7TH SURANA & SURANA AND RGNUL INTERNATIONAL ARBITRAL AWARD WRITING COMPETITION, 2026

-PROPOSITION-

PRESENTED BY

CENTRE FOR ALTERNATIVE DISPUTE RESOLUTION
RAJIV GANDHI NATIONAL UNIVERSITY OF LAW, PUNJAB

AND

SURANA & SURANA INTERNATIONAL ATTORNEYS, CHENNAI, INDIA

7TH SURANA & SURANA AND RGNUL INTERNATIONAL ARBITRAL AWARD WRITING COMPETITION, 2026

PARTIES

1. The **Claimant**, **Kullu Valley Techno-Cold Storage Private Limited ('KVCS'),** is a Private Limited Company incorporated under the Companies Act, 2013, with its registered office in Shimla, Himachal Pradesh. It runs a large-scale Controlled Atmosphere ('CA') cold storage facility at Thanedar, District Shimla, Himachal Pradesh.

2. The **Respondent**, **Himachal Apple Orchards Limited ('HAOL'),** is a Public Limited Company incorporated under the Companies Act, 2013, with its registered office in Shimla, Himachal Pradesh. HAOL controls expansive apple orchards across Kotgarh and Rohru and is one of the largest suppliers of premium apples in India.

FACTUAL BACKGROUND

3. In 2024, HAOL expected a bumper harvest and required an exclusive, high-capacity cold storage facility to store its premium apples for up to 9 months to maximise off-season market pricing. KVCS, whose facility was temporarily unutilised, entered into commercial discussions with HAOL. HAOL intended to release the stored apples in tranches during the lean season, and therefore required stable controlled-atmosphere conditions for several months at a stretch. KVCS represented that HAOL could avail the Thanedar facility for the agreed period without sharing the storage chambers with any other customer.

4. The parties discussed and finalised certain key commercial terms in early August 2024. During these discussions, KVCS informed HAOL that the machinery at the facility was regularly serviced and repaired, and was in good working condition. HAOL also conducted an inspection of the facility during this time.

5. On August 6th and 7th, 2024, a three-member HAOL team comprising its Procurement Manager, an in-house Refrigeration Engineer and a Quality-Control Officer visited the facility. The team inspected the chambers, visible pipelines, control panels and temperature logs, and witnessed a test run of the refrigeration system. The primary compressor assembly was not dismantled, and no ultrasonic, metallurgical or other invasive testing was carried

out. KVCS stated that further technical access could be arranged if HAOL required it. HAOL, however, did not seek dismantling of the compressor before taking the facility.

6. Following the visit, KVCS reiterated by email that the plant had been regularly serviced and was operational. A July 2024 internal maintenance entry, produced by KVCS during the arbitration but not shown to HAOL during negotiations, recorded repeated refrigerant top-ups and advised that a pressure test be undertaken if the loss recurred; it did not diagnose internal corrosion or declare the plant unfit for use.

7. On August 13, 2024, HAOL issued a purchase order to KVCS recording the commercial terms agreed between the parties. The purchase order also contained a jurisdiction clause providing that the Courts at Shimla would have exclusive jurisdiction over disputes arising out of or in connection with the arrangement. It was issued on HAOL's usual purchase order form and signed by an authorised officer of HAOL. The purchase order did not contain an arbitration clause and stated that the parties would subsequently enter into a more detailed agreement. KVCS acknowledged receipt of the purchase order but did not sign it.

8. On August 16, 2024, KVCS's representative sent a detailed "Draft Cold Storage Lease Agreement" to HAOL's representative through WhatsApp, which captured not only the agreed commercial terms, but also contained the usual boilerplate clauses. This draft agreement did not provide for exclusive jurisdiction of the Courts at Shimla for resolution of disputes. Instead, Clause 14 of this draft stated: *"Any dispute arising out of this arrangement shall be referred to a sole arbitrator appointed mutually by the parties under the Arbitration and Conciliation Act, 1996. Venue: Shimla."* The draft described KVCS and HAOL respectively as the "Lessor" and "Lessee", while also recording that KVCS's technical personnel would continue to remain at the facility for supervision of the central refrigeration machinery.

9. On August 18, 2024, HAOL's representative replied on WhatsApp with a revised draft, amending commercial clauses (reducing the security deposit) but leaving Clause 14 (Arbitration) untouched. HAOL's representative accompanied this draft with a WhatsApp message to KVCS's representative requesting them to sign and stamp the agreement and share the duly executed agreement. The revised draft principally reduced the proposed

security deposit from Rs. 30,00,000/- to Rs. 15,00,000/-; the wording of Clause 14 was not altered.

