BEFORE THE MADURAI BENCH OF MADRAS HIGH COURT

RESERVED ON : 28.01.2025
PRONOUNCED ON : 16.04.2025

CORAM:

THE HONOURABLE MR.JUSTICE RMT.TEEKAA RAMAN
AND
THE HONOURABLE MR.JUSTICE N.SENTHIL KUMAR

C.M.A(MD)No.130 and C.M.P.(MD)Nos.1193 and 3850 of 2023
C.M.A.(MD).No.30 of 2023 and C.M.P.(MD)Nos.352 of 2023

1. The Chief General Manager [LPG],
Tamil Nadu State Office,
Indane Oil Corporation Ltd.,
Marketing Division, Southern Region,
Indian Oil Bhavan,
139, Mahatma Gandhi Road,
[Nungambakkam High Road],
Chennai - 600 034.

2. The Chief Area Manager,
Indian Oil Corporation Ltd.,
Marketing Division, Indane Area Office,
Triveni, IInd Floor, B. 35, Sastri Road,
Thillai Nagar, Trichy - 600 018.

...Appellants in C.M.A.(MD)No.130 of 2023

M/s.Shri Vijaya RGGLV Indane Gas Services,
Represented by its Partner J.Sathyaraj,
Indane Distributor,
2/216, East Street,
Mugaiyur,
Villupuram District. ...Appellant in C.M.A.(MD)No.30 of 2023

....Vs....

M/s.Shri Vijaya RGGLV Indane Gas Services,
Represented by its Partner J.Sathyaraj,

Indane Distributor, 2/216 East Street,
Mugaipur, Villupuram District.

....Respondent in C.M.A.(MD)No.130 of 2023

1. The Chief General Manager[LPG]
   Tamil Nadu State Office,
   Indian Oil Corporation Ltd.
   Marketing Division,
   Southern Region,
   Indian Oil Bhavan,
   139, Mahatma Gandhi Road,
   Nungambakkam High Road,
   Chennai - 34.

2. The Chief Area Manager,
   Indian Oil Corporation Limited,
   Marketing Division,
   Indane Area Office,
   Triveni, IInd Floor,
   B.35, Sastri Road,
   Thillai Nagar,
   Trichy-18.

...Respondents in C.M.A.(MD)No.30 of 2023

Prayer in C.M.A(MD)No.130 of 2023: Civil Miscellaneous Appeal filed under Section 37 of Arbitration & Conciliation Act, 1996, praying to set aside the fair and decreetal order made in Arbitration O.P.No.43 of 2021 on the file of the Principal District Court at Trichy, dated 20.10.2022 and consequently the award passed by the Arbitral Tribunal, Chennai dated 31.12.2019.

Prayer in C.M.A(MD)No.30 of 2023: Civil Miscellaneous Appeal filed under Section 37 of Arbitration & Conciliation Act, 1996, read with Order 43 Rule 1 of C.P.C., praying to set aside the order dated 20.10.2022 in O.P.No.43 of 2021 on the file of Principal District Judge, Tiruchirappalli.

C.M.A.(MD)No.130 of 2023:-

For Appellants : M/s.Chitra Sampath,
Senior Counsel
For Mr.Mohammed Fayaz Ali
For Respondent : Mr.S.Vijaya Kumar,
Senior Counsel
For Mr.M.Kumar

C.M.A.(MD)No.30 of 2023:-

For Appellant : Mr.S.Vijaya Kumar,
Senior Counsel
For Mr.M.Kumar
For Respondents :M/s.Chitra Sampath,
Senior Counsel
For Mr.Mohammed Fayaz Ali
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COMMON JUDGMENT

[Judgment of the Court was made by **RMT.TEEKAA RAMAN, J.]**

For the sake of convenience, the parties are referred to according to their ranking in C.M.A. No. 30 of 2023, namely, the claimant and the respondents—Indian Oil Corporation.

2. The sole arbitrator, appointed by the High Court, passed an award in Arb.O.P. No. 43 of 2021, dated 20.10.2022.

3. The said award consists of eight clauses.

4. Aggrieved by the said award, the respondent—Indian Oil Corporation—filed Arb.O.P. No. 43 of 2021 before the learned Principal

District Judge, Tiruchirapalli, wherein clauses (vi) and (vii) of the award were set aside. With respect to the other clauses, the appeal preferred by the respondent-IOC was dismissed.

