



**IN THE HIGH COURT OF KARNATAKA, AT DHARWAD**

**DATED THIS THE 29<sup>TH</sup> DAY OF JANUARY, 2026**

**PRESENT**

**THE HON'BLE MR. JUSTICE M.I.ARUN**

**AND**

**THE HON'BLE MR. JUSTICE B. MURALIDHARA PAI**

WRIT APPEAL NO. 100002 OF 2026 (GM-RES)

BETWEEN:

THE MANAGING DIRECTOR,  
HINDUSTAN PETROLEUM CORPORATION  
LIMITED, HAVING ITS REGISTERED OFFICE  
AT, PETROLEUM CORPORATION LTD.,  
HINDUSTAN BHAVAN  
SU MANG FORT, MUMBAI - 400 001,  
MAHARASHTRA,  
REPRESENTED BY ITS  
SENIOR REGIONAL MANAGER,  
VINAY KANTH ABBIGARI,  
S/O. RAJENDRA PRASAD.

... APPELLANT

(BY SRI. ANGADI CHANNAPPA VIRUPAXAPPA, ADV.)

AND:

1. THE UNION OF INDIA,  
MINISTRY OF PETROLEUM AND  
NATURAL GAS,  
GOVERNMENT OF INDIA,  
KARTAVYA BHAVAN - 03, JANPATH,  
NEW DELHI - 110 001,  
REPRESENTED BY ITS JOINT SECRETARY.
2. M/S VINP DISTILLERIES AND SUGARS  
PVT LTD., A COMPANY DULY





INCORPORATED UNDER THE PROVISIONS  
OF THE COMPANIES ACT, 2013,  
HAVING ITS REGISTERED OFFICE AT  
SY. NO. 42 43 AND 53,  
JAKKANAKATTI ROAD, KONANAKERI VILLAGE,  
SHIGGAON TQ,  
HAVERI DISTRICT - 581 193,  
REPRESENTED BY ITS VICE PRESIDENT,  
SRI. MANJUNATHA C. B.,

3. THE MANAGING DIRECTOR,  
BHARAT PETROLEUM CORPORATION LTD.,  
BHARAT BHAVAN, PETROLEUM  
CORPORATION LTD., 12<sup>TH</sup> FLOOR,  
E AND F MAKAR TOWN CUFFE PARADE,  
MUMBAI - 400 005, MAHARASTRA.
4. THE MANAGING DIRECTOR,  
INDIAN OIL CORPORATION LIMITED,  
INDIAN OIL BHAVAN, G-9, ALI YAVAR  
JUNG MARG, BANDRA EAST, MUMBAI,  
MAHARASHTRA - 400 051.

... RESPONDENTS

(BY SRI. KAMAT, ADDITIONAL SOLICITOR GENERAL FOR  
SRI. M.B, KANAVI, CGSC FOR R1;  
SRI. PRABHULING K. NAVDAGI, SENIOR COUNSEL FOR  
SRI. AJAY KADKOL, SRI. SANAT KUMAR H. &  
SMT. PRIYANAKA J. SREEDHARA, ADV. FOR R2)  
(NOTICE TO R3 & R4 IS DISPENSED WITH)

THIS WRIT APPEAL IS FILED UNDER SECTION 4 OF  
KARNATAKA HIGH COURT ACT, 1961, PRAYING TO ALLOW THIS  
WRIT APPEAL AND SET ASIDE THE INTERIM ORDER DATED  
15-12-2025 PASSED IN W.P.NO.109133/2025 (GM-RES), IN THE  
ENDS OF EQUITY AND JUSTICE. TO PASS SUCH OTHER ORDER/S  
AS DEEMED FIT BY THIS HON'BLE COURT, IN THE FACTS AND  
CIRCUMSTANCES OF THE CASE, IN THE INTEREST OF JUSTICE.

THIS WRIT APPEAL, COMING ON FOR PRELIMINARY  
HEARING THIS DAY, JUDGMENT WAS DELIVERED THEREIN AS  
UNDER:



CORAM: THE HON'BLE MR. JUSTICE M.I.ARUN  
AND  
THE HON'BLE MR. JUSTICE B. MURALIDHARA PAI

**ORAL JUDGMENT**

(PER: THE HON'BLE MR. JUSTICE M.I.ARUN)

Aggrieved by the interim order dated 15.12.2025 passed in Writ Petition No.109133/2025, the present writ appeal is preferred by respondent No.3 therein.