10. On the same day, KVCS's representative responded with a thumbs-up emoji on WhatsApp to HAOL's representative. No signed or stamped copy of the revised draft was thereafter exchanged before performance commenced, and neither party sent any further message expressly accepting or rejecting Clause 14. The relevant purchase order, draft provisions and WhatsApp exchange are reproduced in **Annexure I**.

11. The terms set out in the agreement circulated by HAOL on August 18, 2024, included:

    a) **Term**: three years commencing on September 1, 2024 and ending on August 31, 2027.

    b) **Fee:** Rs. 5,00,000/- per month, payable on the first day of each calendar month.

    c) **Security Deposit**: Rs. 15,00,000/-, refundable subject to adjustment of lawful outstanding dues.

    d) **Delivery**: The facility was to be handed over on an "As-Is-Where-Is" basis after HAOL's inspection.

    e) **Operations and Control**: HAOL would have exclusive commercial use of the storage chambers, loading areas and inventory spaces and could deploy its own guards and operational staff. KVCS's Chief Engineer and two technicians would remain on site and retain access to the central compressor and control room for technical supervision. HAOL had no independent authority to alter compressor settings or dismantle the central refrigeration machinery without KVCS's technical personnel being present.

    f) **Maintenance**: HAOL would bear the cost of routine operation, consumables, preventive maintenance and day-to-day repairs, subject to KVCS's technical supervision. The draft did not separately allocate the cost of replacing a major component rendered unusable by a pre-existing structural condition.

12. HAOL wired an amount of Rs. 30,00,000/- to KVCS on August 23, 2024. KVCS issued a receipt recording Rs. 15,00,000/- as the security deposit and the remaining Rs. 15,00,000/- as advance monthly fee for September, October and November 2024. HAOL thereafter paid the monthly fee through March 2025.

13. HAOL took physical possession on September 1, 2024, deployed its own security, and stocked the chambers with premium apples worth crores. HAOL controlled entry to the storage chambers, loading operations and inventory movement. The central compressor room and main technical control panel, however, remained accessible to KVCS's Chief Engineer and technicians, and any dismantling of the core refrigeration equipment was to be undertaken under their supervision.

14. In December 2024, the facility suffered its first major cooling failure. The temperature in Chamber No. 3 spiked from 1°C to 12°C within 48 hours, and the chamber's automated temperature log recorded the fluctuation. HAOL's team noticed the error, but KVCS's supervising Chief Engineer assured them it was a "minor sensor glitch." HAOL spent Rs. 2,50,000/- on emergency coolant refills.

15. The Chief Engineer also sent this assurance to HAOL on WhatsApp, saying the problem appeared to be sensor-related and that normal operations could continue while recalibration was attempted. This exchange forms part of the technical record reproduced in **Annexure II**.

16. Between January and March 2025, three more breakdowns occurred in the main compressor unit. HAOL's apples began showing premature ripening and core browning. HAOL repeatedly flew in third-party technicians and spent an aggregate sum of Rs. 12,00,000/- on repairs just to keep the system running. KVCS's engineers supervised these repairs but refused to reimburse the cost of replacement parts and consumables, citing the maintenance clause. The three breakdowns occurred on January 11, February 18 and March 27, 2025. HAOL circulated repair requests by email before engaging outside technicians, and KVCS's technical staff remained present during the interventions. KVCS subsequently declined reimbursement by email, relying upon the maintenance clause in the revised draft. HAOL maintained that these were emergency measures required to prevent immediate deterioration of the stored crop.

17. On account of the repeated breakdowns, HAOL stopped paying the monthly fee from April 1, 2025. On April 1, 2025, HAOL informed KVCS in writing that further monthly payments would be withheld until a permanent technical solution was provided. KVCS

rejected the withholding, asserted that payment obligations continued notwithstanding the breakdowns, and reserved its right to recover the outstanding amount.

18. In April 2025, HAOL commissioned an independent expert from the National Dairy & Food Processing Institute to inquire into the technical issues. The Expert's Report dated June 15, 2025, concluded: "The primary cooling compressor coil has suffered structural microscopic corrosion over the last several years, resulting in persistent Freon gas leaks. Day-to-day repairs cannot fix this; it requires a complete overhaul and replacement of the core cooling block costing approx. Rs. 45,00,000/-." The report stated that the material deterioration was internal to the compressor coil and would not ordinarily be identifiable through a routine visual inspection without further non-destructive testing. It also recorded that repeated coolant refilling and minor repairs could temporarily keep the system operational but could not remove the underlying cause of the leakage. Relevant extracts are reproduced in Annexure II.

