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OSA(CAD) No.147 of 2025

IN THE HIGH COURT OF JUDICATURE AT MADRAS

RESERVED ON 02.02.2026	PRONOUNCED ON 20.02.2026
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CORAM
THE HONOURABLE MR. JUSTICE C.V. KARTHIKEYAN
AND
THE HONOURABLE MR. JUSTICE K.KUMARESH BABU

OSA(CAD) No.147of 2025
and C.M.P.No.32128 of 2025

M/s.Sree Ramajayam Service Station,
Represented by its Managing Partner R.Vasudevan,
No.245, Royapettah High Road,
Royapettah, Chennai – 600 014.

... Appellant

Vs

M/s.Bharat Petroleum Corporation Ltd.,
Represented by its Territory Manager (Chennai),
No.35, Vaidyanathan Street,
Tondiarpet, Chennai – 600 081.

... Respondent

PRAYER:- Original Side Appeal has been filed under Section 13(1) of Commercial Courts Act r/w Order XXXVI Rule 9 of the Original Side Rules, 1994 r/w Section 37 of Arbitration and Conciliation Act, 1996, praying to set aside the Fair and decretal order dated 08.12.2025 passed in Arb.O.P. (COMM. DIV) No.234 of 2021 and allow the Original Side Appeal and pass further orders.

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For Appellant : Mr.N.Murali Kumaran
Senior Counsel
for Mr.S.Sathish Rajan
For Respondent : Mr.Krishna Srinivasan
Senior Counsel
for M/s.S.Ramasubramaniam
& Associates

JUDGMENT

(Order of the Court was made by Mr.K.KUMARESH BABU.,J.)

The present Original Side Appeal has been filed against the order dated 08.12.2025 passed by the learned single judge in Arb O.P.(Com. Div.) No.234 of 2021, on the file of this court, whereby the learned single Judge had set aside the Award dated 12.07.2021, granted by the sole Arbitrator.

2. The appellant was one of the authorised dealers of the respondent, holding a Dispensing Pump and Selling Licence (DPSL), lastly renewed in the year of 2017, for the dispensing and sale of Motor Spirit (MS), High Speed Diesel (HSD), and other petroleum products. On 04.09.2020, the appellant placed an indent for supply of 4,000 litres of Motor Spirit (MS) and 8,000 litres of High Speed Diesel (HSD), which was dispatched on the same day. Subsequently, the representatives of the respondent drew samples

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from the appellant's retail outlet for quality testing in accordance with the Marketing Discipline Guidelines. The laboratory report dated 19.09.2020 revealed that the sample of Motor Spirit did not conform to the prescribed standards with respect to Final Boiling Point (FBP) and Research Octane Number (RON), as specified under Bureau of Indian Standards Specification IS 2796:2017, Motor Gasoline Specification – VIth Revision (hereinafter referred to as “BIS 2017”). As per the laboratory report, the FBP value was 220°C and the RON value was 90.6. However, under BIS 2017 specification, the maximum permissible FBP is 210°C and the minimum RON required for Regular Motor Spirit is 91. Therefore, the samples drawn from the appellant's retail outlet failed to meet the BIS 2017 specifications.

3. Consequently, the respondent stopped the supply of Motor Spirit (petrol) and High Speed Diesel (HSD) and issued a show cause notice dated 24.09.2020 to the appellant, with regard to the alleging adulteration. Challenging the said action, the appellant approached this Court by filing O.A.Nos.538 and 539 of 2020, seeking an interim injunction restraining the respondent from discontinuing the supply of Motor Spirit and Diesel. By



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order dated 05.11.2020, the interim injunction was made absolute, directing the respondent to resume supply of Diesel and to conduct an enquiry, after presenting a fair opportunity to the appellant, with respect to the abovesaid show cause notice, within 15 days from the date of the order. The respondent was also restrained from terminating the DPSL Agreement dated 20.01.2017 until the enquiry was concluded and orders were passed thereon. In compliance with the aforesaid order, the respondent conducted an enquiry before the Regional Head, Southern Region, by constituting a three-member committee. Pursuant to the aforesaid enquiry, termination of the dealership was approved on 18.11.2020. Thereafter, an Ad-hoc dealer was appointed on 25.11.2020 and the appellant was issued with a termination order dated 27.11.2020. On the very next day, the retail outlet was handed over to the Ad-hoc dealer.