2. For the sake of convenience, the parties are referred to as per their status in the writ petition.

3. Respondent No.1-Union of India came up with a policy to encourage production of ethanol, so that dependence on crude oil by the nation could be reduced. In the process, a policy was framed wherein private participants were encouraged to establish dedicated ethanol plants, wherein no other produce could be manufactured and they were also allocated specific areas where sugar cane or maize is grown which requires the dedicated ethanol plants to compulsorily purchase the produce from the farmers of the area and utilise the same for production of ethanol. Ethanol so produced can be sold only to oil marketing companies, who will mix the same in the petrol to be sold by them.



4. The petitioner is one such dedicated ethanol plant, which is established for production of ethanol. A long term offtake agreement was entered into between the petitioner and respondents No.2, 3 and 4, who are Oil Marketing Companies owned by respondent No.1-Union of India. Clause 1.1.1 of the said agreement reads as under:

*"1.1.1. Dedicated Ethanol Plant (DEP): These ethanol plants will only produce ethanol (as per prevalent BIS specifications) and all of the quantity produced in this unit would be supplied to Buyer/OMCs only. In case a new dedicated ethanol plant is setup in the same premises where the existing distillery is operating (or is set up as a new distillery), the ethanol plant should be clearly identifiable as a separate unit. Processing units and storage area of ethanol have to be separate for the dedicated ethanol plant. The nonproduction facilities, however, can be shared. Necessary certification of such plants by appropriate authorities is required."*

5. Clause 2.1 of the agreement reads as under:

*"2.1. The Seller/Supplier agrees to supply and the Buyer/OMCs agree to purchase Ethanol under the terms of this Agreement in the quantities, and at Supply Price determined in accordance with, and subject to, the terms and conditions of this Agreement."*



6. Clause 6 of the agreement reads as under:

*"6. Quantities and Allocations:*

*6.1. Seller/Supplier will register himself with OMCs/BPCL through a vendor registration process and participate in ethanol procurement process mandatorily. After successful registration, the Seller/Supplier will participate in ethanol procurement process followed by OMCs for their location-wise requirement of ethanol.*

*6.2. Buyer/OMCs offer jointly an annual offtake quantity of **1.44 Cr lit** of Ethanol and the Seller/Supplier commits to supply the same by participating in the vendor registration process and ethanol procurement process. Interstate movements, if required, by Buyer/OMCs should be honoured by the Seller/Supplier. The annual offtake quantity offered is on best endeavor basis to the extent of ethanol required, considering prevalent ethanol blending percentage and MS sale of Buyer/OMCS, and any other factor impacting ethanol requirement, including, but not limited to, demand issues arising out of the new economic imperatives/ regulations, vehicle short supply and such similar circumstances beyond the control of Buyer/OMCs. In case, the Seller/Supplier intends to supply during the ongoing ESY, offtake quantity will be limited to*



*the requirement of Buyer/OMCs for the balance period of that ESY.*

- 6.3. Offtake quantity offered jointly by Buyer/OMCs is subject to the Seller/Supplier complying with the condition under clause 6.1.*
- 6.4. The annual off take quantity offered as above for supply of denatured anhydrous ethanol to OMCs may be less than the annual design capacity offered by the shortlisted bidder in his application.*
- 6.5 The shortlisted bidder is free to set up plant upto the annual design capacity offered in his application. This additional capacity, over and above the annual offtake quantity offered in 6.2 above, also needs to remain dedicated ethanol plant only.*
- 6.6. Ethanol so produced from additional capacity stated in 6.5 above, may be procured through the prevailing Ethanol procurement process followed by OMCs and/or Pvt. OMCs on need basis.*
- 6.7. The annual offtake quantity offered as per 6.2 above, may be considered for amendment in future, to include the additional capacity as stated in 6.5 above, as per the need of OMCs at that point of time and rules and guidelines in force.*
- 6.8. In the above EOI floated for setting up of dedicated ethanol units, in case a bidder is*



*being issued LOI for a quantity lesser than the quantity for which they have bid it is clarified that in case they set up plants as per their bids, Buyer/OMCs may offer additional annual offtake quantity, beyond that offered under 6.2 above, with overall annual offtake quantity limited to the design capacity of the plant offered by the bidder under the EOI. This additional offtake quantity by Buyer/OMCs will be given through preferential allocation in the ethanol procurement process followed by Buyer/OMCs on best endeavor basis.*