5. As against the modification setting aside clauses (vi) and (vii), the petitioner-agent filed C.M.A. (MD) No. 30 of 2023, which pertains to Clause (vi) of the award. This clause includes the award of Rs. 5 lakhs on the grounds of loss of reputation, mental agony, and the award of interest at 12% from 01.10.2018 until payment, as well as the order of suspension, which was rounded off for calculation purposes.

6. The respondent-IOC has also preferred C.M.A. (MD) No. 130 of 2023 concerning clauses (vi) and (iv) on one hand and clauses (v) and (vii) on the other. Hence, both cases were jointly heard and disposed of by a common order.

7. The brief facts leading to filing of the initiation of the arbitration proceedings are as under:-

(i) A Memorandum of Distributorship Agreement was executed between the appellant and the second respondent under the Physically Challenged Category (CC) on 24.08.2015.

(ii) Show Cause Notices were issued by the second respondent to the appellant for alleged irregularities in providing connections under the PMUY scheme on 09.08.2017 and 11.12.2017.

(iii) A Warning Letter was issued by the second respondent to the appellant in reference to the above-mentioned Show Cause Notices on 24.01.2018.

(iv) A Show Cause Notice was issued by the second respondent to the appellant for alleged irregularities in providing connections under the PMUY scheme on 13.06.2018.

(v) An order was passed by the second respondent imposing a penalty of Rs. 19,96,384.14/- on the alleged authorities on 05.07.2018.

(vi) A supplementary order was passed by the second respondent imposing a penalty of Rs. 3,66,313.21/- on the alleged authorities on 24.07.2018.

(vii) A Show Cause Notice was issued by the second respondent proposing the suspension of the dealership and seeking explanations within two weeks on 21.09.2018.

(viii) An order of suspension was issued by the first respondent without waiting for an explanation from the appellant on 25.09.2018.

(ix) A Memorandum of Appeal was submitted by the appellant to the first respondent regarding the imposition of the penalty on 15.10.2018.

(x) A Section 21 notice was issued by the appellant to the respondent, invoking the appointment of an arbitrator to decide the disputes between the appellant and the respondents, on 24.10.2018.

(xi) O.P. No. 1119 of 2018 was filed by the appellant seeking the appointment of an arbitrator to decide the disputes regarding the order of suspension and penalty on 13.12.2018.

(xii) An order was passed in O.P. No. 1119 of 2018, appointing Hon'ble Mr. Justice M. Thanikachalam (Retd.) as the arbitrator.

(xiii) An award was passed by the Hon'ble Arbitrator in O.P. No. 1119 of 2018. The learned Arbitrator framed as many as ten issues, dealt with them in depth, and ultimately rendered clear findings that the appellant is entitled to reliefs.

8. As stated above, aggrieved by the award passed in O.P. No. 1119 of 2018, the respondent—Indian Oil Corporation—has preferred Arb.O.P. No. 43 of 2021 .

(i) E.P. No. 31 of 2020 was filed by the appellant to attach and sell the immovable property of the respondents.

(ii) A counter affidavit was filed by the appellant in O.P. No. 43 of 2021 on 21.10.2021.

(iii) An order was passed by the learned Principal District Judge, Trichy, allowing the O.P. in part, thereby confirming the award passed by the learned Arbitrator in all aspects except Clause VI, which awarded Rs. 5,00,000/- as damages, as well as the interest awarded in Clauses VII and VIII.

(iv) The appellant filed C.M.A. (MD) No. 30 of 2023, challenging the modification of the award by the Principal District Judge, who rejected the reliefs granted by the learned Arbitrator in awarding interest and damages to the appellant, on 02.01.2023.

(v) C.M.A. (MD) No. 130 of 2023 was filed by the respondents on 20.12.2022.

9. As stated supra, the present C.M.A.(MD)No.130 of 2023 was filed by the respondents, dated 20.12.2022.

10. The present application is filed under Section 37 of the Arbitration Act, as the learned Principal District Judge, acting as the First

Appellate Authority, has partly allowed the petition, resulting in the filing of two C.M.A. (MDs).

11. From the adjudication papers, we find that both the arbitrator and the learned District Judge have categorically held that the penalty imposed by IOC is impermissible in law. Consequently, an order for the refund of the imposed penalty was issued, and the penalty amount has been deposited pursuant to the conditional order passed by this Court in C.M.P. (MD) No. 1193 of 2023.

