Arbitration and Conciliation (Amendment) Act, 2015, came into force on 23.10.2015, whereby Section 29A of the Act was incorporated and the time limit of 12 months was provided to conclude the proceedings from the date of entering into reference and that the said timeline was extendable for 6 months with the consent of the parties. As per Ms. Shreya Chauhan, learned counsel for the appellant, in the instant case, the claim petition, bearing Reference No. 908/16, was instituted on 08.03.2016 before the learned Arbitrator and it was

decided on 15.03.2018, i.e., after 18 months. It has been vehemently contended by the learned counsel for the appellant that after the expiry of 18 months, the mandate of the learned Arbitrator had expired and he had become *functus officio*. Therefore, the award passed by the learned Arbitrator is null and void and bad in the eyes of law and the same deserves to be rejected.

9. The provisions of Section 29A of the Act read as follows:

> ***"29A. [Time limit for arbitral award. [Inserted by Act No. 3 of 2016 dated 31.12.2015.]***
>
> *- [(1) The award in matters other than international commercial arbitration shall be made by the arbitral tribunal within a period of twelve months from the date of completion of pleadings under sub-section (4) of section 23:*
>
> *Provided that the award in the matter of international commercial arbitration may be made as expeditiously as possible and endeavour may be made to dispose of the matter within a period of twelve months from the date of completion of pleadings under sub-section (4) of section 23.]*
>
> *(2) If the award is made within a period of six months from the date the arbitral tribunal enters upon the reference, the arbitral tribunal shall be entitled to receive such amount of additional fees as the parties may agree.*
>
> *(3) The parties may, by consent, extend the period specified in sub-section (1) for making award for a further period not exceeding six months.*
>
> *(4) If the award is not made within the period specified in sub-section (1) or the extended period specified under sub-section (3), the mandate of the arbitrator(s) shall terminate unless the Court has, either prior to or after the expiry of the period so specified, extended the period: Provided that while extending the period under this sub-section, if the Court finds that the proceedings have been delayed for the reasons attributable to the arbitral tribunal, then, it may order reduction*

of fees of arbitrator(s) by not exceeding five per cent. for each month of such delay. [Provided further that where an application under sub-section (5) is pending, the mandate of the arbitrator shall continue till the disposal of the said application: Provided also that the arbitrator shall be given an opportunity of being heard before the fees is reduced.] [Inserted by Act No. 33 of 2019, dated 9.8.2019.]

(5) The extension of period referred to in sub-section (4) may be on the application of any of the parties and may be granted only for sufficient cause and on such terms and conditions as may be imposed by the Court.

(6) While extending the period referred to in sub-section (4), it shall be open to the Court to substitute one or all of the arbitrators and if one or all of the arbitrators are substituted, the arbitral proceedings shall continue from the stage already reached and on the basis of the evidence and material already on record, and the arbitrator(s) appointed under this section shall be deemed to have received the said evidence and material.

(7) In the event of arbitrator(s) being appointed under this section, the arbitral tribunal thus reconstituted shall be deemed to be in continuation of the previously appointed arbitral tribunal.

(8) It shall be open to the Court to impose actual or exemplary costs upon any of the parties under this section.

(9) An application filed under sub-section (5) shall be disposed of by the Court as expeditiously as possible and endeavour shall be made to dispose of the matter within a period of sixty days from the date of service of notice on the opposite party.]"

10. As per the stipulation contained in Section 29A of the Act, if the award is not made within the period specified in sub-section (1) or the extended period specified under sub-section (3), the mandate of the arbitrator(s) shall terminate unless the Court has, either prior to or

after the expiry of the period so specified, extended the period. Section 29A of the Act has been held to be remedial in nature and is made applicable to all pending arbitral proceedings as on 30.08.2019. Section 29A(1) of the Act mandates that an award has to be made within a period of 12 months from the date of completion of the pleadings under Section 23(4) of the Act. Section 29A(3) of the Act enables the parties, by consent, to extend the period specified in sub-section (1) for making the award for a further period not exceeding 6 months. Section 29A, sub-section (4) mandates that if the award is not made within the period mentioned in sub-section (1) or the extended period specified in sub-section (3), the mandate of the arbitrator shall terminate, unless the Court has, either prior to or after the expiry of the period so specified, extended the period. Section 29A(6) of the Act provides that while extending the period referred to in sub-section (4), the Court may substitute one or all of the arbitrators, and if one or all of the arbitrators are substituted, the arbitral proceedings shall continue from the stage already reached.

11. The undisputed facts as emerge from the record before this Court are that the Arbitrator entered the reference on 08.03.2016 and the case was decided on 15.03.2018 after 18 months. After the expiry of 18 months, the mandate of the learned Arbitrator had expired and in view of the provisions contained in Section 29A(4), the Arbitrator becomes *functus officio*.

