$~

* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

Judgment reserved on: 28.09.2026
Judgment pronounced on:27.11.2026

\# **CNR No. DLHC013302712017**

\+ O.M.P. (COMM) 290/2017

SARVESH SECURITY SERVICES PVT. LTD.....Petitioner
Through: Ms. Neelampreet Kaur, Mr. Tejasvi Chaudhary, Mr. Uday Malhotra, Ms. Sneha Singh, Advs.

versus

MEDICAL SUPERINTENDENT, SANJAY GANDHI MEMORIAL HOSPITAL .....Respondent
Through: Mr. Lalltaksh Joshi, Mr. Keshav Poonai, Advs. along with Dr. Neeraj Kumar Singh (CMO)(NFSG), Mr. Manjeet Kadian, UDC.

CORAM:
HON'BLE MR. JUSTICE OM PRAKASH SHUKLA

JUDGMENT

% 27.11.2026

1. The instant objection petition is preferred by the Petitioner under Section 34 of the Arbitration and Conciliation Act of 1996[1], seeking to assail the arbitral award rendered by learned Sole Arbitrator on 25.04.2017[2].

[1] "Act" hereinafter
[2] "impugned award" alternatively

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

2. By way of the impugned award, all six claims of the Petitioner were rejected. However, the Respondent was directed to reimburse the Petitioner for the wages, EPF[3], ESI[4], Service Tax etc. upon receiving requisite proof of the same from the Petitioner. The learned Arbitrator further directed the overcharged amounts in the bills to be deducted by the Respondent, but upheld the penalties imposed on the Petitioner by order dated 27.04.2015, whilst rejecting the ones imposed by order dated 15.03.2016. Furthermore, an amount of Rs.50,18,033/- withheld by the Respondent was directed to be released to the Petitioner.

3. The brief factual background necessary for adjudication of this matter is hereinbelow.

Facts

4. The Petitioner is a business concern engaged in providing security services. The Respondent is Sanjay Gandhi Memorial Hospital, Government of NCT of Delhi.

5. At the center of this dispute lies the e-tender dated 29.12.2014 floated by the Respondent seeking security services. The e-tender sought deployment of 121 security guards for an initial period of one year. The Petitioner's bid was accepted in this regard and accordingly, a Letter of Award dated 26.03.2015 was issued in favour of the Petitioner, with a contract value of Rs.12,87,462/- per month and the services were to commence from 27.03.2015.

[3] Employees' Provident Fund
[4] Employees' State Insurance

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

6. It is the Petitioner's case that though it furnished the requisite security deposit along with details of the security guards as required by the Agreement, the Respondent nevertheless issued a Show Cause Notice dated 17.04.2015 alleging non-submission of the required documents.

7. According to the Petitioner, it furnished its reply on 28.04.2015 to the aforesaid Show Cause Notice delineating the reasons for delay and submitted that as on the said date of reply, the documents already stood furnished. However, by another letter dated 27.04.2015, the Respondent alleged that there was no response to the Show Cause Notice and hence, a penalty was imposed in accordance with Clause 6.3(i) of Special Conditions of Contract[5]. In addition, the Respondent also forfeited the security deposit of Rs.15,45,000/- in terms of Clause 6.3(iii) of SCC.

8. The Petitioner furnished another response dated 29.04.2015 to the Respondent highlighting that it had already sent its response to the Show Cause Notice dated 17.04.2015 and duly fulfilled the requirements. Thereafter, by communication dated 13.05.2015, the Respondent waived the termination and forfeiture of the security deposit. However, the penalty was retained. Aggrieved thereby, the Petitioner invoked the present arbitration proceedings.

[5] "SCC" hereinafter

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

9. Before the learned Arbitrator, the Petitioner raised six claims amounting to Rs.2.06 crores (approx.), which are being delineated as follows:

1.	*Amount due on account of unpaid wage bills.*	*Rs.1,35,74,245-37*
2.	*Interest due @18% on unpaid wage bills.*	*Rs.24,43,364-17*
3.	*Amount due on account of relieving charges as extra security guards were deployed till August 2015*	*Rs.12,98,269-58*
4.	*Amount due on account of unpaid EPFO Challans*	*Rs.9,55,571-00*
5.	*Amount due on account of unpaid ESIC Challans*	*Rs.1,26,384-00*
6.	*Amount due on account of unpaid service Tax Challans*	*Rs.22,88,327-79*
	Total	*Rs.2,06,86,161.91*

10. On the other hand, the Respondent did not raise any counter claims. However, it resisted the Petitioner's claims and maintained before the learned Arbitrator that the Petitioner did not pay the legally mandated EPF, ESI and Service Tax. It was purported that the Petitioner furnished irregular records including the police verification, training certificates, labour license etc., and did not verify the payments made towards statutory dues. The Respondent contended that the penalty of Rs.2,43,236/- was imposed due to the Petitioner's failure to submit these documents in accordance with Clause 6.3(i) of SCC.

11. According to the Respondent, adequate number of guards were not deployed, there were discrepancies in the disbursement of wages to the guards, and also with their attendance records and the EPF/ESI benefits payable to the employees. Accordingly, the Respondent

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

withheld the amounts for EPF, ESI and Service Tax in terms of Clause 4.3 of SCC. It was further contended that the Respondent had released Rs.88.68 lakhs for the period from May 2015 till February 2016 and that statutory dues were fully paid for January and February 2016. It was averred that 20% was deducted from the invoices from October till December 2015 since the Petitioner's labour license was not submitted and adequate guards were not provided.

12. In view thereof, the learned Sole Arbitrator framed the following issues:

> "
>
> ***ISSUES***
>
> *(1) Whether the scope of Arbitration is limited to the original application of Claimant dated 21.05.2015 of Rs. 2,43,236/-? OPR.*
>
> *(2) Whether the claimant is entitled to receive, in terms of the agreement, his claim amount as claimed in statement of claim? If yes, what amount? OPC.*
>
> *(3) Whether the claimant has inflated his claim amount and is liable to be dismissed on the basis of documents/material filed by Respondent. OPR.*
>
> *(4) Whether the Claimant is entitled, in terms of agreement, to interest, relieving charges of security guards, EPF, ESIC & Service Tax? OPC.*
>
> *(5) Whether the claimant, in terms of agreement, is liable to make payments to workers as per Minimum Wage Act, payments towards EPF, ESIC, Service Tax etc. and submit proper Statement/receipts/proof to the respondent of such payments made? OPR.*
>
> *(6) Whether the respondent, in terms of agreement, can impose penalty? If yes, to what extent? OPR.*
>
> *(7) Whether the respondent is liable, in terms of agreement, to pay any unpaid wages, interest, EPF, ESIC & Service Tax? OPC*
>
> *(8) Whether the Claimant has to deploy 103 security guards or 121 security guards each day? OPC.*

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

(9 Relief, if any."

13. The learned Arbitrator, upon due consideration of the case advanced by both parties, proceeded to return the following findings:

(i) That the Respondent floated open tender to all eligible bidders; the terms and conditions therein were unambiguous, and the Petitioner participated in the bidding process voluntarily.

(ii) The labour license was not provided during contract period (i.e., ending on 31.03.2016). The license was itself dated 21.11.2016, having validity up till 26.03.2017, and it pertained to 121 workers.

(iii) The Agreement between the parties was an admitted document and hence, 121 guards were to be deployed throughout the month without any extra remuneration to the substitute guards (relieving charges), in view of Clause 29 of the General Conditions of Contract[6]. Also, as per the Show Cause Notice dated 17.04.2015 and the Statement of Claim, the Petitioner admitted that 121 guards were required as per the Agreement.

(iv) There were discrepancies in wage disbursement and other statutory dues on behalf of Petitioner.

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

(v) The Petitioner submitted the bills after the stipulated date. It was found that these invoices were overcharged since the Petitioner deployed merely 103 guards instead of 121.

(vi) Respondent's Show Cause Notice dated 17.04.2015, satisfied the requirement of a valid notice as per Clause 6.3(iii) of the SCC. However, the penalty imposed by order dated 15.03.2016 for bills of October 2015 till December 2015, was void for want of proper notice.

(vii) The Respondent sufficiently paid EPF, ESI and Service Tax for October 2015 till March 2016. For the period from 29.03.2015 till 30.04.2015, the amount was to be disbursed by the Respondent subject to proof of payment by Petitioner. The same caveat was applied for the amount withheld by the Respondent for May 2015 to September 2015 (however, in the event that the Petitioner did not deposit the statutory dues for the said period, the Respondent was directed to do the needful as the principal employer). Additionally, the Petitioner was directed to pay bonus for the contract period.

14. Accordingly, the learned Arbitrator rejected all the claims raised by the Petitioner, upheld the penalty imposed on the Petitioner by order dated 27.04.2015, directed overcharged amount in the bills to be deducted by the Respondent and permitted the Petitioner to retain the administrative charges. Moreover, the Respondent was directed to

[6] "GCC" hereinafter

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

reimburse the Petitioner for the wages, EPF, ESI and Service Tax after receiving adequate proof of payment from the Petitioner.

15. Aggrieved by the aforesaid arbitral award, the Petitioner has filed the present objection petition.

SUBMISSIONS

16. Ms. Neelampreet Kaur, learned Counsel for the Petitioner, assailed the impugned award primarily on the ground that learned Arbitrator travelled beyond the scope of reference and adjudicated upon matters not falling for consideration before him. It was argued that the learned Arbitrator overlooked the financial bid, which only provided remuneration of security guards for a period of 26 days and not 30/31 days.