19. HAOL sent the report to KVCS and demanded that the core cooling block be replaced. KVCS rejected the demand. It stated that HAOL had taken the facility on an "As-is" basis after a physical inspection, and that the contract placed all repair obligations squarely on HAOL. HAOL responded that this was a latent defect of which it was never informed, and that the defect was not discoverable during inspection.

20. KVCS further maintained that no pre-contract service report had diagnosed structural corrosion. It added that HAOL had itself deputed a technically qualified inspection team, and that HAOL had not requested deeper testing despite being offered further access. HAOL replied that it had no reason to undertake invasive testing after KVCS's express assurance that the facility was regularly serviced and in good working condition. It also stated that the July 2024 maintenance entry should have been disclosed to it.

21. Following KVCS's response, and as the repeated breakdowns and high repair costs had made continued operations at the facility commercially unviable, HAOL hired another cold-storage facility in August 2025 at a monthly fee of Rs. 4,00,000/- and stopped using KVCS's facility. Between April and July 2025, HAOL contacted four other controlled-atmosphere storage operators in and around Shimla. Two reported that they had no spare capacity for HAOL's remaining stock, while one could accommodate only a small portion

of it. The alternative facility ultimately engaged by HAOL became available in August 2025, after which HAOL shifted the remaining merchantable stock in phases over several days.

22. On August 31, 2025, HAOL served a Notice of Termination, vacating the premises. It cited fundamental breach of contract and fraudulent misrepresentation/concealment of latent defects. The notice enclosed a copy of the expert report, sought return of the security deposit, reserved HAO's claims for repair expenditure and crop loss, and stated that continued occupation was no longer commercially viable.

23. KVCS accepted the physical possession of the keys on September 1, 2025, "without prejudice to its legal rights." Upon inspection, KVCS sent an email noting that the cooling system was not working, and that HAOL had failed to perform its repair obligations. HAOL did not deny that the machinery was not working, but blamed KVCS's concealment of the defect and lack of assistance. A handover memorandum prepared that day recorded that the compressor could not sustain the required operating pressure and that several parts had been replaced during HAOL's occupation. HAOL signed the memorandum only to acknowledge return of possession and expressly disputed any attribution of the machinery's condition to its failure. Relevant extracts of the termination and handover record are reproduced in **Annexure III**.

24. KVCS immediately appropriated the entire Rs. 15,00,000/- security deposit against unpaid rent. By that date, five monthly instalments for April to August 2025, aggregating to Rs. 25,00,000/-, remained unpaid. KVCS treated the deposit as a part-adjustment of those arrears and asserted that a balance of Rs. 10,00,000/- remained due.

25. KVCS then demanded:

    a. unpaid rent for the entire balance term since the contract was for a fixed period of three years, and
    b. that HAOL must pay for all repairs that would be needed to bring the facility back to a good working condition.

26. The executives of HAOL and KVCS met on multiple occasions to try to resolve the dispute and reach an amicable settlement of the outstanding claims. Meetings were held on September 12 and October 1, 2025. A final settlement meeting was then convened on

October 15, 2025, but it ended without any consensus. The parties exchanged spreadsheets setting out their respective positions on unpaid rent, the deposit, repair expenditure, crop loss and future rental loss, but neither side accepted the other's computation or responsibility for the breakdowns.

27. Following the breakdown of the talks, a flurry of emails was exchanged. The final written communication from HAOL was sent on November 30, 2025, in which it denied any liability and threatened counterclaims. After this communication, KVCS did not immediately commence arbitration. It concentrated on obtaining repair quotations, arranging finance, restoring the facility and attempting to identify another commercial user for it, while continuing to maintain internally that HAOL remained liable for losses flowing from the premature exit. KVCS's Board recorded in December 2025 that the extent of its future revenue shortfall would be reviewed after a fresh third-party arrangement was secured and upon expiry of the original three-year term on August 31, 2027. HAOL continued to deny liability throughout.

28. Due to the completely defunct state of the machinery at the facility, KVCS could not find another commercial user for the facility for a long time. After undertaking heavy repairs in July-August 2026, KVCS finally entered into a fresh commercial arrangement for use of the facility with a third party, **Alluwalia and Co**. (a potato distributor), on September 1, 2026 at a rate of only Rs. 3,50,000/- per month. KVCS appointed a local property broker in October 2025 and caused the facility to be advertised again in January 2026. Two prospective users inspected the premises but declined to contract while the central refrigeration plant remained non-operational. In May 2026, Alluwalia and Co. expressed interest subject to KVCS completing the major repairs and accepting a lower monthly rate. KVCS thereafter undertook the repairs in July-August 2026 at a documented cost of Rs. 45,00,000/-. The material portions of the third-party arrangement record are reproduced in **Annexure III**.

