

(2013) 04 DEL CK 0104
In the Delhi High Court
Case No : OMP. No. 34 of 2013

Goel Construction Co.

APPELLANT

Vs

Union of India

RESPONDENT

Date of Decision : 02-04-2013

Acts Referred:

Arbitration and Conciliation Act, 1996 — Section 31, 34, 34(2)
Contract Act, 1872 — Section 64, 70

Citation : (2013) 205 DLT 516

Hon'ble Judges : Manmohan Singh, J

Bench : Single Bench

Advocate : R. Rajappan, for the Appellant;

Judgement

Manmohan Singh, J.—The petitioner has filed objections u/s 34 of the Arbitration & Conciliation Act, 1996 (hereinafter referred to as the "Act") by challenging the Award dated 21st September, 2012 passed by the sole Arbitrator. The learned Arbitrator has passed the Award against the respondent to the following effect:

i) A sum of Rs. 360659/- (claim No. 1: Rs. 120318 + claim No. 4: Rs. 25000 + claim No. 5: Rs. 215341) to the Claimant.

And

ii) Simple interest @9% per annum on amount of Rs. 360659/- with effect from 16.10.2008 till actual date of payment as awarded under against claim No. 7.

However, no future interest shall be paid if the entire awarded amount is paid to the Claimant within 60 days from date of receipt of award by the Respondent.

This is full and final settlement of all the claims of Claimant. Respondent had no claim.

2. Brief facts are that the petitioner is a registered Government Contractor executing works contracts with Government and other local bodies. The petitioner submits that it entered into a contract with the respondent vide

agreement dated 20th January, 2006 for the work of E.O.S.R. to residential quarters under 3/H sub division, New Delhi SH: Repair/Replacement of damaged SW Gully trap and sewer line of Block No. 1 to 37 (Type-1 quarters) and replacement of rusted/worn out G.I. pipes in type-III Quarters at P.K. Road to be completed within a duration of 6 months time, i.e. 21st January, 2006.

3. The case of the petitioner was that it had executed the work to the tune of Rs. 25 lakhs against the contract value of Rs. 22.43 lakhs still the work has been illegally terminated by the respondent on 7th May, 2008. Disputes arose out of the said contract due to illegal rescission and non-payment of dues by the respondent so they invoked the Arbitration Clause 25 of the Agreement.

4. The petitioner raised total 8 claims and 2 additional claims before Arbitral Tribunal i.e. Sh. Vinod Kumar Malik was appointed as a Sole Arbitrator on 20th December, 2011 by the respondent, who entered upon the reference on 27th January, 2012.

5. The learned Arbitrator held that the time had never been made essence of the contract after 31st October, 2010, the show-cause under clause 3 was issued on 23rd January, 2008; the contract was rescinded on 7th May, 2008 when the contract was not alive after 7th May, 2008. Therefore, the rescission of the contract was held uncontractual and illegal. The claim No. 1 was made in four parts: Mark-A to Mark-D. The petitioner is challenging Claim No. 1's Mark A&B only in this petition.

6. The main grounds in the objections which challenge the impugned award are that the learned Arbitrator has failed to give any reason for his findings in the award as required u/s 31 of the Act. He acted beyond the jurisdiction and passed the award contrary to the well settled provisions of Arbitration and Conciliation Act, 1996 and against the contract. The petitioner executed the work but no payment was made by the respondent who pleaded that the petitioner had executed the work by ignoring the instruction of the Engineer In-charge. The measurement was recorded in the presence of the Local Commissioner appointed by this Court and there was no dispute as to the quantities of the work executed and the rates/amount claimed but the quality of the work was disputed. The work as executed has not been tested for the quality nor rejected by the respondent but are being used bonafidely without making any payment.

7. It is also alleged that the learned Arbitrator has erroneously held that he agreed that the measurements recorded by the Local Commission are for record purposes. The learned Arbitrator made the award in casual and mechanical way without considering the fact that the respondents cannot enjoy the benefit of the work executed under the contract without making the payment due in terms of the contract. The learned Arbitrator has also gone beyond the provisions of substantive law of contract by ignoring the provisions of Section 64, 70 of the Contract Act, 1872 which provides the restitution of the benefit derived by the beneficiary without making any payment. Therefore, the part of the award under

claim No. 1 Mark A & B need to be set aside and remitted back to the learned Arbitrator to decide in terms of the contract and substantive law of the land. The petitioner is entitled to claim No. 7 if the matter is remitted back to the Arbitrator.