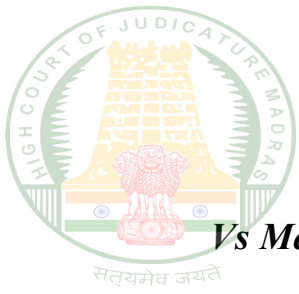
4. Aggrieved by the termination order issued by the respondent, the appellant once again approached this Court by filing O.A.No.635 of 2020, seeking an interim injunction restraining the respondent from enforcing the termination order *supra*, pursuant to which an interim order was granted on 28.11.2020. As the said interim order was not complied with, the appellant



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initiated contempt proceedings in Cont.P.No. 1114 of 2020. By a common order dated 19.02.2021 in the contempt petition, this Court directed the respondent to hand over possession of the retail outlet to the appellant and to recommence supply on the same day. By the very same order, this Court had also appointed a Sole Arbitrator to adjudicate the disputes between the parties.

5. After hearing both the sides and upon a careful perusal of the materials available on record, the learned Sole Arbitrator passed an Award dated 12.07.2021. In the Award, the learned Sole Arbitrator examined the discrepancies in the parameters tested in respect of the appellant's retail outlet samples, which were alleged to be non-compliant with the BIS 2017 specification prescribed by the Bureau of Indian Standards. With regard to the discrepancy in the Research Octane Number (RON), the laboratory report recorded the RON value of the sample drawn from the retail outlet as 90.6, whereas the minimum RON prescribed under BIS 2017 specification is 91. Thus, the RON value was lower by 0.4. The learned Sole Arbitrator placed reliance upon the *Division Bench Judgement of the Hon'ble Gujarat Court* in the case of *M/s Bharat Petroleum Corporation Limited*

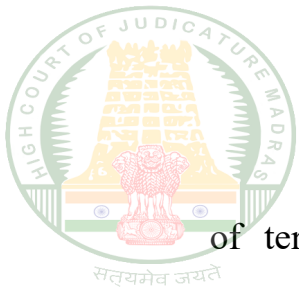


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Vs Meghal Thakkar Proprietor of Sree Vasudev Transport, wherein it was

held that RON value should be rounded off to the nearest integer and if the interpolated value is that of 0.50, then the value should be rounded off to the nearest even integer i.e., if the RON value is 87.5, it should to rounded off to to the next even integer of 88 and not as 87. Applying the said principle, the learned Sole Arbitrator rounded off the RON value of 90.6 to 91 and held that the same satisfied the BIS 2017 specification prescribed by the Bureau of Indian Standards.

6. The Sole Arbitrator further observed that a marginal variation of 0.4 in the RON value, by itself, would not be conclusive to establish that the Motor Spirit was adulterated or unfit for sale, particularly in the absence of any other material indicating deliberate adulteration. The learned Sole Arbitrator further observed that the Committee Report dated 21.09.2020 did not arrive at any conclusive finding as to the possible reason for the failure of the Motor Spirit samples. He further noted that a day after the termination order was issued i.e., 28.11.2020, the Ad-hoc dealer had taken the immediate possession of the retail outlet with undue haste and the appointment of the Ad-hoc dealer seemed to be made even prior to the order



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of termination being issued by the competent authority. Taking into consideration the materials on record and the absence of any definitive finding regarding adulteration, the learned Sole Arbitrator concluded that the termination order dated 27.11.2020 issued by the respondent was vitiated with malafides and accordingly set aside the said termination order.