- 6.9. *"EOI for Quantity Bids" for the full requirement of the ESY shall be floated prior to the start of ESY to the registered vendors only. There after EOI for quantity bids shall be floated for the shortfall quantity/additional requirement, if any, purely based on requirements of Buyer/OMCs.*
- a. *Location-wise, individual OMC-wise quantity to be supplied in each ESY quarter shall be allocated to the Seller/Supplier as per prevalent allocation criteria.*
  - b. *All allocations including any subsequent re-allocation will be at the sole discretion of the Buyer/OMCs.*
  - c. *LOI will be issued by individual OMCs for the allocated quantity to the Seller/Supplier.*



*d. For the allocated quantity, Seller/Supplier will sign Purchase Agreement with each OMC after submitting Security Deposit as per the terms and conditions of the LOI. All terms and conditions of the Purchase Agreement will be binding on the Seller/Supplier.*

*6.10. The responsibility of execution of allocations/re-allocations made in relation to procurement of ethanol and related activities will lie with the respective OMCs to whom allocation has been made as per procurement process and the parties will keep each other indemnified in respect of any dispute arising between them or with any third party after such allocations/re-allocations has been done.”*

7. Thus, as per the terms of the agreement, petitioner has established a dedicated ethanol plant and the respondents have agreed to purchase a minimum of 1.44 crore litres of ethanol from the petitioner annually.

8. The petitioner is also permitted to increase its capacity to produce more than 1.44 crore litres annually by taking previous permission of the State. Presently, it is submitted that the petitioner has established a dedicated ethanol plant with a design capacity of producing 9.9 crores litres of ethanol annually.



As per terms of the agreement, the petitioner is required to sell such quantity of ethanol produced by him in favour of respondents No.2 to 4 and only if the policy of the Government from time to time permits the sale to other Oil Marketing Companies, it can be sold to a private Oil Marketing Company. Presently, no such policy is existing permitting the petitioner herein to sell his produce to a private Oil Manufacturing Company.

9. Respondents No.2 to 4 are obliged to procure 1.44 crore litres of ethanol from the petitioner annually. With regard to any excess quantity of ethanol produced by the petitioner over and above the 1.44 crore litres, respondents are required to procure same from the petitioner on a preferential basis as per the terms mentioned in Clause 6.8 of the contract above.

10. The procurement policy of ethanol is revised annually by the respondents depending upon their needs. In this regard, respondents No.2 to 4 have invited bids for supply of ethanol for the Ethanol Supply Year 2025-26, (Annexure-F to the writ petition), wherein tender is invited for procuring 1050 crore litres of ethanol. The said requirement requires respondents No.2 to 4 to procure much more than the quantity compulsorily agreed to



be procured from the dedicated ethanol plants, similarly situated as that of the petitioner. That is to say respondents No.2 to 4 are in requirement of procuring a quantity of ethanol much more than the promised minimum quantity of 1.44 crore litres from the petitioner. Under the circumstances, respondents No.2 to 4 are required to procure ethanol from the petitioner as per the terms mentioned in Clause 6.8 of the Long Term Offtake Agreement, wherein, they have to do so, on a preferential basis.

11. However, the tender document for the Ethanol Supply Year 2025-26, flouted the said condition mentioned in the Long Term Offtake Agreement. The bid document incorporates the following condition instead:

**"PREFERENTIAL ALLOCATION TO COOPERATIVE SUGAR MILLS (CSMs) & DEDICATED ETHANOL PLANTS (DEPs) HAVING LTOA**

For all DEPs under EOI-1 (CRFQ No.1000374174, System ID 86996 dtd. 28-09-2021) and EOI-2 (CRFQ No.1000403925, System ID 11837 dtd. 15-05-2023), Additional Quantity offered, if any, beyond long term offtake quantity (pro-rated and calculated on a quarterly basis) shall not be considered for preferential allocation. Allocation of this additional quantity offered shall be done as per allocation criteria applicable for non-DEPs."



12. The grievance of the petitioner is that the aforementioned condition in the tender document is in violation of Clause 6.8 of the Long Term Offtake Agreement. Hence, they gave a representation to the authorities concerned to revise the tender conditions. As the same has not been done, Writ Petition No.109133/2025 has been filed with the following prayers:

“Wherefore, the petitioner herein above named, humbly prays that this Hon'ble Court be pleased to:

- a. Pass an appropriate writ, direction or order directing the Respondents No.2 to 4 to take necessary steps in accordance with law, in relation to the Representation dated 27.10.2025 filed by the Petitioner, seeking an enhancement of the allocation in supply of ethanol to the Respondents No.2 to 4 herein under Tender No.22376 dated 23.09.2025 for the Ethanol Supply Year 2025-26 which is produced as Annexure - "A".

