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IN THE HIGH COURT OF DELHI AT NEW DELHI

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Date of Decision: October 13th, 2026

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CNR No. DLHC010092102024

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W.P.(C) 2852/2024 & CM APPL. 11743/2024**MEENA SHARMA****.....Petitioner****Through: Mr. Umesh Sharma and Ms.
Chhaya Sharma, Advocates.****versus****INDIAN OIL CORPORATION LTD.****.....Respondent****Through: Mr. Rajiv Shukla, Ms. Shivani
Kapoor, Mr. Sanjay Kumar,
Mr. Manish Kumar and
Mr. Manish Bhardwaj,
Advocates.****CORAM:****HON'BLE MR. JUSTICE AMIT MAHAJAN****AMIT MAHAJAN, J. (Oral)**

1. Termination of the Indane LPG distributorship of M/s Neelkanth Gas Service by order dated 24.08.2022 passed by Indian Oil Corporation Limited (hereinafter 'IOCL') has been challenged by the present petition.
2. Petitioner is the partner in M/s. Neelkanth Gas Service and essentially seeks restoration of the distributorship in her individual favour.
3. It is borne out from the record that the Petitioner was initially allotted the LPG distributorship under the Physically Handicapped category as a *sole proprietor*, in the year 1998.
4. Subsequently, after about 10 years, she sought reconstitution of

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the distributorship for inducting the new partner Smt. Shweta Gupta. Consequently, the distributorship was reconstituted in the name of a registered Partnership Firm, under a fresh Distributorship Agreement dated 26.10.2009 executed between the Firm and IOCL, with the Petitioner holding 51% share and one Ms. Shweta Gupta holding 49% share.

5. Disputes arose between the partners regarding the management and operation of the distributorship, leading to complaints by the Petitioner alleging financial irregularities and unauthorised acts by the partner Ms. Shweta with multiple forums.

6. Eventually, supplies were suspended by the IOCL in October 2021.

7. In view of the continuing disputes, IOCL issued a Show-Cause Notice dated 28.04.2022, whereby, the Partnership was called upon to Show Cause as to why action should not be taken as their disputes had not been resolved which is in contravention of terms and conditions of the Distributorship Agreement, specifically Clause 11, 23(a) and 23(b) of the Distributorship Agreement.

8. It has been further noted in the Impugned order that only the Petitioner submitted her reply dated 05.05.2022, reiterating her grievances against the other partner and took a stand that she should not be held responsible for any act of cheating/fraud done by the other partner. She also stated that the illegal Bank Accounts opened in the name of the Distributorship were opened by the other partner without the authorization of the Petitioner and her Signatures were also forged.

9. It has been further recorded that, on 10.05.2022, both partners



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submitted a joint representation stating that though misunderstandings had arisen between the parties due to which the IOCL was constrained to suspend the supplies on 13.10.2021, now the disputes stand amicably resolved and they have withdrawn their respective complaints against each other on various forums and thus, the supply can be restored. However, shortly thereafter, the Petitioner addressed another communication dated 18.05.2022, wherein she stated that her request dated 10.05.2022 be kept in abeyance till further communication.

10. Since, no further communication from any of the partners was received; IOCL sent further communications seeking a joint response to the Show-Cause Notice, duly signed by both partners, to confirm their stand. However, no further reply was furnished.

11. Accordingly, IOCL, holding that the disputes between the partners persist, terminated the distributorship under Clauses 27(a) and 27(n) of the agreement *vide* the impugned order dated 24.08.2022, further noting that no consensus had been reached between the partners and the continuing discord was adversely affecting the functioning of the distributorship and causing hardship to consumers.

The impugned order is reproduced herein below:-

“ Subject: Termination of LPG Indane distributorship - M/s Neelkanth Gas Service, Delhi, Sap ID-107242

Dear Sir/Madam,

M/s Neelkanth Gas Service is LPG distributorship of the Corporation at G-1/67, Canara Bank Lane Uttam Nagar, New Delhi-110059, a partnership firm with Smt. Meena Sharma (51%) and Smt. Shaweta Gupta (49%) operating on the terms and conditions of the distributorship agreement dated 26.10.2009 executed between the Corporation and M/s Neelkanth Gas Service through its partners.

This has reference to and is in furtherance to Show Cause Notice bearing Ref. DAO/LPG/301 dated 28.04.2022 issued to the distributorship contents of which are not being repeated for the sake of



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brevity whereby, you were informed that the dispute between you the partners has not been resolved and is still existing which is in breach of terms and conditions of the distributorship agreement. Your attention in this regard was brought to Clause 11, 23(a) and 23(b) of the distributorship agreement dt. 26.10.2009 and you were called upon to Show Cause within a period of 15 days from the date of receipt of Show Cause Notice why the action against you be not taken. It was dearly mentioned therein that if no reply is received or the reply filed by you is not found to be satisfactory, Corporation shall be constrained to take action which may include termination of the distributorship.