17. Ms. Kaur submitted that the learned Arbitrator permitted the parties to negotiate and settle issues between them as much as possible. Accordingly, the parties settled various matters amongst themselves, which is recorded in the minutes of meeting dated 07.12.2016, along with Petitioner's comments dated 26.12.2016. The said minutes and comments, according to the learned Counsel, are admitted by the Respondent in its written submissions. It was contended that in view of the said minutes and comments, only two aspects remained for adjudication, i.e., whether 121 guards were required to be deployed for 26 days or 30 days in a month and the legality of the penalties imposed on the Petitioner by the Respondent.

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

However, despite the aforesaid, the learned Arbitrator reopened a lot of fronts for adjudication and framed nine issues.

18. It was submitted that the learned Arbitrator wrongly held that the Petitioner admitted that 121 guards had to be deployed for a month. According to Ms. Kaur, the Petitioner did not make such an admission and maintained that a ceiling of 3,146 guard days had to be maintained (103 guards x 30/31 days = 121 guards x 26 days = 3146); therefore, no shortfall arose for deduction of overcharge. It was further contended that as per the Respondent's construction of the Agreement, the Petitioner would be underpaid for 484 guard-days per month, which is arbitrary. Reliance was placed on ***Shrilekha Vidyarthi v. State of U.P.***[7]. Additionally, it was averred that since the said finding regarding the number of guards was liable to be set aside, the consequential finding under Issue No. 4 (relieving charges) could not survive and hence, was also liable to be set aside.

19. With respect to the penalty upheld by the learned Arbitrator, it was argued that Clause 6.3(iii) of the SCC necessitated a proper notice to be sent before any penalty was imposed. However, the Show Cause Notice dated 17.04.2015 merely proposed the termination of contract and forfeiture of security, without the mention of any monetary penalty. It was therefore contended that this penalty was also liable to be set aside for want of proper notice.

20. *Per contra*, Mr. Lalltaksh Joshi, appearing for the Respondent, resisted the objections raised on behalf of the Petitioner and supported

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

the impugned award. It was highlighted that the Petitioner had accepted the award and in furtherance of such acceptance, it also submitted the required particulars to the Respondent, who, in turn, paid an amount of Rs.20,83,996/- to the Petitioner as per the impugned award. It was submitted that the impugned award was cogent and directed genuine dues to be reimbursed to the Petitioner. It was argued that the learned Arbitrator adopted a reasonable construction of the contract, and hence, no interference was required. Reliance was placed on ***Ssangyong Engg. & Construction Co. Ltd. v. NHAI***[8].

21. In response to the Petitioner's contention that the learned Arbitrator traveled beyond the scope of reference, it was submitted that the minutes of meeting dated 07.11.2016 and 07.12.2016 clearly demonstrated that the disputes remained unresolved, as was also found by the learned Arbitrator.

22. Pertaining to Claim No. 1, Mr. Joshi submitted that the learned Arbitrator correctly held that the Petitioner could not claim charges for 121 guards when it admittedly only deployed 103.

23. *Qua* Claim No. 2, Mr. Joshi argued that Clause 6 of the SCC permitted the Respondent to impose penalty if the conditions stipulated thereunder were not complied with. Accordingly, it was submitted that the learned Arbitrator was correct to allow deduction of the overcharged amounts after examining the material on record

---

[7] **(1991) 1 SCC 212**
[8] **(2019) 15 SCC 131 : (2020) 2 SCC (Civ) 213**

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

before him. In this regard, it was also argued that a matter of mathematical calculation cannot be reopened at the Section 34 stage.

24. With respect to release of the withheld amount of Rs.50 lakhs (approx.) under Claim No. 3, Mr. Joshi averred that the Petitioner was directed to furnish proof of deposit of statutory dues within 30 days of receipt of the impugned award, and upon such receipt, the Respondent was directed to reimburse the Petitioner within 15 days thereof. In the event the Petitioner failed to furnish such proof, the Respondent was directed to deposit the statutory dues with concerned authorities as the principal employer. Therefore, according to the learned Counsel, no interference was warranted with this head of claim.

ANALYSIS

25. I have heard the learned Counsel appearing for both parties and perused the material on record.

26. There is no dispute as regards jurisdiction under Section 34 of the Act. The challenge to an arbitral award is strictly limited to the grounds under the said provision. The mandate of Section 34 requires this Court to not interfere with the arbitral award in a casual manner unless there exists an error going to the root of the matter. This Court also cannot substitute the arbitral award merely because another plausible interpretation exists. It is also well settled that factual inquiry and contractual construction falls within the domain of the Arbitrator.

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

27. The Supreme Court in ***OPG Power Generation (P) Ltd. v. Enexio Power Cooling Solutions (India) (P) Ltd.***[9], delineated the contours of Section 34, as follows:

> *"**Patent illegality***
>
> *65. Sub-section (2-A) of Section 34 of the 1996 Act, which was inserted by the 2015 Amendment, provides that an arbitral award not arising out of international commercial arbitrations, may also be set aside by the Court, if the Court finds that the award is visited by patent illegality appearing on the face of the award. The proviso to sub-section (2-A) states that an award shall not be set aside merely on the ground of an erroneous application of the law or by reappreciation of evidence.*
>
> *66. In Saw Pipes [ONGC Ltd. v. Saw Pipes Ltd., (2003) 5 SCC 705] , while dealing with the phrase "public policy of India" as used in Section 34, this Court took the view that the concept of public policy connotes some matter which concerns public good and public interest. If the award, on the face of it, patently violates statutory provisions, it cannot be said to be in public interest. Thus, an award could also be set aside if it is patently illegal. It was, however, clarified that illegality must go to the root of the matter and if the illegality is of trivial nature, it cannot be held that award is against public policy.*
>
> *67. In Associate Builders [Associate Builders v. DDA, (2015) 3 SCC 49 : (2015) 2 SCC (Civ) 204] , this Court held that an award would be patently illegal, if it is contrary to:*
>
> *(a) substantive provisions of law of India;*
>
> *(b) provisions of the 1996 Act; and*
>
> *(c) terms of the contract [See also three-Judge Bench decision of this Court in State of Chhattisgarh v. SAL Udyog (P) Ltd., (2022) 2 SCC 275 : (2022) 2 SCC (Civ) 776].*
>
> *The Court clarified that if an award is contrary to the substantive provisions of law of India, in effect, it is in contravention of Section 28(1)(a) ["28. Rules applicable to substance of dispute.—(1) Where the place of arbitration is situated in India—(a) in an arbitration other than an international commercial arbitration, the Arbitral Tribunal shall decide the dispute submitted to arbitration in accordance with the substantive law for the time being in force in India;***(2)***(3) While deciding and making an award, the Arbitral Tribunal shall, in all cases, take into account the terms of*

[9] **(2025) 2 SCC 417**

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

the contract and trade usages applicable to the transaction."(As substituted by Act 3 of 2016 w.e.f. 23-10-2015)Prior to substitution by Act 3 of 2016, sub-section (3) of Section 28 read as under:"28. (3) In all cases, the Arbitral Tribunal shall decide in accordance with the terms of the contract and shall take into account the usages of the trade applicable to the transaction."] of the 1996 Act. Similarly, violating terms of the contract, in effect, is in contravention of Section 28(3) of the 1996 Act.

68. In Ssangyong [Ssangyong Engg. & Construction Co. Ltd. v. NHAI, (2019) 15 SCC 131 : (2020) 2 SCC (Civ) 213] this Court specifically dealt with the 2015 Amendment which inserted sub-section (2-A) in Section 34 of the 1996 Act. It was held that "patent illegality appearing on the face of the award" refers to such illegality as goes to the root of matter, but which does not amount to mere erroneous application of law. It was also clarified that what is not subsumed within "the fundamental policy of Indian law", namely, the contravention of a statute not linked to "public policy" or "public interest", cannot be brought in by the backdoor when it comes to setting aside an award on the ground of patent illegality [See Ssangyong Engg. case, (2019) 15 SCC 131, para 37 : (2020) 2 SCC (Civ) 213] . Further, it was observed, reappreciation of evidence is not permissible under this category of challenge to an arbitral award [See Ssangyong Engg. case, (2019) 15 SCC 131, para 38 : (2020) 2 SCC (Civ) 213]."

28. Thus, this Court shall adjudicate the present matter within the well-defined bounds of Section 34 of the Act.

29. The controversy in a nutshell is that the Petitioner claimed approximately Rs.2.06 crores towards unpaid wages, interest thereof, relieving charges, EPF, ESI and Service Tax. It alleges that the penalties imposed by the Respondent are arbitrary for want of proper notice. At the heart of this controversy lies the contention of the Petitioner that as per the financial bid, the contract required 121 guards for 26 days and not 30/31 days in a month. Thus, the Petitioner alleges that total manpower was 121 x 26 = 3,146 guard-days per month. It is argued that requiring 121 guards each day amounts to 3,630 guard-days (121 x 30) per month, resulting in 484 additional

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

guard days without payment. According to the Petitioner, this would be equivalent to deploying 103-105 guards daily for 30/31 days.