29. KVCS invoked the arbitration clause by issuing a notice under Section 21 of the Arbitration and Conciliation Act, 1996 ("**Arbitration Act**"), on October 20, 2027. The notice referred to Clause 14 of the August 16th and 18th draft exchange, quantified the principal monetary heads then claimed by KVCS, and called upon HAOL to concur in the appointment of a *Sole Arbitrator*.

30. HAOL resisted the invocation, claiming that there was no valid arbitration agreement between the parties. HAOL relied upon the non-execution of the revised draft, its earlier request that the agreement be signed and stamped, and the jurisdiction clause contained in the August 13 purchase order. It also contended that the thumbs-up emoji merely acknowledged receipt of the revised draft and did not amount to consent to arbitrate.

31. The High Court of Himachal Pradesh appointed a Sole Arbitrator in an application under Section 11 of the Arbitration Act filed by KVCS, leaving the question of existence and validity of the arbitration agreement open to be agitated before the Sole Arbitrator.

32. KVCS filed its statement of claim along with supporting documents.

33. Thereafter, HAOL raised the following jurisdictional challenges under Section 16 of the Arbitration Act:

    - No valid arbitration agreement between the parties: The parties have not entered into any arbitration agreement as there was no consensus ad idem on resolution of disputes through arbitration. In any case, there is no valid arbitration agreement in writing and signed between the parties as required by law.
    - Lack of registration: Even otherwise, the transaction between the parties is a lease in substance, which requires compulsory registration under law. An arbitration clause contained in an unregistered lease is invalid.

34. Based on consensus of the parties, the Sole Arbitrator decided that the issues pertaining to existence and validity of the arbitration agreement would be adjudicated along with all other issues in the final award.

35. HAOL filed its statement of defence along with its counterclaims and supporting documents. The Sole Arbitrator framed the issues involved. The parties agreed to proceed on the basis of documents only, and no oral evidence was led. The documentary record before the Tribunal included the purchase order and WhatsApp exchange, the site-inspection and technical records, repair invoices, the expert report, the termination and handover correspondence, proof of the parties' respective payments, and the third-party arrangement material. The three annexures appended to this proposition reproduce selected material extracts from that record and are not intended to be exhaustive.

CLAIMS AND COUNTERCLAIMS BEFORE THE ARBITRATOR

Claims by KVCS (Claimant):

1. **Unpaid Rentals:** Rs. 10,00,000/- for the 5 months HAOL occupied the facility but did not pay (April–August 2025), after adjusting the security deposit.
2. **Damages:**
   i. Rs. 60,00,000/- representing the rent for the 12 months the facility lay vacant post-termination (September 2025 to August 2026) prior to the third-party contract, as the contract was for a fixed three-year term.
   ii. Rs. 18,00,000/- representing the loss of Rs. 1,50,000/- per month suffered for the period September 2026 to August 2027 (i.e. till the end of the original three-year term) as KVCS was able to get a third-party contract for this period for a much lower monthly fee/rent of only Rs. 3,50,000/- per month.
3. **Property Damage:** Cost of Rs. 45,00,000/- incurred for restoring the machinery from its defunct state by carrying out the repairs as recommended in the Expert Report.
4. **Interest:** Compound interest @ 18% per annum compounded annually on the principal amounts awarded, from the dates when the respective amounts became due till the date of payment, including pendente lite and future interest.
5. **Costs:** Actual costs, as under:
   i. Rs. 5,50,000/- towards advocates' fee;
   ii. Rs. 5,00,000/- towards arbitrator's fee;
   iii. Rs. 2,00,000/- towards costs of venue of arbitration, steno etc.;
   iv. Rs. 2,50,000/- towards costs of travel and stay of executives of KVCS, for attending the arbitration.

Counterclaims by HAOL (Respondent/Counter-Claimant):

1. **Refund of all fee/rent paid:** Rs. 35,00,000/- from September 2024 till March 2025, as the property was never in a good working condition contrary to assurances made by KVCS, and there were gross deficiencies which made HAOL's operations from the facility commercially unviable.

2. **Refund of Security Deposit:** Rs. 15,00,000/- as this was wrongfully appropriated.

