2026:AHC:142401-DB

HIGH COURT OF JUDICATURE AT ALLAHABAD

APPEAL UNDER SECTION 37 OF ARBITRATION AND CONCILIATION ACT 1996 No. - 2 of 2026

Reserved on: 01.07.2026

Delivered on: 14.07.2026

M/s Triveni Adhesive and Tapes and 2 others

…..Appellant(s)

Versus

The New India Assurance Company Limited

…..Respondent(s)

Counsel for Appellant(s)	:	Alok Saxena, Aanya Verma
Counsel for Respondent(s)	:	Rakesh Bahadur

Chief Justice's Court

HON'BLE ARUN BHANSALI, CHIEF JUSTICE
HON'BLE KSHITIJ SHAILENDRA, J.

(Per: Arun Bhansali, CJ)

1. This appeal under Section 37 of the Arbitration and Conciliation Act, 1996 (for short, 'the Act') is directed against judgement dated 14.11.2025 passed by Commercial Court No. 1, Gautam Buddh Nagar whereby the application filed by the respondent under Section 34 of the Act, has been allowed and the award dated 19.02.2024 passed by the Arbitral Tribunal, has been set aside.

2. The appellant no.1, a partnership firm is engaged in manufacturing of high quality packaging material of adhesive tapes etc. It had taken two policies from the respondent-Insurance Company i.e. the Standard Fire and Special Perils Policy for Rs. 3,81,00,000/-, which was effective for the period 18.04.2018 to 17.04.2019 under which the machinery and stocks of finished and unfinished goods and material were insured. The

other policy was for Rs. 15,00,000/- and was valid and effective from 27.05.2018 to 26.05.2019 in respect of the building and staff working in the Factory.

3. A fire broke out on 02.09.2018 in the manufacturing unit of the appellants which, it is claimed, resulted in total and complete destruction of the entire machinery, raw material and stock of finished and unfinished goods.

4. The incident was reported to the Insurance Company. The Surveyor appointed by the Insurance Company inspected the site. It is claimed that the appellants provided all the available documents including balance sheet, stock statement and other relevant documents to the Surveyor.

5. The appellants made a claim of Rs. 3,76,00,000/-, however, the Surveyor offered only a sum of Rs. 2,00,51,502/- as full and final settlement of the claim and sought signing of the consent letter.

6. It is claimed that owing to acute financial constraints, the consent letter was signed on 22.12.2018 as agreeing to accept the said amount in full and final settlement of the claim. On 05.03.2019, the appellants served a notice to the respondent through Advocate alleging the consent letter as null and void demanding the balance amount of their claim, which was refused on 20.03.2019.

7. Based on the arbitration clause in the policy, the appellants demanded appointment of Arbitrator, however, on failure, an application under Section 11(6) of the Act was made before this Court, which application was allowed on 23.12.2022 and Arbitral Tribunal was constituted.

8. Claim was filed before the Arbitrator, which was contested and denied by the respondents. The Arbitrator by his award dated 19.02.2024 awarded a further sum of Rs. 1,56,68,498/- in addition to the amount already paid i.e. Rs. 2,00,51,502/- and awarded interest @ 12% per annum with effect from 02.09.2018 till its payment and 15% per annum for the entire period if the amount awarded was not paid within two months from the date of the award.

9. Aggrieved of the said award, the respondent filed application under Section 34 of the Act before the Commercial Court, which was contested by the appellants. The Commercial Court after hearing the parties allowed the application and set aside the award finding that the award is suffering from patent illegality and against the public policy. Feeling aggrieved, the present appeal has been filed.

10. When the appeal came up before this Court, after arguing the matter, time was granted on two occasions, at the instance of the counsel for the appellants, and thereafter, an application dated 09.03.2026 under Section 34(4) of the Act was filed seeking remand/remit of the matter back to the Arbitrator to cure the defects in the award i.e. to record reasons in support of the findings recorded in the award.

