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Arb.O.P.(Com.Div.)No.88 of 2023

In the High Court of Judicature at Madras

Reserved on : 09.10.2025	Delivered on: 16.10.2025
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Coram :

The Honourable Mr.Justice N.ANAND VENKATESH

Arbitration O.P.(Com.Div) No.88 of 2023

G.Baskaran, M/s Baskar Modern
Rice Mill, Thanjavur ...Petitioner

Vs

1.The Managing Director,
Tamil Nadu Civil Supplies
Corporation, Head Office
(Marketing), Chennai-10.

2.The Senior Regional Manager,
Tamil Nadu Civil Supplies Corporation,
Thanjavur- 613 001.

3.The Manager (Quality Control),
Tamil Nadu Civil Supplies Corporation,
Thanjavur- 613 001.

...Respondents

PETITION under Section 34(2) of the Arbitration and Conciliation Act, 1996 praying to set aside the award bearing Arbitration No.1 of 2018 dated 22.9.2022 passed by the learned Arbitrator, in the matter of the dispute between the petitioner and the respondent Nos.1 and 2,



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In respect of the award in favour of the later (respondents No.1 and 2), providing for the payment of money due to the petitioner and to direct the respondents to pay the costs.

For Petitioner	: Mr.R.Swaminathan
For Respondents	: Mr.M.K.Kabir, SC for Mr.C.Selvaraj

ORDER

This is a petition filed under Section 34 of the Arbitration and Conciliation Act, 1996 (for short, the Act) seeking to to set aside the award bearing Arbitration No.1 of 2018 dated 22.9.2022 passed by the sole Arbitrator.

2. Heard both.

3. The case of the petitioner is as follows :

(i) The petitioner is the owner of M/s.Baskar Modern Rice Mil at Thanjavur. The petitioner is the claimant before the sole Arbitrator. The petitioner is engaged in the business of curing and hulling paddy. The petitioner was appointed as a hulling agent by the respondent



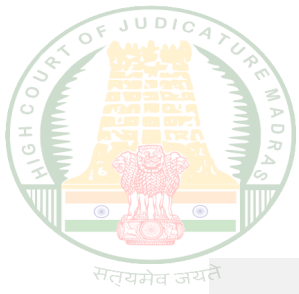
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Corporation through an agreement dated 01.3.2013 for a period of five years. As per the agreement, the petitioner, after hulling the paddy, must deliver the resultant rice to the respondent – Corporation in conformity with the prescribed quality and quantity standards.

(ii) During the subsistence of the agreement, a show cause notice dated 21.6.2013 was issued to the petitioner calling upon him to explain as to why the agreement should not be canceled and as to why the petitioner should not be blacklisted for allegedly supplying substandard and unconnected rice instead of the rice derived from the paddy supplied to him for hulling to an extent of 22.500 Metric Tons.

(iii) The petitioner gave a reply to the said show cause notice stating that he was not at fault. The petitioner also filed a writ petition in W.P.(MD) No.11795 of 2013 before the Madurai Bench of this Court seeking to quash the said show cause notice and it was quashed by order dated 24.7.2013.

(iv) Aggrieved by the said order dated 24.7.2013, the respondent Corporation filed a writ appeal in W.A.(MD) No.1176 of 2013 and this writ appeal was disposed of along with other similar writ appeals by a common judgment dated 02.7.2014 with certain directions.



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(v) The second respondent, through proceedings dated 05.8.2014, after receiving the explanation from the petitioner, ordered that the petitioner was terminated from the hulling agent of the respondent Corporation at Thanjavur vide hulling agents contract agreement under para Nos.24 & 25 with immediate effect apart from blacklisting the petitioner. Further, the second respondent also adjusted the security deposit and issued orders for recovery under the Revenue Recovery Act for a sum of Rs.47,08,570/-.

(vi) The dispute was referred to the sole Arbitrator and in the claim statement, the petitioner made the following claims :

"A. set aside the claim made by the Corporation of Rs.42,62,520/-;

B. direct the Corporation to pay Rs.75 lakhs as cross claim made by the claimant;

C. direct the Corporation to return back the forfeiture of the security deposit to the tune of Rs.5,00,000/-;

D. direct the Corporation to disburse the hulling charges together with transport charges to the tune of Rs.4,66,932/-; and



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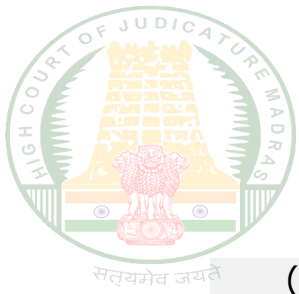


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E. direct the Corporation to set aside the order of blacklist and termination and consequently direct the Corporation to supply paddy to the claimant's rice mill."

