

Union of India v Krishna construction

Court: Delhi High Court (Arbitration Appeal).

Facts of the case

A work contract was made between the Union of India and Krishna Construction Company. There were some technical disputes in the execution of this contract. Therefore, the matter was referred to arbitration. In this dispute, the arbitrator gave the decision in favour of Krishna Construction Company. The government was not satisfied with this decision, so they challenged it before the court. However, the court held that the arbitrator's decision was correct and legally valid, and it rejected the government's challenge. Thus, the arbitrator's award was upheld.

Core Issues

1. Whether the decision given by the arbitral tribunal was correct and whether it was based on reason and evidence.
2. The government claimed that the award clearly stated the wrong things. So, is there any fundamental error in the award before the court?
3. Whether the court should change the arbitrator's decision of granting the reward or keep it as it was.

Arguments

Appellant (Union of India government)

The government argued that the arbitrator had not properly considered the evidence and the contract. The second point was that the arbitrator had misinterpreted the terms of the contract, which, according to him, made some of the award unclear. The government is of the opinion that the arbitrator's decision exceeded the limits of the contract and the award is mainly in favor of the company.

Respondent (Krishna construction company)

According to the company, the arbitrator gave the decision after examining all the documents and evidences properly. As per the Arbitration & Conciliation Act of 1996, if the award is reasonable then the arbitrator cannot interfere with it. The company claimed that there was no error in the award; and the arbitrators delivered a legally valid and well-founded decision within the prescribed legal framework.

Judgment

The court had to determine whether these decisions could be treated as awards. An 'award' must finally decide the rights of the parties. In this case, the tribunal's ruling didn't decide any substantive rights; it only clarified the scope of arbitrability, which can still change as the case progresses. Similarly, the interim order was temporary in nature. Interim orders are issued only to preserve the situation until the final hearing they are not conclusive and, since these orders did not finally resolve any issue, they cannot be treated as "final awards." Therefore, the court held that neither the scope of decision nor the interim order decides the arbitral award, and thus awards cannot be challenged by setting aside proceedings.

Conclusion

The case confirmed that arbitral awards are final and should not be disturbed unless there is a clear legal mistake. The government failed to prove any error, and the award was re-affirmed in the favor of Krishna Construction Company.

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