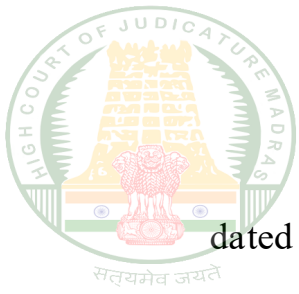
7. Aggrieved by the Award dated 12.07.2021 passed by the learned Sole Arbitrator, the respondent approached this Court by filing Arb. O.P. (Com. Div.) No. 234 of 2021 under Section 34 of the Arbitration and Conciliation Act, seeking to set aside the Award. It was contended that the learned Sole Arbitrator had erroneously relied upon the judgment in *M/s Bharat Petroleum Corporation Limited v. Meghal Thakkar, Proprietor (supra)*, wherein applying the same to the instant case, the RON value of 90.6 was rounded off to 91 following method prescribed in 1960 IS Standard, *per contra* the present case is governed by the BIS 2017 specification. Therefore the principle of rounding off adopted in the said earlier judgment ought not to have been applied to the instant case. On that basis, it was argued that the rounding off of the RON value from 90.6 to 91 and the consequential finding that the deviance of 0.4 in the RON value does



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not affirm the adulteration of the Motor Spirit, suffered from patent perversity and illegality. It was further submitted that the learned Sole Arbitrator had placed undue reliance upon the orders passed by this Court in O.A. No. 635 of 2020 and Cont.P. No. 1114 of 2020 without independently applying his mind and properly appreciating the evidence available on record, had thereby erroneously concluded that the termination order was vitiated by malafides.

8. After hearing the submissions made on either side and upon perusal of the materials available on record, the learned Single Judge, by order dated 08.12.2025, held that the termination order dated 27.11.2020 had been issued on the ground that the samples drawn from the appellant's retail outlet did not conform to the specifications prescribed under BIS 2017. The learned Single Judge further observed that, if the appellant had genuinely intended to dispute the test results, an option was open to them to seek re-testing of the retained samples, however, the appellant had failed to avail such opportunity despite its availability at their disposal. In view of the above findings, the learned Single Judge upheld the termination order issued by the respondent is valid and had subsequently set aside the Award



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dated 12.07.2021 passed by the learned Sole Arbitrator. The present Appeal has been filed challenging the aforesaid order and decree dated 08.12.2025 passed by the learned Single Judge.

9. Heard Mr.N.MuraliKumaran the learned Senior Counsel appearing on behalf of Mr.S.Sathish Rajan, the learned counsel of the appellant and Mr.Krishna Srinivasan the learned Senior Counsel appearing on behalf of the respondent

10. The learned Senior Counsel for the appellant submits that the learned Single Judge erred in not accepting the rounding off the RON value to 91.0, despite the laboratory report recording it as 90.6. It is contended that the learned Sole Arbitrator rightly rounded off 90.6 to 91, which is the correct calculation. It is further submitted the finding, that the Arbitrator had relied upon a judgment with irrelevant BIS specification is erroneous and unsustainable. He further contended that the learned Sole Arbitrator had rightly exercised his discretion in rounding off the RON value of 90.6 to 91, as the marginal variation of 0.4 is negligible and cannot by any stretch of imagination, lead to a conclusion of adulteration of the Motor Spirit. The



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learned Senior Counsel vehemently argued that just because the learned Sole Arbitrator had quoted to certain observations of this Court from its earlier judgments, it cannot be presumed that his findings were influenced or coloured by those observations, as the Award reflects independent application of mind.

11. He further submits that the Ad-hoc dealer was handed over the retail outlet on 28.11.2020, immediately on the day following the termination order and there was no clarity as to whether any fresh loads were supplied to the said Ad-hoc dealer. Therefore, the factual finding of the learned Sole Arbitrator that the termination was tainted with malafides is fully justified. He contends that if the Motor Spirit and High Speed Diesel were indeed found to be beyond permissible limits and adulterated, permitting the very same product to be sold through the Ad-hoc dealer would itself amount to illegality. It is further submitted that the alleged discrepancy pertained only to Motor Spirit(MS) and not to High Speed Diesel(HSD), and hence the finding of the learned Single Judge that the licence is composite in nature and cannot be partially sustained is not in accordance with law. The learned Senior Counsel also submits that the

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learned Single Judge has traversed beyond the limited scope of interference under Section 34 of the Arbitration and Conciliation Act and that no valid grounds were made out by the respondent to set aside the well-reasoned Award of the learned Sole Arbitrator. In view of the above facts and circumstances, he prays that this Court may be pleased to allow the present Appeal and set aside the order dated 08.12.2025 passed by the learned Single Judge.