8. The claim No. 1 was modified. The claim No. 1 was raised by the petitioner on account of balance payment for the work executed under the contract including additional work and extra involvements but not paid/short paid in quantities/rates, made unjustified recoveries, withholding etc. in the bill- Rs. 1200000/-. The claim is made in four parts Mark A to Mark D.

9. As stated earlier, the petitioner has challenged the award with regard to Mark A and B of Claim No. 1. The details of the said Mark A and Mark B are given as under:

1.a.1 Mark A: Work executed under agreement items but not paid/short paid.

1.a.1.1 (i) Agmt. Item No. 5 (Rs. 7451/-) - Brick work in foundation and plinth:

1.a.1.2 (ii) Agmt. Item No. 7 (Rs. 2598/-) - C.C. Pavement with 1:2:4

1.b.1 Mark B: Extra Items executed but not paid/short paid.

1.b.1.1 (i) Extra Item No. 2.2.1 (Rs. 31627/-) - Centering and Shuttering i/c strutting Edges of slab and break in floors and walls ...:

1.b.1.3 (iii) Extra Item No. 2/5 (Rs. 34052/-) - Cement Concrete flooring 1:2:4...

1.b.1.4 (iv) Extra Item No. 2/11 (Rs. 44202/-) - Cement Plaster skirting....

1.b.1.5 (v) Extra Item No. 3.1.1 (Rs. 600371/-)- P/L C.C. of specified grade: All works up to plinth level 1:5:10....

1.b.1.6 (vi) Extra Item No. 4.1.1. (Rs. 64494/-) - Half Brick Masonry in F/P in C.M. 1:3....

10. It was submitted by the petitioner before the learned sole Arbitrator that the agreement items/extra items mentioned above had been executed but either not paid or short paid by respondent.

11. The claims of the petitioner were denied by the respondent on various reasons. The discussion by the learned Arbitrator of the rival submissions on each item of Mark A reads as under:

I have referred various Exhibits cited by respondent and claimant under para (iii) and (iv) above respectively. Claimant has written three letters cp25 dated 15.1.2008, c-26 dated 23.1.2008 and c-27 dated 11.3.2008.

Through C-25, claimant has written that cement godown was constructed 10 months back and no objection was raised by the department so far. Whatever quantity of cement is brought by him the same is being deposited in the godown and after that it is being used in the works.

In C-26, nothing is mentioned about procurement and consumption of cement. This letter pertains to execution of extra items and substituted items and demanding payment for the work done.

Through C-27, Claimant has desired approval to use cement of 53 grade in place of cement of 33 grade.

Through Exhibits C-25, claimant has given a sweeping reply that whatever quantity brought Exhibit C-27, claimant has demanded permission to use cement of 53 grade whereas claimant was already informed by Assistant Engineer through Exhibit R-11 that cement of 53 grade is not to be used.

It appears that claimant had no intention to deposit the material with the Department, get it properly accounted for in cement register and consume the material after receipt of test reports in case, lower site staff such as JE and AE were not taking the cement on record then claimant would have raised this issue before Engineer-in Charge informing him the quantity brought at site but not recorded by the Department officials. Claimant would have further raised his level of complaint before Superintending Engineer if no one up to level of Executive Engineer was listening to his complaints.

The Exhibits submitted by the respondent establishes beyond doubt that claimant had executed work by ignoring the instructions of Engineer-in-Charge and not following the provisions of agreement. The cash vouchers submitted by claimant do not establish beyond doubt that material was procured for this particular work and was actually brought at site.

It is, however, true that respondent did not initiate strict action against claimant such as lodging FIR or getting the cement work dismantled which was executed without their knowledge and its quality could not be verified in absence of consumption of cement known to them.

At the same time, it does not give liberty and right to the claimant to execute work at his will, ignoring the written instructions of Engineer-in-Charge and not following the provisions of agreement to first deposit the cement with Department and to be consumed after proper testing and receipt of satisfactory test reports. Respondent through their letter R-8 dated 8th January, 2008 had clearly informed the claimant that such work executed without depositing cement with department will not be paid.