12. Learned counsel for the appellant has drawn the attention of this Court to the judgment rendered by Coordinate Bench of this Court in ***Arbitration Appeal No. 9 of 2023, titled Rattan Chand & Anr. Vs. National Highways Authority of India & Anr.*** whereby after discussing the mandate of the Act, this Court came to the conclusion that there is nothing to suggest that the parties had expressly consented for the extension of the period beyond 12 months, and as the Arbitrator in that case had passed the award much after the expiry of the period of 12 months and the extended period of 6 months without there being any extension order by the Court, therefore, it was held that the award passed by the learned Arbitrator suffered from patent illegality and the same was rightly set aside by the learned District Judge. The relevant extract of the same is as follows:

> *"8. Learned District Judge, Mandi, has noticed the factual position that the Arbitration Petitions No. 990 of 2016 and 993 of 2016 were instituted on 09.11.2016 and the award was passed by learned Arbitrator on 29.06.2019. The appellants herein have not been able to displace such factual position. Rather, the record of the case substantiate the above factual aspect of the matter. It being so, it becomes evidently clear that the learned Arbitrator had entered upon the reference after coming into force of Arbitration and Conciliation (Amendment) Act, 2015 and thus was amenable to the rigors of Section 29(A) of the A & C Act, 1996.*
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> *9. As per sub-section (4) of Section 29(A) of the A & C Act, the mandate of Arbitrator terminates on expiry of period of 12 months from the date the arbitral tribunals enters upon the reference or on expiry of further period of six months as contemplated by sub-section (3) of Section 29(A) of the A & C*

> *Act. Further period can be extended only by the Court in terms of sub-section (5) of Section 29(A) of the A & C Act.*
>
> *10. In the instant case, there is nothing to suggest that the parties had expressly consented for the extension of period beyond 12 months. Even on assumption of such consent, the facts of the case cannot escape consequence of termination of the mandate of arbitral tribunal on expiry of extended period of six months. Learned Arbitrator has passed the award much after the expiry of period of 12 months and extended period of six months, without there being any extension order by the Court.*
>
> *11. In view of the above discussion, the impugned common judgment passed by the learned District Judge, Mandi, requires no interference. The award dated 29.06.2019 passed by the learned Arbitrator suffered from patent illegality and has rightly been set aside by the learned District Judge, Mandi, in exercise of jurisdiction under Section 34 of the A & C Act. Accordingly, both the appeals are dismissed."*

13. The said judgment was assailed before the Hon'ble Supreme Court in ***Special Leave to Appeal (C) No. 21144/2023,*** titled as ***Rattan Chand and another vs National Highway Authority of India & another*** and the said judgment was affirmed by the Hon'ble Apex Court. Therefore, it is contended by the learned counsel for the appellant that in view of the judgment, the award passed by the learned Arbitrator is in conflict with the specific mandate of Section 29A of the Act. Thus, the same suffers from patent illegality and is liable to be quashed and set aside.

14. This Court, after perusing the expression and the provisions of Section 29A in conjunction with the exposition of law as laid down

by the Hon'ble Apex Court, is in agreement with the contention raised by the learned counsel for the appellant that since the award was passed by the learned Arbitrator after the expiry of 18 months, the same is null and void and it deserves to be rejected.

15. Consequently, after setting aside the judgment as passed by the learned District Judge, Bilaspur, the award passed by the learned Arbitrator also deserves to be quashed and set aside. Ordered accordingly

16. Noticeably, the respondents during the pendency of the present appeal filed the petition, being Arb. Case No.243 of 2026, for extending the period to pass the award by the learned Arbitrator

17. It has been contended by Mr. Malay Kaushal, learned counsel for the petitioners, that the land of the poor villagers has been acquired and for the omission or any act of commission on the part of the Arbitrator, they should not be penalized. In case this Court finds favour with the submission of the learned counsel for the appellant in Arbitration Appeal No. 169/2025, in that event, the time may be extended to the learned Arbitrator to pass the award.

18. The fact remains that for the omission and any act of commission on the part of the Arbitrator, the claimants/present petitioners cannot be made to suffer. There is no quarrel with respect to the fact that the land of the present petitioners/claimants has been utilized/acquired for the construction, maintenance and widening of

National Highway No. 21. As per the mandate of Hon'ble Apex Court, the right to property is a constitutional right as envisaged under the Constitution of India. Therefore, they cannot be deprived of this right save and except in due process of law.

19. In terms of Section 29A of the Act, the mandate of the Arbitrator terminates after 12 months from the date of completion of the pleadings under sub-section (4) of Section 23 or after a period of 6 months thereafter if the parties, by consent, extend the period specified in sub-section (1) of Section 29A for a further period not exceeding 6 months, yet in terms of sub-section (4) of Section 29A, power is conferred upon the Court to extend the period for announcing the award either prior to or after the expiry of the period specified in Section 29A.