11. It was *inter alia* claimed in the application with reference to judgements of Hon'ble Suprme Court in **Som Dutt Builders Vs. State of Kerala: (2009) 10 SCC 259, Dyna Technologies (P) Ltd. Vs. Crompton Greaves Ltd.: (2019) 20 SCC 1, I Pay Clearing Services (P) Ltd. Vs. ICICI Bank Ltd.: (2022) 3 SCC 121** and **Gayatri Balasamy Vs. ISG Novasoft Technologies Ltd.: (2025) 7 SCC 1** that the Commercial Court has allowed the objections merely on the ground that the Arbitrator had failed to record reasons in support of his findings, which is a curable defect and for curing defect in the award, the matter needs to be remanded to the Arbitrator in view of the provisions contained in Section 34(4) of the Act and adjourn the hearing of the appeal until the conclusions recorded by the Arbitrator are received.

12. The said submission/prayer has been made in addition to the claim that the Arbitrator has given enough and sufficient reasons in support of the findings on all the contentious issues recorded in the award in view of the fact that almost all the facts in the matter are undisputed.

13. The application has been contested by the respondent. Submissions have been made seeking to distinguish the judgements relied on by the appellants and submitting that present is not a case of lack of reasoning in the findings recorded, in fact no finding has been recorded pertaining to the issues framed and as such, exercise of powers

under Section 34(4) of the Act is not available and the application deserves dismissal.

14. A rejoinder to the said counter affidavit has been filed seeking to reiterate the contentions and emphasizing that application has been filed as the Commercial Court has recorded specific finding that the Arbitrator had failed to record reasons in support of his findings returned in the award.

15. Learned counsel for the appellant without pressing the plea regarding the award containing sufficient reasons and findings, pressed the application under Section 34(4) of the Act.

16. Submissions were made that the respondents simply relied on the fact that a consent letter was signed by the appellants for receiving a sum of Rs. 2,00,51,502/- only against the claim of Rs. 3,76,00,000/-, which consent letter was of no consequence as has been provided by IRDA Circular dated 24.09.2015 and 2002 Regulations and, therefore, the entire reliance placed on the consent letter was of no consequence.

17. Further submissions were made that the Surveyor report which was relied on by the respondent was rejected by the Arbitrator and, therefore, the appellant was rightly held entitled for a sum of Rs. 3,76,00,000/- and after deducting 5% compulsory deduction, the appellant was entitled to a sum of Rs. 3,57,00,000/- and balance amount was ordered to be paid.

18. Submissions were also made that the only reason for which the award has been set aside is lack of reasons recorded by the Arbitrator and for that reason powers under Section 34(4) of the Act, on an application filed by the appellants, can always be exercised.

19. Submissions were made that Hon’ble Supreme Court in **Gayatri Balasamy** (supra) has specifically laid down that request under Section 34(4) of the Act may even be oral and the said power can be exercised under Section 37 of the Act also. Further, the parameters have been laid down in the case of **I Pay Clearing Services (P) Ltd.** (supra), which clearly provides that for lack of reasons in the award, the same should not be set aside rather power under Section 34(4) of the Act must be

exercised for remand of the matter for saving the award in question. It was prayed that the application under Section 34(4) of the Act may be allowed and directions may be issued for the Arbitrator to record reasons.

20. Learned counsel for the respondent vehemently opposed the submissions. It was submitted that the Commercial Court after exhaustive discussion has come to the conclusion that the award lacks findings on vital issues which were fundamental to the dispute and has, therefore, rightly set aside the award impugned. It was submitted that the power under Section 34(4) of the Act cannot be exercised where there are no findings on the contentious issues in the award and therefore, in terms of the law laid down by Hon'ble Supreme Court, the application deserves rejection. Reliance was placed on the judgement in the case of **I Pay Clearing Services (P) Ltd.** (supra).

21. We have considered the submissions made by learned counsel for the parties and have perused the material available on record.