I agree with the submission of respondent that measurements recorded by Local Commissioner are for record purposes and it does not mean certifying the quality of work which, in fact, is to be decided by Engineer-in-charge.

I, therefore, reject the claims of the claimant against agreement item No. 5, agreement item No. 7 (both items under claim Mark A) and extra item No. 2.2.1, extra item No. 2/5, extra item No. 2/11, extra item No. 3.1.1 and extra item No. 4.1.1 (all 5 items under claim Mark B) and award "nil" amount to the claimant.

1.a.2 Mark A: Remaining two claims under Mark A are decided as below:

(iii) Agmt. Item No. 42 (Rs. 17038/-) - Carriage of materials.....

Claimant submitted that respondent have recorded measurements of 968.14 cum quantity of malba disposed away from the site. Claimant submitted copy of respective pages of MB as Exhibit C-41 to C-48. But in the final bill quantity of 760.84 cum had only been paid and made claim for balance quantity of 207.3 cum @ agreement rate of Rs. 82.19.

Respondent submitted that agreement quantity of the item exceeded much beyond the agreement quantity of 160 cum. As such quantity of 207.32 cum recorded on page no. 76 of MB No. 2132 written statement not paid in the first R.A. bill and a note was recorded in the MB on 01.09.2007 that the quantity not to be paid in bill. Later on it was decided to spread it wherever required in dug portions and note of the intention is duly recorded in the MB on page 76 on 01.12.2007 (R029: 4/6). Respondent cited provisions of clause-6 of the agreement that measurements recorded in the MB shall not be considered as conclusive evidence about actual execution of the work and claimant is not entitled for the claim.

My findings and AWARD:

At this stage of time it cannot be ascertained whether malba was disposed by contractor away from work site or it was spread in nearby dug up areas as claimed by respondent. Claimant has not cited any exhibit in support of claim written to respondent protesting non-payment of malba stacks recorded in MB. Claimant submission c-48 and respondent submission R-29: 4-6 are copy of same page 76 of MB No. 2132 but the exhibit filed by claimant has no mention of details recorded by respondent about non-payment of item on 01.1.2007, which implies to misrepresenting fact. Claimant could not substantiate the claim.

I award "Nil" amount to claimant against the agreement item No. 42 as claimed by claimant.

(iv) Agmt. Item No. 43 (Rs. 27338 + 15%) - Credit for old G.I. Pipe

Claimant submitted that they have received only 570 kg quantity of G.I. pipe dismantled but respondent had affected recovery of 2672.89 kg quantity of G.I. pipe without any notice or justification. The said quantity was never received by them and they deserve refund of Rs. 27338/-.

Respondent submitted that under agreement item No. 17 claimant had been paid for dismantling of 929.78m pipe of dia. 15 to 40 mm (external work) and under agreement item 39 claimant had been paid for dismantling of 345.48 m pipe of dia. 15 to 40 mm (internal work) and weight of dismantled pipe works out to 2672.89 kg of G.I. which was retained by claimant and therefore recovery of 2672.89 kg of G.I. pipe had rightly been made.

My findings and AWARD:

Claimant has not disputed the quantity of dismantling GI pipe and fittings and as paid to them under agreement item No. 17 and agreement item No. 39. As per provisions of clause 10D, the dismantled material obtained during dismantling of structure shall be property of Government and such material shall be disposed of to the best advantage of the Government according to the instructions of Engineer-in-charge.

The dismantled material is received first by the contractor working at site and he is supposed to dispose it of either by handing over to Engineer-in-charge or his representative or to dispose it as per the conditions of the agreement. One such item no. 43 under schedule of quantity of the agreement duly existed which permitted the contractor to take away the dismantled material by giving credit at the rate quoted by the contractor himself.

In view of above, I hold that Claimant is not entitled for this claim as he has taken away the entire quantity of dismantled GL pipe received after execution of item No. 17 and 39 as claimant has not produced any document that they handed over the dismantled G.I. pipe to respondent.

I award "Nil" amount to Claimant for claim against item No. 43 and uphold the recovery affected by Respondent.

In total I award "Nil" amount to claimant under claim Mark A.