3. **Cost of Spoilage:** Rs. 25,00,000/- for the loss of premium apples due to temperature fluctuations. On account of spoilage at the facility due to temperature fluctuations, HAOL was forced to throw away apples which had a landed cost of Rs. 10,00,000/- and whose market price at the relevant time was Rs. 25,00,000/-.

4. **Repair Expenses**: Rs. 14,50,000/- spent on emergency repairs and third-party technicians during occupancy.

5. **Interest:** Interest @ 24% per annum on the principal amounts awarded, from the dates when the respective amounts became due till the date of payment, including pendente lite and future interest.

6. **Costs:** Actual costs, as under:

   i. Rs. 10,00,000/- towards advocates' fee;
   ii. Rs. 5,00,000/- towards arbitrator's fee;
   iii. Rs. 2,00,000/- towards costs of venue of arbitration, steno etc.;
   iv. Rs. 10,00,000/- towards costs of travel and stay of executives of HAOL, for attending the arbitration.

Note: Both parties have produced relevant documents in support of the figures set out in the Claims and Counterclaims above (except for the claim and counterclaim of interest).

ISSUES

Participants in the award-writing competition must adjudicate on the following issues:

A. Jurisdictional Issue

i. Whether a valid, binding, and enforceable arbitration agreement exists between the parties?

B. Substantive Issues on Liability

ii. Whether the agreement between the parties constitutes a 'lease' (requiring mandatory registration under law) or a 'licence'/service contract for cold storage space?

iii. If the Tribunal finds that the agreement is a lease which is unregistered, what would be the effect thereof on each of the claims and counterclaims? Would it preclude the parties from enforcing any of the terms of the agreement, as is sought by way of the claims and counterclaims?

iv. Whether non-disclosure of the corrosion in the compressor unit by KVCS at the time of entering into the agreement amounts to fraud or misrepresentation? If yes, what is the consequence thereof?

v. Whether the "As-Is-Where-Is" clause completely absolved KVCS of any liability regarding the operating capability of the core machinery?

vi. Whether HAOL was in breach of its contractual obligation to maintain and repair the facility?

vii. Whether HAOL's termination of the agreement on August 31, 2025 was legally justified and valid?

viii. Whether KVCS's unilateral appropriation of the Rs. 15,00,000/- security deposit was lawful and valid?

C. Quantum, Damages & Relief

ix. Whether the Claimant is entitled to the amounts claimed? Whether Claimant failed to mitigate, or contributed to, any of its losses?

x. Whether the Respondent is entitled to the amounts claimed? Whether the Respondent failed to mitigate, or contributed to, any of its losses?

xi. What interest (pre-reference, pendente lite, and future), if any, are the parties entitled to?

xii. What order as to costs?

ANNEXURE I – CONTRACT FORMATION RECORD

A. Extract from Purchase Order dated August 13, 2024

HIMACHAL APPLE ORCHARDS LIMITED

PURCHASE ORDER

ISSUED BY
Himachal Apple Orchards Limited (HAOL)

ISSUED TO
Kullu Valley Techno-Cold Storage Private Limited (KVCS)