30. The Respondent, on the other hand, contended that the contract required 121 guards throughout all 30/31 days per month and that Clause 29.3 under the GCC required the Petitioner to arrange for substitute guards during weekly rest without any additional remuneration. The Respondent highlighted discrepancies in wage sheets, attendance records, payment of statutory dues by the Petitioner along with its failure to provide necessary documents within stipulated time such as the labour license. The Respondent contended that the Petitioner had overcharged since it deployed 103 guards but raised invoices for 121. Therefore, the Respondent maintained that substantial payments were already released to the Petitioner, that the penalties were imposed for non-compliance and that withholding the disputed amounts was justified as per the express terms of the contract.

31. In light of the foregoing, it becomes pertinent to analyse whether the contract required 121 guards throughout the month or as alleged by the Petitioner, for 26 working days per month. Additional aspects requiring scrutiny by this Court would be whether the Respondent was justified in withholding other contractual dues and imposing penalties for purported non-compliance with contractual terms.

32. Before proceeding further, it is apposite to refer to the relevant contractual provisions to ascertain the contractual bargain *inter se* the

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

parties. Accordingly, the relevant portion of the notice inviting tender for provision of security services floated by the Respondent is as follows:

> *"NOTICE INVITING TENDER FOR PROVIDING SECURITY SERVICES*
>
> *E-Tenders are invited under Three-Bid system from reputed agencies, having capacity to deploy the adequate number of uniformed Security Guards and wherewithal, for providing Security services for deploying 121 security guards for a period of one year (extendable by another year on mutual agreement, which can be further extended for a period of 3 months and maximum of 6 months in case of exigency and unavoidable circumstances at same terms & conditions) to the SANJAY GANDHI MEMORIAL HOSPITAL, GOVERNMENT OF NCT OF DELHI, S-BLOCK, MANGOLPURI, DELHI-110083. The total number of security guards sanctioned for this hospital for is 121. Agency will be required to ensure adequate supervision of security guards deployed round the clock.*
>
> *Agency will be required to pay wages to Security Guards deployed by them on outsourced basis as per Minimum Wages Act and comply with the provisions of ESI, EPF and Bonus, as applicable. Successful bidder will be reimbursed the wages of Security Guards & expenditure towards ESI, EPF and Bonus and service tax, as applicable, by the hospital. When these rates are revised by Labour Department, Govt. of NCT of Delhi from time to time, the hospital will accordingly revise them for reimbursement to the agency selected for the job."*

33. The said notice also contains the following disclaimer:

> *"The assumptions, assessments, statements and information contained in this BID DOCUMENT, especially the work load, may not be complete, accurate, adequate or correct. Each Bidder should, therefore, conduct its own due diligence, investigations and analysis and should check the accuracy, adequacy, correctness, reliability and completeness of the assumptions, assessments, statements and information contained in this BID DOCUMENT and obtain independent advice from appropriate sources."*

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

34. Therefore, it is evident from a bare reading of the above that the e-tender was floated seeking security services from eligible bidders, particularly, for deployment of **"121 security guards for a period of one year"**. The e-tender also contains an explicit disclaimer that the assumptions, assessments, workload etc. may not be accurate or complete and therefore, each bidder should conduct due diligence on their own accord.

35. Further, the GCC stipulate the following:

> *"* *Section 3: General Condition of Contract*
>
> ***1. DEPLOYMENT:-***
>
> *1.1 In order to provide fool proof security, the Contractor will physically deploy the Security Personnel in such adequate number on all access points/vulnerable locations which will meet the requirement as per this bid document. It will be mandatory that induction training is given by the contractor to the personnel to be deployed and the Security personnel are trained as required under rules. The bidder/contractor shall comply with the provisions of PSAR Act-2005 and DPSAR Rules 2009.*
>
> *1.2 The Medical Superintendent, SGMH will have the right to know (and assess the suitability) the names of the personnel to be deployed by the Contractor in pursuit of its obligation of providing security services and it shall be mandatory for the Contractor to provide such list with necessary details. As far as practicable, the list shall not be frequently changed so that continuity in operation is maintained in overall interest of security. A monthly duty roster of the security guards and supervisors will be submitted to the authorities at least a week prior. The Security Guards / Supervisors as far as possible be deployed to man/ supervise their allocated access points and will not be shifted to other access points during the month. In case of substitution of any Security Guard by another Security Guard at any access point in any of the Shift prior written approval of the authority may be required. Further the contractor shall ensure that no security guard /*

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

Supervisor is made to work in two continuous shifts or in alternate shifts. The Contractor shall keep an adequate reserve manpower as leave reserve.

1.3 At least 10% of the personnel deployed shall be women. The contractor shall not employ any person who has not completed eighteen years of age.

1.4 The Contractor shall maintain biometric attendance system for better checks and controls. Only those bidders should apply who agree to introduce this system within one month of signing the agreement. If the Contractor is found to be reluctant and not introducing the biometric attendance system within the aforesaid one month, the Contractor shall pay Rs.1000/ - per day for period of delay in starting the biometric attendance system. The data of biometric attendance will be submitted to the Hospital as may be required by the Hospital. The Biometric attendance sheet should be verified and countersigned by concerned department incharge where the worker is deployed.

1.5 That the Contractor shall ensure that the Guards/ Supervisor are not replaced and in no case replacement shall be allowed during the currency of the month except for valid reasons. The Contractor shall prior to issue of appointment letter to any security guard/ supervisor inform the hospital authorities and submit the detailed resume of the persons identified for initial deployment & replacement for review, comments and approval. Replacement shall however be governed by the ceilings prescribed in the Agreement i.e. replacement of staff should not be more than the tolerable limit of more than 5 % of the total staff deployed in any hospital in any given month.

1.6 The Contractor shall ensure that at least 10% of the total security guards are ex-servicemen. These will be deployed on the most vulnerable access points across all shifts in consultation with the hospital authorities. These ex-servicemen guards will do equal number of shifts as those done on an average by non ex-servicemen guards.

1.7 The Contractor shall provide 04 supervisors, who shall necessarily be ex-servicemen. These supervisors will be deployed across the shifts in such a manner that they are able to supervise all the access points effectively.

1.8 The Contractor shall ensure that the security guards / supervisors are present on duty as per the duty roster. In the event of any security guard / supervisor not reporting for duty, the

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

Contractor shall immediately provide a substitute from the panel of approved reserved supervisors.

1.9 The Contractor shall issue appointment letter to the Security Guards/Supervisors who have been found suitable for the job and approved so by the hospital authorities. Before Appointment Contractor and Hospital authorities shall ensure that the Guard / Supervisor is trained as per the provisions of the applicable law. A copy of all the appointment letter will be provided to the hospital authorities. The Contractor shall also maintain approved panel of reserve security guards / supervisors who shall be used as substitutes in case of exigencies or as leave reserve. Under no circumstance any person who has not been duly appointed by the Contractor and approved by the Hospital authorities shall be allowed to perform duty (Regular or as a Substitute) in the premises of the hospital.

1.10 The contractor shall provide I-card bearing name, photograph, EPF number, ESI number and a name badge to each security guard and supervisor deployed.

2. LABOUR LAWS:-

The security personnel deployed by the Contractor in its contractual obligation to provide security services shall be the employees of the contractor. The Contractor shall abide by and comply with all the relevant laws and statutory requirements under Labour laws, Minimum Wages and Contract Labour (Regulation & Abolition) Act 1970, EPF, ES1, Employee Compensation Act, 1923, Bonus and all other Applicable laws with regard to the contract personnel engaged. Further, for any lapse in this regard the Contractor shall be solely responsible and held accountable. The Contractor shall maintain registers required under the relevant Act for recording the names of the security personnel and their daily deployment which shall be made available to the statutory authorities & the Authority / Hospital/Departmental authorities on demand.

***

24. TERM AND EXTENSION OF CONTRACT:-

The term of this contract shall be for a period of one year from the date of signing of the contract, extendable for another one year, which can be further extended for a period of 3 months and maximum of 6 months in case of exigency and unavoidable circumstances at same terms & conditions.

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

***

24.3 At least two months prior to the end of term/extended period, the hospital may seek consent from the Contractor for extension of contract period. The Contractor shall intimate its consent in writing within one week of receipt of the letter from the hospital. In case Contractor gives its consent and agrees for extension contract period, shall not be permitted to withdraw its consent. In case Contractor refuses or fails to perform during the extension period granted by the hospital upon receipt of the consent, the Performance Security is liable to be forfeited as damages and compensation without and without prejudice to any other right or remedy which the Hospital/Authority may have under the Bidding Documents, the Agreement or under applicable law, including blacklisting/debarment of the Firm.

***

29. SHIFT DUTY:-

29.1 There will be fixed hours of shift duties and total number of shifts in a day will be three. The duty hours will be decided in consultation with the Department and should be compliant to the Labour Laws. A duty roster of employees as per deployment plan shall be submitted by contractor before the start of new month. Any change in duty roster shall be intimated immediately by contractor.

29.2 During a month, every security guard will be allowed weekly rest as per the Labour Laws.

29.3 Suitable provision for substitute should be kept by contractor, for which no additional payment shall be made."

36. Thus, Clause 1 of the GCC provides that the bidder shall provide security personnel as stipulated in the bid document, i.e., 121 guards. These guards shall be employees of the Contractor (i.e., the Petitioner), as per Clause 2, who shall abide by the prevalent labour laws. In case of any lapse under the said Clause, it is the Contractor/Petitioner who shall be solely responsible and accountable. Clause 29 further stipulates that the duty hours shall be in consonance with the prevailing labour laws, including adequate weekly rests. For

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

the rest periods, the Contractor/Petitioner shall arrange for substitutes without any additional payment.

