IN THE HIGH COURT OF JUDICATURE AT MADRAS

RESERVED ON : 09.03.2026

PRONOUNCED ON : 11.06.2026

CORAM

THE HONOURABLE MR. JUSTICE C.V. KARTHIKEYAN
And
THE HONOURABLE MR. JUSTICE K. RAJASEKAR

A.S. No.6 of 2018

M/s. Sri Ranganathar Industries Private Limited,
Represented by its Managing Director,
Mr. V. Narayanasamy,
No.12/45, Thadagam Road,
Edayarpalayam Post,
Coimbatore – 641025. ... Appellant/ Defendant

-vs-

M/s. Oriental Hydraulics Private Limited,
Represented by its Director,
K.G.Parthasarathy,
S/o. Govindarajulu,
No.6/450, Thiruvallore High Road,
Alamadi, (Via Redhills),
Chennai – 600052. ... Respondent/ Plaintiff

Prayer: First Appeal filed under Section 96 read with Order 41 Rule 1 Civil Procedure Code, 1908 to set aside the judgment and decree passed in O.S.No.696 of 2011 dated 23.06.2017 on the file of the IV Additional District and Sessions Judge, Coimbatore.

For Appellant : Mr. N. Santhosh

For M/s. V. Srimathi

For Respondent : M/s. M.S. Krishnan (Senior Advocate)
For Mr. K.M. Venugopal

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JUDGMENT

[Judgment made by K. RAJASEKAR, J.]

This appeal was filed by the defendant in the suit, against the judgment and decree passed in O.S.No.696 of 2011 dated 23.06.2017 on the file of the IV Additional District and Sessions Judge, Coimbatore.

2. For the sake of convenience, the parties are referred herein according to their litigative status and rank before the Trial Court. The brief facts leading to filing of this appeal are as follows:

3.1 The case of the respondent/ plaintiff in O.S.No.696 of 2011 is that, the plaintiff is a Private Limited Company registered under the provisions of the Companies Act, 1956 in the name and style of M/s.Oriental Hydraulics Privat Limited (hereinafter called Supplier), engaged in manufacturing Hydraulic Pressure Power packers and Special purpose machineries with Accessories on the basis of receipt of special and specific orders according to the needs from its customers. The appellant/ defendant is a private limited company in the name and style of M/s.Sri Ranganathar Industries Private Limited (hereinafter called Purchaser) approached the supplier through supplier's local agent at Coimbatore namely M/s. Gopal Enterprises (hereinafter called Agent) towards supply of 1100 Tons of Hydraulic Valve Testing Press Closed framed Down Stroking. After satisfying with terms and conditions, quality, price and mode of payment of price, the purchaser had issued a purchase order No.2776 dated 07.08.2006 based on the quotation given by the supplier on 04.07.2006. Pursuant to the purchase order issued by the purchaser, the supplier had issued acknowledgment, vide No.OHP/SRIPL/2006-07/11 dated 29.08.2006 to the purchaser and the price towards the aforesaid 1100 Tons of Hydraulic Valve Testing Press was fixed as Rs.23,00,000/-, exclusive of excise duty, sales tax and surcharge, etc., and the transportation of finished and newly manufactured machinery packing and forwarding shall be borne by the purchaser. Based on the request made by the purchaser, the supplier had issued a detailed Proforma invoice dated 11.12.2006 to the purchaser, which contains the price for the machinery to be manufactured as Rs.23,00,000/-, in addition to excise duty @ 25%, sales tax @ 3% and surcharge on sales tax @ 5% and in the said Proforma invoice, the terms and conditions of the mode of payment were prescribed. As per the said proforma invoice, 30% of value of the machinery (Rs.6,90,000/-) is payable as advance to the supplier and the purchaser is also liable to pay 60% of the price of the machinery along with duties and tax to be paid by the purchaser well before dispatch on final inspection and remaining 10% of payment will be made to the supplier, on commencing of the machinery shipped by the supplier. The purchaser had issued a post dated cheque bearing date 18.11.2006 for a sum of Rs.6,90,000/- representing 30% of the value of the machinery alone as basic advance through the agent.

