

Delhi High Court Reiterates That Court Interference In Challenge To An Arbitral Award Is Restricted To Perversity Or Patent Illegality

Authors: *Vasanth Rajasekaran and Harshvardhan Korada*

Introduction

The Delhi High Court delivered an important judgment in the case of ***Delhi Skills Mission Society (DSMS) vs. Samuel Foundation Charitable India Trust (SFCT)***¹. The case revolves around a contractual dispute under the Skill Development Initiative Scheme ("SDIS"), which aimed at enhancing vocational training in India. The dispute primarily concerned the reimbursement of training costs claimed by SFCT, a registered Vocational Training Partner ("VTP") under the scheme, which DSMS, a government entity, contested due to alleged non-compliance with biometric attendance requirements.

Brief Facts

The appellant, DSMS, is a state-level society registered under the Societies Registration Act, 1860, functioning under the Directorate of Training and Technical Education, Government of NCT of Delhi. DSMS was established to implement the SDIS launched by the Ministry of Labour and Employment, Government of India, in May 2007. The SDIS is a centrally sponsored scheme, fully funded by the Directorate General of Training, Ministry of Skill Development and Entrepreneurship, aimed at providing vocational training through state governments in partnership with VTPs and assessing bodies.

SFCT, the respondent in this case, was registered as a VTP with DSMS to provide vocational training, counselling, and post-training support for its trainees. The dispute arose when SFCT claimed reimbursement for training costs under an agreement dated 18 January 2016. DSMS refused payment citing that SFCT had failed to maintain proper biometric attendance records of trainees and trainers, a mandatory requirement under the agreement. This refusal led SFCT to invoke the arbitration clause in the agreement. The Arbitral Tribunal eventually awarded SFCT ₹15,50,200 (Indian Rupees Fifteen Lakhs Fifty Thousand and Two Hundred) along with simple interest at 7.5% per annum from 11 September 2019, until realisation, as well as costs quantified at ₹2,98,005 (Indian Rupees Two Lakhs Ninety-Eight Thousand and Five). DSMS subsequently filed an application to set aside the arbitral award, which was dismissed by the Commercial Court, leading to the present appeal before the Delhi High Court under Section 37(1)(c) of the Arbitration and Conciliation Act, 1996 ("**Arbitration Act**").

DSMS's Arguments

DSMS's case primarily hinged on the alleged failure of SFCT to comply with the biometric attendance requirement, which was a critical clause in the agreement between the parties. According to DSMS, the maintenance of biometric attendance was not just a procedural formality but a fundamental obligation that went to the root of the contract. They argued that the absence of proper biometric records undermined the very purpose of the SDIS, which relied on accurate attendance data to ensure that the funds allocated for training were being used appropriately and that the training was genuinely being imparted.

¹ FAO (COMM) 73 of 2023.

DSMS further contended that the Arbitral Tribunal had overstepped its jurisdiction by rendering a decision that effectively rewrote the contract between the parties. They asserted that the Arbitral Tribunal had based its decision on equitable considerations rather than strictly adhering to the contractual terms. DSMS also highlighted that the Arbitral Tribunal's acceptance of manual attendance records in lieu of biometric data was a significant deviation from the contract, which expressly mandated biometric records as the only acceptable form of attendance verification.

Another critical argument presented by DSMS was the issue of the same trainer being assigned to multiple batches of trainees simultaneously. DSMS argued that this was a clear violation of the agreement, which stipulated that each batch should have dedicated trainers. They claimed that allowing a single trainer to oversee multiple batches could compromise the quality of training, thereby undermining the scheme's objectives.

SFCT's Counterarguments

On the other hand, SFCT argued that the essence of the agreement was the provision of vocational training to the trainees, and this core objective had been fulfilled. They acknowledged the issues with the biometric attendance system but attributed these to technical problems beyond their control, such as synchronisation issues between the biometric devices and the SDIS server, irregular electricity supply, and internet connectivity problems. SFCT emphasised that they had maintained manual attendance records as a backup and that these records, along with other evidence, clearly demonstrated that the training was conducted as per the agreement.