37. Further, the SCC provides as follows:

> *"Section 4: Special Conditions of Contract and Service Levels*
>
> ***
>
> *4. BILL AND ITS PAYMENT:-*
>
> *4.1 The Contractor will raise month wise bill for the service provided at the rate as agreed and accepted by the Authority / Hospital/ Department.*
>
> *4.2 The Contractor will serve the bill for every preceding month by 7th day of every month and the Authority / Hospital/ Department will make the payment within next 15 days provided the bill is complete in all respect including account of the payments made for statutory compliance under applicable laws. The bill will show separately the Service Tax chargeable from the Authority/Hospital/Department. The Contractor shall also submit the proof of having deposited service tax by way of presenting copy ·of challan receipt which should show such amount that must tally with the service tax collected from the Authority / Hospital/ Department. For this purpose, the Contractor will not mix tip payment of service tax collected from this Authority / Hospital / Department with those of any other Authority / Hospital/ Department where the Contractor might be providing services.*
>
> *4.3 Disputed amount in the bill on which clarification is required shall be withheld till the time it is sorted out. However, rest of the amount shall be released by due date as mentioned above in Clause 5.2.*
>
> *4.4 Payments to the Contractor shall be made by Electronic transfer to the Contractor's account for which purpose the contractor shall furnish the complete Bank account details.*
>
> *4.5 Any damage or loss caused by Contractor's personnel to the Authority/Hospital/Department in whatever form or any penalties imposed on the Contractor would be recovered from the Contractor from its running bill or dues or against the performance guarantee.*

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

6. PENALTY:-

6.1 In addition to the penalty mentioned in Clause 5 above, the following penalties may also be imposed on the contractor.

6.2 In case the Contractor fails:-
a) to commence/execute the work as stipulated in the agreement, or
b) if the performance continues to be unsatisfactory even after giving it a notice for putting the things in order for satisfactory performance, or
c) if he does not meet the statutory requirements of the contract even after giving it a notice for putting the things in order to meet the statutory requirements,

6.3 Authority / Hospital/Department reserves the right to impose the penalty as detailed below: -
(i) For delay upto 4 weeks, penalty will be imposed at the rate of 20% of the daily contract value calculated for each day of delay for a period upto maximum 4 weeks time for any of the defaults mentioned above.
(ii) For delay beyond 4 weeks, the Authority / Hospital/Department in addition to imposing penalties at the rate as mentioned in (i) above reserves the right to cancel the contract and get the job carried out from other sources. The additional financial implication in this regard, if any, may be recovered from the defaulting Contractor. The Contractor may also be black listed for a period up to maximum 4 years and his earnest money/security deposit may be forfeited, if so warranted.
(iii) The Authority / Hospital/Department may forfeit the performance security of the contractor in case of any of the defaults.

Before imposing any of the above the contractor shall be given a proper notice by the department before taking a decision for penalty and communicate to him the decision so taken.

6.4 Notwithstanding anything mentioned in this document, the Authority/Hospital in case of violation of any of the terms and conditions by the contractor, shall be at liberty to debar the contractor for a period upto four years from participation in any bidding process of the tender for outsourced services. Before any such debarment action is taken, the contractor shall be given a proper show-cause notice mentioning therein the reasons and the action intended to be taken through the process of show-cause.

7. WAGE DISBURSAL:-

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

7.1 The Contractor shall pay to the personnel deployed at such rates which should not be less than the minimum prescribed wage plus admissible EPF, ESI, Bonus etc calculated at prevailing rates as per rules.

7.2 In order to safeguard against the possible underpayment to the personnel by giving them less then what are mandatorily and statutorily required to be paid, it is mandatory that the Contractor shall disburse the wages to the security personnel every month through ECS (electronic cash transfer) through the same account in which the payment is made by the hospital. No exception in the mode of transfer of payments to the personnel shall be accepted."

38. Therefore, Clause 4 required the Contractor/Petitioner to furnish invoices (of preceding month) by the 7th of every month, after which the Respondent was required to release the requisite payment within 15 days thereof, provided that the invoices were complete in all respects as required by the said Clause. Clause 4.3 further clarifies that the disputed amount may be withheld by the Respondent. However, the remaining undisputed amount shall be released by the due date.

39. Pertinently, Clause 6 stipulates penalties in the event that the Contractor either fails to commence or execute the work as per the agreement, or if the performance is unsatisfactory even after issuing a notice in such respect, or if the Contractor does not meet statutory requirements of the agreement even after a notice is issued for the same. In such cases, Clause 6.3 vests the Respondent with the power to impose penalties. Clause 6.3(i) may be invoked in cases of delay of up to 4 weeks, whereby the penalty would be at the rate of 20% of the daily contract value calculated for each day of delay for up to a maximum of 4 weeks' time. Clause 6.3(ii) provides penalty for delay

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

beyond 4 weeks. In such cases, in addition to imposing penalties at the above-mentioned rate, the Respondent also has the right to cancel the contract and give the contract to other sources. It is also stipulated that the additional financial implications may be recovered from the defaulting Contractor, and such Contractor may be blacklisted for up to a maximum 4 years, and earnest money/security deposit may be forfeited, if required. Further, Clause 6.3(iii) empowers the Respondent to forfeit the performance security in case of "any" of the defaults. However, there exists one caveat; that before such imposition, a proper notice is to be given by the Respondent, whereby such decision is communicated to the Contractor.

40. Furthermore, Clause 7 provides for wage disbursal. It mandates that the Contractor shall pay to its personnel, wages which are not less than the minimum prescribed wages, plus EPF, ESI, bonus, etc., at the prevailing rates.

41. Having taken note of the terms and conditions of the contract and the contractual bargain between the parties, at this stage, I deem it relevant to advert to the findings of the learned Arbitrator.

42. After considering the relevant contractual provisions, the pleadings and submissions advanced by both parties, the learned Arbitrator proceeded to frame nine issues, and held the following facts to be admitted by both parties:

> *"10. In the matter in hand, following facts are admitted by both the parties and not disputed.*
> *i) Being successful bidder Claimant was awarded the contract to*

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

deploy security guards vide letter dated 26.03.2015.
ii) An Agreement was entered into between the parties and terms & conditions of the agreement are binding on both the parties. Both the parties have filed copy of agreement and are relying upon the same.
iii) The dispute is to be decided in terms of the agreement. The terms of agreement are clear and unambiguous.
iv) Claimant has to deploy 121 security guards round the clock, 30 days a month in the hospital.
v) The Respondent has paid and claimant has received a sum of Rs.1,01,99,315/- towards security services provided by Claimant for the contract period."

43. Therefore, it is relevant to note that the learned Arbitrator was not only of the view that the contract required the Petitioner to deploy 121 guards for 30 days a month but also considered this an admitted fact.

44. Notably, it is this particular finding that is contested by the Petitioner in the present dispute.

45. In support of its contention, the Petitioner relies on the financial bid, which fixes the total monthly manpower cost at Rs. 12,36,236/- for 121 guards, which is Rs. 10,216.83/- per guard inclusive of wages, EPF and ESI. Out of this, the minimum wage per month per guard is Rs. 8,632/- per guard. The Petitioner contends that this monthly wage is calculated as Rs. 332/- per day for 26 workdays, meaning that the monthly cost fixed by the financial bid covers 3,146 guard-days (121 guards x 26 days). However, according to the Petitioner, the Respondent requires 121 guards to be deployed for 30/31 workdays, which is 3,360 guard-days i.e., additional 484 guard-days for which there is no payment. Therefore, the Petitioner alleges that the paid 3,146 guard-days (121 guards x 26 days) could be spread

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

across 30/31 days by deploying 103-105 guards and thus, the learned Arbitrator wrongly treated the deployment of 103 guards as a shortfall and, consequently, wrongly held that the Petitioner had raised inflated bills.

46. In this regard, it is borne from the record that the learned Arbitrator categorically recorded that although the Petitioner contended that the financial bid for a month was for 26 days, however, **"no such facts are available in the financial bid".**

47. The relevant findings of the learned Arbitrator are as follows:

> *"The first major controversy is regarding number of security guards deployed per month, for which payment is to be made by the respondent. Argument of learned counsel for the claimant is that in the e-tender floated by respondent on 29.12.2014 for deployment of 121 security guards for a month comprising of 26 days. In the financial bid respondent has quoted an example for a month i.e. Rs. 8632 for 26 days. Wherein the per day wage is Rs. 332/- (332 x 26 = 8632/-). That respondent has been compelling the claimant to deploy 121 guards for all 30 days of the month which is 484 number extra days than the sanctioned days by respondent, without making payment for the same. The respondent, a state and being in dominant position, is deliberately misreading clause 29 of general terms & conditions of contract to take undue advantage. Ld. Counsel has relied upon Hon'ble Supreme Court judgement in Shrilekha Vidyarthi Vs. State of U.P. 1990 SCR Supl. (i) 625. It is argued that if the above I referred clause is read in the manner being read by the respondent, then the same is violation of Article 14 of the Constitution of India being arbitrary, irrational and unreasonable.*
>
> *22. The Ld. Counsel for respondent has referred to and relied upon clause no. 29.2 and 29.3 which provides that (i) Security guards will be allowed weekly rest as per Labour Laws, (ii) Suitable provision for substitute should be kept by the contractor for which no additional payment shall be made. Therefore, contractor has to deploy 121 guards round the clock.*

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

23. Both the parties admit that 121 guards to be deployed at the premises. Dispute is regarding payment of substitutes / Relieving guards deployed due to weekly rest given to the guards. The agreement between the parties is an admitted and undisputed document. It's terms and conditions are binding on both the parties. The Claimant was aware of these terms and conditions at the time of entering into agreement. Agreement clearly provides that 121 guards are to be deployed throughout the month & no extra payment to be made for substitutes.

