



ARBITRATION AND CONCILIATION

# Section 29A Inapplicable Where Arbitration Invoked Prior To 2015 Amendment: Delhi High Court In Partnership Property Dispute

The decision delivered by the Delhi High Court in *Prem Lata Surekha v. Chakradhari Surekha* is a significant ruling on partnership disputes, arbitral jurisdiction, evidentiary standards and the limited scope of judicial interference under Sections 34 and 37 of the Arbitration and Conciliation Act, 1996. The judgment highlights how courts approach disputes arising from family [...]

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The decision delivered by the Delhi High Court in *Prem Lata Surekha v. Chakradhari Surekha* is a significant ruling on partnership disputes, arbitral jurisdiction, evidentiary standards and the limited scope of judicial interference under Sections 34 and 37 of the Arbitration and Conciliation Act, 1996. The judgment highlights how courts approach disputes arising from family partnerships where allegations of forged documents, illegal transfer of assets and exclusion of partners are raised after several decades of business operations.

The dispute originated from a family partnership firm named M/s Sri Narayan Rajkumar, which was constituted in 1973 for carrying out trading, manufacturing, import export and financing activities. Initially, the firm consisted of three partners namely Shri Nityanand Yadav, Smt. Prem Lata Surekha and Shri Chakradhari Surekha. Subsequently, the partnership was reconstituted through a partnership deed dated 22 July 1974. The deed also contained an arbitration clause providing that disputes relating to interpretation, operation or enforcement of the partnership would be referred to arbitration. During the course of the partnership, a valuable industrial property situated at Plot No. Y 10, Naraina, New Delhi was acquired in the name of the partnership firm.

The controversy emerged after the death of one of the partners, Shri Nityanand Yadav, in 2003. Shri Chakradhari Surekha alleged that he had gradually been excluded from the affairs of the partnership and was denied access to accounts and information regarding the business. He further claimed that Smt. Prem Lata Surekha and her husband, Vishnu Kumar Surekha, fabricated several partnership deeds to falsely show changes in the constitution of the firm and to unlawfully project Vishnu Kumar Surekha as a partner. According to him, these fabricated documents were subsequently used to mutate and transfer the Naraina property and to create third party interests without his consent.

On the other hand, Smt. Prem Lata Surekha contended that the original partnership deed of 1974 had long ceased to exist and that the firm had undergone multiple reconstitutions over the years. She argued that Shri Chakradhari Surekha had already retired from the partnership several decades earlier and therefore had no surviving claim over the partnership assets. She also challenged the validity of the arbitration proceedings by asserting that the arbitration clause itself no longer survived.

In 2015, Shri Chakradhari Surekha invoked the arbitration clause seeking dissolution of the partnership and partition of the property. Since the parties could not mutually appoint an arbitrator, the Delhi High Court exercised its powers under Section 11 of the Arbitration and Conciliation Act and appointed a sole arbitrator to adjudicate the disputes. The Court also restrained the parties from creating third party interests in the property during the pendency of proceedings.

The arbitral tribunal undertook a detailed examination of the documentary and oral evidence produced by both sides. One of the most crucial findings of the arbitrator was that the alleged subsequent partnership deeds relied upon by Smt. Prem Lata Surekha were never properly proved. Only photocopies of those deeds were produced and the original documents were never brought on record. The official records summoned from the Registrar of Firms also failed to support the alleged reconstitutions. The arbitrator noticed serious discrepancies in the forms and records produced before the tribunal and found the evidence unreliable. Significantly, Smt. Prem Lata Surekha herself did not enter the witness box and instead relied upon testimony of her husband acting through a power of attorney. The tribunal drew an adverse inference from this conduct.

The arbitrator ultimately held that there was no valid proof showing resignation or retirement of Shri Chakradhari Surekha from the partnership. Since the alleged subsequent deeds were not established, the tribunal treated the 1974 partnership deed as the only valid and subsisting document governing the relationship between the parties. Relying upon Sections 32 and 43 of the Indian Partnership Act, 1932, the tribunal concluded that the partnership, being one at will, continued until it was formally dissolved through notice in 2015. As the Naraina property stood in the name of the partnership firm and only two surviving partners effectively remained, the arbitrator directed equal division of the property between Shri Chakradhari Surekha and Smt. Prem Lata Surekha.

The arbitral award was challenged under Section 34 of the Arbitration and Conciliation Act before a Single Judge of the Delhi High Court. However, the Court refused to interfere with the award and upheld the reasoning of the arbitrator. Thereafter, an appeal was preferred under Section 37 before the Division Bench.

Before the appellate court, several arguments were advanced by the appellant. It was contended that the arbitral tribunal had become functus officio because the award was not passed within the timelines prescribed under Section 29A of the Arbitration and Conciliation Act after the 2015 amendments. It was also argued that other stakeholders including the legal heirs of deceased partners and beneficiaries admitted into the partnership had rights in the assets which were ignored by the arbitrator.

The Division Bench rejected all these contentions. The Court held that arbitration had originally been invoked in March 2015, prior to the coming into force of the 2015 amendments introducing Section 29A. Consequently, the statutory timelines prescribed

under the amended law did not apply retrospectively to the present proceedings. The Court further observed that the legal heirs of the deceased partner had themselves stated that their father had settled his accounts with the firm during his lifetime and that they were not interested in claiming any rights. Similarly, another beneficiary who initially appeared before the tribunal had voluntarily withdrawn from the proceedings and did not seek any relief.

A major aspect of the judgment concerns the scope of judicial interference with arbitral awards. The Court reiterated that the jurisdiction exercised under Sections 34 and 37 is extremely limited and does not permit re appreciation of evidence as if the court were sitting in appeal over the findings of the arbitrator. Reliance was placed upon decisions of the Supreme Court of India including *MMTC Ltd. v. Vedanta Ltd.* and *Konkan Railway Corporation Ltd. v. Chenab Bridge Project*, wherein it was emphasized that courts should not lightly interfere with concurrent findings of arbitral tribunals unless patent illegality or perversity is demonstrated.

The Delhi High Court therefore dismissed the appeal and upheld the arbitral award in entirety. Costs were also imposed upon the appellant in view of the court's finding that the conduct of the appellant was not bona fide, particularly because a portion of the property had already been sold to a third party without consent of the other partner.

The judgment is important because it reinforces the sanctity of arbitral findings and demonstrates judicial reluctance to interfere with factual determinations made by arbitral tribunals. It also underlines that partnership rights and obligations cannot be extinguished merely through informal conduct or unproven documents. Where allegations of reconstitution or retirement are made, strict proof is required. The ruling further clarifies that arbitration proceedings initiated prior to the 2015 amendments continue to be governed by the unamended regime. The case stands as an instructive precedent on partnership dissolution, evidentiary burden and the narrow contours of appellate review in arbitration matters.

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