12. Since there was no stay on the delivery of gas cylinders, the service connection was restored on 31.12.2003, and the gas company is now operational.

13. By an order dated 20.12.2023, the arbitrator set aside the penalty of Rs. 25 lakhs. Although the amount has been deposited in the Court, no order has been passed regarding its disbursement.

14. By an order dated 06.02.2023, we find that Clauses (i) to (iii) of the award were confirmed by the learned Principal District Judge on appeal. With regard to the interim stay in C.M.P. (MD) No. 1193 of

2023, after hearing both parties, the earlier Division Bench of this Court stayed Clauses (iv), (v), and (viii), which are extracted hereunder:

> "**(iv)** The Respondents are directed to refund a sum of Rs. 23,62,697.35 [Rupees twenty-three lakhs sixty-two thousand six hundred and ninety-seven and paise thirty-five only], being the penalty/fine amount collected from the claimant.
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> **(v)** The Respondents are directed to pay a sum of Rs. 28,50,000/- [Rupees twenty-eight lakhs and fifty thousand only] for business loss.
>
> **(viii)** The Respondents are further directed to pay Rs. 4,75,000/- [Rupees four lakhs seventy-five thousand only] per month from 01.05.2019 until the date of restoration of the Indian LPG Gas Distributorship to the Claimant at Mugaiyur, Villupuram District, as directed in Clause (ii) of the Award. Failing compliance, this amount shall also carry interest at the rate of 12% until the date the distributorship is restored."

> "**3**. Hence, in view of the non-granting of a stay on Clauses (i) to (iii), we find that the restoration of the claimant's Indane LPG distributorship must be carried out. In fact, it is to be noted that E.P. No. 31 of 2020, pending before the learned Master at the Principal Seat, Chennai, has been posted and adjourned to 08.12.2023. Since there is no interim stay in respect of the proceedings under Clauses (i) to (iii), the appellants in C.M.A. (MD) No. 130 of 2023 are hereby directed to comply with the order and report the same before this Court on 04.12.2023."

15. By an order dated 28.01.2025, Paragraphs 2 to 6 are extracted as follows: :-

> **2.** It is to be noted that under Clause Nos. 1 and 2, the suspension order dated 25.09.2018 was set aside, and the restoration of business was ordered. By virtue of the order passed by this Court in both appeals, the learned Senior Counsel appearing for the IOC stated that Clause Nos. 1 and 2 have been complied with. Arguments concerning Clause Nos. 3 and 4 have been heard.
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> **3.** According to the learned Senior Counsel, the grant of these clauses is beyond the scope of reference and the claim made. Clause No. 4 is a consequence of Clause No. 3. Arguments on these clauses have been presented. Regarding Clause No. 4, the learned Senior Counsel contended that there is no supporting evidence, and the amount of Rs. 28,50,000/- was arbitrarily determined by the arbitrator, making it beyond the scope of the claim petition and the available evidence. This amount pertains to business loss. As per the IOC, the commission amount cannot be entirely considered as a loss, as expenses must be deducted from the commission before treating the remaining amount as income.
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> **4.** Regarding Clause No. 7, a sum of Rs.

4,75,000/- was ordered to be paid with interest for every month from 01.05.2019 until the date of restoration of the LPG cylinder supply.

5. The learned Senior Counsel contended that neither the claim petition nor the evidence substantiates this claim, and the entire matter has been stated only in the proof affidavit. According to the learned Senior Counsel, Rs. 1,00,000/- per month towards the sale of gas stoves is exorbitant and warrants interference. Furthermore, the sum of Rs. 3,75,000/- awarded for reasons stated in the award is also arbitrary and lacks justification. Hence, she seeks to allow C.M.A. (MD) No. 130 of 2023.

6. C.M.A. (MD) No. 30 of 2023 was filed by the agent against the order of the learned Principal District Judge on the grounds of setting aside compensation for mental agony and the payment of interest thereon.

16. Heard M/s. Chitra Sampath, learned Senior Counsel appearing for the respondents—Indian Oil Corporation, and Mr. S. Vijayakumar, learned Senior Counsel appearing for the dealership agent.