24. The Judgment of Hon'ble Supreme Court of India relied upon by Ld. Counsel of Claimant does not help him because facts of the case in hand are different. Terms are clear and without any ambiguity. Claimant participated with free will and considering terms. If the terms did not suit, he could have not participated or he could have terminated after one year, why continued Facts of case cited are altogether different and do not any way affect terms of contract in question.

In the case referred, Govt. of U.P. by one stroke terminated the appointment of all Govt. Counsels in districts of U. P. and to appoint fresh panel. This was done by G.O. dated 6.2.1990 w.e.f. 28.2.1990. In the present case there is no government order are notification. The Government of NCT of Delhi has floated and open tender inviting bidders for providing security services to the hospital, any one eligible can participate on the terms and conditions announced for all bidders. Plea of the Counsel is not tenable. Article 14 of Constitution of India is not attracted. Upon consideration of evidence on record, this Tribunal is of considered view that Claimant was to deploy 121 guards throughout the month and he is not entitled to claim extra money for substitutes/Relieving charges."

48. It thus appears from the above excerpt that the learned Arbitrator found both parties to have admitted that 121 guards were to be deployed. The learned Arbitrator reasoned that the Respondent had floated an open tender with clear and unambiguous terms, in which the Petitioner had participated freely. The tender documents clearly provided that 121 guards were to be deployed throughout the month, and that no extra payment was to be made for substitutes. It was further reasoned that the agreement between the parties was an

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

admitted and undisputed document whose terms and conditions were binding.

49. It is pertinent to note that the financial bid ascertained the monthly manpower cost of 121 guards as Rs. 12,36,326/- (rounded off) or Rs. 10,216.83/- per guard per month. Further, Annexure IV stipulates various conditions for deployment of the security guards, as follows:

> *"* *DEPLOYMENT*
>
> *1. In the course of providing the Security Services the Contractor will provide 121 numbers of Security Guards and the hospital will make the deployment schedule /roster in consultation with the contractor.*
>
> *2. The contractor shall deploy on the Authority / Hospital / Department's premises round the clock Security Supervisors to oversee the security arrangement, protocol & deployment. The Security Supervisors will be responsible to liaison with the Authority / Hospital/Department for day to day operation of the security arrangement.*
>
> *3. The Contractor will ensure following points related to deployment:-*
> *i) The guards deployed by Contractor will be trained young, smart and well mannered with proper uniform and as per the qualifications, experience and age.*
> *ii) The Contractor shall make available CV of the personnel to be deployed and also provide a CD giving out details of all the employees deployed in institute.*
> *iii) The shift of the guards would be rotated periodically for operational & efficiency point of view.*
> *iv) The Contractor shall be responsible to provide manpower trained in fire fighting and security. The personnel should be fully trained to handle and operate all the fire and security equipments installed in the Authority / Hospital/Department.*
> *v) The Contractor must have daily provision for day and night checking of alertness of their guards deployed and the same to be recorded in writing.*

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

vi) Monthly training of all the personnel deployed must be organized as per training programme and intimated to the Authority / Hospital / Department.
vii) During winter duty guards will be equipped with woolen over coats, boots, gloves, and sweaters as per need.
viii) The security shall be adequately equipped with torches, walkie-talkies, HHMD and other necessary communication and frisking devices for personnel and vehicle etc wherever needed.

4. The contractor shall ensure that no guard is made to work in two continuous shifts or in alternate shifts. In case it is found that Ute Security Guards are made to work either in two continuous shifts or in any two alternate shifts then a penalty of Rs.500/- for such instance will be levied.

5. That the Contractor shall ensure that the Guards/Supervisor are not replaced very frequently and in no case replacement shall be allowed during the currency of the month except for valid reasons. The Contractor shall, prior to issue of appointment letter to a new security guard/ supervisor, inform the hospital authorities and submit the detailed resume of the persons identified in replacement, for comments and review. Such replacement shall however be governed by the ceilings prescribed in the Agreement.

6. The Contractor shall ensure that at least 10% of the total security guards are ex-servicemen. These will be deployed on the most vulnerable access points across all shifts in consultation with the hospital authorities. These ex-servicemen guards will do equal number of shifts as those done by non ex-servicemen guards.

7. The Contractor shall deploy supervisors, who shall necessarily be ex-servicemen. These supervisors will be deployed across the shifts in such a manner that they are able to supervise all the access points effectively."

50. Therefore, the notice inviting the tender and the provisions of the tender document including the financial bid, as delineated in the foregoing paragraphs, provide that 121 guards were required for the contract period. For the computation of the amounts to be paid to the guards, rates were taken on monthly basis and there is no mention of a 26 work-day month.

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

51. In that view of the matter, this Court is of the considered opinion that the learned Arbitrator's finding that 121 guards were required throughout the month is a reasonable and plausible interpretation of the contract. It cannot be said that the said interpretation exceeds or rewrites or is inconsistent with the contractual bargain between the parties. This interpretation is plausible, particularly since the contract does not expressly restrict the deployment of guards to 26 days in a month. Additionally, Clause 29 of the GCC specifically provides that security guards are entitled to weekly rest for which the Petitioner is required to arrange substitutes without any additional payment.

52. However, another aspect to be considered is that the learned Arbitrator treated the requirement of deploying 121 guards for 30/31 days as an admitted fact, despite the Petitioner disputing the same. This Court is of the view that such mischaracterization does not, by itself, render the finding of the learned Arbitrator unsustainable or call for interference under Section 34 of the Act. This is because the learned Arbitrator's conclusion is a reasonable and plausible interpretation of the contractual provisions, which cannot be interfered with merely on the ground that an alternative interpretation is possible. Further, one cannot lose sight of the fact that there is an inherent flaw in the understanding of the Petitioner, inasmuch as the tender stipulated the number of guards to be deployed (i.e.,121), whereas the Petitioner is banking on the number of guard-days instead of the guards. According to this Court, the unit of comparison by both the Petitioner and Respondent are undoubtedly different. Moreover, it reasonably appears from record including the contract, that contractual

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

obligation pertains to the actual deployment of a stipulated number of guards throughout the month rather than fulfillment of an aggregate monthly quota of guard-days. Therefore, the reasoning and conclusion of the learned Arbitrator seems to be a plausible view on a plain facial reading of the terms of the contract.

53. With respect to the aspect of timely submission of invoices by the Petitioner, the learned Arbitrator held as follows:

> *"25. The second major controversy is regarding timely submission of wage bills, payment of wages to the workers and in particular deposit of amount towards ESI, EPF and service Tax etc. and submit proper proof to the respondent that such payment, and documents like police verification, training certificates, appointment letters and Labour Licence etc. It is settled Law that contractor is entitled to receive payment for services provided. The respondent being principle employer is duty bound to ensure that wages are paid to the workers employed and statutoty dues towards ESI, EPF and Service Tax etc. are deposited with the concerned authority by the contractor. Similarly contractor is supposed to submit proper proof that aforesaid payments have been made. In case of any deficiency on the part of contractor in this regard, the respondent shall be held responsible as a principal employer.*
>
> *26. In his affidavit, the witness of respondent has stated (in Para 11) "There were so many discrepancies in disbursement of wages to security guards, ESI, EPF and wage attendance record did not match with each other and due to this mismatch of records it was decided to withhold the EPF, ESI and Service Tax amounts."*
>
> *In para 17 it is said that "ESI, EPF and Service Tax payments were withheld due to so many discrepancies found in documents that EPF, ESI contribution is not going to the employees."*
>
> *In para 18 "it is stated that 50% was paid from May 2015 to September 2015 since there were many discrepancies in documents."*

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

In Para 19 it is said "since bills were overcharged an amount of Rs. 7,24,570/- was deducted as 20% penalty, in the absence of required documents like wage sheet, EPF records, bill of March 2016 could not be released."

27. The Claimant has made repeated general statements (without supporting evidence) that timely payments, were made to every security, guards deployed and towards statutory due i.e. EPF, ESI and Service Tax etc. with the concerned authority and that all required documents were submitted to the respondent hospital. In para 16 of statement of claim it is stated that Claimant continued to make timely payment to security guards deployed till February 2016 and deposited statutory dues inspite of not receiving a single payment, against the wage bills from the respondent. As regards payment of Bonus, it is admitted (in para 17) by the Claimant that Notification revising the rate at which the bonus is to be paid has been issued in January 2016 only making same applicable w.e.f. 01.04.2014, the respondent is liable to re-imburse the same to the Claimant subject to Claimant furnishing proof of payment of same.