3.2 Whileso, after completion of manufacturing of the machinery, as ordered, the supplier informed the same to the purchaser. The purchaser sent an e-mail letter dated 19.09.2007 that the inspection and trial run of the newly manufactured components will be carried out by an authorised engineer from the purchaser and also informed that the testing component to conduct trial run will also be provided to the supplier. Accordingly the testing component to conduct trial run of the newly manufactured components was provided to the supplier on 12.11.2007, and after receipt of the same, the supplier acknowledged the same and duly informed the purchaser to depute a person for conducting trial run.

There were also several communications between the parties to initiate the trial run and to complete the supply. Thereafter on 04.01.2008, one A.Senthil Kumar, who is the quality control engineer of the purchaser company conducted joint meeting and made trial of the newly manufactured machinery at the supplier's factory and he also reported satisfactory performance in the minutes recorded in the trial report.

3.3 After completing the testing procedure, the purchaser has not come forward to take delivery, therefore on 04.02.2008, the supplier sent an e-mail letter demanding the purchaser to take delivery of the manufactured machinery and for payment of 60% of the basic price plus taxes and duties, totalling a sum of Rs.18,66,202/- as per the terms of the proforma invoice. However, the purchaser vide e-mail letter dated 22.01.2008 stated that they would send a cheque only for a sum of Rs.13,80,000/- and they are not liable to pay the statutory duties, taxes etc., There were several e-mail communications between the purchaser and the supplier regarding the issue in taking delivery and payment.

3.4 On 08.03.2008, the purchaser had issued a legal notice with false averments, stating that the purchaser has never agreed to pay taxes and duties payable to the Government and demanded the delivery of the machinery immediately and also raised an allegation that the supplier has failed to deliver the goods within the time limit agreed between the parties. This notice was also replied by the supplier, vide notice dated 03.08.2009. Since the purchaser has not come forward to take delivery of the manufactured machinery, the supplier has come forward with this suit, seeking payment of a sum of Rs.16,10,000/- towards balance of 70% cost of the machine with 24% interest from 01.03.2008 to 31.07.2009, and additional sum of Rs.5,47,000/- totaling a sum of Rs.21,57,000/-.

4. The purchaser, who is the defendant/ appellant herein contested the suit in O.S.No.696 of 2011 by filing written statement. He alleged that there was a time limit fixed by the parties for delivery of the machinery. Apart from that, the supplier had amended new terms, modifying the original terms as recorded in the purchaser's quotation as well as in the purchase order. The supplier has unilaterally changed the delivery schedule and the purchaser has never agreed for the payment of statutory duties, hence the supplier adopted unfair tactics and with malafide intentions to make quick buck by coercing the purchaser, which is arbitrarily illegal. The purchaser has never agreed for payment of additional amount by way of statutory duties, since there was delay in supply of machines,

the purchaser also incurred huge loss. The purchaser also sent several e-mail letters, informing his readiness to take delivery of the manufactured machinery, by paying 60% as agreed, the supplier has denied the same. Due to the attitude and conduct of the supplier, the purchaser's firm has suffered loss of repute in its business. The purchaser also stated that they already cancelled the purchase order No.2776 dated 07.08.2006 with immediate effect through their legal notice dated 08.03.2008, thereby the supplier is liable to refund the 30% of advance amount of Rs.6,90,000/- along with interest thereon at 24% per annum from 18.11.2006 and also liable to pay damages to the purchaser to the tune of Rs.10,00,000/- for breach of trust.

5. The present suit in O.S.No.696 of 2011 was originally filed before the Principal District Court, Thiruvallur as O.S.No.194 of 2009 and the same was transferred to IV Additional District and Sessions Court, Coimbatore for joint trial along with O.S.No.182 of 2009, which was filed by M/s.Sri Ranganathar Industries Private Limited (purchaser) against M/s. Oriental Hydraulics Private Limited (Supplier) and others, as per the order of this Court dated 07.09.2011 in Tr.C.M.P.No.381 of 2011 and re-numbered as O.S.No.696 of 2011.

