



Arb.O.P.(Com.Div) No.417 of 2023

In the High Court of Judicature at Madras

Reserved on
21.1.2026

Delivered on:
27.1.2026

Coram :

The Honourable Mr.Justice N.ANAND VENKATESH

Arbitration O.P.(Com.Div.) No.417 of 2023

M/s.Angel One Limited,
previously known as Angel
Broking P.Ltd., 5th & 6th
Floors, Akruti Star,
Central Road, MIDC,
Andheri East, Mumbai,
Maharashtra-400093 rep.by
Senior Manager, Legal &
Compliance

...Petitioner

Vs

Mr.S.X.J.Vasan,
No.11, Ayyavu Street,
Ayyavu Colony,
Aminjikarai, Chennai-29.

...Respondent

PETITION under Section 34 of the Arbitration and Conciliation Act, 1996 praying to set aside the award of the sole Arbitrator Mr.K.Harishankar in Arb.No.3/2021 dated 10.6.2023 and to direct the respondent to pay the costs.



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For Petitioner : Mr.G.Surya Narayanan &
Mrs.Jayasudha Surya Narayanan

For Respondent : Mr.B.Arvind Srevatsa

ORDER

The petitioner assails the award passed by the sole Arbitrator dated 10.6.2023 by filing this petition under Section 34 of the Arbitration and Conciliation Act, 1996 (for short, the Act).

2. Heard both.

3. The case of the petitioner is as follows:

(i) The respondent was the claimant before the sole Arbitrator. The respondent was a client of the petitioner for trading in the securities market. The petitioner is a stock broking company and the respondent availed the services of the petitioner from August 2013 onwards.

(ii) In the course of dealing between the parties, the respondent had availed the facility of margin trading whereby he was allowed to trade to the extent of value of shares and securities available in his account. The actual dispute arose between the parties when the



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petitioner squared off the account of the respondent by selling the securities from the respondent's account on the ground of margin shortfall and adjusted the same against the shortfall.

(iii) According to the respondent, such a squaring off done by the petitioner was illegal and as a result, the respondent sustained loss to the tune of Rs.48,77,111/-. Initially, the dispute was referred to an Arbitrator of National Stock Exchange of India Limited. Pursuant to that, an order came to be passed on 19.10.2016. Aggrieved by that, the petitioner filed O.P.No.84 of 2017 before this Court, which, by an order dated 27.8.2021, set aside the award passed by the earlier Arbitrator and on consent given by both sides, appointed the sole Arbitrator to adjudicate the dispute between the parties.

(iv) The sole Arbitrator, based on the pleadings, framed the following issues:

"a. Whether the squaring off done by the respondent on 06.11.2015 and 21.01.2016 are proper? and

b. Whether the order of the IG or IC 10.05.2016 is sustainable?

c. Whether the claimant is entitled to make additional claims not taken in the earlier arbitration proceedings?



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d. Whether the claimant is entitled to a sum of Rs.48,77,000/- as prayed for in paragraph (a) of the statement of claim?

e. Whether the claimant is entitled to the relief of declaration declaring the squaring off done by the respondent on 21.01.2016 as illegal, as prayed for in paragraph (b) of the statement of claim?

f. Whether the claimant has incurred any loss? If so, to what amount he is entitled to be compensated? And

g. To what other reliefs are the parties entitled to?"

(v) Before the sole Arbitrator, on the side of the respondent/claimant, C.W.1 and C.W.2 were examined besides marking Ex.C.1 to Ex.C.25. On the side of the petitioner, R.W.1 was examined and Ex.R.1 to Ex.R.6 were marked through the claimant/respondent's witnesses and Ex.R.7 to Ex.R.12 were marked through R.W.1.

(vi) On considering the pleadings, the evidence available on record and the facts and circumstances of the case, the sole Arbitrator came to the conclusion that the squaring off done by the petitioner on 21.1.2016 was illegal and accordingly directed the petitioner to compensate the respondent/claimant to the tune of Rs.48,77,111/- along with interest at the rate of 9% per annum from 21.1.2016 till



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the date of realization. Aggrieved by that, the present petition has been filed.

4. The learned counsel for the petitioner submitted that the notice of the respondent/claimant was drawn regarding the margin shortfall, which would be evident from Ex.C.10, that in view of the same, a specific right was available to the petitioner for squaring off as per Clause 5 of the agreement and that therefore, this right was exercised by the petitioner.

5. It was further contended on the side of the petitioner that the sole Arbitrator failed to take note of the evidence that was adduced on the side of the petitioner whereas he mostly relied upon the evidence on the side of the respondent and rendered the findings, that the impugned award passed by the sole Arbitrator is in total disregard to the evidence available on record and that the findings rendered suffer from perversity and patent illegality.