28. From the details given below it is clear that the claimant submitted all the bills beyond the stipulated period.

S. No.	*Bill Month*	*Date of receipt of bills by respondent*
1.	*i) April, 2015*	*23.05.2015*
	ii) April, 2015	*27.06.2015*
2.	*May, 2015*	*27.06.2015*
3.	*June, 2015*	*17.07.2015*
4.	*July, 2015*	*06.10.2015*
5.	*Aug, 2015*	*12.10.2015*
6.	*Sep, 2015*	*23.10.2015*
7.	*Oct, 2015*	*23.11.2015*
8.	*Nov, 2015*	*16.12.2015*
9.	*Dec, 2015*	*13.01.2016*
10.	*Jan, 2016*	*09.02.2016*
11.	*Feb, 2016*	*09.03.2016*
12.	*March, 2016*	*09.04.2016*

29. Upon in depth perusal of lengthy material on record (filed by both parties, including Evidence) the considered view of this Tribunal is that:-

i) There are discrepancies in wage sheets/disbursement of wages to the guards, payment of statutory dues towards EPF, ESI, Service Tax etc. to the concerned authority on the part of Claimant.

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

ii) Delay in submission of important documents like Police Verification, training Certificates, appointment letter and Labour Licence etc. Claimant himself has admitted that Labour Certificate was not submitted during the contract period.

iii) It is established beyond doubt that all the bills were submitted much after the stipulated date. All bills are overcharged. Bills raised for 121 guards from September 2015 to March 2016, whereas the claimant deployed 103 guards per month hence each bill is overcharged on this account.

iv) The security guards deployed in respondent's premises were hired/engaged by Claimant. These workers were claimant's employees. Claimant is liable to submit required records for all the guards deployed. Claimant's plea that 80% of guards deployed were from the previous agency. So Claimant admits that he did not feel necessary to provide required documents for them. This plea of Claimant is not sustainable & cannot be accepted. The delay in submission of documents on the part of Claimant is well established, beyond any doubt."

54. From a perusal of the aforesaid, it appears that the learned Arbitrator, after considering the material before him, arrived at the conclusion that all invoices were furnished at a belated stage, as is evident from paragraph no. 28. The learned Arbitrator also explicitly found that the Petitioner's claim of furnishing invoices within the stipulated period lacked corroboration and authenticity.

55. It was also found that there was delay in furnishing other important documents, such as police verification, training certificates, and labour license.

56. In this regard, a finding of the learned Arbitrator pertaining to the Petitioner's labour license assumes significance. It is reproduced thus:

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

"16. The tribunal wants to clarify here, that the Labour Licence by the contractor was not submitted to the Respondent during the contract period ending on 31.03.2016. The Labour licence was issued by the Govt. of NCT of Delhi vide letter no. CLA/C/78/NW/2016 dated 21.11.2016. The relevant portion of the Licence is reproduced.

"This Licence is for doing the work of Security and Allied Duties in the establishment of M/s Sanjay Gandhi Memorial Hospital, Mangolpuri, Delhi- 110083.
The Licence shall remain in force till 02.11.2016 to 26.03.2017 (For 121 workers)."

Admittedly the Licence was never filed within the contract period which is the subject of present proceedings. The Respondent has filed the copy of the Labour Licence mentioned above in its reply to interrogatories filed on 30.01.2017."

57. It thus emerges that the Petitioner's labour license was undoubtedly furnished beyond the stipulated date, as it was valid from 02.11.2016, whereas the contract period expired on 31.03.2016. Therefore, the corresponding finding of the learned Arbitrator requires no interference.

58. Further, the learned Arbitrator held that the bills were not only late but also overcharged. The learned Arbitrator considered the bills to be overcharged as only 103 guards were deployed by the Petitioner, instead of 121.

59. In view of the finding of this Court in the preceding discussion that the learned Arbitrator's interpretation of requirement of 121 guards for 30/31 days was a plausible interpretation of the contract, this Court also finds no ground to interfere in the finding that the bills were overcharged.

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

60. Having examined the general findings of the learned Arbitrator with respect to the number of days that the security guards were to be deployed and the delayed submission of the invoices, I shall now begin to analyse the learned Arbitrator's issue-wise findings.

Issue No. 1 – Whether the Scope of Arbitration is Limited to Original Application of the Claimant Dated 21.05.2015 of Rs. 2,43,236/-

61. Insofar as Issue No. 1 is concerned, the Petitioner contended that in pursuance of the learned Arbitrator's directions, the parties settled various disputes amongst themselves, as also reflected in minutes of meeting dated 07.12.2016, and Petitioner's comments dated 26.12.2016. According to the Petitioner, the said minutes and comments were also admitted by the Respondent. It is argued that only two aspects remained for consideration, i.e., deploying 121 guards for 26 days or 30 days per month and the legality of the penalties imposed. The Petitioner thus contends that the learned Arbitrator wrongly reopened already settled matters.

62. The learned Arbitrator, while rejecting this contention, held that he was appointed by this Court to decide all disputes between the parties arising out of the contract between them and that the dispute regarding Rs. 2.43 lakhs was part of the dispute.

63. The Minutes of Meeting dated 07.12.2016 records as follows:

"Following points were discussed and decided:

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

1. Payment of March 15 to be decided on the basis of wage sheet submitted as additional document Exbt. CW1/10 copy of which is already supplied to SGMH. Agreed upon by both parties.

2. Wage sheet of April, 15 which is submitted in court as additional document and Exbt. As CW 1/11 by the claimant will be taken as final wage sheet copy of which is already supplied to SGMH. Agreed upon by both parties.

3. As there is mismatch in case of several employees between the wage sheet, ECS proof, it was agreed upon by both the parties that the hospital will pay lesser of the two amounts. Total amount of wage sheet or ECS proof whichever is less will be paid for the period of May-15 to Sep-15. Agreed upon by both parties.

4. Reg. ECS proof, the firm will submit a certified copy of Bank Statement showing payment of salary in the individual Account of each employee from May 2015 onwards.

5. Service Tax to be released if the challan are submitted to this hospital.

6. Regarding no. of guards to be deployed, the firm is deploying lesser no. of guards instead of 121 which are to be deployed as per NIT.

As per Clause No. 29 of NIT:

(i) During a month, every security guard will be allowed weekly rest as per the Labour Laws.
(ii) Suitable provision for substitute should be kept by contractor, for which no additional payment shall be made.

No agreement could be achieved on this issue.

Hospital's view was that 121 guards are to be provided by the firm and cost of substitute for weekly off is to be borne by the contractor as per the above clauses.

7. Regarding EPF, Col. (Retd.) S.N.P. Singh has suggested that the payment of EPF can be verified by any authorized representative of the hospital in person from EPFO, Jhilmil Industrial Area. For this the claimant will make the necessary arrangements with EPFO, Jhilmil and inform the hospital to send the officials.

Agreed upon by both the parties.

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

8. The claimant will also submit ESI cards of the employees within a fortnight.

Regarding penalty

1. A penalty of Rs. 2,40,326/- was imposed vide this office letter no. 790-92 dated 27/4/2015 as per clause No. 6.3(i) for delay upto 4 weeks penalty @20/- of the total contract value as :-

a) The contractor failed to submit training certificate, documents of twelve Ex-servicemen guards and Four Ex-servicemen supervisor, name-wise deployment chart and non-operational of walky-Talky sets for which claimant was informed through E-mail dated 10/4/2015 at 06:13 P.M..

b) Claimant was again informed in this regard on 15/04/2016 & 16/4/2016 through email at 6:41 PM that he has not submitted complete documents.

c) Therefore Show Cause Notice issued on 17/4/2015 to show cause on or before 24/4/15 as was decided in the meeting at 11 AM on 17/4/16 in the chamber of worthy M.S., and contractor was given last opportunity to submit all relevant documents by 4 P.M. 17/4/2015 but he failed to do so and hence the penalty was imposed on 27/4/15.

2. Penalties of Rs. 2,60,895/-, Rs. 2,71,497/- and Rs. 2,62,039/- were imposed during the months of October, November, December 2015 respectively for:

a) Non submission of Labour License.
b) Not providing adequate no. Ex-servicemen guards & supervisors.

For which:-

The claimant was informed in this regard vide hospital letter No. 5642, 5860 dated 20/8/2015 and 25/8/2015 respectively and e-mail dated 20/8/2015 and 25/8/2015 at 11:13 A.M and 03:14 P.M. respectively.

Daily attendance of the security guards was randomly checked on dated 14/09/2015 shows only one ex-serviceman supervisor was deployed in evening and night shift named Dhan Singh and Narender Kumar respectively (RW-1/11) whereas the contractor had to deploy 12 no. of Ex. Servicemen (10% of total No. guards as per NIT).

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

Daily attendance of morning shift dated 29/9/2015 was inspected physically by the MOI/C (Security) alongwith SO(CT) and Supervisor Sh. Ashok Kumar of M/s Sarvesh Security Services Pvt. Ltd. and found that only one ex-serviceman supervisor named Azad Singh was on duty but none of the security guards out of total of 56 security guards ex-serviceman, in morning shift and day shift, whereas as per NIT 10% of the security guards should be ex-servicemen (RW-1/11) i.e. atleast 05 guards should be ex-serviceman.

The claimant was informed about the discrepancies and non-submission of Labour License vide hospital letter no. 8603-04 dated 02/11/2015.

No agreement could be reached between parties on this issues.