17. After hearing the rival submissions and perusing the relevant documents, namely:

- Ex. C2 – Revised Marketing Discipline Guidelines dated 15.09.2017,
- Ex. R16 – Complaints against the agent,
- Ex. R1 – Show cause notice issued by IOC dated 09.08.2017,
- Ex. R2 – Reply submitted by the agent, and
- Ex. C5 – Speaking order of the IOC on the final auction dated 15.05.2018, the matter was duly considered.

18. We deem it appropriate to refer to Exs. C7 to C10 and Exs. C11, C13, and C15.

- Ex. C7 – Suspension order passed by IOC based on alleged irregularities observed during the inspection on 25.09.2018.
- Ex. C8 – Appeal memorandum preferred by the respondent, dated 15.10.2018.
- Ex. C9 – Request for revocation of the suspension order by the agent, dated 24.10.2018.
- Ex. C10 – Order imposing a fine of Rs. 1,62,553.98, dated 14.11.2016.
- Ex. C11 – Reply letter submitted by the agent, dated 24.11.2018.

Given the multiplicity of proceedings, we confine our consideration to the subject matter of this case, namely the arbitration proceedings.

19. On perusal of Ex. C13, we find that by an order dated 01.02.2019, this Court, in its original jurisdiction, passed an order in O.P. No. 19 of 2018, appointing Mr. Thanikachalam (Retd.), a former Judge of this Court, as the sole arbitrator. After conducting the inquiry, the arbitrator passed an award on 31.12.2019, whereby he set aside the levy of penalty and the suspension of the respondent's distributorship.

20. The summary of the award passed by the Arbitral Tribunal on 31.12.2019 is as follows:

1. Suspension Order Set Aside: The suspension order dated 25.09.2018 (Ex. C7) is set aside.
2. Restoration of Business: The respondents are directed to restore the business of the claimant, Indane LPG Distributorship, Mugaiyur, within 15 days from the date of the award.
3. Penalty Orders Set Aside: The penalty orders issued by the second respondent as per Ex. C5 (05.07.2018), Ex. C10 (14.11.2018), and Ex. R10 (24.07.2018) are set aside.
4. Refund of Penalty Amount: The respondents are directed to refund Rs. 23,62,697.35/- (Rupees twenty-three lakhs sixty-two thousand six hundred ninety-seven and thirty-five paise) collected as penalty/fine from the claimant.
5. Business Loss Compensation: The respondents are directed to pay Rs. 28,50,000/- (Rupees twenty-eight lakhs fifty thousand) as compensation for business loss.
6. Damages for Reputation & Mental Agony: The respondents are directed to pay Rs. 5,00,000/- (Rupees five lakhs) to the claimant for loss of reputation and mental agony.
7. Interest on Awarded Amounts: The above amounts shall carry interest at 12% per annum from 01.10.2018 until full payment is made.
8. Monthly Compensation for Delay in Restoration: The respondents are directed to pay Rs. 4,75,000/- per month (Rupees four lakhs seventy-five thousand) from 01.05.2019 until the Indane LPG Distributorship at Mugaiyur, Villupuram District is restored. If the

restoration is delayed, this amount shall also carry interest at 12% per annum until the distributorship is reinstated.

21. Aggrieved by the said order, the Indian Oil Corporation (IOC) filed Arb.O.P.No.43 of 2021 before the learned Principal District Judge, Trichy. The Principal District Court, Trichy, partially allowed the Arb.O.P., setting aside the arbitral award in respect of:

- Clause (vi): Award of Rs. 5,00,000/- granted for damages and loss of reputation.
- Clause (vii) & (viii): Award of interest on the amounts granted.

Aggrieved by the said order, the present appeals have been filed.

22. We have also examined the claim petition filed before the arbitral tribunal, as found on Page No. 175 of the paper book, and have taken note of the protest petition as well.

23. We have also observed that during the pendency of the arbitration, the claimant (agent) filed an amendment petition, which was allowed. Since the amendment petition was incorporated into the arbitral award, the substantial argument advanced by M/s. Chitra Sampath, learned Senior Counsel for IOC, fails to hold ground. The argument does not stand, as the amendment had already been allowed. Furthermore, the learned Standing Counsel for the Corporation ought to have apprised the Senior Counsel of the amendment granted by the arbitral tribunal, thereby avoiding unnecessary wastage of the Court's time over two prolonged hearings.

24. The following points arises for consideration:-

C.M.A.(MD)No.30 of 2023:-

(i) Whether the learned Principal District Judge, Trichy, was justified in disallowing the award of interest?

