IN THE HIGH COURT OF JUDICATURE AT BOMBAY
CIVIL APPELLATE JURISDICTION

FIRST APPEAL NO.2323 OF 2025

M/s. Athani Farmers Sugar Factory Ltd. .. Appellant
Vs.
Union of India
Through General Manager,
Central Railway, Mumbai CSMT .. Respondent

...

Mr. Bhushan Walimbe with Mr. Deepak Kulkarni, Advocates for the Petitioner

Mr. Niranjan Prabhakar Shimpi, Advocate for the Respondent-UOI

CORAM : SHREE CHANDRASHEKHAR, CJ &
GAUTAM A. ANKHAD, J.

DATE : 13th JANUARY 2026

Per, Shree Chandrashekhar, CJ :

This First Appeal seeks to challenge the judgment dated 5th July 2024 passed by the Railway Claims Tribunal, Mumbai in Original Application No.OA/I/MCC/1/2012.

2. The appellant, namely, M/s. Athani Farmers Sugar Factory Ltd. moved the aforesaid Original Application before the Railway Claims Tribunal, Mumbai bench, Mumbai (in short, Tribunal) raising a claim for Rs.5,55,33,750/-. The Tribunal framed issue no.5, which pertains to exemption of the railway authority from liability to pay compensation under section 102 of the Railways Act, 1989 (in short, Act of 1989). The Tribunal discussed the rival submissions made on behalf of the parties and came to the conclusion that there are serious loopholes in the case of the applicant. The Tribunal held that there is no explanation by the applicant for handing over the Railway Receipts for delivery of 30 wagons to M/s. S. R. Bhalotia & Co. and

others with whom it had no regular dealings. The Tribunal granted opportunities to the claimants and the materials so brought on record by them were considered thus:

> *"4. We have gone through the documents on record and our observations are as under:*
>
> > *i. With the consent of both applicant and respondent, the issues in this case were framed on 8 September 2023. The Issue Number 5 framed is reproduced as under:*
> >
> > *Does it prove that the respondent/railway authority has to be exempted from the liability for payment of compensation under section 102 of Railways Act 1989?*
> >
> > *This issue can be addressed, only after the contention of Respondent in regard of nexus leading to fraud is examined. Therefore we feel that it will be premature to deliberate rest of the issues without examining the Issue No. 5 and accordingly we proceed first to examine the points connected with Issue No. 5*
> >
> > *ii. The Applicant has signed a Sale Agreement Letter dated 12 March 2010, with M/s SR Bhalotia & Co attached with original Claim Application marked as exhibit B outlining terms and conditions of the sale of a total quantity of 26,000 quintal of sugar. The consignment was to be delivered in 50 KGPP bag at the rate of ₹2950 per quintal, including excise duty and local transportation charges up to railway station. The mode of payment was ₹1,00,00,000 by DD as advance and balance payment against RR at factory site. RR will be handed over after receipt of the entire balance payment at factory site any damage at unloading place will be paid by the purchaser. This letter is signed by the Chairman and Managing Director of M/s Athani Farmer Sugar Limited also. Subsequent letter written by M/s SR Bhalotia & Co. produced on record by the Applicant also mentions the same quantity of the Sugar to be purchased by them.*
> >
> > *iii. Hence there is no dispute that 26,000 Quintals sugar was to be purchased by M/s SR Bhalotia and Co. from M/s Athani Farmers Sugar Limited, however now the Applicant claims that sugar for 30 RR was only sold to the M/s SR Bhalotia for which RRs were handed over to the party concern.*
> >
> > *iv. As per the calculation submitted by the Ld Counsel of Applicant in further submission regarding Issue No.5, dated 05.06.2024, the cost of the goods, Sugar covered in the 30 RRs will be Rs.5,55,33,750. However as per Affidavit filed by Yogesh Patil, Executive Director and Chief Finance Officer of the company, total receipt from M/s SR Bhalotia & Co and others in regard to 30 RR's was only ₹5,31,01,250. This clearly shows that even though RR for 30 wagons were handed over to M/s SR Bhalotia & Co and others, there was a shortage of receipt amounting about 24.32 lakhs. No explanation could be given by the Ld Counsel for Applicants on the day of hearing on this gap.*
> >
> > *v. The letter dated 15 May 2010 allegedly sent by M/s S.R. Bhalotia, and Co. to the Applicant, M/s Athani Farmers Sugar Factory Ltd, intimating transfer of an amount of ₹54,43,750 in the*