As per the records available with the hospital labour license was applied for by the firm in the month of November 2015. Hospital view is that penalty imposed is justified."

64. Therefore, the minutes record *inter alia* that with respect to discrepancies, the Respondent hospital shall pay the lesser amount, and service tax shall be released if corresponding challans are submitted by the Petitioner. However, there was no agreement with respect to the number of guards to be deployed and the penalties.

65. According to this Court, the contention advanced by the Petitioner that the learned Arbitrator exceeded the scope of reference is not tenable. This is because though the minutes of meeting record an agreement as to the computation and the verification of certain payments, they do not establish that the monetary claims stood finally settled or were withdrawn from the scope of reference. It is also evident from paragraph 17 of the impugned award, whereby it is recorded that the Petitioner itself contended before the learned Arbitrator that payments remained outstanding on behalf of the

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

Respondent despite the settlement. Thus, in the absence of any restriction of reference in express terms, it cannot be said that the learned Arbitrator exceeded the scope of reference.

Issue No. 2 – Whether the Claimant is Entitled to Receive in Terms of the Agreement, His Claim Amount as Claimed in Statement of Claim? (Approx. Rs. 2.06 crores) If yes, What Amount?

66. Apropos Issue No. 2, the learned Arbitrator found that the bills were overcharged since only 103 guards were deployed but the invoices pertained to 121 guards. It was also found that the bills placed on record by the Petitioner were originals on stamp paper, however, the originals were supposed to be submitted to the Respondent. The learned Arbitrator also meticulously found that the amount in these bills did not tally with the photocopies filed by the Respondent and that the bill nos. and the formats were also different and accordingly returned the finding that the bills were "late, incomplete and overcharged". It was thus in the light of the plausible finding that the Petitioner had overcharged for 121 guards while only deploying 103, that the said overcharged amount was deducted by the learned Arbitrator from the amount to be paid from April 2015 to March 2016 as per the bills furnished by the Petitioner.

67. Thus, the aforesaid finding was arrived at by the learned Arbitrator after undertaking a factual inquiry and scrutiny of the evidence before him, both of which, undoubtedly lie within the exclusive domain of the learned Arbitrator and cannot be interfered with by this Court at Section 34 stage. Unfortunately, the Petitioner

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

has failed to show anything from the records that the conclusion arrived at by the learned Arbitrator was patently illegal or an erroneous finding going to the root of the matter.

68. Further, the Petitioner assails the propriety of the penalties imposed by the Respondent and the reasoning assigned by the learned Arbitrator thereto for partly upholding the same.

69. It is relevant to note that two penalties were imposed by the Respondent. First, Rs. 2,43,236/- imposed by letter dated 27.04.2015 and the second penalty amounting to Rs. 7,94,431.73 imposed *vide* letter dated 15.03.2016.

70. In this regard, the learned Arbitrator held as follows:

> *"**36. PENALTY IMPOSED BY RESPONDENT***
>
> *i) Penalty Rs. 2,43,236/- was imposed vide letter No. F.5/140/SGMH/Sec.Ser/CT/2014/790-92 dated 27.04.2015. Notice given to claimant vide, letter No. F.5/140/SGMH/Sec. Ser/CT/2014/497-497(A) dated 17.04.2015. It clearly mentions the discrepancies i.e. non submission of documents, incomplete documents submitted, letters dated 10.04.2015, 15.04.2015 & 16.04.2,015 issued through, E-mail to submit documents by 17.04.2015. This show cause notice has to be read in totality. Penalty imposed vide letter dated 27.04.2015 Since contractor failed to submit, documents by prescribed date. The letter dated 17.04.2015 meets the provisions of clause no. 6.3 (iii) of the NIT. As such penalty imposed, is as per provisions of contract. The same is allowed.*
>
> *ii) The Respondent imposed following penalties 20% of the bill amount vide letter dated 15.03.2016 (Annexure XXIII page 125 Vol. 1)*
>
> | | | |
> |---|---|---|
> | *October 2015* | - | *2,60,895.14* |
> | *November 2015* | - | *2,71,497.14* |
> | *December 2015* | - | *2,62,039.45* |

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

Total - 7,94,431.73

That no notice was issued by the Respondent to the Claimant. A notice dated 23.07.2015 (Annexure XIII page 90-91 Vol. I) narrates the deficiency of bill April 2015. It does not relate to the bills for the month of October, November, December 2015. That the letters dated 16.09.2015 and letter dated 02.11.2015 relates to the period for April to September 2015. All the above three letters cannot be construed as Notice and a valid reason for imposing penalty vide order dated 15.03.2016 for the bills of October to December 2015. The imposition of above these penalties vide order dated 15.03.2016 are without any notice therefore these penalties imposed are rejected.

37. Claimant has claimed the following amounts vide its statement of claim:-

Claim No. 4	*Amount due on account of unpaid EPFO Challans*	*Rs. 9,55,571/-*
Claim No. 5	*Amount due on account of unpaid ESIC Challans*	*Rs. 1,26,384/-*
Claim No. 6	*Amount due on account of unpaid Service Tax Challans*	*Rs. 22,88,327/-*

That the above three amounts are rejected due to the following reasons:-

a) EPF, ESI and Service Tax, have been fully paid by the Respondent to the claimant for the months of October, November, December 2015 and January, February, March 2016.

b) However, amount including EPF/ ESI/ Service Tax from the bills of May 2015 to September 2015 has been withheld by the respondent vide order dated 07.12.2015.

c) As far the period from 29 March 2015 to 30 April 2015 is concerned the claimant is required to furnish the proof of having deposited EPF, ESI, Service Tax with the appropriate authority. On receipt of the same Respondent is directed to reimburse the amount.

B. Respondent has admitted vide his order dated 07.12.2015 that "Amount to be withheld, including EPF, ESI, Service Tax Rs. 50,18,033/- for the period May 2015 to September 2015." In view of above Claimant is directed to furnish proof of having deposited statutory dues with the concerned authority within 30 days from

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

receipt of Award. And on receipt of details proof of payment made respondent will reimburse the amount to the Claimant within 15 days. In case the Claimant fails to deposit statutory dues within specified period, the respondent, as principal employer, will deposit the same with the concerned authorities within a period of 15 days.

38. Claimant has admitted that bonus has not been paid for the contract period (although claimed in the bills from July 2015 to March 2016) to the workers. In written arguments, para no. 17 Claimant has stated since the notification revising the rate at which the bonus is to be paid has been issued in January 2016 only making the same applicable w.e.f. 01.04.2014, the respondent is liable to reimburse the same to the Claimant subject to claimant furnishing proof of the same.

As such claimant is directed to pay bonus amount to workers deployed during contract period within 30 days from receipt of Award and submit proper details and proof of payment actually made. On receipt of proper details / proof Respondent is directed to reimburse the amount paid within 15 days to the Claimant towards bonus. In case Claimant fails to pay bonus amount within specified period, the respondent shall pay the same to the workers, within 15 days, thereafter."

71. With respect to the penalties, the learned Arbitrator upheld the penalty of Rs.2.43 lakhs imposed by letter dated 27.04.2015, while rejecting the subsequent penalties of Rs.7.94 lakhs. For the former, it was reasoned that due notice dated 17.04.2015 was issued to the Petitioner stipulating the discrepancies. Accordingly, the said notice was considered to be valid in terms of Clause 6.3 of the SCC.

72. On the other hand, penalties at the rate of 20% of the bill amount were imposed for the months of October, November, and December 2015 *vide* letter dated 15.03.2016, amounting to approximately Rs.7.94 lakhs. The learned Arbitrator held in this regard that no adequate notice was issued to the Petitioner. It was observed that the notice dated 23.07.2015 only pertained to deficiency

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

of the bill of April 2015 and not to the bills for the months of October, November, and December 2015. It was also observed that the letters dated 16.09.2015 and 02.11.2015 pertained to the period from April to September 2015. Accordingly, the learned Arbitrator reasoned that these letters could not be treated as valid notices in terms of Clause 6.3 of the SCC to impose penalty. Thus, these penalties came to be rejected for want of a valid notice and being bad in law.

73. While there is no quarrel with the finding of the learned Arbitrator with respect to penalties imposed for the months of October, November, and December 2015 for want of a valid notice; this Court, however, deems it fit to further examine the penalty imposed by letter dated 27.04.2015.

74. Evidently, though the Show Cause Notice dated 17.04.2015 identified the incomplete documents furnished by the Petitioner, but it only proposed the termination of the contract and forfeiture of performance security, it did not expressly refer to monetary penalty. It is also evident that Clause 6.3 (i) permits a monetary penalty calculated at 20% of the daily contract value for each day of delay up to 4 weeks, and Clause 6.3(iii) requires a proper notice before any specified penalties are imposed. It can also be gathered that the letter dated 27.04.2015 imposed a monetary penalty under Clause 6.3(i) along with forfeiture under Clause 6.3(iii). The learned Arbitrator has reasoned in this regard that the Show Cause Notice should be read in its entirety since it has described all the discrepancies for which the penalties have been imposed. The corollary question, which therefore has to be decided is whether a notice issued for breach of contract

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

suggesting termination and forfeiture and not monetary penalty, could be held as sufficient compliance for imposition of penalty under Clause 6.3(i) of SCC.

