FAO-4373-2019(O&M)

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IN THE HIGH COURT OF PUNJAB AND HARYANA AT CHANDIGARH

FAO-4373-2019(O&M)
DATE OF DECISION : 22.04.2025

HARYANA AGRO-INDUSTRIES CORPORATION LTD.

…APPELLANT

Versus

M/S DEVI DAYAL SACHIN KUMAR AND OTHERS

...RESPONDENTS

CORAM : HON'BLE MS. JUSTICE LAPITA BANERJI

Present : Mr. Padam Kant Dwivedi, Advocate and
Ms. Mansi, Advocate for the appellant.

LAPITA BANERJI, J.(ORAL)

CM-14344-CII-2019

This is an application for condonation of delay of 28 days in filing the appeal.

Perused the grounds in the application.

Such grounds are found to be sufficient.

The application is allowed and delay of 28 days in filing the appeal is condoned.

Main case

Under challenge in the present appeal is the arbitration award dated September 12, 2016 and the judgment dated December 15, 2018 passed by the Additional District Judge, Panchkula, in an application under Section 34 of the Arbitration and Conciliation Act, 1996 (hereinafter referred to as 'the 1996 Act').

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2. The appellant-claimant instituted the arbitration proceedings due to the failure on the part of the respondents-miller to supply the requisite quantity of Custom Milled Rice (CMR) for the crop year 2008-09. An agreement was entered into between the parties on October 03, 2008 for milling the paddy as per the terms and conditions stipulated in the agreement.

3. Pursuant to the milling agreement, the Corporation handed over 30104.05 quintals of paddy to the respondents-miller for milling. The respondents were required to deliver 20169.71 quintals of CMR. However, the respondents delivered only 15113.65 quintals and failed to deliver balance amount of 5056.06 quintals of CMR. The appellant raised a claim of Rs.1,42,62,673/- against the respondents-miller. The respondents-miller paid a sum of Rs.95,50,122/-. Thereafter, a sum of Rs.47,12,551/- on account of principal amount remained due and payable by the respondents-miller to the appellant-Corporation. The appellant-Corporation claimed interest at the rate of 12.25% per annum on the principal sum. The total claim filed before the learned Arbitration was to the tune of Rs.81,29,706/-. The respondents-miller had issued three cheques on April 07, 2010, April 14, 2010 and April 21, 2010 for satisfying their debt. However, all the three said cheques had bounced and criminal proceedings under Section 138 of the Negotiable Instruments Act, 1881 were initiated by the appellant.

4. During the pendency of the arbitration proceedings, it was submitted by the respondents-miller that the said proceedings were barred by the laws of limitation. Under the milling agreement, any claim arising

out of a dispute relating to the agreement, had to be raised within one year from the date of accrual of the cause of action.

5. In the present case, the deficiency related to the 2008-09 crop year and the arbitration proceedings were admittedly instituted approximately after six years in 2015. The respondents-miller stance before the arbitral Tribunal was that the appellant-Corporation had received a sum of Rs.29 lacs in full and final settlement of their dues with regard to the deficiency in supplying of CMR for the crop year 2008-09.

6. The satisfaction of the appellant-Corporation was recorded by the Judicial Magistrate, First Class, Kurukshetra vide an order dated December 18, 2014 in criminal complaint No.288 of 2014 which was initially instituted on June 04, 2010 and later re-numbered in 2014.

7. The learned Arbitrator came to the finding that since the respondents-miller had paid Rs.29 lacs during the pendency of the criminal proceedings in full and final satisfaction of the appellant, no further claim could be raised against the respondents-miller for the same default. He referred to the order dated December 18, 2014 passed by the criminal Court and recorded the observations passed by the learned Judicial Magistrate. The observations of the Judicial Magistrate regarding the complainant-appellant failing to prove that a sum of Rs.77,85,387/- for which the criminal case was filed, was due and payable by the respondent/accused was taken in consideration by the learned Arbitrator. It was unambiguously recorded that the documentary evidence led to the finding that the accused had paid all the dues of the complainant. Furthermore, the learned

Arbitrator relied on the communication dated October 13, 2010 addressed by the District Manager to the Managing Director of the Corporation. From the said communication, it appeared that the respondents-miller had paid his dues for the default in supplying requisite quantity of CMR, for the crop year 2008-09.