6. The Trial Court after considering the pleadings on both sides made in O.S.No.696 of 2011, framed the following issues:

1.Is the plaintiff entitled to suit amount as prayed for?

2.

3.Is the plaintiff entitled to interest as 24% p.a. From 01.03.2008 to 31.07.2007?

4.

5.Whether there is territorial jurisdiction for the Court to try this suit?

6.

7.Whether the plaintiff has committed breach of contract?

8.

9.To what relief?

7. The Trial Court based on the order of this Court in Tr.C.M.P.No.381 of 2011 and the joint memo dated 22.01.2011 filed by the parties concerned, conducted joint trial of this suit along with O.S.No.182 of 2011 and recorded common evidence in O.S.No.182 of 2011. On the side of the purchaser company, the Deputy Manager of the company was examined as P.W.1 and 33 documents were marked as Exs.A.1 to A.33. On the side of the supplier company, the Deputy Manager (Financial) of the company was examined as D.W.1 and 28 documents were marked as Exs.B.1 to B.28. On behalf of the defendants 2 to 4 in

O.S.No.182 of 2009, the third defendant namely Jayamurugan was examined as D.W.2 and no documents were marked through him.

8. After considering the evidence placed on record, a common judgment and separate decrees dated 23.06.2017 were passed in both suits by the Trial Court by accepting the case of the supplier (M/s.Oriental Hydraulic Private Limited) and rejected the case of the purchaser (M/s.Sri Ranganathar Industries Private Limited) and held that the purchaser is liable to pay the entire balance cost of the machinery, Rs.16,10,000/- with interest at the rate of 12% alone per annum from 01.03.2008 to 31.07.2009 and 12% per annum from the date of plaint till the date of judgment; and further the supplier is also entitled for 6% interest per annum from the date of judgment till realisation; and the purchaser is also directed to take delivery of the machinery after making payment to the defendant at his own costs and risks with taxes.

9. Aggrieved over the common judgment and decree passed in O.S.No.696 of 2011, this appeal has been preferred by the defendant/ purchaser.

10. The learned Senior Counsel appearing for the appellant company/

purchaser submitted that there were time schedules contained in the purchase order, which includes furnishing of bank guarantee for making advance consideration. Further the respondent has unilaterally altered the purchase order, thereby demanded payment of statutory duties, including taxes, surcharges etc., from the purchaser, which is unreasonable. He also submitted that the purchaser had released a sum of Rs.6,90,000/- to the supplier as advance amount towards payment of 30% of the actual price, without insisting on the bank guarantee based on the assurance of the supplier's agent subject to the condition that there would be no escalation in price. It is also submitted that though the purchaser shown readiness to take delivery of the manufactured machinery, the respondent company/ supplier had raised objections, by demanding additional amount in respect of statutory duties and taxes and denied the supply of manufactured machinery. Due to delay in delivery of machinery and holding of the advance payment paid by the purchaser to the supplier, the purchaser had incurred a huge loss, hence the supplier/ respondent herein is liable to return the advance amount with interest and also liable to pay damages for breach committed by the supplier, hence prays to set aside the common judgment and decree of the Trial Court.

11. The learned counsel appearing for the respondent company/ supplier

submitted that there were various communications taken place between the parties and those communications clinchingly reveal that there was a clear understanding between the parties from the date of placing the purchase order and acknowledging the same. He also submitted that the appellant company is liable to pay all the taxes and other duties, payable to the Government. Apart from that, though initially there were negotiations regarding the bank guarantee for the purpose of receiving the advance amount, it was agreed between the parties by way of letters that the supplier was allowed to receive the advance payment without bank guarantee, accordingly after receiving the advance amount, the respondent/ supplier has manufactured the machinery, as ordered by the appellant/ purchaser. He also submitted that after manufacturing the machinery, communications were sent to the purchaser to inspect the manufactured machinery and to conduct trial run, thereby the trial run was successfully completed and the satisfactory report was also obtained from the authorised representative of the purchaser's company. Only thereafter, the supplier had demanded payment of 60% of the price along with taxes and other duties. Only at that point of time, the purchaser has refused to pay, alleging that he is not liable to pay the taxes and duties, payable to the Government and has not come forward to take delivery of the manufactured machinery. The Trial Court after appreciating the documentary proof and evidence, has passed the decree in favour of the supplier/ respondent herein, hence prays to confirm the common judgment and decree of the Trial Court.