(ii) Whether the learned Principal District Judge was right in setting aside the award of compensation of Rs.5 lakhs for damages and loss of reputation?

25. In the memorandum of valuation attached to the appeal, the award of the arbitrator regarding the refund amount of Rs. 23,62,697.35/- and the business loss of 28,50,000/-, totaling Rs. 52,12,697.35/-, is the subject matter of the appeal, and the court fee has been paid accordingly.

The following points arises for consideration in **C.M.A. (MD)No.130 of 2023** (filed by I.O.C).

1. Whether the order passed by the arbitral tribunal is legally sustainable?
2. Whether the I.O.C. is liable to pay Rs.28,50,000/- for the business loss of the agent?
3. Whether the I.O.C. is liable to pay Rs.4,75,000/- per month from 01.05.2019 until the date of restoration?
4. Whether the appellant, I.O.C., is liable to pay interest at 12% in case of default on the payment obligations mentioned above?
5. Whether the award passed by the Arbitrator, as confirmed by the arbitral tribunal, granting interest at 12% until the date of restoration, is legally sustainable?

26. Before addressing the rival submissions and the factual matrix, it is necessary to examine the legal principles governing the present dispute under Sections 34 and 37 of the Arbitration and Conciliation Act, 1996.

- **Section 34** provides the grounds for setting aside an arbitral award. It allows a party to challenge the award on limited grounds such as patent illegality, violation of public policy, lack of jurisdiction, or procedural irregularities. Courts have consistently held that a challenge under Section 34 is not an appeal but a supervisory review with limited interference.

- **Section 37** deals with appeals against orders passed under Section 34. An appeal can be filed against an order setting aside or refusing to set aside an arbitral award. However, appellate courts have limited scope to interfere, primarily reviewing whether the lower court correctly applied the grounds under Section 34 without re-examining the merits of the case.

In light of these provisions, the key questions in this case are whether the Principal District Judge correctly applied Section 34 to disallow interest and set aside compensation, and whether this appeal under Section 37 meets the threshold for interference with the lower court's findings.

These legal principles reinforce the narrow and limited scope of judicial intervention in arbitral matters under Sections 34 and 37 of the Arbitration and Conciliation Act, 1996. The key takeaways from the Hon'ble Supreme Court's ruling in *Punjab State Civil Supplies Corporation Limited & Anr. vs. Sanman Rice Mills & Ors.*, dated 27.09.2024, are as follows:

1. Minimal Judicial Interference:
   - Courts are strictly confined to the grounds provided under Section 34 for setting aside an arbitral award.
   - Section 37 does not allow a reappraisal of evidence or a merits-based review.
2. Limited Appellate Jurisdiction:
   - The appellate court under Section 37 can only examine whether the lower court acted within its jurisdiction under Section 34.
   - It cannot revisit the merits of the dispute or substitute its own reasoning in place of the arbitral tribunal's decision.
3. Supervisory Role of Courts:
   - The appellate court's role is akin to revisionary jurisdiction —it only intervenes if the lower court has:
     a) Exceeded its jurisdiction under Section 34.
     b) Failed to exercise its jurisdiction correctly.

4. Respect for the Arbitral Award:
    - Even if an appellate court believes that another interpretation is better, it cannot interfere if the arbitrator's view is a possible one.
    - The award can only be set aside if it is patently illegal, violates public policy, or suffers from serious procedural lapses.

Application to the Present Case:-

Given these principles, the disallowance of interest and compensation by the learned Principal District Judge, Trichy, must be tested within this limited framework. The present appeals under Section 37 can only succeed if it is shown that the District Judge exceeded his jurisdiction or misapplied Section 34—not merely because another view is preferable.

27(i). The Hon'ble Supreme Court in Civil Appeal No.8460 of 2022, Indian Railways Construction Company Limited Vs.M/s.National Buildings Construction Corporation Limited, the Supreme Court has held as under:-

> However, the High Court has not considered Section 31(7)(a) of the Arbitration Act, which permits the arbitrator that, unless otherwise agreed by the parties, where an arbitral award involves the payment of money, the Arbitral Tribunal may include interest in the awarded sum at a reasonable rate for the whole or any part of the

period between the date on which the cause of action arose and the date of the award.