P/O NUMBER	DATE
HAOL/PROC/CA/2024-25/0813	August 13, 2024

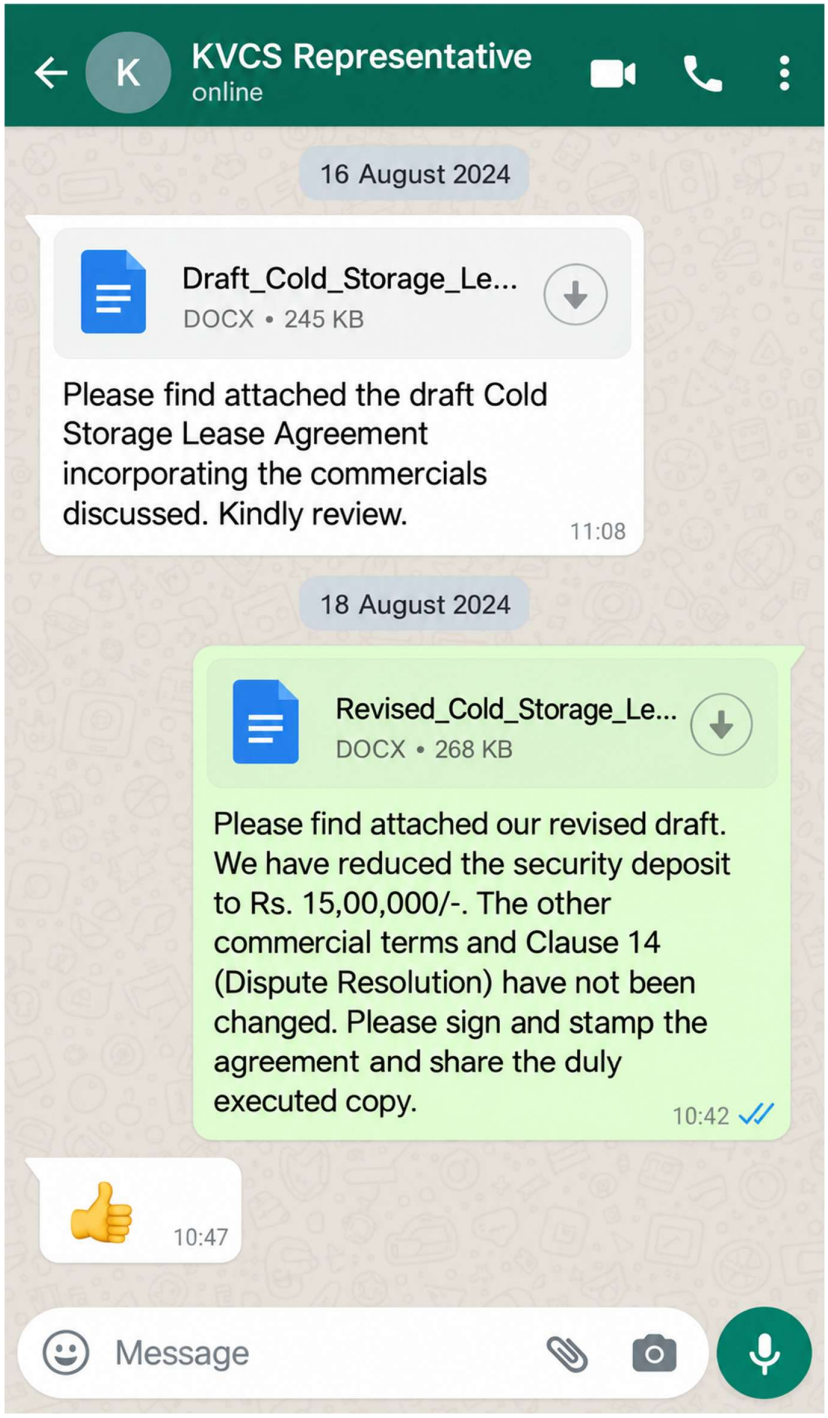
SUBJECT
Exclusive use of controlled-atmosphere cold storage facility at Thanedar, District Shimla

COMMERCIAL TERM	RECORDED POSITION
Term	Three years commencing September 1, 2024.
Monthly fee/rent	Rs.5,00,000/- per month.
Security deposit	Rs.30,00,000/- as proposed in the Purchase Order; subject to final documentation.
Use of facility	Exclusive commercial use by HAOL for storage of apples; detailed operational responsibilities to be set out in the formal agreement.
Jurisdiction	"The Courts at Shimla shall have exclusive jurisdiction over disputes or differences arising out of or in relation to the arrangement."
Arbitration	No arbitration clause appears in the Purchase Order.

Signed on behalf of HAOL
Himachal Apple Orchards Limited

Receipt acknowledged by KVCS (not countersigned)
Kullu Valley Techno-Cold Storage Private Limited

B. WhatsApp Exchange and Draft Agreement, August 16–18, 2024



C. Material Extracts from the Revised Draft dated August 18, 2024

Clause 3 – Term and Consideration: The arrangement shall remain in force for three years from September 1, 2024. HAOL shall pay Rs. 5,00,000/- per month and maintain a refundable security deposit of Rs. 15,00,000/-.

Clause 5 – Condition and Operations: HAOL accepts delivery on an "As-Is-Where-Is" basis following inspection. HAOL shall have exclusive commercial use of the storage chambers and may deploy its own security and operational staff. KVCS's Chief Engineer and two technicians shall remain at the facility to supervise the safe operation of the central refrigeration plant.

Clause 8 – Maintenance: HAOL shall bear routine operating costs, consumables, preventive maintenance and day-to-day repairs, subject to KVCS's technical supervision. The draft does not separately address replacement of a major component rendered unusable by a pre-existing structural condition.

Clause 14 – Dispute Resolution: "Any dispute arising out of this arrangement shall be referred to a sole arbitrator appointed mutually by the parties under the Arbitration and Conciliation Act, 1996. Venue: Shimla."