12. The other claims of Mark B decided by the Arbitrator have now challenged by the petitioner in the objection filed u/s 34 of the Act. The said claim has been considered by the sole Arbitrator extensively after recording the rival submissions of the parties and evidence placed on the record. The details of the same are given as under:-

(ii) Extra Item No. 2/2 (Rs. 17503)-Extra rate for quantities of work executed in or under foul position.....

Claimant submitted that as per measurements recorded in the MB No. 21 page-56 (c-44) and MB No. 2132 page-60 (c-45) quantity of 554.58 m and 280.920 m was executed in foul positions and further quantity of 162.58 m was executed in gully traps. Thus against total quantity of 998.08 m executed at site respondent had paid only 486.45 m quantity. Amount of claim for balance quantity of 511.63 cum @ Rs. 34.21 works out to Rs. 17503/-.

Respondent submitted that quantities referred by claimant are not correct and are misleading. Claimant has not worked out quantities as per CPWD Specification next date of hearing actually paid. Respondent filed same page of MB i.e. page 56 and page 60 of MB No. 2132 9R-29: 1/6 and 2/6) and submitted that quantity works out to 210.17 ma and 281.92 ma respectively. This variation is due to wrong interpretation of Specifications by the claimant. As per CPWD specifications 1996 Volume I page 24 (R-31) unit of measurement namely metre depth shall be the depth measured from the level of foul position and up to the centre of the gravity of the cross sectional area of excavation actually done in the

foul positions. As per provisions of CPWD Specification clause 2.20.2 (b), decision of Engineer-in-charge whether the work is in foul position or not, shall be final.

The measurements cited by claimant had been multiplied by the average depth from the level of foul position and up to the centre of the gravity of the cross sectional area of excavation actually done in the foul positions and for gully traps no work was executed under foul position. Quantities had been rightly paid and nothing more is due to be paid.

The exhibits C-44 and C-45 filed by claimant and R-29: 1/6 and 2/6 as filed by respondent are different, notwithstanding, both pertain to same pages 56 & 60 of the same MB No. 2132. I agree with the submission made by respondent for making payment as per CPWD Specifications and reject the claim of claimant.

I award "Nil" amount to the claimant against Extra Item No. 2/2.

(viii) Extra Item No. 4.2 (Rs. 19113)-Excavating holes.....

Claimant submitted that they have executed quantity of 276 nos. of holes whereas nothing has been paid to them by the respondent. Notwithstanding, respondent has recorded measurements of 276 mos. Of holes up to 0.5 cum on page 68 payment of Rs. 19113/- worked out @ Rs. 69.25 for each hole.

Respondent submitted that measurements referred by the claimant were inadvertently recorded for the same quantity as of brass ferrule under agreement item No. 22. Claimant have dismantled old GI pipelines from existing water main to the quarters and does not require execution of such item. Therefore, nothing is payable to claimant as no such work has been executed.

My findings and award:

From the details of bills it is seen that under agreement item No 39 claimant had been paid for 345.48 metre quantity against dismantling of GI mm to 40 mm (internal work) including necessary repairs of walls.

Under agreement item no. 40, claimant has been paid for the same quantity of 345.48 metre for fixing Gi pipe 15 mm to 40 mm dia (internal work) exposed on walls including cutting and making good the walls where GI pipes and fittings had been supplied by the Department free of cost. Execution of the item may require making holes in the walls to connect the external pipe with internal pipe inside the quarters. I find that respondent had recorded measurements of excavating holes up to 0.5 cum and no remark has been recorded in the MB for not making the payment for extra item.

I, therefore, award Rs. 19113/- to claimant against the extra item No. 4.2 as claimed.

(viii) Extra Item No. 4.6 (Rs. 109772)-P/F polyethylene-aluminum pipe

Claimant referred that for 20 mm (OD) polyethylene-aluminum-polyethylene (Petitioner-AL-Petitioner) pipe they have been paid for the substituted item @ Rs.

105.11 against their demand of Rs. 224.65 per metre made to respondent through their letter dated 26.5.2008 (C-29). Claimant further submitted that their Exhibit C-15 dated 16.10.2007 and C-16 dated 29.10.2007 be referred where they have objected the rate of the pipe worked out by the respondent on the basis of difference in cost of GI pipe and PE-AL-Petitioner pipe and demanded to treat this as extra item and pay the rate on the basis of market rate. Claimant argued that GI pipe and PE-AL-Petitioner pipe are two different items and have different specifications altogether. Through C-16, claimant cited the provision of CPWD work manual Clause 23.4.2 where it is provided that "Substituted items are items which are taken up in lieu of those already provided in the contract. These are with partial modification in items of work in the contract. If an agreement item is completely changed, the new time taken up in lieu of it is an Extra item. "therefore, the item should be paid as an extra item and its rate would have been derived under the provisions of Clause 12.2 on the basis of market rate only.