As against the aforesaid Show Cause Notice, Corporation is in receipt of reply dated 5.5.2022 only from one of the partners, namely Smt. Meena Sharma, who in her reply has stated that the show cause notice is nothing but clear concocted stories cooked up in order to terminate the Service and to cover the wrong doings of the employees and officials of the Corporation. She has also submitted that she had made complaints to remove the junior partner and to allow her to run the distributorship herself which has fallen on the deaf ears. In her reply, she has also admitted that the other partner Smt Shweta Gupta was inducted as partner with her consent only and the distributorship agreement was signed by both the partners. While relying on the sections of partnership act, she has also submitted that one partner is not responsible for acts of cheating and fraud done by the other partner and has also submitted that the other partner in connivance with Mr Anil Goyal forged her signatures and has restricted her from obtaining any knowledge of the distributorship. She has also submitted that she has not been allowed to inspect the accounts of the distributorship and has also not been given her share of profit. She has also submitted that there were two illegal Bank Accounts with the Indian Bank and Karur Vyasa Bank in the name of the distributorship which were opened by the other partner without her authorization and personal presence whereon Corporation has changed the stand and has now delinked the accounts.

She has also alleged that delay in resolving the dispute between the partners is because of misleading replies and unambiguous information provided by the Corporation to her. She has also submitted that the other partner Mrs Shweta Gupta had given an undertaking to close the accounts however, no action has been taken by IOCL against her and the Corporation is trying to shield the other partner and have deliberately hide the information from her. She has also submitted that Corporation is aware that she had filed a case against the other partner in the High Court of Delhi and in order to settle the matter, the other partner, Sh Anil Goyal and their Accountant had approached her to settle the matter and under that garb, she had signed few papers in the office of the Corporation as having settled the matter however, objections were raised by her that no settlement shall be effective until and unless the illegal accounts opened by the junior partner are closed and the junior partner had also given an undertaking to this effect on 23.8.2021.

She has also submitted that the junior partner was supposed to inform the Corporation about the closure of accounts which she

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apprehends have not been closed and the money lying therein is still being used by her. It has also been submitted that the letter dt. 28.9.2021 addressed to the distributorship and its partners vide which the Corporation had communicated that bank account with Indian Bank and Karur Vysya Bank will be delinked and any transaction made using these bank accounts will not be credited to the PAD of the distributorship and thereafter, the letter dt. 13.10.2021 vide which the supplies to the distributorship were suspended was ever sent by the Corporation to the principal partner, rather no such communication regarding delinking the account was ever made by the Corporation as such, Corporation is merely covering its tracks and putting the complete blame on the principal partner.

She has further submitted that no clauses as have been mentioned by the Corporation in SCN have been flouted by the partners rather, IOCL has neglected its duties as given in the distributorship agreement. She has also submitted that despite informing the Corporation about the criminal offences being done by the other partner, no stern action has been taken against her. She has also submitted that she is ready and bound to settle the matter with the other partner however, the other partner is not coming forward to settle the disputes and now as the intentions of the other partner have turned malafide, therefore, the other partner be removed and the distributorship be reconstituted in her favour.

It is on record that no reply has been received from the other partner i.e Shweta Gupta however, on 10.05.2022, both the partners appeared/presented themselves in the office of Divisional LPG Sales Head(DLSH), Delhi Indane Divisional Office and submitted a letter dated 10.05.2022 (signed by both the partners) stating therein that few misunderstandings had arisen between them during the last one year due to which the Corporation was constrained to suspend the supplies of the distributorship on 13.10.2021 to safeguard the interest of the Corporation and its customers. Now they have amicably settled their dispute and had assured and confirmed that they shall faithfully and diligently observe and carry out all directions and shall perform as per the norms and terms and conditions of the agreement and shall also take active part in the management of the distributorship.

In the letter, it has also been assured that such incidents shall not be repeated in future and both the partners have withdrawn all their complaints against each other before all the forums and requested for revocation of suspension. Further, it is also on record that immediately thereafter, two emails, both dt. 18.5.2022 were received from Smt. Meena Sharma from the mailing address charuatui25@gmail.com addressed to Chief General Manager (LPG), DSO one mail is of 1.09 pm wherein, she has stated that she is suffering from illness due to diabetes and getting treatment therefore, she shall respond to the office of Chief General Manager (LPG), DSO on Monday in continuation of her previous communication dt. 10.5.2022 (inadvertently mentioned as 11.5.2022). Other mail is at 1.35pm wherein again she has stated that her request dt. 10.5.2022 (inadvertently mentioned as 11.5.2022) submitted before

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CAM-LPG, Delhi Area be kept in abeyance till her further communication.