Thus, unless there is a specific bar under the contract, it is always open for the arbitrator/Arbitral Tribunal to award pendente lite interest. An identical question was considered by this Court in the case of *Raveechee and Company (supra)*. In that decision, the Court observed and held that an arbitrator has the power to award interest unless explicitly barred from doing so, and such a bar must be clear and specific. The Court further stated that the liability to pay pendente lite interest arises because the claimant has been found entitled to the same and was kept from receiving those dues due to the pendency of arbitration proceedings.

(ii) The decision of the Hon'ble Supreme Court in *2022 LiveLaw (SC) 728, Morgan Securities and Credits Private Limited vs. Videocon Industries Limited* is also taken into consideration.

28. After hearing the rival submissions and considering the award passed under various heads, as well as the scope of the appeal under Section 37 of the Act, we find that the learned sole arbitrator has passed the award under eight clauses, as extracted above. Two clauses have been modified by the Principal District Judge, while all other clauses have been confirmed. Aggrieved by the confirmation of these six clauses, the IOC has preferred C.M.A. (MD) No. 130 of 2023.

29(i). We have perused the documentary evidence submitted before the arbitrator. We find that Ex.C18 series clearly establishes that all LPG connections were provided as early as 30.04.2017. This factual matrix has been admitted by the officials of the IOC Corporation, specifically R.W.2. As per Ex.C18 series, all connections were released by the cutoff date, namely 30.04.2017.

(ii) Thus, we find that the contention raised by the learned Senior Advocate appearing for the IOC—that the actual PMUY beneficiaries did not receive their connections and that PMUY documents were misused to divert cylinders—is not substantiated. The documentary evidence in Ex.C18 and the categorical admission by none other than the Regional Manager of the IOC (R.W.2) clearly refute I.O.C-plea.

(iii) Therefore, the arbitral tribunal has rightly rejected the IOC's case, holding that the claimant did not misuse the documents. Furthermore, based on the evidence of R.W.2, who also admitted that the documents were genuine, it is not open for the IOC at this stage to re-agitate the same issue. Since a competent officer authorized by the IOC itself has made this admission, we have no hesitation in rejecting the said contention.

30. On the point of the award of punishment by way of a warning, we have perused Ex.R2 and Ex.R3, as well as Chapter 3.3(1) of the Marketing Disciplinary Guidelines under Ex.R4.

31. On perusal of Ex.C23 and Ex.R23, along with the explanation given by the claim petitioner under Ex.R2 and Ex.R3, it is evident that the irregularity for which the fine was imposed occurred as early as 24.01.2018. Consequently, the arbitral tribunal has rightly rejected the case of the IOC.

32. The crux of the entire dispute between the claimant, an LPG agent of IOC, is the alleged irregularities in not providing connections to the real eligible PMUY customers. In this regard, Ex.C18 and Ex.C38 were filed.

33. On comparing the list provided by the claim petitioner, Ex.C53 to Ex.C55, which contains customer portal details pertaining to PMUY customers, it is observed that connections were given while overcharging them, and PMUY connections were diverted to ineligible persons. However, it is not the case that the respondent alone is responsible for granting connections at his discretion.

34. As per the evidence of RW2, a senior official from the

Corporation, he categorically stated that *"for enrolling PMUY customers, the required documents are Aadhaar card, Ration card, bank account details, if necessary, Community certificate, photographs of the beneficiaries, KYC forms, and, if required, loan forms."* The Corporation has challenged that 15 PMUY customers were eligible beneficiaries but did not receive the connections.

35. Ex.C18 contains subscription vouchers issued by the respondent to customers in Panamalai Village, while Ex.C38 consists of customer information portal details related to the 15 PMUY beneficiaries in Panamalai Village, generated from the IOCL server. Similarly, Ex.C53 to C55 contain customer information portal details for PMUY customers in Thutipatti and Pazhayakaruvachi villages. Ex.C54 is sourced from the IOCL server, and Ex.C55 is the customer list generated for Pazhayakaruvachi Village.

36. As per the evidence of RW2, the IBRS portal documents are genuine, and the entries found in Ex.C18, along with the procedures adopted, have been recorded as if the named beneficiaries had indeed received the benefits. Moreover, according to the evidence of RW2, the Ex.C37 series is not a fabricated document. The Ex.C37 series pertains to affidavits filed by various PMUY customers from Thuthipattu and Pazhayakaruvachi villages.