account of the applicant is after the RR was handed over to M/s S.R. Bhalotia, and Co. The letter very clearly shows that there has been a transaction of the money, even after the RR for 30 wagons were handed over to M/s S.R. Bhalotia, and Co. As per Bank Account details filed by the Applicant, this money was credited in the said account of the Applicant only on 11.05.2010. This transaction is also taken in to account then at the time of handing over of the RR of 30 wagons by Applicant to M/s S.R. Bhalotia, and Co. more than Rs. 78 lakh was to be paid by M/s S.R. Bhalotia, and Co. to Applicant. We are not convinced that despite outstanding of more than Rs 78 Lakhs and clearly laid down terms conditions in sale agreement letter dated 12.03.2010, Applicant could have handed over the RR for delivery of 30 wagons to M/s S.R. Bhalotia, and Co. who was not even having a regular dealing with Applicants,

vi. Next question which naturally arises is that after sale agreement for sale of 2600 tonnes of sugar, if RR for 30 wagons could be handed over to M/s S.R. Bhalotia, and Co. despite short receipt of about Rs. 78 Lakh, why Applicant did not hand over RR of 42 wagons.

vii. From the statement of Axis bank submitted by the applicant, it is seen that, the name of the party crediting/transferring money is clearly mentioned against transactions. However, in case of the alleged last payment dated 11.05.2010 of ₹54,43,750 it simply mention by "TFR" without specifying the name of the party from where this money was transferred. We are also not inclined to accept that, bank by mistake might have done or omitted the name of the party or account from where money was transferred.

viii. During hearing, Ld. Counsels for Applicant could not provide any clarifications on above issues."

3. In paragraph No.4(viii), the Tribunal concluded that the applicant could not provide any clarification regarding the discrepancies in its case. The Tribunal, however, decided to delay its final decision on the ground that Money Suit No.24 of 2013 is pending in the Court of Sub Judge, Patna wherein the applicant is one of the party-defendants.

4. Mr. Bhushan Walimbe, the learned counsel for the appellant-company submits that the jurisdiction of the Tribunal is akin to the jurisdiction of the civil Court and the Tribunal can exercise all such jurisdictional powers and authorities under the provisions of the Railway Claims Tribunal Act, 1987 (in short, Act of 1987) as are exercisable by the civil Court. The statement made at the Bar is that

the Tribunal could not have deferred its decision on the ground that some claims made by the Railways are pending before some other Court. The learned counsel for the appellant-company states that no claim has been awarded in favour of the Railways and this is a matter of record that the Railways are at fault, as reflected in the order of dismissal passed against its employee.

5. The Sanction Order dated 27th July 2010, reads as under:

"SANCTION ORDER

WHERE AS, Sri Umesh Choudhary while working as Goods Shed Supervisor, Fatuha, Patna during his posting there since 2000 to 14.5.2010 under Danapur Division of East Central Railway in conspiracy with Sri Prakash Bhalotia & Borthers and Sri Ram Bhalotia of Pratik Enterprises fraudulently delivered 12 wagons of sugar worth Rs.2,25,67,500.00 (Rupees two crores twenty five lacs sixty seven thousand five hundred only) to Shri Prakash Bhalotia & Brothers and Sri Ram Bhalotia of Pratik Enterprises, Maurya Complex, Patna without taking original Railway Receipts (RRs) and granted delivery on 29.3.2010 on Indemnity note which was not properly filled up and by violating the rule, no. 149 under Para (7) of Goods Tariff Part I Vol.I, according to this rule stamped indemnity note must be signed by the sender and countersigned by the Station Master of the forwarding station. Goods Shed Supervisor has acted beyond his jurisdiction/power by accepting indemnity bond of 12 wagons of sugar consignment, the value of which may be much more than his power of acceptance of Rs.1 lacs each as has been enumerated at serial no.22 of SOP, Part F "related to commercial Manual and also violating of section of Section 74 of Railways Act, 1989.

Where as, on 20.3.2010 M/s Athani Farmer's Sugar Factory Ltd., Sangli booked 42 wagons of sugar from Sangli to Fatuha station under 42 RR nos. 000507 to 000548. The said consignment was to be delivered to the consignor or endorsee as the consignment was presumed to be 'self'. The consignment reached Fatuha goods shed on 29.3.2010 and was to be delivered to the consignor being 'self' as consignee. But the then Goods Shed Supervisor, Fatuha Sri Umesh Choudhary in conspiracy with Sri Prakash Bhalotia & Brothers and Sri Ram Bhalotia of Pratik Enterprises, Maurya Complex, Patna delivered the said consignment of 42 wagons of sugar to the agency under indemnity note on 29.3.2010 for which the agency submitted 30 RRs endorsed in agency's name after one week delivery and 12 RRs are still due causing huge loss to the railway administration to the tune of Rs.2,25,67,500.00

The consignment was received by Sri Prakash Bhalotia & Borthers consignee and Sri Ram Bhalotia being the witness of the consignee. Delivery granted by Sri Umesh Choudhary, the then Goods Shed Supervisor, Fatuha when this fraudulent deal and conspiracy came to the knowledge of the railway authority, the matter was enquired into by Sri S.S.Mishra, ACM/G/E.C.Railway, Danapur and conspiracy of Sri Umesh Choudhary in delivery of sugar consignment was found to be established.

