



2026:AHC-LKO:22313

**HIGH COURT OF JUDICATURE AT ALLAHABAD
LUCKNOW**

WRIT - C No. - 5412 of 2021

M/s Agarwal Brothers Lko.Thru.Manager Ashok Kumar Agarwal
.....Petitioner(s)

Versus

U.O.I.Thru.Secy.Petroleum and Natural Gas New Delhi and Ors.
.....Respondent(s)

Counsel for Petitioner(s)	: Tushar Hirwani, Amrendra Singh, Geetika Yadav
Counsel for Respondent(s)	: A.s.g., Ashwani Kumar Singh, Manish Jauhari

Court No. - 14

Judgment Reserved On: 13.01.2026

Judgment Delivered On: 31.03.2026

HON'BLE SUBHASH VIDYARTHI, J.

1. Heard the submissions of Sri N.K. Seth, learned Senior Advocate assisted by Sri Tushar Hirwani, the learned counsel for the petitioner and Sri Manish Jauhari, the learned counsel for the opposite parties no. 2 to 4.

2. By means of the instant writ petition filed under Article 226 of the Constitution of India, the petitioner has challenged validity of an order dated 11.11.2019 passed by the Chief Divisional Retail Sales Manager, Lucknow Divisional Office, Indian Oil Corporation Limited (hereinafter referred to as "IOCL") terminating the retail outlet dealership agreement dated 16.07.2005 executed between IOCL and the petitioner. The petitioner had challenged the aforesaid termination order by filing Appeal No. DRP/IOC/RET/0001/2020 before the Dispute Resolution

Panel, Oil Industry and the appeal has been dismissed by means of an order dated 05.02.2020. The validity of the appellate order has also been challenged through this writ petition.

3. IOCL had entered into a dealership agreement with the petitioner on 16.05.2025 and the petitioner was operating a retail outlet of petroleum products at Jiamau, Lucknow since then without any complaint, till 01.05.2017.

4. As a part of a statewide drive conducted by Special Task Force of U.P. Police, raids were conducted on several petrol pumps across the State of U.P. The petitioner's outlet was also inspected on 01.05.2017. It was dispensing petroleum products through 38 Nozzles. Out of these 38 nozzles, no irregularity was found in 37 nozzles. Regarding nozzle no. 3 of machine no. 2, the inspection report stated that soldering of the pulsar card was found abnormal. No other irregularity or illegality was detected during investigation. Particularly, the seals put by the Legal Metrology Department on the dispensing units were found intact and the delivery of products from all the nozzles was found to be proper.

5. The pulsar unit was sealed and sent for being tested at the laboratory of Original Equipment Manufacturer Midco. The OEM submitted a test report stating that upon visual inspection made without providing power to the pulsar assembly, the result was not OK and the result of the report stated that the pulsar was not found as per Midco standard design and had been visibly tampered. The report states that delivery test was not conducted due to non conformance with Midco design.

6. A complaint No. 1642/17, under Section 26 of Legal Metrology Act, 2009 was filed in the Court of Additional Chief Judicial Magistrate-I, Lucknow on the aforesaid charges. The Court ordered inspection of the aforesaid card in question by Forensic Science Laboratory, U.P., Lucknow. The FSL submitted a report dated 23.08.2018 stating that no additional electronic device/ tampering was found in the pulsar card.

7. Riyaz Ahmad, an Engineer of Midco company and Krishna Yadav, Service Engineer of Midco company gave written statements before the learned Additional Chief Judicial Magistrate, Court No. 23, Lucknow, stating that no additional device or chip was found which might cause short supply and there was no such possibility from the soldering.

8. The learned First Additional Chief Judicial Magistrate, Court No. 25, Lucknow dismissed the complaint filed against the petitioner under Section 26, 44(4) of Legal Metrology Act, 2009 by means of an order dated 25.03.2019, wherein it is recorded that as per the FSL report, no tampering was found and the complainant had made a statement before the Court that it did not want to press the complaint.

