
Challenge To Arbitral Award: Not Maintainable Under Section 34 Of The Arbitration Act When Award Is Solely Based On Uncontroverted Admission Of Breach - Delhi High Court

Authors: *Vasanth Rajasekaran* and *Harshvardhan Korada*

Introduction

In *Hindustan Hydraulics Pvt. Ltd. v. Union of India* [O.M.P. (Comm.) 6 of 2017], the Delhi High Court dismissed a challenge under Section 34 of the Arbitration and Conciliation Act, 1996, to an award which had upheld the rejection of a shearing machine on the ground that it did not conform to the contractual specifications. The judgment affirms that where an arbitral award is based on admitted deviation from contractual terms, the scope for judicial interference is extremely limited, even if the reasoning of the tribunal contains factual or procedural infirmities.

The petitioner challenged the award on several grounds, including alleged misappreciation of evidence, disregard of expert opinion, and failure to consider certain submissions. The High Court, however, held that none of these grounds could be sustained in light of the petitioner's own admission that the supplied machine deviated from the agreed design. The judgment reiterates the principle that admitted breaches of contract can form a valid basis for rejection of goods, and that courts will not sit in appeal over the factual findings of an arbitrator where the conclusion is supported by the record.

Brief Facts

The dispute arose out of a contract between Hindustan Hydraulics Pvt. Ltd. and the Union of India, acting through the Controllorate of Quality Assurance, for the supply and commissioning of a 1000T shearing machine. The contract prescribed detailed technical specifications for the machine, including its dimensions, material standards, and configuration of the shearing blade.

Upon delivery, the machine was subjected to a series of trials. During these trials, the buyer noted that the shearing blade provided by the petitioner was of a four-sided configuration, contrary to the two-sided blade specified in the contract. While the machine functioned within acceptable tolerance during initial tests, repeated operational failures occurred over a prolonged testing period, particularly under varying load and material conditions. Following internal assessments and correspondence, the machine was formally rejected on the ground of non-conformity with the contractual design.

The petitioner contended that the blade's configuration did not impact functionality and that the deviation was minor. It also argued that the rejection was arbitrary and unsupported by technical justification. The dispute was referred to arbitration under the terms of the contract.

The arbitral tribunal, after considering the evidence, upheld the rejection and dismissed the petitioner's claim for payment and damages. It found that the deviation in the blade design was admitted and material, and that the machine had

failed to demonstrate satisfactory performance during extended trials. The petitioner then filed a challenge to the award under Section 34 of the Arbitration and Conciliation Act, 1996.

Issues and Submissions

The principal issue before the High Court was whether the arbitral award suffered from infirmities that warranted interference under Section 34 of the Arbitration and Conciliation Act, 1996. The petitioner contended that the tribunal had failed to consider material evidence and had rendered findings that were perverse, thereby violating public policy and the fundamental principles of justice.

It was submitted on behalf of the petitioner that the arbitral tribunal had ignored expert evidence establishing the functional adequacy of the four-sided blade. The petitioner argued that the tribunal had placed undue emphasis on the configuration of the blade rather than its performance, and had disregarded the fact that the machine had successfully cleared factory acceptance tests and initial trials. The award was also challenged on the ground that the tribunal had not dealt with certain contentions and documents that were placed on record.

Further, the petitioner contended that the rejection of the machine was arbitrary and unsupported by contemporaneous communication. It was submitted that the buyer had continued to retain and use the machine during the trial period, which indicated acceptance of the supply.

The Union of India opposed the petition and submitted that the award was based on the petitioner's own admission of deviation from the agreed blade specification. It was argued that the deviation was not minor but went to the root of the contractual requirement, as the two-sided blade was a specific design choice made by the buyer for operational reasons. The respondent submitted that the tribunal had given cogent reasons for upholding the rejection, including multiple failures of the machine during testing.

The respondent also contended that Section 34 does not permit a reappraisal of facts, and that the award disclosed a plausible and reasoned basis for its conclusions. As such, it was argued that the challenge amounted to an impermissible appeal on facts.

Findings of the High Court

The High Court dismissed the challenge under Section 34, holding that the arbitral award did not suffer from any infirmity warranting interference. It observed that the central reasoning of the tribunal was rooted in the admitted deviation by the petitioner from the agreed technical specifications. The petitioner had expressly acknowledged that the machine was supplied with a four-sided blade, whereas the contract mandated a two-sided configuration. This admission, according to the High Court, formed a sufficient basis for the tribunal's conclusion that the supply was non-conforming.

The High Court reiterated that under Section 34, it is not open to the court to sit in appeal over the factual findings of the arbitral tribunal. So long as the award is not

perverse or patently illegal, mere disagreement with the reasoning or appreciation of evidence does not justify interference. The High Court further held that the tribunal's finding on material deviation was neither irrational nor unsupported by record.

Addressing the petitioner's argument regarding functionality, the High Court held that contractual conformity is not determined solely by performance. Where a contract specifies a particular design or configuration, any unilateral variation, even if seemingly harmless, is a breach of contractual obligation unless expressly waived or accepted by the buyer. The High Court found that there was no evidence of such waiver or acceptance in this case.

As regards the alleged failure to consider certain documents and submissions, the High Court held that the award demonstrated application of mind to the relevant issues. The tribunal had considered the testing records, correspondence, and expert reports. It was not open to the High Court to reweigh the importance of each piece of evidence, particularly when the central fact, the design deviation, was not in dispute.

Accordingly, the petition under Section 34 was dismissed, and the award was upheld.

Comment

The judgment in *Hindustan Hydraulics Pvt. Ltd. v. Union of India*¹ reinforces a core principle of arbitration law: courts will not interfere with an arbitral award under Section 34 merely because one party disagrees with the reasoning or seeks to revisit findings of fact. Where the award is anchored in the terms of the contract and supported by the record, judicial review remains limited, even if the reasoning appears imperfect or incomplete.

The decision is particularly important for its approach to admitted contractual breach. The High Court treated the supplier's acknowledgement of deviation from the agreed blade specification as decisive. It held that once a party admits non-compliance with a contractual requirement, the purchaser is entitled to reject the supply, regardless of whether the deviation had any demonstrable impact on performance. This affirms the settled principle that conformity with contract specifications is not optional and must be strictly observed unless waiver is clearly established.

The judgment also clarifies that arbitral tribunals are not obliged to address every submission or piece of evidence in granular detail. It is sufficient if the award demonstrates application of mind to the main issues and discloses a rational basis for the outcome. In doing so, the High Court maintained the boundary between judicial review and appellate scrutiny.

For contracting parties, the decision highlights the importance of precision in performance and communication. For litigants considering a Section 34 challenge, it serves as a reminder that only awards which are perverse or patently illegal may be set aside. Disagreement alone, even when strongly held, is not enough.

¹ *Hindustan Hydraulics Pvt. Ltd. v. Union of India* [O.M.P. (Comm.) 6 of 2017].

Contact

For any query, help or assistance, please reach out at info@trinitychambers.in or visit us at www.trinitychambers.in.

Authors



Vasanth Rajasekaran
Founder & Head
vasanth@trinitychambers.in



Harshvardhan Korada
Counsel
harshvardhan@trinitychambers.in