Thereafter, no communication has been received from any of the partners. To get the confirmation in respect of mails dt. 18.5.2022, a letter dt. 27.5.2022 was again sent to the partners of the distributorship advising them to submit a joint reply within 7 days from the issuance of letter. As no reply was received to the letter dt. 27.5.2022, therefore another letter dt. 4.7.2022 was sent to Ms Meena Sharma through speed post and also through email at the mailing address from where the mail dated 18.5.2022 was received advising her to submit a reply duly signed by both the partner to the SCN of the Corporation. A similar letter was sent to Ms. Shweta Gupta the other partner, on 5.7.2022 advising her to submit reply to the SCN duly signed by both the partners. Thereafter, there is no response from any of the partners till date.

From the above, it is clear that the dispute between the partners has not been resolved and is still continuing. Further, both the partners are not sticking to their commitments and changing their stand from time to time which is evidenced from the letter dt. 10.5.2022 and the mails dt. 18.5.2022 received by the Corporation thereafter.

In view of above it is established that no consensus has been reached between the partners and their dispute is still existing and continuing which apart from putting customers of the area to hardship is also earning bad name to the Corporation and is in violation of the terms and conditions of the distributorship agreement as mentioned in the show cause notice.

Your attention is invited to Clauses 27 (a) and (n) of the distributorship agreement which states as under

"Clause 27"

Notwithstanding anything to the contrary herein contained, the Corporation shall also be at liberty at its entire discretion to terminate this agreement forthwith upon or at any time after happening of any of following events, namely:

(a) if the Distributor shall commit a delay, breach or default of any of the terms and conditions, covenants and stipulations contained in the Agreement and fail to remedy such breach within four days of the receipt of written notice from the Corporation in that regard;

(n) if the distributor shall either by himself or by his servants or agents commit or suffer to be committed any act which in the opinion of the General Manager of the Corporation for the time being at Delhi whose decision in that behalf shall be final, is prejudicial to the interest or good name of Corporation or its products; the General Manager shall not be bound to give reasons of such decision.

Therefore, in line with the aforementioned clauses of the distributorship agreement, your distributorship is terminated forthwith and you cease to be our distributor henceforth.

You are also advised to reconcile your accounts with the Corporation as equipments / inventories are still lying in your godown/possession. Also hand over the possession of the godown that was allotted by DDA in the name of the Corporation and was being used by the distributorship for storage of LPG cylinders with no dues

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certificate on account of license fee of the godown.

You are advised to visit the office of Divisional LPG Sales Head, Delhi Indane Divisional Office within one week from the date of receipt of this letter for reconciliation of accounts.

This letter has been issued without any prejudice and to safeguard the interests of the Corporation. “

12. Aggrieved the present petition has been filed.
13. Learned counsel for the Petitioner has raised a limited argument that the Petitioner was the original allottee of the distributorship and that the subsequent conduct of a partner, inducted subsequently, could not deprive her of her entitlement to operate the distributorship. It is further contended that the Petitioner had repeatedly complained of financial irregularities, forgery and collusion, but the respondent failed to address her grievances and instead proceeded to terminate the distributorship.
14. *Per contra*, learned counsel for IOCL submits that the Petitioner herself sought reconstitution of the distributorship in 2009 and voluntarily entered into a fresh contractual arrangement in the name of the partnership firm. It is contended that the Petitioner cannot disregard the terms of the reconstituted agreement and claim an unconditional right to restoration of the distributorship in her individual capacity at this stage. It has also been argued that the co-partner has not been made a party to the present proceedings and since much water has flown since passing of the termination order in the year 2022, the distributorship has been allotted to another entity.
15. At the outset, it is necessary to note that the Petitioner's original allotment of the LPG distributorship and its subsequent reconstitution are distinct stages of the contractual relationship.



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16. It is an admitted position that the Petitioner initially operated the distributorship as a sole proprietor but subsequently sought its reconstitution, pursuant to which a fresh Agreement dated 26.10.2009 was executed in the name of the Partnership Firm. The rights and obligations of the parties were thereafter governed by the terms of the reconstituted Agreement.

17. Thus, the Petitioner's status as the original allottee, by itself, cannot confer an indefeasible right to restoration of the distributorship in her individual capacity, disregarding the subsequent Contractual Arrangement.