AND/OR

- b. Pass such other Order/s as this Hon'ble Court may deem fit and proper in the ends of justice.

INTERIM PRAYER

Pending disposal of the above Writ Petition, the Petitioner above named humbly prays that this Hon'ble Court be pleased to:



- a. Issue a direction to the Respondents No.2 to 4 to revise the allotment made under Tender bearing No.22376 dated 23.09.2025, in line with the terms and conditions of the Long Term Offtake Agreement (LTOA) entered into between the Petitioner and the said Respondents No.2 to 4 herein.

AND/OR

- b. Pass such other Order/s as this Hon'ble Court may deem fit and proper in the ends of justice."

13. The learned Single Judge on the ground that the decision in the tender document regarding preferential allocation to dedicated ethanol plants having Long Term Offtake Agreement is in violation of Clause 6.8 of the Long Term Offtake Agreement, has granted the interim order as prayed for and has passed the impugned order. Aggrieved by the same, the present writ appeal is filed.

14. The case of the appellant/respondent in the writ petition is that Clause 6.8 of the Long Term Offtake Agreement is not violated by the condition mentioned in the tender document. It is submitted that Clause 6.8 of the Long Term Offtake Agreement must be incorporated as it is being subjected to the ethanol procurement process announced by the respondents from time to time and subject to the said procurement process, respondents will make their best endeavor



to purchase the ethanol from dedicated ethanol plants on preferential basis. It is submitted that for the Ethanol Year 2025-26, the policy announced by the respondents requires to treat the dedicated ethanol plants on equal footing as that of plants which are not dedicated to produce only ethanol. It is submitted that presently a quantity of 3.92 crore litres is being purchased from the petitioner, which is over and above the promised 1.44 crore litres and hence, the petitioner cannot have any grievance. For the said reason, it is prayed that the order passed by the learned Single Judge be set aside.

15. The question that arises for consideration in the present appeal is how Clause 6.8 of the agreement has to be interpreted and whether it is advisable for the writ Court to interfere in contractual matters entered into between the State and private players.

16. Normally, Court should not interfere in contractual matters, and the remedy for a person like the petitioner would be to approach arbitration as per the Long Term Offtake Agreement contains an arbitration clause. However, when facts are not in dispute and it requires only an interpretation of the contract and the action of the State is found to be arbitrary and



unreasonable on the face of it, the Court does interfere under these circumstances.

17. Admittedly, there is a promise made out by the Union of India urging private players to establish dedicated ethanol plants, which led to the petitioner herein establishing a dedicated ethanol plant and the Long Term Offtake Agreement being entered into with the respondents.

18. The respondents are bound by Clause 6 of the Long Term Offtake Agreement and Clause 6.8 pertains as to how respondents have to procure the additional ethanol produced by the petitioner over and above 1.44 crore litres per annum. They have to give preferential allocation in ethanol procurement process as per the agreed terms. It means that the tender conditions floated every year by the respondents (in this case the tender document for the year Ethanol Procurement Year 2025-26), cannot be contrary to the condition mentioned in Clause 6.8 of the Long Term Offtake Agreement.

19. The decision of the respondents to treat the dedicated ethanol plants on par with other ethanol producing units is in violation of Clause 6.8. Other ethanol producing units, which are



not dedicated for manufacturing of only ethanol, are having the liberty to produce other products like sugar cane, alcohol, denatured spirit and the like and market it elsewhere. Whereas, dedicated ethanol plants have been established at the behest of the Union of India by private players by taking huge financial risk and not giving them the preferential treatment as agreed upon, may have consequences disastrous to the very survival of the said establishments.

20. Under the said circumstances, we do not see any error in the interim order passed by the learned Single Judge and the writ appeal is hereby dismissed.

In view of dismissal of the appeal, pending I.As., if any, stand disposed of as not surviving for consideration.

**Sd/-  
(M.I.ARUN)  
JUDGE**

**Sd/-  
(B. MURALIDHARA PAI)  
JUDGE**

KMS, CKK  
CT: ASC  
List No.: 1 Sl No.: 0