22. A bare perusal of the award passed by the sole Arbitrator reveals that after noticing the contentions of the parties, based on the pleadings, it framed eight issues, which read as under:

> *"i) Whether the claimant has suffered loss due to partial payment of claim under policy no. 1? OPC.*
>
> *ii) Whether the compulsory deduction out of claim amount of Rs.3,76,00,000/- under policy no. 1 could be legally made? OPR.*
>
> *iii) Whether the claimant is entitled to the amount of Rs.1,74,68,498/- on account of cost incurred due to failure to pay EMI to Deutsche Bank? OPC*
>
> *iv) Whether the claimant is entitled to damages on account of alleged physical and mental harassment caused due to breach of policy no. 1 by the respondent ? CPC.*
>
> *v) Whether the claimant is entitled to Rs.15,00,000/- on account of cost of proceedings for invocation of arbitration and legal costs of the present arbitration? OPC*
>
> *vi) Whether the claimant is entitled to interest @ 18% p.a. on the outstanding amount of Rs. 1,56,68,498/-? OPC*
>
> *vii) Whether the formula devised while carrying out the valuation & procedure adopted by the surveyor for calculating the valuation is legal and justified? OPR*
>
> *viii) Whether the Insurance Company can claim that there has been full & final settlement of the claim in view of the discharge voucher signed by the claimant? OPR"*

23. Issue nos. (ii), (iii), (vii) & (viii) were taken up together for discussion and after noticing the contentions raised by both the parties, the finding was recorded in one paragraph of the award, which reads as under:

> *"19. Certain glaring facts which emerge from deep analysis of case set up by both the parties are that entire machinery, equipment and infrastructure of the the claimant got burnt in the fire incident except a small portion of safe stock regarding which there is no dispute. Claim of the claimant was settled by the respondent on 22.12.2018 when an amount of Rs.2,00,51,502/- was paid to the claimant. The survey report is dated 02.01.2019 (Ex.C4). Therefore, the claimant has every right to challenge the survey report and the claim amount paid. Insurance company in the circumstances cannot seek estoppel against the claimant to raise the claim after having accepted the amounts paid by the insurance company on 22.12.2018. Even IRDA Circular dated 24.9.2015 and 2002 Regulations also permit the claimant to raise the claim after receipt of amounts settled by the insurance company. The Surveyor has based his report by concluding that the higher stocks shown by the claimant were suspicious regarding which the claimant has putforth logical reasons that the nature of manufacturing/business warranted accumulation of additional stocks. The claimant could have raised claim for Rs.3,81,00,000/- but having raised claim of Rs.3,76,00,000/- it can be said that the claimant has not been unreasonable. In the circumstances, I am of the considered view that the claimant was entitled to entire claim of Rs.3,76,00,000/- minus 5% compulsory deduction which brings the amount payable to Rs.3,57,20,000/-. The claimant had already been paid an amount of Rs.2,00,51,502/- on 22.12.2018. Hence, claim deserves to be allowed for an amount of Rs.1,56,68,498/-."*

24. A perusal of the issues reveals that Issue No. 7 pertained to the justification/validity of the amount arrived at by the Surveyor, which amount was paid to the appellants.

25. The Surveyor in his report, had made detailed discussion based on the data made available by the appellants pertaining to opening stock, sales, purchases, COGS (cost of goods sold) and closing stock. Apparently based on the said conclusion, the consent letter for payment of Rs. 2,00,51,502/- was got signed and was paid to the appellants.

26. The Arbitral Tribunal, as would be noticed from the finding recorded, only found that the appellants were not estopped from raising the claim on account of signing the consent letter and further in one line observed that the claimant has put forth logical reasons for the nature of manufacturing/business warranted accumulation of additional stocks

without in any manner recording a finding about the survey report being baseless and/or an independent finding about the possession/value of the stock at the time of incident.

27. The learned Arbitrator was apparently too much obsessed with the fact that the appellants could have raised a claim of Rs. 3,81,00,000/- but have raised claim of Rs. 3,76,00,000/- and, therefore, the appellants were not unreasonable and jumped to the conclusion that they were entitled to the entire claim of Rs. 3,76,00,000/- minus 5% compulsory deduction.

28. The said determination made by the Arbitral Tribunal, *ex-facie*, lacks any finding worth the name for discarding the survey report/arriving at the claim amount of Rs. 3,76,00,000/- and the amount has been arrived at only for the reason stated that instead of a claim for Rs. 3,81,00,000/-, a claim of Rs. 3,76,00,000/- was made.