Sri S.S.Mishra, ACM/G/Danapur submitted his enquiry report on 21.6.2010. The report fully revealed the conspiracy of Sri Umesh Choudhary, the then Goods Shed Supervisor, Fatuha and commission of criminal offence u/s 420 and 120(B) of the I.P.C. It was completely an abuse of official position and power by Sri Umesh Choudhary causing huge loss to Railway administration through his corrupt and illegal act of connivance with the other accused.

AND WHERE AS, I, Arvind Kumar Rajak Senior Divisional Commercial Manager, East Central Railway, Danapur being the competent authority to remove Sri Umesh Choudhary, Goods Shed Supervisor, Fatuha from service after fully and carefully examining the facts and materials collected during the enquiry by ACM/G/Danapur consider that the prima facie case for commission of offence u/s 420 & 120 (B) of IPC by Sri Umesh Choudhary appears for launching prosecution under the aforesaid section against Sri Umesh Choudhary.

AND I, therefore, accord sanction u/s 197/1(a) of the code of criminal procedure 1973, for prosecution of the then Goods Shed Supervisor, Fatuha Sri Umesh Choudhary now working as Booking Supervisor, Fatuha Railway station for the said offences to be tried by the competent court.

Sd/- 27/07/10
(Signature with date)
Arvind Kr. Rajan
Name, of the Sanctioning Authority
Designation
SrDCM/DNR

Seal of the office
Sr. Divil. Comml, Manager
EC. Railway/Danapur

Date: 27.07.10"

6. The learned counsel for the appellant-company submits that the judgment dated 5th July 2024 is liable to be set aside with a direction to the Tribunal to proceed with the matter and give a final judgment.

7. A mere glance at the judgment dated 5th July 2024 and, in particular, the findings recorded in paragraph no.4 thereof, would indicate that the claim made by the appellant-company suffers from serious infirmities. Notwithstanding that, the Tribunal decided to defer its final decision awaiting the outcome of Money Suit No.24 of 2013. The jurisdictional power and authority of the Tribunal are exercised in a summary manner. This is quite apparent at a glance

at sub section (2) to section 18 of the Act of 1987 which provides that the Tribunal shall decide every application on a perusal of the documents, written representations and affidavits and after hearing such oral arguments as may be advanced. The learned counsel for the respondent is right in saying that the procedure and powers of the Tribunal are guided by the rules made under the provisions of the Act of 1987. Whereas the powers of the civil Court under section 9 of the Code of Civil Procedure, 1908 are plenary in nature. A money suit is a regular civil suit where the parties shall be entitled to tender evidence, oral as well as documentary. Moreover, a decision of the civil Court shall be binding on the Tribunal and that is one more reason to uphold the judgment delivered by the Tribunal.

8. The learned counsel for the appellant-company relied on the decision in *"Shree Shyam Agency v. Union of India & Ors."* (2013) 1 SCC 283 and *"Union of India Owning Southern Railway represented by its General Manager & Ors. v. Arooran Sugars Ltd."* 2018 SCC OnLine Mad 13978 and submits that the Tribunal is required to inquire into and determine the claim against the Railway Administration to see whether the Administration is at fault in discharging its responsibilities under the Railways Act, Rules and Regulations and not to decide *interse* dispute between the claimants and third parties. In the present case, there is an allegation of fraud played by the appellant-company which entrusted 42 wagons in favour of M/s. Pratik Enterprises. A crime vide FIR vide P.S. Case No.83 of 2010 dated 28th December 2010 was registered under sections 420 and 406 of the Indian Penal Code in which Prakash Bhalotia, Sri Ram Bhalotia, Umesh Choudhary and the officials of the appellant-company are made accused.

9. There is no dispute that with respect to the same transaction

Money Suit No.24 of 2013 filed by the Union of India and its Senior Divisional Commercial Manager is pending in a competent Court of civil jurisdiction.

10. For the aforesaid reasons, Writ Petition No.2323 of 2025 is dismissed.

[GAUTAM A. ANKHAD, J.] **[CHIEF JUSTICE]**