Respondent submitted that agreement item No. 21.1 pertaining to laying of 20 mm GI pipe (external work) was substituted with (PE-AL-Petitioner) pipe and rate of the substituted item has been worked out under the provisions of Clause 12. The full quantity of the item was measured and paid in first RA bill @ Rs. 80/- per metre measured on 24.8.2007 and the same was not per meter, objected by the claimant. In the final Bill, the rate has been approved as Rs. 105.11 per metre. As such, the claim is not tenable.

My findings and award:

I do not find any force in the argument made by the respondent that rate proposed in first RA bill was not objected by claimant as only provisional rate @Rs. 80/- per metre was paid and claimant has objected the rate derived by the respondent through their letter dated 16.10.2007 (C-15) and 29.10.2007 (C16).

I am convinced that GI pipe and polyethylene-aluminum-polyethylene (PE-AL-Petitioner) pipe are two different items with entirely different specifications. Secondly, the substitution of GI pipe was ordered by respondent and as the materials and specifications of both the items are different, it would have been paid as extra item.

CPWD work manual referred by claimant does not form part of contract but it helps to decide that the item would have been paid as extra item being entirely different from the agreement item.

As per the provisions of Clause 12.2, the claimant was to submit his rate to be claimed for substituted item within 15 days of receipt of order or occurrence of the item supported with proper analysis of rate. Claimant has not followed the agreement provisions and the rate of Rs. 224.65 per metre has been claimed on 26.5.2008 (C-29) after determination of the contract on 7.5.2008. Claimant has not submitted any analysis of rate in support of their claim.

As per measurements recorded in the MB, the item was executed before 24.08.2007. DSR 2007 was released in December, 2007 and it is mentioned in the DSR that DSR 2007 has been prepared on the basis of rates of labor and material prevailing at Delhi during the period of April, 2007 to October, 2007 which matches with the execution of the item of polyethylene-aluminum-polyethylene (PE-AL-PE) pipe. In DSR 2007, the item is available as item No. 18.3.2 (page 290)@Rs. 171.10 per meter.

I, therefore, consider it reasonable to decide the rate of the item in subject as Rs. 171.10 per metre against which rate of Rs. 105.11 has already been paid.

I, therefore, award Rs. 61356/- $[(171.1-105.11) \times 929.78]$ to claimant against the claim.

(ix) Extra item No. 3.1 (Rs. 13538) - P/L C.C. 1:5:10

Claimant argued that they have claimed market rate of Rs. 224.65 per cum through Exhibit C-29 dated 26.5.2008 whereas respondent had paid the rate of extra item pertaining to providing and laying cement concrete 1:5:10 at Rs. 2255.85 per cum. Therefore, they are entitled for payment of Rs. 13538/- worked out on the basis of difference of rate of Rs. 50/- as claimed and as paid for quantity of 270.76 cum.

My findings and award:

Respondent had paid quantity of 5.02 cum only against the quantity of 270.76 cum as claimed and this issue has already been decided under Mark B. 1.b.1. (v) Above. For the quantity of 5.02 cum, the claim is rejected as the rate of Rs. 2305.85 was demanded after determination of contract and provisions under Clause 12.2 were not followed.

I award "Nil" amount against the claim.

In total I award Rs. 80469/- (Rs. 19113 + Rs. 61356) to claimant under claim Mark B.

13. After having gone through the material placed before learned Arbitrator as well as findings given by him, this Court is not inclined to interfere with the findings arrived at by the sole Arbitrator who has very minutely considered each and every aspect of the matter. It is a well reasoned award. Claim of the petitioner has been discussed by the sole Arbitrator on the strength of the material produced before him. None of grounds mentioned in the present petition are covered under the scope of Section 34 of the Act.