SFCT also argued that the training provided was of good quality, as evidenced by the successful completion of the training and subsequent certification of the trainees by independent assessors. They contended that the minor procedural lapses in biometric attendance should not overshadow the fact that the primary objective of the agreement, *i.e.*, imparting vocational skills to trainees, was met.

Regarding the issue of the same trainer being assigned to multiple batches, SFCT explained that the trainer in question was a head trainer and was supported by a team of additional trainers. They provided a detailed timetable demonstrating that the classes for the different batches were scheduled in such a way that the trainer could manage both groups without any overlap in teaching sessions. SFCT argued that this arrangement did not compromise the quality of training and was in line with the agreement's spirit.

Decision of the High Court

The Delhi High Court, after carefully considering the arguments from both sides, upheld the arbitral award and dismissed DSMS's appeal. The High Court's decision rested on several key findings:

1. The High Court emphasised that while maintaining biometric attendance was indeed an important aspect of the agreement, it was not the contract's core purpose. The primary objective was to ensure the delivery of vocational training, and SFCT fulfilled this objective. The High Court noted that SFCT had faced genuine technical difficulties with the biometric system and that these issues were not within their control. The High Court accepted SFCT's explanation that they had maintained

manual attendance records as a backup and found that these records were sufficient to establish that the training had been conducted.

2. The High Court rejected DSMS's argument that the Arbitral Tribunal had overstepped its jurisdiction. It held that the Arbitral Tribunal's interpretation of the contract was reasonable, and that the Arbitral Tribunal had not rewritten the contract but had instead made a fair assessment of the situation based on the evidence presented. The High Court reiterated that the scope of judicial interference in arbitral awards is limited and that Courts should not substitute their own interpretation of the contract for that of the Arbitral Tribunal unless there is a clear case of perversity or patent illegality, neither of which was present in this case.
3. The High Court agreed with the Arbitral Tribunal's finding that the absence of complete biometric records, while unfortunate, did not justify denying SFCT's claim for reimbursement. The High Court noted that the manual attendance records, coupled with the fact that the trainees had successfully completed their assessments, provided sufficient evidence that the training had been imparted as agreed. The High Court also noted that the technical issues with the biometric system were widespread and affected many VTPs, not just SFCT, further supporting the reasonableness of relying on manual records.
4. On the issue of the same trainer being assigned to multiple batches, the High Court found SFCT's explanation satisfactory. The Court noted that the agreement did not explicitly prohibit a trainer from overseeing more than one batch, and the evidence provided by SFCT, including the detailed timetable and testimony from witnesses, demonstrated that the training quality was not compromised. The High Court concluded that DSMS's objection on this ground was not substantial enough to invalidate SFCT's claims for reimbursement.
5. The High Court also addressed the argument that the Arbitral Tribunal had rendered its decision based on equity rather than the contract's strict terms. The High Court clarified that while the Arbitral Tribunal had considered fairness in its award, this did not amount to rewriting the contract. Instead, the Arbitral Tribunal had applied a reasonable interpretation of the contract's terms in light of the circumstances, ensuring that SFCT was not unjustly penalised for technical issues beyond its control. The High Court found no fault in the Arbitral Tribunal's approach, especially given that the overall purpose of the contract had been achieved.

Comments

The Delhi High Court's decision in ***Delhi Skills Mission Society (DSMS) vs. Samuel Foundation Charitable India Trust (SFCT)*** is a nuanced and balanced judgment that reinforces the importance of fulfilling the substantive objectives of a contract over strict procedural adherence. The ruling respects the autonomy of the arbitral process by placing reliance on the limited scope of judicial interference in arbitral awards. The High Court's recognition of the challenges faced by SFCT in maintaining biometric attendance, and its acceptance of manual records as a sufficient alternative, reflects a practical and a reasonable approach that prioritises the actual delivery of vocational training over strict procedural compliance. This case will likely serve as a reference point for future disputes involving government contracts, especially those related to large-scale public welfare schemes.

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