ANNEXURE II – SITE INSPECTION AND TECHNICAL RECORD

A. HAOL Site Visit Note – August 7, 2024

Item	Recorded Observation
HAOL representatives	Procurement Manager; in-house refrigeration engineer; quality-control officer.
Scope	Storage chambers, visible refrigeration lines, control panels, temperature display/logs and general operating condition.
Test witnessed	Refrigeration system operated for approximately six hours; chamber readings remained within the normal operating range during the observed period.
Core compressor examination	External/visual inspection only. The compressor assembly was not dismantled and no ultrasonic, metallurgical or other non-destructive internal testing was undertaken.
Further access	KVCS stated that additional technical access could be arranged if required. HAOL did not request dismantling before taking possession.
KVCS assurance	After the visit, KVCS reiterated in writing that the machinery was regularly serviced and was in good working condition.

B. Internal KVCS Maintenance Entry – July 18, 2024 (produced during arbitration)

"Refrigerant level found below usual operating level. Top-up carried out. No external leak located during routine inspection. Monitor pressure/refrigerant level; undertake pressure test if loss recurs."

The entry did not diagnose corrosion, recommend immediate replacement of the compressor coil, or classify the facility as unsafe. HAOL states that this entry was not disclosed during the pre-contract inspection; KVCS states that it reflected routine maintenance rather than knowledge of a structural defect.

C. December 2024 Breakdown Communication

Date/Sender	Message
8 Dec 2024, HAOL Operations Manager	Reports Chamber No. 3 rising from approximately 1°C to 12°C and requests immediate technical intervention.
8 Dec 2024, KVCS Chief Engineer	States that the reading appears to be a sensor-related issue, that recalibration is being undertaken, and that HAOL may continue ordinary operations while the system is observed.
9 Dec 2024, HAOL	Confirms emergency coolant refill expenditure of Rs. 2,50,000/- and asks KVCS to prevent recurrence.

D. Selected Repair Correspondence, January–March 2025

Date/Sender	Message
11 Jan 2025 - HAOL Operations Manager	Reports a further breakdown in the main compressor unit and requests immediate technical intervention. HAOL states that, if necessary, it will engage an outside technician to prevent deterioration of the stored apples.
18 Feb 2025 - KVCS Chief Engineer	Confirms that KVCS's technical personnel will remain available to supervise the repair work, but states that the cost of replacement parts and consumables is to be borne by HAOL under the maintenance arrangement.
27 Mar 2025 - HAOL Operations Manager	Records that repeated temporary repairs have not provided a stable solution and requests that KVCS propose a permanent technical remedy. HAOL also reserves its position regarding the repair expenditure already incurred.

E. System-Generated Temperature Record – Chamber No. 3

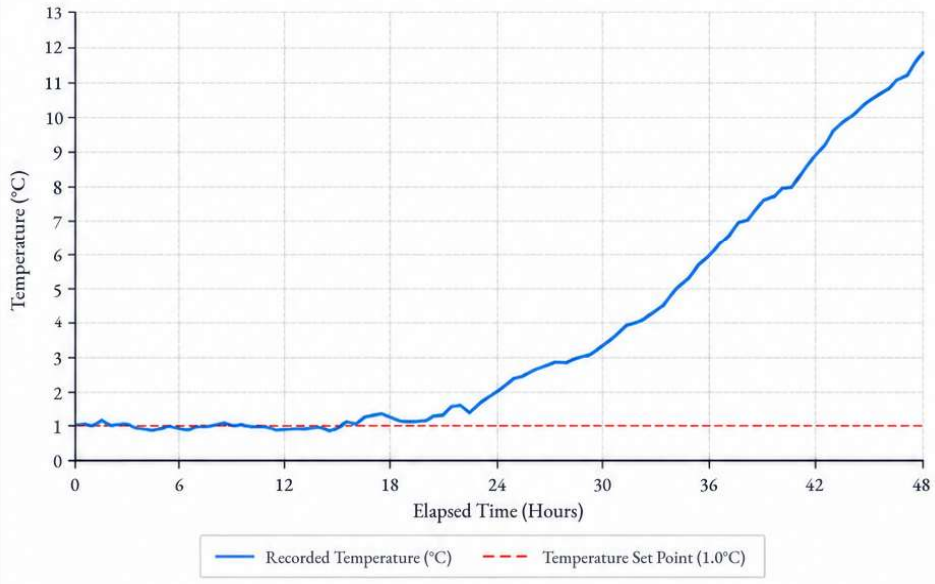
CA Facility Monitoring System – Chamber No. 3

