IN THE HIGH COURT OF JUDICATURE AT MADRAS

RESERVED ON : 01.06.2026
DELIVERED ON: 03.06.2026

CORAM :

THE HONOURABLE MR. SUSHRUT ARVIND DHARMADHIKARI,
CHIEF JUSTICE
AND
THE HONOURABLE MR.JUSTICE G.ARUL MURUGAN

WA No.2073 of 2025
and CMP No.15729 of 2025

P.Kalyanasundaravalli
Proprietrix of M/s.K.T.Bakthavatchalam
Naidu Agency, Indian Oil Dealers,
No.186/2A2, Kalavakkam, Thiruporur,
Chennai - 603 110.

Appellant(s)

Vs

1. Indian Oil Corporation Ltd
   Rep by its Divisional Retail Sales Head,
   Marketing Division, Chennai Divisional
   Office, No.550, Anna Salai, Teynampet,
   Chennai - 600 018.

2. The Executive Director and State Head
   Indian Oil Corporation Ltd, Tamil Nadu
   State Office, Marketing Division,
   No.139, Nungambakkam High Road,
   Chennai – 600 034.

Respondent(s)

PRAYER: Appeal under Clause 15 of the Letters Patent to set aside the order passed in W.P.No.13687 of 2025, dated 03.07.2025 by the learned Single Judge.

For Appellant(s): Mr.N.L.Rajah, Senior Counsel for Mr.M.R.Jothimanian

For Respondent(s): Mr.Mohammed Fayaz Ali

JUDGMENT

THE CHIEF JUSTICE

This appeal has been preferred against the order dated 03.07.2025 passed in W.P.No.13687 of 2025, whereby the learned Single Judge dismissed the writ petition and upheld the second respondent's order dated 07.04.2025 to terminate the appellant's petroleum dealership.

2.1. The nub of the matter runs thus: The appellant was selected for the allotment of a retail petroleum outlet and pursuant thereto a Letter of Intent (LOI) was issued on 29.02.2016, followed by a Letter of Appointment (LOA) dated 29.03.2018. A formal Dealership Agreement was subsequently executed between the parties on 31.03.2018.

2.2. The controversy arose when the respondent Corporation received a complaint from the appellant's husband containing statutory tax records, specifically Form-16, which conclusively demonstrated that the appellant was drawing regular financial remuneration from a private corporate entity, Fisher Chennai Engineering Center, well after the issuance and execution of her dealership. Following a show-cause notice and the recording of written explanations, the second respondent terminated the dealership on 07.04.2025, invoking Clause 28(b) and Clause 45 of the Dealership Agreement on grounds of deliberate suppression of material facts and engaging in parallel gainful employment.

3. Learned Senior Counsel appearing for the appellant vigorously assailed the judgment of the learned Single Judge on the following grounds:

(a) The appellant's engagement with Fisher Chennai Engineering Center was strictly that of a "Freelance Online Support Consultant" compensated on a commission basis. It is argued that freelance consultancy is distinct from regular employment; it does not establish a master-servant relationship, and therefore cannot be construed as a breach of the dealership terms. In support of the said submission, reliance is placed on a decision of the Delhi High Court in *Kaushal Kishor Singh v. Sita Kuoni World Travel India Ltd*[1].

(b) The impugned termination order dated 07.04.2025 is an unreasoned and non-speaking order. It is argued that the terminating authority failed to independently evaluate the explanation offered by the appellant, thereby violating the principles of administrative fair play.

(c) The availability of arbitration clause in the contract, by itself, cannot be a bar to maintain the writ petition.

4. Per contra, learned counsel appearing for the respondents submitted thus:

1 *2022 SCC OnLine Delhi 3215*

(a) A declaration of non-employment was an indispensable precondition for the allotment and survival of the public utility dealership. The appellant explicitly suppressed her active employment status at the time of executing the contract, which amounts to fraudulent misrepresentation.

(b) The respondents place heavy reliance on the Income Tax Returns and corresponding Form 16 statements of the appellant. These statutory disclosures establish that the appellant sequentially drew a fixed salary during the financial years 2018–19 through 2020–21.

(c) During the initial selection process in 2016, the appellant gave a formal undertaking that she had severed ties with outside employers. However, her own documentation reveals that her resignation was tendered and accepted only in the year 2021. This multi-year overlap reveals that she was fully operating as an employee, completely defeating the contractual mandate of personal, undivided management of the retail outlet.

(d) The Dealership Agreement provides a structured, bilateral mechanism for dispute resolution, and the appellant is at liberty to invoke the arbitration clause, if so advised, rather than seeking to agitate contractual infractions under Article 226 of the Constitution.

5. We have given our anxious consideration to the rival submissions advanced by the learned counsel on both sides and have carefully scrutinized the material available on record.

6. At the outset, it needs to be noted that a Division Bench of this Court, vide order 7.7.2025, granted an order of status quo and the same continues to operate till date.

7. The semantic distinction drawn by learned Senior Counsel appearing on behalf of the appellant between a "freelance online consultant" and a "regular salaried employee" is a distinction

without a legal difference under the stringent terms of this public utility agreement.