6. Per contra, the learned counsel appearing for the respondent/claimant submitted that the sole Arbitrator had taken into



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consideration the entire sequence of events that took place from 18.1.2016 to 21.1.2016 when the petitioner had squared off and came to the conclusion that such a squaring off was made without issuing proper notice to the respondent/claimant, that it was done in contravention to the risk management policy and that the findings rendered by the sole Arbitrator on appreciation of evidence do not suffer from any perversity or patent illegality warranting the interference of this Court.

7. This Court has carefully considered the submissions of the learned counsel on either side and perused the materials available on record and more particularly the impugned award.

8. The respondent/claimant was a customer of the petitioner from 2013 onwards. The respondent, over a period of time, traded heavily with the petitioner.

9. The specific case of the respondent/claimant, which is more relevant to decide the case in hand, is that during the month of January 2016, the branch office of the petitioner asked the respondent



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to pay a sum of Rs.5 lakhs on 15.1.2016. Thereafter, on 18.1.2016, the respondent was asked to pay a further sum of Rs.20 lakhs to meet out the margin shortage. Accordingly, the respondent issued a cheque in favour of the petitioner on 18.1.2016. Due to some reason, the cheque, which was deposited, did not go through and the respondent was asked to replace it with a new cheque leaf on 21.1.2016. This was done and this amount was realized on 25.1.2016. A further amount of Rs.11,94,351/- was directed to be paid on the ground of margin shortfall and in the meantime, a cheque was issued in this regard on 20.1.2016. In spite of it, the petitioner proceeded further to square off on 21.1.2016. As a result, the scripts were sold by the petitioner at a lower rate and the respondent suffered a loss to the tune of Rs.48,77,111/-.

10. The petitioner heavily relied upon Clause 5 of the agreement, which is extracted as hereunder:

"5. Angel's right to square off:

*Without prejudice to Angel's other rights
(including the right to refer a matter to arbitration),
in the event of the client falling to maintain/supply
applicable margin money required to sustain the*



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outstanding market positions of the client, Angel shall be entitled, at its option and liberty, to liquidate/close out all outstanding market positions or any part thereof such that the outstanding market positions are either zeroed out or reduced to an extent where available margin covers the market positions remaining after such square off. The client understands and accepts that authority of Angel to square off outstanding market interests of the client in the event of the client failing to furnish margin money immediately on demand is carie blanche qua the entire outstanding position and the client shall not, as a matter of right, be entitled to reduction of the outstanding positions in stages in order that positions to the extent of available margin are retained in the client's account. Angel may also sell off all or any securities of the client lying with Angel as collateral or otherwise, for any amounts due by the client and adjust the proceeds of such liquidation/close out against the client's liabilities/obligations to Angel. Any and all losses and financial charges on account of such liquidation/closing-out shall be charged to and borne by the client. Such liquidation/close out may be without any prior reference or notice to the client. Client shall keep and hold Angel indemnified and harmless from any loss arising out of such closing out/squaring off. Such liquidation or close out of positions shall apply to any segment in which



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the client does business with Angel.”

11. A careful reading of the above extracted clause makes it clear that wherever the client fails to maintain/supply the applicable margin money required to sustain the outstanding market positions of the client, the petitioner, after issuing notice, will be entitled to square off the outstanding market interests of the client and adjust the entire outstanding position.

12. The petitioner is placing strong reliance upon the above extracted clause. According to the petitioner, if, ultimately, the petitioner is able to satisfy the requirement of Clause 5, the squaring off resorted to by the petitioner cannot be faulted since it is a right available to the petitioner whenever there is a shortage/fall in the margin money.

13. It is seen from the records that as on 18.1.2016, there was a shortfall of margin to the tune of Rs.35,62,758/-. In view of the same, the respondent was directed to make a payment of Rs.20 lakhs and accordingly, on the same day, the respondent issued a cheque for a



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sum of Rs.20 lakhs. This was given due credit by the petitioner and on 19.1.2016, the shortfall of margin money was reflected as Rs.11,94,351/-.

14. The specific case of the respondent is that the respondent issued a cheque for a sum of Rs.11 lakhs on 20.1.2016 and for this purpose, the respondent relied upon the communication made through an email on 20.1.2016 wherein the scanned copy of the cheque was extracted. In the meantime, the cheque for the sum of Rs.20 lakhs that was issued on 18.1.2016 was dishonoured and on getting that information, the respondent replaced it with a fresh cheque leaf on 21.1.2016. However, on 21.1.2016, the petitioner proceeded to square off on the ground that there was a shortfall in the margin.