Temperature History – 48 Hour Extract | December 2024

Facility:	KVCS Controlled Atmosphere Facility, Thanedar, Shimla	**Monitoring Mode:**	Automatic
Zone:	Chamber No. 3	**Sensor Status:**	Active
Commodity:	Apples	**Data Interval:**	30 Minutes
Temperature Set Point:	1.0°C	**Record Type:**	Historical Trend

Chamber Sensor	Alarm Status
Active	High Temperature Alert

Chamber No. 3 – Temperature Trend



Event Log – Chamber No. 3

Date & Time	Elapsed (Hours)	Temperature (°C)	Event
06-Dec-2024 00:00	0.0	1.0	Start of 48 hour extract
06-Dec-2024 06:00	6.0	1.0	Temperature within set point
06-Dec-2024 12:00	12.0	0.9	Temperature within set point
06-Dec-2024 18:00	18.0	1.2	Gradual increase observed
07-Dec-2024 00:00	24.0	2.1	Rising temperature trend
07-Dec-2024 06:00	30.0	3.2	Rising temperature trend
07-Dec-2024 12:00	36.0	5.9	Rising temperature trend
07-Dec-2024 18:00	42.0	8.9	High Temperature Alert
08-Dec-2024 00:00	48.0	11.8	End of 48 hour extract

System-generated record – Chamber No. 3
Extract produced from CA monitoring history

Page 1 of 1
08-Dec-2024 00:00

F. Extract from Independent Expert Report dated June 15, 2025

The National Dairy & Food Processing Institute recorded persistent refrigerant leakage and structural microscopic corrosion within the primary compressor coil. The report stated that the deterioration had developed over several years, that ordinary visual inspection would not ordinarily reveal the internal extent of the corrosion, and that repeated refilling or routine repairs would not provide a permanent solution. It recommended overhaul and replacement of the core cooling block at an estimated cost of Rs. 45,00,000/-.

ANNEXURE III – TERMINATION, HANDOVER AND MITIGATION RECORD

A. Material Extract from HAOL Notice of Termination dated August 31, 2025

HAOL stated that the repeated refrigeration failures, the findings of the independent expert and KVCS's refusal to undertake permanent replacement of the core cooling block constituted a fundamental failure of the commercial arrangement. HAOL notified KVCS that it had shifted operations to another facility and would return possession on September 1, 2025. HAOL reserved its claims for return of the security deposit, reimbursement of repair expenditure and compensation for crop loss. KVCS disputed the grounds of termination.

B. Handover and Deposit Adjustment – September 1, 2025

Matter	Recorded Position
Possession	Keys returned to KVCS on September 1, 2025, without prejudice to the parties' respective rights.
Machinery condition	Compressor unable to sustain the required operating pressure; certain parts had been replaced during HAOL's occupation. The parties disputed responsibility for the condition.
Unpaid monthly fee/rent	April–August 2025: five instalments aggregating to Rs. 25,00,000/-.
Security deposit	KVCS appropriated Rs. 15,00,000/- against the unpaid amount and asserted that Rs. 10,00,000/- remained outstanding.
HAOL position	HAOL disputed the adjustment and maintained that KVCS's prior breach and the latent defect entitled it to restitution and damages.

C. Mitigation and Third-Party Arrangement Chronology

Date	Event
October 2025	KVCS appointed a local broker and circulated the facility to identify another commercial user at approximately the then-existing commercial rate.
January 2026	A further advertisement was issued. Two prospective users inspected the facility but did not proceed while the principal refrigeration machinery remained non-operational.
May 2026	A potato distributor, Alluwalia and Co. expressed interest subject to completion of major repairs and a reduced monthly fee of Rs. 3,50,000/-.
July–August 2026	KVCS undertook the major compressor work at a documented cost of Rs. 45,00,000/-.
September 1, 2026	Alluwalia and Co. commenced occupation at Rs. 3,50,000/- per month.
August 31, 2027	The original three-year term claimed by KVCS under the August 2024 draft expired.

D. Extract from Third-Party Arrangement

The third-party arrangement recorded a monthly fee of Rs. 3,50,000/- commencing September 1, 2026. KVCS relies upon this document to quantify the monthly shortfall of Rs. 1,50,000/- for the remaining twelve months of the term it says HAOL had originally committed to. HAOL disputes both the enforceability of that fixed term and whether KVCS took reasonable and timely steps to mitigate its alleged loss.[1]

[1] *This problem has been drafted by Mr. Ankit Virmani, Independent Arbitrator, Counsel and Partner at Virmani & Virmani Law Firm, New Delhi. Any attempt to contact the drafter in connection with the competition shall be grounds for disqualification.*