(vii) Before the sole Arbitrator, the respondent Corporation filed a counter statement, in which, they took the following stand :

As per the agreement, the hulling agent was supposed to do hulling operation of the paddy that was supplied to him and deposit the resultant rice in the godown and it must meet the prescribed quantity and quality norms. To ascertain the same, random analysis was done by the quality control staff. Further, samples were collected in the presence of the representative of the petitioner and they were sent to the Regional Laboratory. Pursuant to that, a report was received to the effect that there were incidence of old rice, low moisture and musty smell and unconnected PDS rice. It was under those circumstances, a show cause notice came to be issued to the petitioner. Ultimately, the contract was terminated after affording an opportunity to the petitioner. The respondent Corporation justified their claim for a sum of Rs.42,62,520/-, the forfeiture of security deposit and the resultant blacklisting of the petitioner.



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(viii) The sole Arbitrator, on considering the claim statement and the statement of defence, came to the following conclusions :

"Taking into consideration of all the above facts, merits and demerits of this case, and in the circumstances explained supra, I conclude and order that,

(a) as supply of substandard and un-connected PDS rice by the claimant in the deposited resultant rice has been proved, the recovery ordered for Rs.15,14,042/- after all process is in order. After this amount is remitted/ collected, the ban for blacklisting the mill be lifted.

(b) as regards other recoveries enlisted supra and the claim of Rs.4,66,934/- by the claimant pending payment towards hulling and transport charges (P:11). after due reconciliation, further action be taken, as per Rules in force, by both.

(c) since major trial period of this case falls under Covid 2019 spread, no interest can be claimed by both.

(d) for other monetary claim, ie. loss of Rs.75 Lakhs by the claimant (P:11). it is not worthy to be considered in the absence of supportive records/ documents.

(e) since the agreement for the hulling agent executed on 01-03-2013 is already over, no orders passed in this aspect; and



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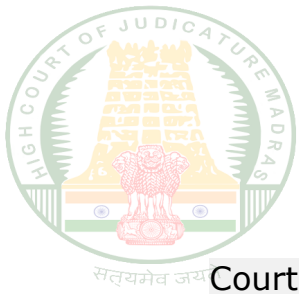
*(f) the cost of this Arbitration shall be shared
by both the parties 50:50 basis."*

Challenging the same, the petitioner is before this Court.

4. The grounds that were urged by the learned counsel for the petitioner are as follows :

The sole Arbitrator failed to take note of the fact that the quality control certificate relied upon was not proved and that the concerned person disowned his own signature in the certificate. Therefore, the certificate itself was fraudulent. The sole Arbitrator was appointed by the respondent Corporation and he toed the line of the respondent Corporation. The damage that was ascertained was within the permissible limits and the sole Arbitrator came to a wrong conclusion by relying upon the fraudulent certificate.

5. The submissions made on the side of the petitioner were almost based on the facts of the case and the appreciation of evidence made by the sole Arbitrator. A retired Revenue Divisional Officer was the sole Arbitrator in this case. He is a lay person and this Court must bear in mind that whenever a lay person acts as an Arbitrator, the



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Court must only see if there is a rational approach based on the evidence and the recognized legal principles and the Court should not be expecting the sole Arbitrator to reach the standards of a legally trained mind. Therefore, Section 34 of the Act cannot be invoked to disturb the award only for the reason that it lacks detailed reasoning.

6. I had an occasion to deal with this issue in a recent order passed in O.P.No.494 of 2018 dated 06.10.2025 wherein the relevant portions are extracted as hereunder :

"31. In Paragraph 28, there is reference to Footnote No. 21 and the said footnote is extracted hereunder:

21. Very often an arbitrator is a lay person not necessarily trained in law, Lord Mansfield, a famous English Judge, once advised a high military officer in Jamaica who needed to act as a Judge as follows:

'General, you have a sound head, and a good heart, take courage and you will do very well, in your occupation, in a court of equity. My advice is, to make your decrees as your head and your heart dictate, to hear both sides patiently, to decide with firmness in the best manner you can; but be careful not to assign your reasons, since your determination may be substantially right,



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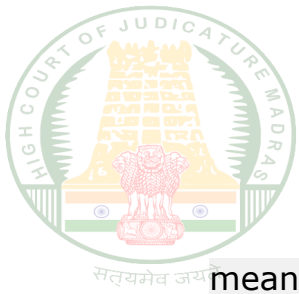
although your reasons may be very bad, or essentially wrong.'