12. We have considered the submissions made on both sides and perused the materials available on record, including the judgment and decree of the Trial Court. For the purpose of deciding the appeal, the following issues are framed.

10. *Whether the respondent/ supplier is entitled for recovery of sum of Rs.16,10,000/- along with interest and cost from the appellant/ purchaser?*

11.

12. *Whether there is any time limit fixed for delivery of the manufactured machinery and if any such delay is caused by the supplier, as claimed by the purchaser, whether the respondent/ supplier is liable to pay any compensation for the same?*

13.

14. *Whether the appellant/ purchaser has agreed to pay statutory duties, such as sales tax, exercise tax, as claimed by the supplier?*

15.

16. *Whether the present appeal is maintainable since two suits were jointly tried, common evidence recorded and a common judgment was passed, and the judgment and decree in one suit alone has been challenged in this appeal, in view of Section 11 of Code of Civil Procedure?*

17.

18.

13. Before the Trial Court, on the side of the purchaser company, its representative was examined as P.W.1 and he had admitted that the supplier

company had submitted the quotation dated 04.07.2006 – Ex.A.2, in which the terms and conditions were appended and after appreciating the quotation and as per the oral negotiations with regard to the terms and conditions, the purchaser placed the purchase order – Ex.A.3, towards purchase of 1100 tons of Hydraulic Valve Testing Press and the amount was fixed as Rs.23,00,000/-. It is also admitted by him that the taxes and other statutory duties shall be borne by the purchaser. Apart from that, as per the terms, the purchaser has to pay 30% of the value of the machines as advance against bank guarantee and 60% shall be paid after inspection and remaining 10% after commencement of delivery. It was also admitted by him that the purchaser has to submit Form-XVII, which would indicate payment of taxes and other things by the purchaser. Further, it is admitted that they have never object to the clause of payment, taxes and duties and submission of Form-XVII by the purchaser, this evidence was appreciated by the Trial Court.

14. Apart from the above admitted evidence on the side of the purchaser, on careful perusal of Ex.A.3 – Purchase Order, it clearly reveals that the rate of the machine is fixed as Rs.23,00,000/-. Apart from that, the exercise duty of 16.32 % against the MODVAT invoice only, the sales tax of 3% against Form-

XVII and nil commissioning charge are also recorded in it. It states that the guarantee for the machinery for one year from the date of commissioning/ 18 months from the date of supply, whichever is earlier. Payment schedule reads that the payment of 30% against bank guarantee along with detailed drawing, 60% after inspection and 10% after commission. The delivery schedule is within 12 weeks. It also contained clauses relating to the name of the parties, insurance, dispatch documents, documents through Bank, Packing, Quantity, Drawing, Patterns and Tools, Samples, Quality, etc.,

15. Ex.A.4 is the mail communication dated 23.10.2006 sent by the supplier to the purchaser, in which the supplier has stated that they were not in a position to provide bank guarantee and requested to find out the possibility of releasing the advance amount without bank guarantee. Ex.A.5 – mail communication dated 13.11.2006 sent by the supplier to the purchaser, indicating that they are unable to execute the bank guarantee and they demanded release of advance amount based on the assurance made by their agent namely M/s.Gopalan Enterprises. Ex.A.7 – mail communication dated 28.11.2006, wherein the purchaser has informed the supplier that they will excise the option of cancelling the purchase order. For which, the supplier replied that they will not ask for any

price hike from their side and they would execute the purchase order for the same price and demanded payment towards advance. Accordingly on 29.11.2006, as per Ex.A.8, through the agent of the supplier, the purchaser has forwarded a cheque dated 18.11.2006 for a sum of Rs.6,90,000/- (30% of the advance amount), thereby the purchaser has given up the execution of bank guarantee by the supplier as appended in the purchase order. Ex.A.9 reveals that the supplier has acknowledged the receipt of 30% of advance amount of Rs.6,90,000/-.