9. An FIR bearing Case Crime No. 73/2017 for offences under Sections 420, 467, 468, 471 & 120B IPC was lodged in Police Station Gautam Palli, District Lucknow, but the allegations could not be established in investigation and the Investigating Officer submitted a final report of closure. The complainant-Supply Inspector filed an application supported by an affidavit accepting the final report and stating that there was no objection against the final report. Accordingly, the learned Additional Chief Judicial Magistrate, Court No. 27 accepted the final report by means of order dated 27.01.2021 passed in Miscellaneous Case No. 1600/2019.

10. As in spite of the aforesaid findings of the Forensic Science Laboratory, written statements of Engineer and Service Engineer of Midco, dismissal of the complaint, filing of final report in the FIR filed against the petitioner and acceptance of the same by the Government and the Court, IOCL did not restore the dealership of the petitioner and it persisted with cancellation of the dealership agreement by issuing a show cause notice, the petitioner filed Writ Petition No. 34846 (M/B) of 2018. The Writ Petition was disposed off by means of an order dated 04.12.2018 passed by a Division Bench of this Court directing that while passing final order pursuant to show cause notice dated 06.11.2017,

IOCL shall take into account the FSL report dated 23.08.2018 and shall follow the due procedure and principles of natural justice.

11. Thereafter IOCL passed an order dated 24.05.2019 terminating the dealership agreement dated 16.05.2005 stating that tampering in one of the pulsar cards was found, which is in violation of clause 43 of the dealership agreement. Acquittal in criminal proceeding does not debar the corporation from taking action against the petitioner under the dealership agreement and MDG (Marketing Discipline Guidelines). The order dated 24.05.2019 further stated that the incident has been widely published in the media and has caused prejudice to the good name and image of the Corporation in the mind of the general public.

12. The petitioner challenged the aforesaid termination order dated 24.05.2019 by filing Writ Petition No. 17781 (M/B) of 2019 which was allowed by means of a judgment and order dated 24.06.2019, the order dated 24.05.2019 was quashed and the matter was remanded for being decided afresh keeping in view the directions given by this Court in the order dated 04.12.2018 passed in Writ Petition No. 34846 (M/B) of 2018.

13. Thereafter the petitioner submitted a detailed reply dated 11.07.2019 and the Corporation passed the impugned order dated 11.11.2019, again terminating the dealership agreement dated 16.05.2005.

14. The petitioner had challenged the termination order dated 11.11.2019 by filing Writ Petition No. 31923 (M/B) of 2019 which was disposed off by means of a judgment and order dated 21.11.2019 directing the petitioner to file an appeal before the Dispute Resolution Panel and the petitioner was permitted to run the petrol pump till the disposal of the application for interim relief filed in appeal. The Dispute Resolution Panel has dismissed the appeal by the impugned order dated 08.02.2020.

15. IOCL has filed a counter affidavit opposing the writ petition wherein it has specifically been stated that the seals put by Legal Metrology Department and the delivery of the product was found to be OK during

inspection. However, in the test report dated 25.09.2017 submitted by Midco, it was stated that the pulsar was not found as per Midco standards and specifications and there was tampering in the pulsar unit. Regarding the FSL report, it is stated in the counter affidavit that the termination order specifically states that report of OEM will surpass the report of FSL as the report of FSL is based on comparison with other pulsars available with the authorities and the OEM report is as per strict specifications, since the pulsar is proprietary item of the OEM. Further, as per clause 5.1.4 of MDG-2012, in case of tampering, the OEM was the competent authority to test the pulsar unit.

16. In the rejoinder affidavit, the petitioner has stated that when there was conflict between the reports of FSL and OEM, the petitioner ought to have been given the benefit of doubt, specially when all the seals put by Legal Metrology Department were found to be intact and there was no deficiency or shortage in delivery. Further, the statements made by the Engineer and Service Engineer of OEM recorded in Case Crime No. 1642/2017 before the learned Additional Chief Judicial Magistrate ought to have been taken into consideration but IOCL has wrongly ignored the same.