It is very important to bear this in mind when awards of lay arbitrators are challenged.

32. It is clear from the above that when this Court is dealing with an Award passed by a lay person, the Court should not expect that the reasoning and the Award passed will measure up in quality to a trained legal mind. Such Awards can only be assessed by looking into the reasons assigned and to test as to whether it is a possible view based on the evidence relied upon by the Arbitrator and if such Award is found to be substantially right, although the reasons assigned may not measure up to what is expected from a legally trained mind, but however, satisfies the triple test employed in Dyna Technologies Private Limited vs. Crompton Greaves Limited reported in 2019 20 SCC 1."

7. Keeping the above parameter in mind, this Court will now go into the award passed by the sole Arbitrator.

8. The crux of the dispute touches upon the alleged substandard rice that was detected by the quality control staff. Admittedly, the petitioner is a hulling agent with sufficient experience. That does not



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mean that if no such complaint was given against the petitioner in the past, there cannot be a complaint at any future point of time. The quality certificate signed by the Assistant Manager (Quality Control) was relied upon by the respondent Corporation. If, according to the petitioner, this certificate cannot be acted upon and if the specific case of the petitioner is that there was no damaged stock, the petitioner could have sought for a re-analysis.

9. This issue was considered by the sole Arbitrator, who found that the fact that the petitioner did not seek for reanalysis and this would show that the petitioner already knew that the rice deposited by him was of substandard quality. The petitioner was attempting to question the certificate based on the evidence of one Mr.A. Aranganathan, who seemed to have denied his own signature in the certificate. If that is so, one easy way for the petitioner would be to seek for re-analysis, which, for reasons best known to the petitioner, was not done. Therefore, the decision arrived at by the sole Arbitrator is a possible view based on the evidence and it cannot be found to be perverse. In the light of the above finding of the sole Arbitrator, the recovery of a sum of Rs.15,14,042/- is found to be in order.

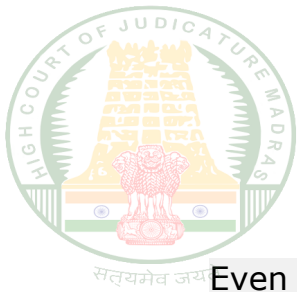


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10. The sole Arbitrator had also balanced the rights of the parties by directing the parties to reconcile the accounts in so far as the sum of Rs.4,66,934/- claimed by the petitioner is concerned towards hulling and transport charges. The sole Arbitrator also rejected the monetary loss claimed by the petitioner on the ground that there was absolutely no evidence let in on behalf of the petitioner in this regard.

11. In so far as the issue of blacklisting the petitioner is concerned, the sole Arbitrator came to the conclusion that since the recovery of a sum of Rs.15,14,042/- has been ordered, there is no reason on the part of the respondent Corporation to further blacklist the petitioner.

12. As a whole, the award passed by the sole Arbitrator is based on whatever materials were available and it is a possible view expressed by the sole Arbitrator. The award does not suffer from any perversity or manifest illegality warranting its interference. The sole Arbitrator has only justified the recovery of the sum of Rs.15,14,042/- since the petitioner supplied substandard and unconnected PDS rice.



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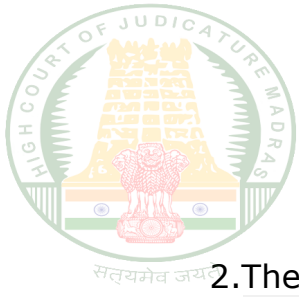
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Even for the amount payable to the petitioner towards hulling and transport charges, the same has not been denied and the sole Arbitrator directed the parties to reconcile and make payment. The sole Arbitrator further directed that the blacklisting must be removed after recovery of the said sum of Rs.15,14,042/-. Further, even interest has not been imposed on the amount payable by the petitioner. In view of the same, this Court finds that there are absolutely no grounds to interfere with the award.

13. Accordingly, the above original petition stands dismissed with costs of **Rs.1,00,000/- (Rupees one lakh only)** payable by the petitioner to the respondent Corporation.

16.10.2025

To
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