16. Ex.A.14 – mail communication dated 15.02.2007 reveals that the purchaser has sent a letter indicating that there is a delay in supply of GA drawing and the proforma invoice was also received without the drawing of Hydraulic Testing Rig. Thereafter, the supplier had submitted the concept drawing and obtained approval from the purchaser, started manufacturing of the machinery as ordered by the purchaser, and intimated the purchaser that the manufactured machinery were available for, testing and trial run. Thereafter on 31.07.2007, the authorised technician from the purchaser visited the supplier factory, inspected and conducted trial run of the manufactured machinery and in this regard, the minutes of meeting – Ex.B.7 was entered before the technicians of both supplier and purchaser firms. In the minutes of meeting dated 31.07.2007, after inspection

of the manufactured machinery, conclusion was reached stating that final trial will be conducted on 02.08.2007 and the machines will be ready by second week of August, 2007, for delivery.

17. Ex.A.21 is the letter dated 10.01.2008 communicated by the agent of the supplier to the purchaser, indicating that on 04.01.2008, there was an inspection of the Test Rig and the main cylinder load test was also conducted and found satisfactory. It is also further stated that the agent and the representative of the supplier had visited the office of the purchaser and demanded payment of 60% (i.e., Rs.18,66,202/-) as agreed to pay after inspection, so that they will dispatch the manufactured Press immediately and they also demanded the payment without demanding lorry receipt copy.

18. Ex.A.23 is the mail communication dated 24.01.2008 addressed by the purchaser to the supplier stating that the delivery date is 8 to 10 weeks, as per the supplier's quotation, however the supplier has taken more than 1 year for manufacturing of the machinery, therefore the purchaser refused payment of taxes along with 60% of the balance. In reply to this, the supplier has sent a letter dated 16.02.2008 to the purchaser indicating the terms reached between the parties, prior to placing of the purchase order, further referred the purchase order and

stated that the purchaser is liable to pay a sum of Rs.18,66,202/-, including the exercise duty, VAT, etc.,

19. While so, the purchaser has sent a legal notice dated 08.03.2008 - Ex.A.25 to the supplier and his agent, indicating that there is a delay in delivery of the manufactured machinery, thereby they incurred huge loss and also demanded refund of the advance amount of Rs.6,90,000/- paid by them along with interest and also to pay the damages of Rs.10,00,000/-. The legal notice was replied by the supplier, vide notice dated 26.03.2008, claiming Rs.31,52,000/- towards payment of remainder of the cost of the purchase order, including duties and taxes and loss arising out of delay.

20. The Trial Court after appreciating the Ex.A.3 - Purchase order, held that the rate of the machinery to be manufactured was agreed as Rs.23,00,000/- and it was also stated that it attracts excise duty, sales tax and other taxes. This documentary evidence is corroborated by P.W.1 in the cross examination. It is also the evidence of R.W.1 – Deputy Manager of the supplier that, though initially there were some issues raised between parties regarding furnishing bank