17. Assailing validity of the termination order and the appellate order, Sri. N. K. Seth, Senior Advocate appearing for the petitioner, has submitted that the dispensing unit in question was installed in the year 2011 and since then it had undergone repairs and maintenance on numerous occasions. The last maintenance of the dispensing unit was conducted merely 15 days prior to the inspection done on 01.05.2017 and no anomaly was found at that time. The unit in question had been sealed by the Legal Metrology Department, in presence of OEM Engineers. During the inspection made on 01.05.2017, the seals put by the Legal Metrology Department were found to be intact. The units are sealed by Legal Metrology Department on 5 points. It was not possible for the petitioner to have access to the pulsar unit inside the machine without tampering with the seals. Moreover, when the engineer and

service engineer of the OEM have given statements in writing that no additional device or chip was found which might cause short supply and there was no such possibility from the soldering and even during inspection, no short supply was found, no action can be taken against the petitioner for mere apprehended short supply.

18. The learned Counsel for the petitioner has submitted that clause 5.1.4 of MDG-2012 applies only when there is any addition, removal, replacement or manipulation in the dispensing unit, which is likely to manipulate delivery in order to gain undue benefit. It is admitted by the opposite parties that no manipulation was made in delivery of the product from the unit and no short selling has ever been done by the petitioner. Therefore, the petitioner's dealership agreement cannot be terminated for alleged violation of clause 5.1.4 of MDG-2012. He has also submitted that the OEM test report is based on visual inspection only and the part was inspected by making it functional by giving power supply to it and delivery has not been tested by the OEM.

19. Sri N.K. Seth has placed reliance on the judgments in the cases of **M/s Chaudhary Filling Station, Kazipur and Anr v. State of U.P. and Ors.**: 2019 SCC OnLine All 3620, **M/s Bharat Filling Station & Anr. v. M/s Indian Oil Corporation & Anr.**: Neutral Citation: 2012:DHC:4061, **M/s Aliganj Kisan Seva Kendra, Aliganj and Another v. Indian Oil Corporation Ltd & 3 Others**: 2023 SCC OnLine All 821, **Modern Service Station v. Indian Oil Corporation Limited and 5 Others**: 2023 SCC OnLine All 4191, **Indian Oil Corporation Ltd and 4 Others v. M/s Modern Service Station** Neutral Citation: 2024 SCC OnLine All 597, **M/s M.K. Fuel Center v. Indian Oil Corporation Limited and 4 Others**: 2024 SCC OnLine All 138, **R.S. Filling Station Indian Oil Corporation Ltd., Kheri v. Indian Oil Corporation Ltd.**: 2025 SCC OnLine All 2089, **M/s Mishra Automobiles Thru Proprietor Jagdish Mishra v. Union of India**: Neutral Citation:2024:AHC-LKO:53503, **M/s Lallite Filling Centre**

through Proprietor Smt. Vijaya Kirti and Another v. Union of India: 2025:AHC-LKO:85312.

20. Per contra, Sri Manish Jauhari, the learned counsel for the respondent - IOCL has reiterated the averments made in the counter affidavit referred to above. Sri Jauhari has placed reliance on the judgments in Civil Appeal No.6748 of 2018 arising out of SLP (C) No.33100 of 2015 **Indian Oil Corporation Ltd v. T. Natarajan:** (2018) 9 SCC 235, **M/S Maharashi Filling Station v. Indian Oil Corporation Ltd.:** Neutral Citation: 2024-AHC:LKO-157389-DB, **M/s Kisan Sewa, Sarai Dubaulia v. Union of India** Neutral Citation: 2024-AHC:167778-DB and a judgment of the Rajasthan High Court in **M/s Shree Rajendra Agro Service Centre v. Indian Oil Corporation Ltd.:** Neutral Citation: 2023/RJJD/017611.

21. In **Chaudhary Filling Point v. State of U.P., 2019 SCC OnLine All 3620**, a Division Bench of this Court has held that: -

“39. As seen from the reading of the impugned order, the only reason assigned for being not satisfied with the explanation offered by the petitioner was that there was tampering in the DU and pulsar card contains certain soldering marks. However, what was not considered by the competent authority was that at what point of time this unauthorized tampering/soldering was done in the dispensing unit and how the dealer is manipulating the distribution of fuel. No material, much less credible one has been brought on record by the respondents to disclose the unauthorized access to the equipment by the petitioner. It was specific stand of the petitioner that periodically the Weights and Measurements Department officials inspected the seals and they were found to be intact. Further more, what is the impact on tampering/soldering in delivery unit is not disclosed. How the dealer can manipulate delivery of fuel by inserting such unit is not explained. The only objective of a dealer to tamper with dispensing unit is to manipulate delivery of fuel. In this case, the delivery of fuel was found to be accurate prior to checking of unit and after the checking. Furthermore, the defence of the petitioner that it is possible that the supplier himself might have done soldering while repairing for proper functioning of the unit by supplier himself cannot be brushed aside.