29. There is no dispute about the availability of power under Section 34(4) of the Act in a case where no reasons have been recorded by the Arbitrator for the finding arrived at by him and the maintainability of the prayer in this regard at the stage of appeal under Section 37 of the Act is also not in dispute. Hon'ble Supreme Court in the case of **Gayatri Balasamy** (supra) *inter alia* laid down as under:

> *"63. We are unable to accept the view taken in Kinnari Mullick, which insists that an application or request under Section 34(4) must be made by a party in writing. The request may be oral. Nevertheless, there should be a request which is recorded by the Court. We are also unable to agree that the request must be exercised before the application under Section 34(1) is decided. Section 37 (Annexure A) permits an appeal against any order setting aside or refusing to set aside an arbitral award under Section 34. To this extent, the appellate jurisdiction under Section 37 is coterminous with, and as broad as, the jurisdiction of the Court deciding objections under Section 34. Hence, the contention that the Tribunal becomes functus officio after the award is set aside is misplaced. The Section 37 Court still possesses the power of remand stipulated in Section 34(4). Of course, the appellate court, while exercising power under Section 37, should be mindful when the award has been upheld by the Section 34 Court. But the Section 37 Court still possesses the jurisdiction to remand the matter to the Arbitral Tribunal.*
>
> *64. Our reasoning does not breach the principle of party autonomy. Neither does it confer appellate powers on the Courts. Instead, it adheres strictly to the parameters stipulated in Sections 34 and 37 of the 1996 Act. The power of the appellate court in civil proceedings under Order XLI of the Code, is as broad as that of a trial court, both*

in terms of facts and law. Contrastingly, the Court's authority under Sections 34 and 37 of the 1996 Act is limited by the silhouette of Section 34.

65. In Dyna Technologies (P) Ltd. v. Crompton Greaves Ltd., this Court emphasized that the issuance of a reasoned award is not a mere formality under the 1996 Act. For an award to be termed "reasoned", it must meet three essential yardsticks: it must be proper, intelligible, and adequate. The purpose behind Section 34(4) is clear: it allows for an award to become enforceable after granting the tribunal an opportunity to cure any defects. This power is exercisable when the arbitral tribunal has failed to give any reasoning or the award exhibits gaps in reasoning and these defects can be cured, thereby preventing unnecessary challenges. The underlying intent is to provide an effective, expeditious forum for addressing curable defects, which Section 34(4) facilitates.

66. In I-Pay Clearing Services (P) Ltd. v. ICICI Bank Ltd., this Court clarified that Section 34(4) does not grant the authority to review or reconsider previous findings or conclusions. As discussed earlier in this judgment, the scope of the power under Section 34(4) is not to be restricted to a rigid, straitjacket formula. Rather, it depends on the specific facts and circumstances of each case. Being a discretionary power, it is to be exercised by the Court judiciously, keeping in mind the grounds raised in the application under Section 34(1). The Court should be prima facie satisfied that the wrong and illegality in the award are curable. While doing so, the Court need not record the final finding on the contentious issue at hand; however, not every request for such relief is warranted. The discretion must be exercised with caution, and only when it is evident that an adjournment will allow the arbitral tribunal to resolve the issues and remove the grounds for setting aside the award. However, Section 34(4) is an enabling provision—it does not compel the Tribunal to take corrective action, leaving it free to either amend or refuse to amend the award."

30. The Constitution Bench came to the conclusion that even an oral prayer under Section 34(4) of the Act may be made, however, the same must be recorded by the Court and that the power can be exercised under Section 37 of the Act also.

31. In the present case, as the application has been made under Section 34(4) of the Act, there is apparently no restriction in exercise of the said powers, if a case is made out.

32. Dealing with the parameters under which power under Section 34(4) can be exercised, Hon'ble Supreme Court in the case of **I Pay Clearing Services (P) Ltd.** (supra) *inter alia* laid down as under:

"*37. In our view, Section 34(4) of the Act, can be resorted to record reasons on the finding already given in the award or to fill up the gaps in the reasoning of the award. There is a difference between* *"finding" and "reasons" as pointed out by the learned Senior Counsel appearing for the respondent in the judgment in ITO v. Murlidhar Bhagwan Das. It is clear from the aforesaid judgment that "finding is a decision on an issue". Further, in the judgment in the J. Ashoka v. University of Agricultural Sciences, this Court has held that "reasons are the links between the materials on which certain conclusions are based and the actual conclusions".*

38. In absence of any finding on Point 1, as pleaded by the respondent and further, it is their case that relevant material produced before the arbitrator to prove "accord and satisfaction" between the parties, is not considered, and the same amounts to patent illegality, such aspects are to be considered by the Court itself. It cannot be said that it is a case where additional reasons are to be given or gaps in the reasoning, in absence of a finding on Point 1 viz. "whether the contract was illegally and abruptly terminated by the respondent?"