8. At this juncture, it is seemly to reproduce Clauses 21 and 28(b) of the agreement hereunder:

> *"21. It shall be a paramount condition of this Agreement that* ***the Dealer himself*** *(if he be an individual) or both partners of the Dealer firm (if the Dealer is a partnership firm consisting of two partners only) or the majority of the partners of the Dealer firm (if the Dealer is a firm consisting of more than two partners) or the majority of the office bearers/elected members of the Dealer Co-operative Society (if the Dealer is a Co-operative Society) or the Managing/Whole time Directors (if the Dealer is a private limited company) as the case may be shall ordinarily be resident in India and* ***shall take an active part in the management and running of the Dealership and shall personally supervise the same and shall not tinder any circumstances do so through any other person firm or body either as 'Benami' or through any 'Power of Attorney' or otherwise****.*
>
> *...*

28. Except with the previous written consent of the Corporation (which consent the Corporation may in its sole and absolute discretion withhold)

(a) ...

(b) ***The dealer himself*** *(if he is an individual) or the partners themselves (if the dealer is a partnership firm) or the whole time office bearers/elected members (if the dealer is a Co-operative society)* ***shall not take up any other employment or engage in any other business and/or profession apart from the operation of the dealership which is the subject matter of this agreement****."*

[emphasis supplied]

9. Learned Senior Counsel for the appellant, referring to Clause 28 of the agreement, submitted that in as much as no public harm has been caused by the appellant, the dealership ought not to have been terminated. In support of the said submission, reliance is placed on a decision of the Supreme Court in *K.Raheja Corp Private Limited v. State of Maharashtra and others*[2], wherein it was held as under:

"23. A Court must weigh not only the wrong that has been committed but also the reality as it now stands.

2 *2026 SCC OnLine SC 945*

The doctrine of proportionality, deeply embedded in constitutional jurisprudence, demands that the severity of a remedial measure must bear a rational and proportionate relationship to the nature and magnitude of the wrong sought to be remedied. A remedy that causes public harm disproportionate to the public benefit it achieves is not a remedy that law ought to countenance."

10. Clauses 21 and 28(b) of the Agreement impose an absolute, unqualified embargo, stipulating that a dealer shall not take up any other employment or engage in any other business, profession, or avocation apart from the exclusive, personal administration of the retail outlet. This restrictive covenant is explicitly designed to ensure public safety, operational vigilance, and uncompromised regulatory compliance in managing highly inflammable petroleum products.

11. The Form-16 under the Income Tax Act from 2018 to 2021 constitutes unassailable statutory proof of active financial enrichment from an external employer. Labeling this parallel income as "freelance commission" cannot dilute the stark reality that the

appellant divided her attention and violated the very core of her allotment criteria. Therefore, the submission of learned Senior Counsel for the appellant that there is no public harm caused does not merit consideration.

12. The appellant’s grievance that the termination order is non-speaking and devoid of reasoning is factually incorrect and legally unsustainable. A plain reading of the impugned termination order demonstrates that the second respondent systematically outlined the nature of the breach, explicitly recorded the chronological sequence of the appellant's explanations, analyzed the assertions made during the personal hearing, and rightly applied Clause 28(b) and Clause 45 of the contract.

13. It is a settled position of law that administrative and commercial orders are not expected to be structured like exhaustive judgments of a civil court. When the foundational facts, namely, the receipt of parallel income and acceptance of appellant’s resignation on 21.9.2021, stand admitted based on the documents

filed by the appellant, the reasons supporting the termination are clear, conspicuous, and rooted in reality.

14. We find that the challenge to the arbitration clause is purely academic in the present context. The learned Single Judge did not summarily dismiss the writ petition on the ground of an alternative remedy, rather, the writ court rightly elected to test the validity of the termination order on its legal and factual merits under Article 226 of the Constitution of India.

15. Since the termination has been scrutinized and found to be legally robust, the submission of learned Senior Counsel for the appellant that the arbitration clause is unilateral does not alter the fate of this appeal. However, as rightly conceded by the respondents, the appellant may invoke the contractual arbitration clause, if so advised.

16. It is a foundational principle of equity and law that fraud and deliberate suppression of material facts completely vitiate a contract from its inception. The appellant secured a public utility

dealership by executing a false undertaking affidavit in 2016, pretending to be unencumbered by outside employment, while sequentially receiving salary until 2021.

17. The reasoning adopted by the learned Single Judge is legally sound and suffers from no perversity or infirmity. No ground has been made out warranting appellate interference.

For the reasons aforegiven, the appeal stands dismissed and the interim order granted earlier stands vacated. The order passed by the learned Single Judge dated 03.07.2025 is hereby affirmed. There shall be no order as to costs. Consequently, interim application is closed.

(SUSHRUT ARVIND DHARMADHIKARI,CJ) (G.ARUL MURUGAN,J)
03.06.2026

Index : Yes
Neutral Citation : Yes
sasi

To:

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