40. In view of the above, merely on assumptions that the tampering/soldering was found in the delivery unit of the dealer premises, the petitioner dealer cannot be visited with severe consequence of termination of dealership and that too when the OEM report does not support or corroborate the version of the respondents. Thus, the action of the respondent-Corporation, in the facts of this case, in terminating the dealership of the petitioner no.1 on the sole ground that soldering/tampering was found in the Dispensing Units is illegal, unreasonable, excessive and made in arbitrary exercise of power and hence unsustainable, more particularly when performance of the petitioner-dealer all along has been appreciated.”

22. On a similar set of facts, a Coordinate Bench of this Court held in **Aliganj Kisan Seva Kendra v. Indian Oil Corpn. Ltd.**: 2023 SCC OnLine All 821, that when the dispensing unit had been sealed by the respondent corporation as well as by the Legal Metrology Department but no discrepancies were pointed out at that stage with regard to manipulation in the sealing of the dispensing unit nor was the sealing found broken or tampered with coupled with the fact that no additional attachment, wire or extra device was found on the dispensing unit, then in such a case no adverse inference could be drawn against the petitioner.

23. Similarly, in **Modern Service Station v. Indian Oil Corpn. Ltd.**: 2023 SCC OnLine All 4191, a Coordinate Bench of this Court held that termination based merely on the presumption that the petitioner was responsible for tampering of the motherboard of the dispensing unit and merely on the basis that the OEM report indicated that the motherboard was tampered with in absence of cogent evidence suggestive of the petitioner's involvement in such tampering, is unsustainable and deserves to be set aside.

24. **Indian Oil Corpn. Ltd. v. Modern Service Station**: 2024 SCC OnLine All 597 is a judgment rendered by a Division Bench of this Court wherein it has been held that where there was nothing on record from which it could be ascertained that the dealer had unauthorized access to the equipment after the engineer of the OEM had opened the dispensing unit and had fiddled with the motherboard, then it could not

have been concluded that the dealer was in any way responsible for the tampering.

25. Once again in **M.K. Fuel Centre v. Indian Oil Corpn. Ltd.**: 2024 SCC OnLine All 138, a Division Bench of this Court held that: -

“26. It was specific stand of the petitioner that periodically the Weights and Measurements Department officials inspected the seals and they were found to be intact. Further more, what is the impact of tampering/manipulating the software of the dispensing unit is not disclosed by the respondent. How the dealer can manipulate delivery of fuel by inserting such unit is also not explained. The only objective of a dealer to tamper with dispensing unit is to manipulate delivery of fuel. In this case, the delivery of fuel was found to be accurate prior to checking of unit and after the checking. Merely on assumptions, that the tampering/manipulating the software of the dispensing unit was found, the petitioner dealer cannot be visited with severe consequence of termination of dealership. Thus, the action of the respondent Corporation, in the facts of this case, in terminating the dealership of the petitioner on the sole ground that manipulation of the software was found in the dispensing unit is illegal, unreasonable and excessive.”

The aforesaid order of the Division Bench has been affirmed by the Hon’ble Supreme Court by means of an order dated 30.10.2025 in Special Leave to Appeal (C) No(s). 4468-4469/2024 Indian Oil Corporation Ltd. & Ors. V. M. K. Fuel Centre.

