If the arbitral tribunal has adopted a plausible contractual interpretation, and provided a reasoned basis for its conclusions on risk purchase, delay, liquidated damages, and bank guarantee invocation, the award does not suffer from patent illegality

The **Bombay High Court** in the case of **Paharpur Cooling Towers vs Siemens Limited [Commercial Arbitration Petition No. 996 of 2019] dated June 08, 2026**, has held that a reasoned arbitral award will not be disturbed under Section 34 Arbitration Act merely because the losing party alleges erroneous quantification, imperfect apportionment, or a different plausible contractual interpretation. Where the arbitral tribunal has considered the parties' submissions, relied on contemporaneous material, adopted a plausible contractual interpretation, and provided a reasoned basis for its conclusions on risk purchase, delay, liquidated damages, and bank guarantee invocation, the award does not suffer from patent illegality or perversity warranting setting aside.

On risk purchase, the High Court observed that the arbitral tribunal had not acted arbitrarily in allowing 50% of the disputed portion of Siemens' claim, and had considered the parties' respective cases, the evidence on record, Siemens' notices relating to risk purchases, and the admitted absence of price negotiation as well as the higher rates paid for manpower. The Court observed that this was not a case of unreasoned "rough and ready" justice; rather, the tribunal had articulated a reasonable basis for discounting the disputed amount and arriving at a broad estimate, which could not be characterised as patent illegality or perversity under Section 34.

On delay and liquidated damages, the Court found that the tribunal had adequately dealt with the argument that part of the delay was attributable to Siemens and another contractor, Gammon India. The Court accepted Siemens' submission that under Clause 2.1 of the GRA, the relevant question was whether delay of not less than 100 days was attributable to Paharpur, because once that threshold was crossed, liquidated damages capped at 20% of the contract price became payable. The tribunal's reliance on contemporaneous minutes of meetings, correspondence, milestone dates, and findings on shortage of manpower and machinery was held to be evidence-based and rational. The Court therefore refused to interfere with the findings attributing delay to Paharpur and upholding liquidated damages of Rs. 23.59 crores.

On invocation of bank guarantees, the Court rejected Paharpur's contention that the issue had remained unadjudicated or that the tribunal had ignored a Supreme Court direction. It held that the Supreme Court's earlier order merely observed that the legality of invocation was a matter for arbitration and not criminal proceedings. The arbitral tribunal had in fact interpreted the contractual documents and reasonably concluded that the advance payment guarantee continued to operate as a performance guarantee as well, since it was required to remain valid until provisional acceptance and had not stood discharged even after adjustment of the advance. The tribunal had also returned a categorical finding that Siemens' invocation was not mala fide, and the Court held that this interpretation and treatment of the guarantees were commercially logical and plausible, and therefore immune from interference under Section 34.

Accordingly, the High Court reaffirmed that Section 34 review does not permit a court to substitute its own view on contractual interpretation, quantification of claims, or appreciation of evidence where the arbitral tribunal has adopted a plausible and reasoned approach. It also dismissed a Section 34 challenge to a unanimous arbitral award and reiterated the limited scope of judicial interference with reasoned arbitral decisions.