IN THE HIGH COURT OF PUNJAB AND HARYANA AT CHANDIGARH

143 **FAO-1319-2025**
Decided On: 09.07.2025

DIRECTOR GENERAL FOOD AND SUPPLIES, GOVERNMENT OF HARYANA AND ANOTHER

....PETITIONER(s)

Versus

M/S ASHARFI RICE INTERNAL AND ANOTHER

....RESPONDENT(s)

CORAM: HON'BLE MR. JUSTICE TRIBHUVAN DAHIYA

Present: Mr. Sumeet Gupta, Additional Advocate General, Haryana.

TRIBHUVAN DAHIYA J.(Oral)

The appeal has been filed for setting aside judgment, dated 09.12.2024, passed by Additional District Judge, Kurukshetra, in arbitration case no.04 of 2018, whereby the petition under Section 34 of the Arbitration and Conciliation Act, 1996 (for short, 'the 1996 Act'), filed by the appellants/judgment debtors against arbitral award, dated 22.02.2018, has been dismissed.

2. As per facts on record, in brief, an agreement was entered between the parties, dated 03.10.2013, whereby the respondent/claimant Rice Mill was allocated paddy for milling by the appellant/Corporation. The paddy was purchased by the respondent, and was stored in the premises of the rice mill after milling during 2013-14. It was in joint custody of the parties. Also, the prescribed quantity of paddy after milling was delivered to the petitioners. However, disputes arose between the parties regarding non-payment of mandatory and statutory milling and other charges to the respondent. An amount of ₹7,43,227 was wrongly debited on account of damage cut, and ₹18,31,695 as interest.

2.1. The Arbitrator decided the claim, vide award dated 22.02.2018, by holding as under:

> 24. As a sequel it is held as under:
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> (A) The respondents are not liable to bear the costs of the damaged grains in excess of permissible limit.
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> (B) The claimant was not guilty of delay in delivery of CMR in the given circumstances and the deduction of holding charges was illegal, unfair and not justified. Amount is liable to be paid by the respondents to the claimant.
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> (C) There was no justification for withholding the FDR.
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> 25. Resultantly, award is passed in favour of the claimant and against the respondents to the effect that the respondents shall pay to the claimant Rs.18,31,695 (Rs. Eighteen Lakh, thirty one thousands, six hundred and ninety five) which were deducted as holding charge with simple interest @ 9% per annum from the date of first hearing in these proceedings i.e. 25th January, 2017 till date of realization. Secondly, the FDR shall be released by the respondents to the claimant within 15 days from the date of award failing which the respondents shall be liable to pay damages @ Rs.1,000/- per day. Thirdly, the parties shall bear their own costs of these proceedings. Claimants shall not be entitled to any other sum on any other count.

3. Learned counsel for the appellants contends that the Arbitrator has allowed the claim in violation of the agreed terms of the contract. The respondent has been held entitled to the claimed amount of ₹18,31,695, and the petitioners have also been directed to release the amount of FDR to it, which would amount to double payment as the total amount debited by the appellants included the amount of FDR as well.

4. This very issue was raised by the petitioners before learned Additional District Judge as well in the objection petition. It was duly considered by holding as under:

> 8. A bare perusal of record of the arbitrator shows that a DO letter issued by the Chief Minister, Haryana to the Minister of State (Independent Charge) for Consumer Affairs, Food & Public Distribution, Government of India is placed as Annexure C5 vide which it was brought to the notice of Government of India that the quality of paddy was adversely affected during the kharif season on account of unseasonal rains in the month of October. The Chief Minister of Haryana had admitted in the said letter that the procurement agencies in Haryana were compelled to procure such paddy keeping in mind the basic mandate of the procurement policy that farmers must get remunerative price for their produce and also to contain potential unrest amongst farmers and to maintain the law-and-order situation in the state. It was further mentioned that due to the damage caused by rains, the paddy which was thus procured, could not give rice conforming to the prescribed specifications which were required to be relaxed in view of the extenuating circumstances. A similar DO letter written again by the Chief Minister of Haryana is placed on record as Annexure C6.
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> 9. As such, vide letter dated 02.01.2014 issued by the Government of India, Ministry of Consumer Affairs, Food & Public Distribution, placed on the record of the arbitrator as Annexure C7, the said ministry allowed relaxation in the percentage of damaged/slightly damaged grains upto 4% against the existing limit of 3% with full value cut in the balance quantity of custom milled raw rice of Kharif Milling Season (KMS) 2013-14 in Karnal, Kurukshetra, Yamuna Nagar and Palwal Districts of Haryana. Thereafter, vide letter dated 28.08.2014, Annexure C9, Government of India approved extension in period of delivery of custom milled rice to the central pool for KMS 2013-14 upto 30.09.2014. It is not disputed that respondent No.1 had

complied with the said time limit for delivery of the balance CMR to the objectors. By taking into account all the aforesaid facts and documents discussed above, the arbitrator had rightly concluded that claimant/respondent No.1 was entitled to recover an amount of Rs.18,31,695/- which were deducted as holding charge with simple interest @ 9% per annum from the date of first hearing in the arbitration proceedings till the date of realization. Merely because the arbitrator had directed that the FDR shall be released by the objectors to the claimants/respondent No.1 within 15 days from the date of award, failing which they shall be liable to pay damages @ Rs.1,000/- per day does not establish that the impugned award is a result of prejudicial and biased mind because the period provided for challenging the arbitral award is three months. Rather, a bare perusal of the impugned award shows that the arbitrator had rejected the claim of respondent No.1 regarding value cut which shows that he had dealt with the matter in an impartial and fair manner.

5. The reasons recorded by learned Additional District Judge are well founded, and do not suffer from any error of law. It cannot be said that he acted beyond the jurisdiction vested in him under Section 34 of the 1996 Act.

6. Finding no ground to interfere with the impugned judgment, the appeal stands dismissed.

(TRIBHUVAN DAHIYA)
JUDGE

09.07.2025
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Whether speaking/reasoned? *Yes/No*
Whether reportable? *Yes/No*