75. In this light, though rendered in context of blacklisting, the decision of the Supreme Court in ***Gorkha Security Services v. Govt. (NCT of Delhi)***[10] assumes significance:

> *"**Contents of the show-cause notice***
>
> *21. The central issue, however, pertains to the requirement of stating the action which is proposed to be taken. **The fundamental purpose behind the serving of show-cause notice is to make the noticee understand the precise case set up against him which he has to meet. This would require the statement of imputations detailing out the alleged breaches and defaults he has committed, so that he gets an opportunity to rebut the same. Another requirement, according to us, is the nature of action which is proposed to be taken for such a breach**. That should also be stated so that the noticee is able to point out that proposed action is not warranted in the given case, even if the defaults/breaches complained of are not satisfactorily explained. When it comes to blacklisting, this requirement becomes all the more imperative, having regard to the fact that it is harshest possible action.*
>
> *22. The High Court has simply stated that the purpose of show-cause notice is primarily to enable the noticee to meet the grounds on which the action is proposed against him. No doubt, the High Court is justified to this extent. However, it is equally important to mention as to what would be the consequence if the noticee does not satisfactorily meet the grounds on which an action is proposed. To put it otherwise, we are of the opinion that in order to fulfil the requirements of principles of natural justice, a show-cause notice should meet the following two requirements viz:*
>
> *(i) The **material/grounds to be stated** which according to the department necessitates an action;*
> *(ii) **Particular penalty/action which is proposed to be taken**. It is this second requirement which the High Court has failed to omit.*

[10] **(2014) 9 SCC 105**

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

> ***We may hasten to add that even if it is not specifically mentioned in the show-cause notice but it can clearly and safely be discerned from the reading thereof, that would be sufficient to meet this requirement**."*
>
> ***(emphasis supplied)***

76. Further, the Supreme Court in ***UMC Technologies (P) Ltd. v. Food Corpn. of India***[11] clarified as follows:

> *"13. At the outset, it must be noted that it is the first principle of civilised jurisprudence that a person against whom any action is sought to be taken or whose right or interests are being affected should be given a reasonable opportunity to defend himself. The basic principle of natural justice is that before adjudication starts, the authority concerned should give to the affected party a notice of the case against him so that he can defend himself. Such notice should be adequate and the grounds necessitating action and the penalty/action proposed should be mentioned specifically and unambiguously. An order travelling beyond the bounds of notice is impermissible and without jurisdiction to that extent. This Court in Nasir Ahmad v. Custodian General, Evacuee Property [Nasir Ahmad v. Custodian General, Evacuee Property, (1980) 3 SCC 1] has held that* ***it is essential for the notice to specify the particular grounds on the basis of which an action is proposed to be taken so as to enable the noticee to answer the case against him. If these conditions are not satisfied, the person cannot be said to have been granted any reasonable opportunity of being heard.****"*
>
> ***(emphasis supplied)***

77. In ***Isolators & Isolators v. M.P. Madhya Kshetra Vidyut Vitran Co. Ltd.***[12], the show cause notice only contemplated debarment, however, monetary penalty also came to be imposed. After considering the decision in ***UMC Technologies (supra)***, the Supreme Court held that the said action of imposing penalty without a specific notice to that effect could not be allowed to stand.

---

[11] **(2021) 2 SCC 551**
[12] **(2023) 8 SCC 607**

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

78. Notably, the aforesaid decisions either pertain to severe penalty such as blacklisting or imposition of additional payment than what was initially stipulated in the show cause notice. The principle emerging herein seems to be that a show cause notice apart from specifying alleged defaults should also describe the nature of the action proposed to be taken.

79. Adverting to the present matter, the central question is thus whether the Show Cause Notice dated 17.04.2015 satisfies the requirement of a proper notice envisaged under Clause 6.3, which reads as follows:

> *"Before imposing any of the above the contractor shall be given a proper notice by the department before taking a decision for penalty and communicate to him the decision so taken."*

80. Therefore, the provision requires the decision for *any* penalty to be communicated to the Contractor/Petitioner before imposing such penalty.

81. In the present matter, the Show Cause Notice contemplated forfeiture of security and termination of the contract, however, only forfeiture and monetary penalty came to be imposed. Evidently, the Show Cause Notice does not mention monetary penalty under Clause 6.3(i). The learned Arbitrator, while upholding the penalty, only observed that the said Notice adequately disclosed the grounds for attracting the penalty, without examining as to whether the pre-requisite of issuance of a notice *qua* monetary penalty was satisfied. The fact that a less severe penalty was adopted by the Respondent

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

from what was contemplated in the Show Cause Notice does not, by itself, dispense with the mandatory contractual requirement of issuing a notice. It is noteworthy that as per Clause 6 of SCC, monetary penalty is not merely a lesser penal consequence but also contemplated as a distinct penalty under Clause 6.3(i) thereunder.

82. In the considered view of this Court, the Show Cause Notice pertained to termination and forfeiture. There was no notice with respect to monetary penalty under Clause 6.3(i). The contractual provision does not require mere communication of the grounds, but it requires the "decision for penalty" to be communicated to the Contractor/Petitioner. In the present case, there is nothing on record to establish that the Petitioner was made aware of the Respondent's decision to impose monetary penalty. Thus, this Court is of the considered view that the Petitioner had no adequate opportunity to defend the same.

83. Accordingly, the finding of the learned Arbitrator sustaining the monetary penalty of Rs.2.43 lakhs is susceptible to interference under Section 34 of the Act for the failure to give effect to an express contractual provision.

84. In the considered view of this Court, the part of the impugned award upholding the monetary penalty is severable from the remaining award, and setting aside the same would not impinge upon the other findings of the learned Arbitrator. Such partial setting aside

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

is permissible in terms of the law laid down in ***Gayatri Balasamy v. ISG Novasoft Technologies Ltd.***[13]

85. The finding of the learned Arbitrator upholding the penalty imposed by letter dated 27.04.2015 is therefore set aside.

86. For completeness, I shall now advert to the remaining issues decided by the learned Arbitrator.

Issue No. 3 - Whether The Claimant Has Inflated His Claim Amount and is Liable to Be Dismissed on the Basis of the Document/Material Filed By the Respondent?

87. The learned Arbitrator found that, as per the Petitioner's admission, 103 guards were deployed from September 2015 to March 2016. In such event, claiming wages for 121 guards was held to be unjustified. It was further observed that the Petitioner urged before the learned Arbitrator that the remaining 18 guards were utilized as substitutes to provide weekly rest. In this regard, the learned Arbitrator reasoned that the contract clearly provided that the Contractor would not be entitled to any additional payment for substitutes. Accordingly, this Court is of the opinion that no interference is warranted in the said finding.

Issue No. 4 – Whether the Claimant is Entitled, in Terms of Agreement, to Interest, Relieving Charges of security guards, EPF, ESIC & Service Tax?

[13] **(2025) 7 SCC 1**

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

88. The learned Arbitrator again placed reliance on Clause 29 which stipulated that no additional payment would be given to the Contractor for arranging substitutes. With respect to the statutory dues, the learned Arbitrator held that the Petitioner was bound to deposit the same for the workers it had deployed. It was also observed that the Petitioner would, upon such payment, be entitled to reimbursement by the Respondent after furnishing requisite proof of payment.

89. The aforesaid finding of the learned Arbitrator is based on contractual provisions and is in consonance with the contractual bargain between the parties. The learned Arbitrator also acknowledges that the Respondent, being the principal employer, will reimburse the Petitioner. Accordingly, the said finding does not warrant any interference under Section 34 of the Act. Furthermore, no interference is warranted with the findings rendered under Issue No. 5 for the aforesaid reasons.

90. With respect to Issue No. 6, i.e., whether the Respondent is empowered to impose penalty in terms of the Contract, the learned Arbitrator correctly placed reliance on Clause 6 of SCC, which in no ambiguous words, vests the power to impose penalty upon the Respondent, including monetary penalties, termination of the contract and forfeiture of security deposit, etc. Therefore, there is no error in this finding as well, which may warrant interference under Section 34 of the Act.

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27

91. Apropos Issue No. 7 i.e., whether the Respondent is liable to pay the unpaid wages, interest, EPF, ESI and Service Tax, the learned Arbitrator placed reliance on Clause 4 of the SCC which expressly requires the Petitioner to pay these amounts, which will then be reimbursed by the Respondent after the Petitioner furnishes the invoices. This Clause also expressly provides that disputed amounts can be withheld. In this light, the learned Arbitrator merely reiterated the said provision and held that the Petitioner was liable to pay the unpaid wages, EPF, ESI, and Service Tax, if any. Upon furnishing requisite proof that the payments have actually been made, the Respondent was directed to reimburse the Petitioner for the same. In addition, Clause 7 of the SCC provides that the contractor shall pay wages to its employees. Accordingly, the said finding is squarely covered by the contractual provisions and therefore warrants no interference by this Court.

92. Therefore, in view of the foregoing discussion, the impugned arbitral award dated 25.04.2017 is substantially upheld, save for the finding *qua* penalty of Rs.2.43 lakhs, which stands set aside for want of proper notice as envisaged by the contract between the parties.

93. The present objection petition is therefore allowed in part in the aforesaid terms.

94. Pending applications, if any, stand disposed of. No order as to costs.

OM PRAKASH SHUKLA, J

NOVEMBER 27, 2026/pa/*gunn*

Signature Not Verified
Signed By:GUNN
Signing Date:28.11.2026
16:28:27