

Sachdeva Industries Vs Union of India (UOI)

Court: Delhi High Court

Date of Decision: Nov. 5, 2008

Acts Referred: Arbitration Act, 1940 & Section 14, 30, 33

Hon'ble Judges: Rajiv Sahai Endlaw, J

Bench: Single Bench

Advocate: Digvijay Rai, for the Appellant; Preeti Dalal, Proxy Counsel and Maneesha Dhir, for the Respondent

Judgement

Rajiv Sahai Endlaw, J.

Objections to the arbitral award dated 4th June, 1996 of Shri T.K. Sil, Director (Computer) of the Calcutta

Telephones have been preferred under the Arbitration Act, 1940.

2. The counsel for the plaintiff/objector has argued that the award is based on conjunctures and surmises and is illogical. Reliance in this regard is

placed on the expressions used in the award of the arbitrator being "surprised" and of the certain things being "felt" by the arbitrator. It is argued

that the dispute before the arbitrator was with respect to the date on the basis of which the price of goods supplied by the plaintiff to the defendant

was to be calculated.

3. The purchase order dated 11th January, 1989 was placed by the defendant on the plaintiff pursuant to the tender submitted by the plaintiff and

pre-tender negotiations are also claimed by the plaintiff. The said purchase order, it is not in dispute, was unequivocally accepted by the plaintiff. In

the column "delivery schedule" the purchase order provided that the supply of stores must be completed on or before 10th December, 1989. In

the column "special instructions", in the purchase order, it was stated "supply is to commence at the rate of 3000 kilo meters per month after two

months from the date of issue of this PO and be completed by 10.12.1989". The counsel for the plaintiff has also drawn attention to Clauses 6 and

14.4 of annexure A to the purchase order. In Clause 6.3 it is provided that the purchaser i.e., the defendant reserves the right to regulate the

supplies within the scheduled delivery date; that the purchaser can demand the maximum rate of supplies as quoted in the tender offer or specify a

lower rate of supply - such instructions shall be issued as and when required in the form of amendment to the purchase order.

4. Clause 14.4 provides that for applying the price variation formula, the price of the raw material prevailing as on 30 days before the date of offer

of stores to the inspecting authority will be taken into account.

5. It is the case of the plaintiff that the officials of the defendant, in the negotiations prior to the purchase order had impressed upon the plaintiff to

commence the supplies immediately after the placing of the purchase order and to waive the "lead period" of two months for commencing the

supplies which was provided for in the tender submitted by the plaintiff. The counsel for the plaintiff has, in this regard, invited the attention to the

letter dated 2nd September, 1988 of the plaintiff to the defendant in the arbitral record, wherein the plaintiff had assured the defendant that the

plaintiff will commence the supplies within a week after receipt of the purchase order. It is the case of the plaintiff that the plaintiff had, in fact,

offered to commence the supplies on 11th January, 1989 itself. It is further the case of the plaintiff that the defendant, however, vide

communication dated 12th January, 1989, intimated to the plaintiff that the defendant was willing to take the supplies even during the lead period

but further imposed a condition that no supplies and test call shall be accepted before 27th January, 1989.

6. On the basis of the aforesaid, the plaintiff made a claim for price variation on the price of raw materials 30 days prior to 11th January, 1989

while the defendant calculated the price on the basis of rate prevailing 30 days prior to 27th January, 1989.

7. The arbitrator has found the respondent justified in calculating the price on the basis of rates prevailing 30 days prior to 27th January, 1989 and

not found the plaintiff entitled to price on the basis of raw material prices, prevailing 30 days prior to 11th January, 1989. While doing so the

arbitrator has expressed surprise that the plaintiff was ready with the supplies of a huge quantity on the date of placing of the purchase order itself

and to which expression, objection has been taken by the plaintiff. The counsel for the plaintiff has, during the arguments, also invited attention to

the communications addressed by the Additional Secretary of the defendant itself to the other officials of the defendant advising against the

embargo of supplies before 27th January, 1989. It has further been argued that no such embargo was placed on other suppliers on whom

purchase orders were placed pursuant to the same tender. The plaintiff has also filed before the arbitrator various communications addressed by

the plaintiff objecting to the defendant not taking the supplies before 27th January, 1989.

8. I do not find the arbitrator to have misconducted himself in any manner whatsoever and do not find any error on the face of the award and also

do not find the award to be contrary to law or public policy. Even though the purchase order fixed a date for completion of supplies but the same

has to be read in entirety. Under Clause 6.3, the defendant, as the purchaser, was entitled to demand a lower rate of supply. The defendant, vide

its communication dated 12th January, 1989 (supra) though not bound to accept supplies for two months w.e.f. 11th January, 1989, indicated its

willingness to accept supplies after 27th January, 1989. The plaintiff in terms of the purchase order could not compel the defendant to accept

supplies for two months from the date of issuance thereof. In the circumstances, nothing wrong can be found with the finding of the arbitrator of the

defendant being not liable to accept supplies before 27th January, 1989 irrespective of the offer of the plaintiff. The award is in consonance with

the purchase order.

9. The counsel for the plaintiff, in rejoinder, also urged that the arbitrator has not dealt with the claims No. 1 and 2 as per the statement of claim of

the plaintiff. The claim No. 1 is for unpaid bills No. 1127 and 1127A for Rs. 5,60,720.80 and claim No. 2 is for interest thereon. It is admitted

that the said bills were for the price variation which have been adjudicated by the arbitrator and the objections with respect where to has not been

found tenable. It is, however, stated that the said bills also included the amounts towards Central Excise duties, sales tax etc which it is claimed

were payable as per actuals by the defendant to the plaintiff. It was also contended by the counsel for the plaintiff that claim No. 6 for loss of profit

of 25% on additional order has also not been adjudicated by the arbitrator. However, the counsel for the plaintiff agrees that the defendant under

the terms of the contract was entitled to reduce the quantity ordered. It is urged that, however, in this respect also it is the plaintiff only who has

been singled out. Upon it being pointed out that the arguments of victimization, of arbitrariness, cannot be gone into in these proceedings, the

counsel has fairly stated that he does not press non-adjudication of claim No. 6 but seeks appointment of an arbitrator to adjudicate the claims on

account of excise duty, sale tax etc. However, no such argument was made by the counsel for the plaintiff in the opening and a perusal of the

application u/s 14 or the objections filed under Sections 30 and 33 filed by the plaintiff also does not find any reference to the same. The counsel

for the plaintiff has argued that the entire award has been challenged. In my view, the objections have to be specific. The plaintiff/objector ought to

have, at least, stated that all its claims have not been adjudicated. In the circumstances, after a lapse of more than 12 years of the pendency of this

objection, I do not find it a fit case to direct the defendant to appoint an arbitrator to adjudicate the said claims. It is otherwise also the settled legal

position under the 1940 Act that the claims/counter claims which are not allowed are deemed to have been allowed. The plaintiff shall, however,

be at liberty to approach the defendant for the unpaid amounts, if any, and the defendant to consider the said request of the plaintiff. The objections

are, therefore, dismissed, however with no order as to costs.

10. The award is made rule of the court and judgment in terms thereof is pronounced. Decree sheet be drawn up.