18. It further emerges that the disputes between the partners had persisted and affected the functioning of the distributorship, including arrangements for the regular supply of LPG cylinders. The Respondent accordingly had issued a show-cause notice dated 28.04.2022, to which the Petitioner submitted a reply dated 05.05.2022. Thereafter, on 10.05.2022, both partners jointly represented that their differences had been amicably resolved and undertook to abide by the terms of the distributorship agreement. This, as noted in the impugned order, was requested to be kept in abeyance by the Petitioner, vide communication dated 18.05.2022. The Respondent thereafter sought a further joint response and issued additional communications to the partners, but no further reply was received.

19. In these circumstances, the Respondent was entitled to assess whether the distributorship could continue to function in accordance with the Agreement. The Respondent could not be expected to rely



indefinitely upon an assurance of settlement which was subsequently sought to be kept in abeyance, particularly when no satisfactory clarification was furnished despite further opportunities.

20. Further, the impugned order invokes Clauses 27(a) and 27(n) of the distributorship agreement and refers to the obligations arising under Clauses 11, 23(a) and 23(b). The same are reproduced as under:

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“ 11. Distributor to abide by Indane Manual and other directions of the Corporation - The Distributor shall faithfully and diligently observe and carry out all directions, orders, terms and conditions as may be issued by the Corporation from time and as may be contained in the Corporation’s ‘Indane Manual’ and any amendments or modifications as may be made by the Corporation thereto from time to time. This Distributor hereby confirms that he has received the copy of the Indane Manual and the General Directions as circulated by the Corporation on the date of this Agreement and agrees to abide by and perform the same.

Xxx xxx xxx

23. Faithful performance -(a) *The Distributor undertakes faithfully and promptly to carry out, observe and perform all directions and orders or rules made from time to time by the Corporation or its representatives for the proper carrying on of the distributorship of the Corporation.*

(b) it shall be a paramount condition of the agreement that the Distributor himself (if he be an individual) or both the partners of the distributor’s firm (if the Distributor is a partnership firm consisting of two partners only) or the majority of the partners of the Distributor’s firm (if the Distributor is a firm consisting of more than two partners) or the majority of the Office Bearers/Elected Members of the Distributors Co-operative Society (if the Distributor is a Co-operative Society) Managing/ Wholetime or Elected Directors (if the Distributor is a private limited company) as the case may be shall take active part in the management and running of the



Distributorship and shall personally supervise the same and shall not under any circumstances do so through any other person, firm or body.

Xxx xxx xxx

27. Termination of Agreement - Notwithstanding anything to the contrary herein contained, the Corporation shall also be at liberty at its entire discretion to terminate this Agreement forthwith upon or at any time after the happening of any of the following events. namely:-

(n) If the Distributor shall either by himself or by his servants or agents commit or suffer to be committed any act which, in the opinion of the General Manager of the Corporation for the time being at Delhi whose decision in that behalf shall be final, is prejudicial to the interest or good name of Corporation or its products; the General Manager shall not be bound to give reasons of such decision”

21. Thus, this Court finds merit in the argument raised by the Respondent that as per the Agreement itself, one of the important conditions of grant of distributorship was to operate the distributorship personally full time and by both the partners jointly and the agreement could be terminated if the distributor commits such an act which causes prejudice to the interest and good name of the Corporation. The Respondent concluded that the continuing discord was affecting the functioning of the distributorship, causing hardship to consumers and prejudicing the interests and reputation of the Corporation. Given the nature of the activity involved, the Respondent was entitled to consider the practical consequences of the partners' inability to resolve their differences and ensure uninterrupted supplies to consumers.

22. It is well settled that the jurisdiction under Article 226 is not



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intended to substitute the Court's assessment for that of the contracting authority in every commercial dispute.

23. Even otherwise, the Respondent has further informed this court that, following termination, after repeated notices for account/stock reconciliation/submit no dues certificates were ignored by the Petitioner, the Respondent took possession of the godown with equipment on 20.10.2022 in presence of public Notary, and then handed it over to another proprietor on 10.10.2023. The site has since been allocated to M/s Shanti Indane for securing public LPG supply in Uttam Nagar Grid. Thus, no effective relief can be granted to the Petitioner by disturbing the subsequent arrangement, at this stage, when the writ has been filed in the year 2024 challenging an action taken in the year 2022.

24. This Court also finds merit in the argument of the Respondent that the petition has been filed by the Petitioner in her individual capacity as "*Proprietor*", when the underlying contract was executed with a registered Partnership Firm and the Petitioner cannot maintain an individual writ without impleading the registered firm or her co-partner.

25. For the foregoing reasons, this Court finds no sufficient ground warranting interference under Article 226 of the Constitution of India.

26. The writ petition, along with the pending application(s), if any, is accordingly dismissed.

AMIT MAHAJAN, J

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