26. In **M/S Mishra Automobiles Thru Prop. Jagdish Mishra v. U.O.I**, Neutral Citation: 2024:AHC-LKO:53503, while holding the impugned cancellation order as arbitrary and setting the same aside, a Coordinate Bench of this Court held as hereunder: -

“18. ... firstly, it is not the case of the respondent Oil Company that there was any shortfall of the delivery, coupled with the fact that even the OEM has never reported, the result of the foreign body attached to the pulsar card and secondly, the benefit of doubt of the seal being intact during the time of inspection has to be given to the petitioner as the foreign component cannot be inserted without breaking the seal of the dispensing unit. Counsel for the respondent also could not confirm as to whether the foreign component can be inserted on pulsar card without breaking the seals. Therefore, reading the inspection report dated 05.05.2017 wherein in paragraph 2, it has clearly been found that the delivery was found

to be correct, coupled with the fact that in paragraph-5, it has been stated that seals were broken in presence of the inspecting team leads to have irrebuttable conclusion that the seals were intact and there was no short supply of the fuel and consequently, in the aforesaid circumstances, it cannot be concluded that there was intention to manipulate the delivery, and hence any violation of Clause 5.4.1. of the MDG Guidelines.”

27. R.S. Filling Station Indian Oil Corpn. Ltd. v. Indian Oil Corpn. Ltd.: 2025 SCC OnLine All 2089 is yet another judgment of a Coordinate Bench of this Court wherein the termination of the dealership agreement was set aside on the ground that there was no material on record indicating the likelihood of manipulating delivery in order to gain undue benefit by the dealer.

28. Lallite Filling Centre v. Union of India: Neutral Citation: 2025:AHC-LKO:85312 is a judgment rendered by this Court wherein this Court allowed the writ petition on the ground that the petitioner had not been found guilty of short supply and the analysis report merely expressed an apprehension of attempt to tamper and that there was no positive finding regarding possible tampering.

29. In Indian Oil Corpn. Ltd. v. T. Natarajan: (2018) 9 SCC 235, which has been relied upon by the learned Counsel for IOCL, an official of Weights & Measures had carried out an inspection of the respondent's petrol pump on 01.08.2008. It was followed by another inspection carried out by the Sales Officer of IOCL on 02.08.2008. In these two inspections, it was noticed that “*totaliser wires of L&T Line DU in petrol pump model Sl. No. 1578 used at MS 2 pump was found cut*”. In other words, in these inspections, “*no totaliser seal*” was found in place. The dealership agreement was terminated on this ground. The respondent challenged the termination of dealership agreement by invoking the arbitration agreement. The arbitrator gave his award dated 14.10.2011, the operative part whereof reads as under: -

“The act of continuing the sales even after the breakage of Totaliser Seal committed by the claimant, in question, calls for stern action. However, it is noted that there was no variation in the quality and

quantity. Again, the petitioner has already suffered substantially for more than two (2) years for the closed status of the retail outlets. Therefore, a lenient view may be considered by the respondent, bearing in mind the element of benefit of doubt.”

IOCL challenged the award by filing an application under Section 34 of the Arbitration and Conciliation Act, 1996. The High Court upheld the award by an order dated 23.11.2012. The operative part of the order reads as under: -

“In the result, the arbitral award dated 14-10-2011 made by the third respondent is confirmed with liberty given to the dealer to approach IOC with request in writing for continuation of distributorship and for supply and sale and with further direction issued to IOC to duly consider such request of the first respondent/dealer within one week from the date of receipt of such written request. The OP filed by IOC and the application filed by the dealer are accordingly disposed of.”

The aforesaid order attained finality, as neither of the parties filed any appeal against the aforesaid order. The respondent then gave a representation to the IOCL requesting for resumption of the supply of fuel pursuant to the award. IOCL rejected the representation. The respondent challenged the rejection of his representation by filing a Writ Petition, which was dismissed by a Single Judge Bench of Madras High Court. The respondent filed an intra-court appeal before the Division Bench, which was allowed and IOCL was directed to restore the respondent's dealership and resume the supply of fuel to his fuel station. Setting aside the order of the Division Bench, the Hon'ble Supreme Court has held that: -

“30. In our opinion, the writ court (Single Judge) was, therefore, justified in dismissing the respondent's writ petition and upholding the rejection on the ground that the High Court cannot interfere in the administrative decision of IOC and nor can it substitute its decision by acting as an appellate court over such decision in exercise of writ jurisdiction. It is more so when such decision is based on reasons involving no arbitrariness of any nature therein which may call for any interference by the High Court.”