12. *Per contra*, Mr. Krishna Srinivasan the learned counsel appearing on behalf of the respondent would contend that the order passed by the learned Single Judge does not warrant any interference. He submits that the termination order dated 27.11.2020 was issued solely on the ground that the samples drawn from the appellant's retail outlet did not conform to the specifications prescribed under BIS 2017, particularly with respect to Motor Spirit. He further submits that the learned Sole Arbitrator committed a grave error in rounding off the RON value of 90.6 to 91 by relying upon a judgment that neither applied to the facts of the present case nor followed the BIS 2017 standard. He would further submit that the learned Single Judge rightly held that the reported RON value of 90.6 ought not to have



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been rounded up to 91 and that the discrepancy of 0.4 in the RON value must be treated as below the prescribed standard, in accordance with the BIS 2017 specification.

13. It is also contended that the appellant was provided a fair opportunity of hearing and that the proceedings culminating in the termination of the licence were conducted in compliance with the principles of natural justice. Though the appellant had the option of seeking re-testing of the retained samples, they chose to forgo such opportunity, thereby rendering the laboratory findings conclusive. The learned counsel would further argue that the findings of the learned Sole Arbitrator in the Award dated 12.07.2021 were not based on an independent application of mind and were influenced by earlier observations made by this Court. Therefore, the learned Single Judge was fully justified in setting aside the Award and upholding the validity of the termination order. In view of the above facts and circumstances, he prays that this Court may be pleased to dismiss the present Appeal.

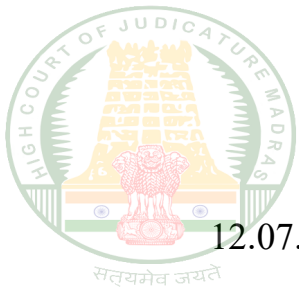


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14. We have considered the rival submissions made on both the sides and have perused the materials available on record before us.

15. The primordial contention of the appellant in the present Appeal is that the Award passed by the learned Sole Arbitrator is valid and does not suffer any perversity or illegality. It is the contention of the appellant that the rounding off of the reported RON value of 90.6 to 91 by the Sole Arbitrator is correct and that the marginal difference of 0.4 is condonable. It is significant to note that the learned Sole Arbitrator had placed reliance upon the judgment in *Bharat Petroleum Corporation Ltd. v. Meghal R. Thakkar* (*supra*), which is based on the IS Standard prescribed in the year 1960 and the present BIS 2017 do not permit such rounding off. Hence as rightly observed by the learned Single Judge, the said judgment cannot be applied to the facts of the present case and the reported RON value of 90.6, being below the prescribed minimum of 91, cannot be rounded off to 91 so as to bring it within the permissible limit.

16. In view of the above, this Court is of the considered view that the decision of learned Single Judge in setting aside the Award dated



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12.07.2021 passed by the learned Sole Arbitrator is justified. Further this

Court finds no infirmity or illegality in the impugned order warranting interference. Accordingly, the present Appeal stands dismissed. Consequently, the connected miscellaneous petitions are closed. However, there shall be no order as to costs.

(C.V.K.,J.)

(K.B., J.)

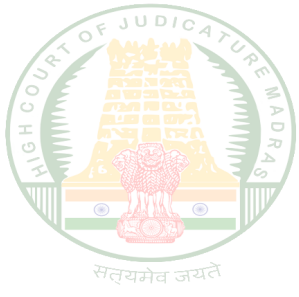
20.02.2026

Index: Yes/No

Speaking Order/Non Speaking Order

Neutral Citation: Yes/No

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C.V. KARTHIKEYAN., J.
and
K.KUMARESH BABU., J.

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A Pre-delivery judgment made in
OSA(CAD) No.147 of 2025

20.02.2026