20. The learned counsel for the petitioners has relied upon the judgment of Hon'ble Apex Court in the case titled as ***C. Velusamy vs K Indhera, 2026 INSC 112***, whereby it has been held that an application under Section 29A(5) for extension of the mandate of the Arbitrator is maintainable even after the expiry of the time under Section 29A(1) and (3) and even after rendering of an award during that time, but the power of the Court to consider extension is not impaired by such an indiscretion of the Arbitrator. While considering the application, the Court will examine if there is sufficient cause for extending the mandate, and in the process, it may impose such terms

and conditions as the situation demands. As per Hon'ble Apex Court, if the mandate is extended, the Arbitral Tribunal will pick up the thread from where it was left. The relevant extract of the aforesaid judgment is reproduced as follows:

> *"23. In conclusion, we hold that an application under Section 29A(5) for extension of the mandate of the arbitrator is maintainable even after the expiry of the time under Sections 29A(1) and (3) and even after rendering of an award during that time. Such an award is ineffective and unenforceable. But the power of the court to consider extension is not impaired by such an indiscretion of the arbitrator. While considering the application, the Court will examine if there is sufficient cause for extending the mandate, and in the process, it may impose such terms and conditions as the situation demands. The Court will also take into account other factors such as reduction of the fee of the arbitrator under proviso to Section 29A(4) and also impose costs on parties if the fact situation so demands. Substitution is an option for the Court as the provision itself says, "it shall be open for the Court to substitute", and it will be exercised carefully. If the mandate is extended, the arbitral tribunal will pick up the thread from where it was left, and seamlessly continue the proceeding from the stage at which the mandate had expired, and conclude within the time granted."*

21. On the similar analogy, the learned counsel for the petitioners has relied on the judgment of Hon'ble Apex Court in the case titled as ***Mohan Lal Fatehpuria vs M/S Bharat Textiles & others, SLP (C) No. 13759-13779 of 2025***, decided on 10.12.2025.

22. As per the averments as made in the petition, it has been stated that there were about 15 sittings over the period of two years in

the arbitration proceeding and finally the award was passed on 15.03.2018. The continued participation of both the parties in the arbitration proceedings after 08.03.2017 may be construed as consent to extend the period of arbitration for a period of another six months, and as per Section 29A(3) of the Act, the extended period for the completion of the arbitration proceedings would have ended in 2017. As per the case of the petitioners, no application was made by either party for extension of period of arbitration under Section 29A(5) of the Act. However, the learned Arbitrator continued the proceedings in good faith and the parties also continued to participate in the arbitration proceedings under the bona fide belief. It has been stated that thereafter the award was passed by the learned Arbitrator on 15.03.2018 and the said award was assailed by the NHAI in the court of learned District Judge. The learned District Judge, vide its impugned order dated 06.10.2023, dismissed the application filed by the NHAI under Section 34 of the Arbitration and Conciliation Act.

23. As per the case of the present petitioners, there is a possibility that not only the Arbitrator, but the parties also acted under the bona fide belief that the proceedings were continuing legally and without any defect. The delay in filing the present application was on account of the termination of the proceedings in view of the mandate under Section 29A(4), as the parties were participating in the proceedings and remained under the bona fide belief that the arbitral

proceedings were legal and valid. Hence, in view of the same, the time may be extended for the completion of the proceedings in Reference Case No. 908/2016, titled as *Shakuntla & Ors. vs. LAO & Anr.*

24. This Court is conscious of the fact that the Court is dealing with a case of claimants, who have lost their valuable land on account of the construction, management, maintenance and operation of the National Highway. The claimants/respondents cannot be penalized on account of any inaction on the part of the learned Arbitrator and solely on the ground that the learned Arbitrator has not adhered to the mandate of the Arbitration and Conciliation Act. The claimants/respondents cannot be deprived of the amount of compensation which is a constitutional right as per the exposition of law as laid down by the Hon'ble Supreme Court in its various decisions.

25. In view of aforesaid discussions and taking into consideration the attending facts and circumstances of the instant case, after allowing the present petition, (Arb. Case No 243 of 2026), the Arbitrator-cum-Divisional Commissioner, Mandi Division, Mandi, exercising the powers of Arbitrator under Section 3 of the National Highways Act, 1956 is directed to decide/conclude the arbitral proceedings from the date when the mandate of Arbitrator expired and to pass the arbitral award in Reference Petition No. 908 of 2016, on or before **27.04.2027**.

26. The appeal as well as the application stands disposed of in the aforesaid terms.

27. The parties are directed to appear before the learned Arbitrator on **01.12.2026**. The learned Arbitrator shall proceed with the matter on the basis of the evidence and record already adduced by the parties, grant an opportunity of hearing to both sides and conclude the arbitral proceedings by passing a fresh award on or before 27.04.2027.

28. The Registry is directed to return the records of the courts below forthwith.

(Romesh Verma)
Judge

27th October, 2026
(vt)