guarantee and delay in execution of the purchase order, the same was resolved by the intervention of their agent and also on the basis of assurance given by them to manufacture and supply the machinery without seeking any escalation in the cost. Accordingly advance payment of 30% was received, the machineries were manufactured and trial run was concluded. Hence, there is no issue of delay in supply. Only with a view to avoid the payment of taxes, duties, the purchaser refused to take delivery of the manufactured machinery. This evidence is corroborated by the Exs.A.7 to A.9. The minutes of meeting held on 31.07.2007 reveals that, the purchaser engaged one A.Senthil Kumar, as a representative of the purchaser, who has inspected the machines manufactured and in the minutes, it was categorically recorded that the final trial run will be conducted on 02.08.2007. Similarly based on Ex.A.21, it has been revealed that another inspection of the Test Rig was carried out by the said Senthil Kumar on 04.01.2008 (Ex.B.8) and the same was found satisfactory. Till this inspection, there was no dispute between the parties regarding the purchase of the machinery. It is also admitted by P.W.1 that they have to pay 60% along with taxes and other duties. These evidences revealed that, it is not the case of the purchaser that they are entitled to cancel the order, if there is a delay in manufacturing.

21. On careful perusal of the entire materials, no where it has been recorded that, if there is a delay in supply or if the time schedule agreed between the parties is not maintained, the purchase order is liable to be cancelled. Without any such condition, the stand taken by the purchaser that there is a delay in supply of the machinery, which resulted in loss is not sustainable. The minutes of meeting marked as Exs.B.7 and B.8 clearly reveals that the purchaser has actively shown interest in purchasing the machinery manufactured by the supplier and they have also gone into understanding to conduct trial run of the manufactured machinery. Further, the authorised technician of the purchaser company, after conducting inspection and trial run reported his satisfaction over the manufactured machinery, hence the purchaser is estopped from withdrawing his promise of taking delivery of the manufactured machinery.

22. The Trial Court righly by invoking *Doctrine of estoppel*, rejected the case of the purchaser and held that they are not entitled to cancel the purchase order and to get back the advance paid by them. Reliance was also made on Section 2 of the Sale of Goods Act, that the moment delivery is made the application of taxes and duties is legally unavoidable. Therefore delivery of machine without collection of statutory dues is unlawful. In the purchaser order –

Ex.A.3, the percentage of the exercise duty, sales tax, etc., have been clearly given, therefore it is the duty of the purchaser to pay the above said amount and they cannot deny such payment on the ground of delay. It is the statutory duty of the purchaser to pay the above payments and refusal of the same is clearly a violation, hence the purchaser is not entitled to avoid payment of the above statutory dues.

23. Since the reason to avoid taking delivery of the manufactured machinery, is found to be invalid, as held by the Trial Court, the purchaser is liable to pay the above taxes and duties. It is also the duty of the purchaser to take the delivery of the above manufactured goods. Though it is stated that the purchaser has incurred huge loss, there is no evidence produced to show that the said loss suffered by the purchaser is due to non supply of machinery. Unless there is a evidence to support the case of the purchaser to the effect that they had incurred loss due to delay in supply of the machinery, they are not entitled to claim damages and to cancel the purchase order and claim refund of the advance amount paid by them.

24. In view of the discussions made above, the purchase is not entitled to

claim any loss or refund of the advance payment made by them, and they are liable to pay the balance amount including the statutory duties, taxes, etc., as agreed by them in the purchase order – Ex.A.3. The Trial Court has rightly approached the issue and based on sound reasons, decreed the suit filed by the supplier and we find no reason to interfere in the same. Accordingly, the issues 1 to 3 are answered. As far as the issue no.4 is concerned, we have not decided the same, since on merits, we have considered the claim of the appellant/ purchaser and found that the appellant is not entitled to any relief, as claimed by them, therefore, the judgment and decree of the Trial Court is confirmed.

25. Accordingly, this appeal is dismissed. The judgment and decree dated 23.06.2017 in O.S.No.696 of 2011 is hereby confirmed. Consequently, connected civil miscellaneous petition, if any stands closed. There shall be no order as to costs.

(C.V. KARTHIKEYAN, J.) (K.RAJASEKAR, J.)

11-06-2026

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Neutral Citation : Yes/No

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To

1. The IV Additional District and Sessions Judge, Coimbatore.

2. The Section Officer,
   V.R. Section,
   High Court of Madras.

C.V. KARTHIKEYAN, J.
AND
K. RAJASEKAR, J.

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Pre-delivery Judgment made in
A.S. No.6 of 2018

11-06-2026