14. The Supreme Court has repeatedly held that even if two interpretations are possible, if the interpretation given by the Arbitral Tribunal is a possible view, even though the Court may have a different view, the Award will not be interfered with by the Court u/s 34 of the Act. The Supreme Court in the case of M/s. Arosan Enterprises Ltd. Vs. Union of India and Another, , in paragraph 39 has held as under:

39.The court as a matter of fact, cannot substitute its evaluation and come to the conclusion that the arbitrator had acted contrary to the bargain between the parties. If the view of the arbitrator is a possible view the award or the reasoning contained therein cannot be examined.

15. The Arbitral Tribunal is the final arbiter of the disputes between the parties referred to it. In the present case, the parties by themselves have agreed in the contract to accept the Award as final and conclusive. The Supreme Court has expounded on the principle as to the sanctity of the decision of the arbitrator in the case of *Markfed Vanaspati and Allied Industries Vs. Union of India (UOI)*, where in paragraph 17 of the said judgment it was observed as under:

17. Arbitration is a mechanism or a method of resolution of disputes that unlike court takes place in private, pursuant to agreement between the parties. The parties agree to be bound by the decision rendered by a chosen arbitrator after giving hearing. The endeavor of the court should be to honor and support the award as far as possible.

16. The scope of Section 34 of the Act is limited to the stipulations contained in Section 34(2) of the Act. The jurisdiction of the Court to interfere with an Award of the Arbitrator is always statutory. Section 34 is of mandatory nature, and an Award can be set aside only on the Court finding the existence of the grounds enumerated therein and in no other way. The words in Section 34(2) that "An Arbitral Award may be set aside by the Court only if" are imperative and take away the jurisdiction of the Court to set aside an Award on any ground other than those specified in the Section. The Court is not expected to sit in appeal over the findings of the Arbitral Tribunal or to re-appreciate evidence as an appellate court. A recent observation of the Supreme Court in the case of *P.R. Shah, Shares and Stock Broker (P) Ltd. Vs. B.H.H. Securities (P) Ltd. and Others*, is apposite in this regard and the relevant portion, contained in paragraph 21 of the said judgment is, reproduced as under:

21. A Court does not sit in appeal over the award of an Arbitral Tribunal by reassessing or re-appreciating the evidence. An award can be challenged only under the grounds mentioned in Section 34(2) of the Act. Therefore, in the absence of any ground u/s 34(2) of the Act, it is not possible to re-examine the facts to find out whether a different decision can be arrived at.

17. The petitioner has challenged the arbitral award on the grounds as set out in the petition and there is not even a single ground as to how his case falls under the limited and narrow mandate of Section 34 of the Act. Even if the additional grounds u/s 34, as laid down by the Supreme Court in the case of *Oil and Natural Gas Corporation Ltd. Vs. SAW Pipes Ltd.*, are considered, which are patent illegality arising from statutory provisions or contract provisions or that the Award shocks the conscience of the Court, no such facts are narrated in the petition. The endeavor of the petitioner is thus to convert the challenge to the arbitral award into an appellate proceeding involving a total re-hearing of the

matter and re-appreciation of evidence, and which endeavor as per the consistent dicta of the Supreme Court is impermissible in law.

18. It is settled law that the Award is not open to challenge on the ground that the Arbitral Tribunal has reached a wrong conclusion or that the interpretation given by the Arbitral Tribunal to the provisions of the contract is not correct. The entire objections of the petitioner, as contained in the grounds, are contrary to the scheme of Section 34 of the Arbitration and Conciliation Act, 1996. There is no averment in the petition as to the existence of any illegality that is apparent on the face of the arbitral award.

19. There is no error in the interpretation of the contract clauses by the Arbitral Tribunal. However, even if it were to be assumed, without admitting, that the contention of the petitioner is correct even then this Court would not interfere with the arbitral award for the reason that it is settled law that an error relating to interpretation of the contract by an arbitrator is an error within his jurisdiction. The Hon'ble Supreme Court in the case of Steel Authority of India Ltd. Vs. Gupta Brother Steel Tubes Ltd., has summarized the law on this point, in paragraph 26 of the said judgment, as follows:

26.(ii) An error relating to interpretation of the contract by an arbitrator is an error within his jurisdiction and such error is not amenable to correction by Courts as such error is not an error on the face of the award.

In view of above, there is no merit in the petition filed by the petitioner u/s 34 of the Act. The objections are dismissed. No costs.