37(a). Hence, both the arbitrator and the arbitral tribunal have rightly concluded that, even as per the respondent IOC's portal and the admission of R.W.2, the Regional Manager of IOC, the documents were not misused, and the real beneficiaries were provided connections in accordance with the guidelines issued by IOC. Therefore, since the facts have been established, in support of agent, the action of IOC in imposing a penalty under Ex.C5 and Ex.R10 to the tune of Rs. 23,62,695/- is legally impermissible. Accordingly, the arbitrator set aside the penalty, and the learned Principal District Judge confirmed this decision, which does not warrant any interference.

(b) This finding is based on the documentary evidence produced by the claim petitioner, compared with the customer portal details maintained by the respondents under Ex.C53 to Ex.C55. Furthermore, Ex.C54 pertains to the IOC's surveyor, and Ex.C55 represents the customer list generated for the disputed village. Hence, the findings of both the arbitrator and the learned Principal District Judge are hereby confirmed.

38. With regard to the imposition of a penalty under Ex.C10 to the extent of Rs.1,62,553/-, the rival submissions have been heard. This penalty was imposed based on Ex.C6, the surprise inspection report. A show cause notice was issued on 21.09.2024, and a reply was submitted on 24.10.2018 under Ex.C9. An appeal was filed under Ex.C18. However, while the appeal was still pending, the penalty was imposed as if no reply had been submitted, which is legally unacceptable. Upon perusal, this issue has also been raised in the grounds of appeal. Therefore, we find that the award passed by the arbitrator, setting aside the penalty, is hereby confirmed. Considering the documents and the admissions made by R.W.2, the arbitrator has rightly concluded that the imposition of the penalty is entirely impermissible in law. Accordingly, the award is upheld and hereby confirmed.

39. In view of the discussions concerning Ex.R1 to Ex.R25, the learned Principal District Judge has concluded that the award of Rs. 28,50,000/- towards business loss cannot be considered exorbitant and has accordingly confirmed the award passed by the arbitrator. Upon reappraisal, we also find that there is no substantial evidence to take a different view.

40. Accordingly, we hereby confirm the findings of the learned Principal District Judge. We find that the learned Principal District Judge has rightly considered all aspects of the case from every angle while also taking into account the legal limitations prescribed under Section 34 of the Arbitration Act. A detailed and well-reasoned order has been passed, confirming the findings of the arbitral award, and we find no justification for any interference at this stage.

41. Accordingly, the appeal preferred by the IOC-respondent in **C.M.A. (MD) No. 130 of 2023 is hereby dismissed**. Consequently, the connected C.M.Ps. are closed.

C.M.P.No.30 of 2023:-

We have perused the order.

2. The learned Principal District Judge has partly allowed the Arbitration O.P., setting aside the award under Clause (v) for Rs. 5 lakhs towards damages, loss of reputation, and mental agony, as well as the interest awarded under Clauses (vii) and (viii). Aggrieved by this decision, the present appeal has been filed .

3. After perusing the detailed reasoning assigned by the learned arbitrator in the award and considering the law laid down by the Hon'ble Supreme Court, as extracted supra, we find that the appellant/claim petitioner is entitled to compensation for damages, loss of reputation, and interest. Accordingly, the portion of the award that was set aside by the Principal District Judge is hereby reversed, and the compensation of Rs. 5 lakhs, along with the interest awarded under Clauses (vi), (vii), and (viii), is restored. The exclusion of the interest clause is also set aside, and the claim petitioner is entitled to interest in respect of Clauses (i) to (v) and Clause (viii)." .

42. Accordingly, **C.M.A.(MD) No. 30 of 2023, filed by the agent, is hereby allowed**. Consequently, the award passed by the arbitrator is confirmed in its entirety. The connected C.M.P. is also closed.

[T.K.R.,J.] [N.S., J.]
16.04.2025

Internet : Yes/No
Index : Yes/No
NCC : Yes/No
nvi

To

1. The Principal District Court at Trichy

2. The Arbitral Tribunal, Chennai

3. The Section Officer,
VR Section,
Madurai Bench of Madras High Court,
Madurai.

RMT.TEEKAA RAMAN, J.
AND
N.SENTHIL KUMAR, J.

nvi

Common Judgment made in
C.M.A(MD)Nos.130 and 30 of 2023 and
C.M.P.(MD)Nos.352, 1193 and 3850 of 2023

16.04.2025