39. Further, Section 34(4) of the Act itself makes it clear that it is the discretion vested with the Court for remitting the matter to Arbitral Tribunal to give an opportunity to resume the proceedings or not. The words "where it is appropriate" itself indicate that it is the discretion to be exercised by the Court, to remit the matter when requested by a party. When application is filed under Section 34(4) of the Act, the same is to be considered keeping in mind the grounds raised in the application under Section 34(1) of the Act by the party, who has questioned the award of the Arbitral Tribunal and the grounds raised in the application filed under Section 34(4) of the Act and the reply thereto.

40. Merely because an application is filed under Section 34(4) of the Act by a party, it is not always obligatory on the part of the Court to remit the matter to Arbitral Tribunal. The discretionary power conferred under Section 34(4) of the Act, is to be exercised where there is inadequate reasoning or to fill up the gaps in the reasoning, in support of the findings which are already recorded in the award.

41. Under guise of additional reasons and filling up the gaps in the reasoning, no award can be remitted to the arbitrator, where there are no findings on the contentious issues in the award. If there are no findings on the contentious issues in the award or if any findings are recorded ignoring the material evidence on record, the same are acceptable grounds for setting aside the award itself. Under guise of either additional reasons or filling up the gaps in the reasoning, the power conferred on the Court cannot be relegated to the arbitrator. In absence of any finding on contentious issue, no amount of reasons can cure the defect in the award.

42. A harmonious reading of Sections 31, 34(1), 34(2-A) and 34(4) of the Arbitration and Conciliation Act, 1996, make it clear that in appropriate cases, on the request made by a party, Court can give an opportunity to the arbitrator to resume the arbitral proceedings for giving reasons or to fill up the gaps in the reasoning in support of a finding, which is already rendered in the award. But at the same time, when it prima facie appears that there is a patent illegality in the award itself, by not recording a finding on a contentious issue, in such cases, Court may not accede to the request of a party for giving an opportunity to the Arbitral Tribunal to resume the arbitral proceedings."

33. Hon'ble Supreme Court made distinction between 'findings' and 'reasons' wherein 'finding' has been indicated as 'decision on an issue' and 'reasons' have been defined as 'the links between the materials on which certain conclusions are based and the actual conclusions'.

34. The Court in paragraph no. 41 (supra) specifically laid down that under the guise of additional reasons and filling up the gaps in the reasoning, no award can be remitted to the Arbitrator where there are no findings on the contentious issues in the award. If there are no findings on the contentious issues in the award, or findings are recorded ignoring the material evidence on record, the same are acceptable grounds for setting aside the award itself.

35. As noticed herein before, the award in question lacks findings regarding the entitlement of the appellants to receive a sum of Rs. 3,76,00,000/- instead of Rs. 2,00,51,502/- as paid to them by the Insurance Company, on the validity of survey report or valuation of the stock and, therefore, the present is a case of lack of finding and not lack of reasons or gap in the reasoning.

36. In that view of the matter, in terms of the law laid down in the case of **I Pay Clearing Services (P) Ltd.** (supra), the power under Section 34(4) of the Act cannot be exercised as the award impugned lacks any finding on the contentious issues. The judgement of the Commercial Court coming to the conclusion that the award was patently illegal and against public policy, cannot be faulted.

37. There is no substance in the application filed under Section 34 (4) of the Act and the appeal, the same are, therefore, **dismissed**.

38. No order as to costs.

(Kshitij Shailendra, J.) **(Arun Bhansali, CJ.)**

July 14, 2026
Sandeep

Digitally signed by :-
SANDEEP KUMAR
High Court of Judicature at Allahabad