This order was passed in view of the peculiar facts of the case noted above, where the arbitration award had attained finality and had not been challenged. The facts of the present case are in no manner similar to the

facts of **T. Natarajan** (supra) and, therefore, the ratio in the aforesaid case will not apply to the present case.

30. In **M/S Maharashi Filling Station v. Indian Oil Corporation Ltd.** (supra), an additional fitting was found in the dispensing unit of the petitioner's retail outlet, which violated clause 5.1.4. of MDG, whereas no extra fitting has been found in the present case. In the present case, the only allegation against the petitioner is that abnormality was found in the pulsar card regarding which the Engineer and Service Engineer of OEM themselves have stated before the learned Additional Chief Judicial Magistrate that no additional device or chip was found which may make short supply and there was no such possibility from soldering. Therefore, **M/S Maharashi Filling Station v. Indian Oil Corporation Ltd.** (supra) would not apply to the present case because of the difference in the factual premise of both the cases.

31. **M/s Kisan Sewa, Sarai Dubaulia v. Union of India Neutral Citation** (supra), is a judgment delivered by a Single Judge Bench of this Court on 22.10.2024 without taking into consideration the judgment dated 30.01.2019 delivered by a Division Bench of this Court judgment in the case of M/s Chaudhary Filling Station (supra). Therefore, this judgment does not have a binding force and the Division Bench judgment would prevail over it.

32. The last judgment cited by the learned Counsel for IOCL is a judgment of Rajasthan High Court in **M/s Shree Rajendra Agro Service Centre v. Indian Oil Corporation Ltd.** (supra), wherein there were two test reports – the first report dated 31.12.2020 stated that there was no manipulation in the dispensing unit but in the test report dated 23.08.2021, it was stated that the dispensing unit had been manipulated by disconnecting original E-Card connector with the spurious external device. The Court found that the first report had been prepared without any technical assistance and, therefore, the same cannot be treated as final analysis of the dispensing unit. This judgment is also based on the peculiar facts of the case, which are in no manner similar to the facts of

the present case and, therefore, this judgment would not apply to the present case.

33. It is also relevant to notice that Clause 8.4 of MDG provides that short delivery with Weights and Measurements Department seals intact would be treated as a minor irregularity and in such a case, the action recommended is mere issuance of a warning letter at the first instance, for the second instance within one year of the first instance, Rs.10,000/- per nozzle found delivering short, and on third and subsequent instances within one year of the first Instance, Rs.25,000/- per nozzle found delivering short. Clause 8.5.2 states that all cases of irregularities need to be established before any action is taken against the dealer.

34. When we examine the facts of the present case in light of the law noted above, it appears that the petitioner has not been found guilty of short supply. The only allegation against the petitioner is that abnormality was found in the pulsar card regarding which the Engineer and Service Engineer of OEM themselves have stated before the learned Additional Chief Judicial Magistrate that no additional device or chip was found which may make short supply and there was no such possibility from the soldering.

35. The FSL report categorically states that no additional electric device/ tampering was found in the pulsar card.

36. When there is no allegation of tampering with any of the seals put by the Legal Metrology Department on the dispensing units, no short supply was being made by any of the units at the petitioner's retail outlet, even the test report does not mention that the alleged tampering could result in short supply of the product and no additional attachment was found which may alter the delivery, I am of the considered view that there was no ground warranting termination of the retail outlet dealership agreement of the petitioner.

37. The Corporation and the Dispute Resolution Panel have not taken into consideration the aforesaid facts and the non-consideration of the

aforesaid relevant aspects of the matter vitiates the impugned orders passed by IOCL and the Disputes Resolution Panel. Accordingly, the Writ Petition is ***allowed***. The termination order dated 11.11.2019 passed by the Chief Divisional Retail Sales Manager, Lucknow Divisional Office, Indian Oil Corporation Limited, whereby the petitioner's dealership agreement has been terminated, is quashed. As a consequence of quashing of the termination order, the petitioner's dealership agreement stands restored and the opposite parties are directed to restore supplies to the petitioner's retail outlet unit.

(Subhash Vidyarthi,J.)

March 31, 2026

Pradeep/-