8. By a separate letter, the Corporation had also recommended allotment of paddy to the respondents-miller for a later crop year as the previous default was made good. Therefore, the claim of the Corporation for crop year 2008-09 was rejected by the learned Arbitrator.

9. In an application under Section 34 of the 1996 Act, the appellant challenged the said award. The learned Additional District Judge, Panchkula held that the learned Arbitrator after considering the evidence, had come to the finding that the respondents-miller had cleared the dues on October 12, 2010 for crop year 2008-09. Furthermore, the learned ADJ held that the learned Arbitrator took into consideration the order passed by the learned Judicial Magistrate in the criminal complaint and the findings made by the learned Judicial Magistrate in respect of discharge of the debt due and payable by the respondents-miller to the Corporation. The learned ADJ held that without issuing any demand notice or recovery notice, the Corporation sought to agitate the stale claim in 2015 when the debt stood satisfied on October 12, 2010. He came to the finding that the scope of interference under Section 34 of the 1996 Act was extremely limited and unless the award was perverse or capricious, the same could not be

interfered with. Consequently, the application under Section 34 of the 1996 Act filed by the Corporation was dismissed.

10. This Court has heard the learned counsel for the appellant and perused the material on record.

11. Admittedly, any dispute arising out of the *"milling agreement",* had to be raised within a period of one year as per terms of the contract. The dispute and differences between the parties arose out of the failure on the part of the miller to deliver the stipulated quantity of CMR for the crop year 2008-09. It is not in dispute that no claim was raised within one year of accrual of the cause of action. No proceedings were ever initiated within a period of three years as stipulated under the Limitation Act, 1963.

12. Therefore, to the mind of this Court, the claim of the Corporation raised before the learned Arbitrator was wholly barred by the laws of limitation. Also, no explanation has been provided as to why the delay in institution of the proceedings should have been condoned by the learned Arbitrator for the crop year 2008-09 and entered into a milling contract for a later year. Any dispute with regard to the interest component had to be raised within a period of limitation. Even if it is accepted that a sum was due and payable on account of interest component pursuant to the letter dated October 13, 2010, the same had to be raised within a period of three years from the date of the said letter. Relying on the said letter, the Corporation cannot be permitted to reopen the entire claim on the principal sum along with further interest component, at this belated stage. Even on

merits, this Court finds that the Corporation had accepted a sum of Rs.29 lacs in satisfaction of the dispute. Once the Corporation accepted a sum of Rs.29 lacs in satisfaction of its debt, the same cannot be reopened and reagitated.

13. A beneficial reference may be made to the Hon'ble Apex Court judgment dated April 16, 2025 in **S.C. Garg Vs. State of U.P and another**, 2025 SCC Online, 791, whereby it has been unambiguously reiterated that the findings in criminal proceedings will also operate as *res judicata* in later proceedings if a finding is given on merits and is not a simpliciter dismissal of a quashing petition under Section 482 of the Code of Criminal Procedure. Therefore, the appellant cannot be permitted to reopen the issue that was decided on merits and settled in 2010 by the learned Judicial Magistrate. Admittedly, no appeal was preferred by the appellant challenging the findings in the order dated December 18, 2014 passed by the Judicial Magistrate, whereby it was held that Rs.29 lakhs was accepted in full satisfaction of the dues payable by the accused-miller.

14. In such view of the matter, this Court finds no merit in the present appeal. The judgment passed by the Additional District Judge, Panchkula is a well reasoned one, which merits no interference. Accordingly, FAO-4373-2019 is **dismissed**.

15. Connected application(s), if any, shall also stand disposed of.

22.04.2025 **(LAPITA BANERJI)**
Prince **JUDGE**

Whether speaking/reasoned : Yes/No Whether reportable : Yes/No