15. Thus, it is crucial to take note of the sequence of events that took place between 18.1.2016 to 21.1.2016.

16. The sole Arbitrator, while dealing with issue Nos.1, 2, 5 and 6 together, undertook this exercise. While doing so, the sole Arbitrator took into consideration the evidence available on record. Paragraphs



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15 to 22 of the award assigned reasons on appreciation of evidence wherein the sole Arbitrator concluded that the squaring off done by the petitioner on 21.1.2016 was illegal.

17. But, this Court has to see whether this finding rendered by the sole Arbitrator suffers from perversity and patent illegality.

18. The specific ground taken by the petitioner is that the respondent was aware of the fact that there was a shortfall in the margin money as on 21.1.2016, that there was absolutely no proof to show that the respondent had issued the cheque for a sum of Rs.11 lakhs as was claimed by the respondent, that even assuming that the cheque for a sum of Rs.20 lakhs on 21.1.2016 was given due credit, there was clearly a debit balance of Rs.11,94,351/-, which was never accounted for by the respondent and that in such an event, the petitioner had all the rights to square off as per Clause 5 of the agreement.

19. The sole Arbitrator had taken into consideration the fact that the respondent issued a cheque for a sum of Rs.20 lakhs on 18.1.2016



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and while giving credit to the same, the debit balance was reduced from Rs.35,62,758/- to Rs.11,94,351/-, which was evident from Ex.C.8. On 20.1.2016, the cheque was dishonoured. This was intimated by the petitioner to the respondent and hence, the respondent issued a fresh cheque leaf for a sum of Rs.20 lakhs on 21.1.2016. This cheque was encashed on 25.1.2016. This is clear from the evidence of R.W.1. But, curiously, this credit was given on 21.1.2016 by the petitioner after squaring off had already taken place.

20. The prerequisite for squaring off is that a notice should be given to the client before undertaking the squaring off. While dealing with this issue, strong reliance was placed upon Ex.C.10 by the petitioner.

21. The sole Arbitrator, on going through Ex.C.10, came to the conclusion that all those were automated messages, which did not reflect the real facts/ground reality. The sole Arbitrator came to the conclusion that Ex.C.10 could not be considered in isolation and it had to be seen along with all those events that had taken place between 18.1.2016 to 21.1.2016. The sole Arbitrator came to the conclusion



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that for the cheque issued on 18.1.2016 for a sum of Rs.20 lakhs, it was given due credit on 19.1.2016 and that the margin shortfall was reduced to Rs.11,94,351/-.

22. The sole Arbitrator also took into consideration the fact that a further cheque for a sum of Rs.11 lakhs was given by the respondent on 20.1.2016. Hence, as on 21.1.2016, there was no need for the petitioner to square off the scripts considering the account position. None of them was reflected in the so-called messages received from the petitioner vide Ex.C.10. Hence, the sole Arbitrator rendered a finding that the automated messages contained in Ex.C.10 did not help the case of the petitioner and that it could not be construed as a valid notice issued by the petitioner before undertaking the process of squaring off on 21.1.2016.

23. The sole Arbitrator further took into consideration yet another important fact namely the risk management policy (Ex.C.22). It provides for the sequence of squaring off. Factually, the sole Arbitrator rendered a finding that the sequence of squaring off was not followed and that therefore, the squaring off done by the petitioner in



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total disregard to the policy would suffer from illegality.

24. This finding of the sole Arbitrator to the effect that the squaring off done by the petitioner on 21.1.2016 was illegal is certainly a possible view on appreciation of evidence. Just because there is a possibility of taking a different view based on the evidence available on record, that cannot be a ground to interfere with the finding and the law on this issue is too well settled.

25. In so far as the amount of loss payable by the petitioner to the respondent is concerned, the sole Arbitrator took into consideration the table of computation given in the claim statement, which was not seriously disputed by the petitioner and accordingly, fixed the compensation amount of Rs.48,77,111/-. This is again a factual finding, which cannot be interfered by this Court in exercise of its jurisdiction under Section 34 of the Act.

26. The sole Arbitrator fixed the interest at the rate of 9% per annum from 21.1.2016 and in the considered view of this Court, the same is in line with Section 31(7)(a) of the Act.



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27. In the light of the above discussions, this Court does not find any ground to interfere with the award passed by the sole Arbitrator.

28. Accordingly, the above original petition stands dismissed with **costs of Rs.1,50,000/- (Rupees one lakh and fifty thousand only)** payable by the petitioner to the respondent.

27.1.2026

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