

HON'BLE SRI JUSTICE A.RAMALINGESWARA RAO

W.P.No.21409 of 2014

ORDER

Heard learned counsel appearing for the petitioner and learned Standing Counsel appearing for the respondent-Corporation.

The petitioner was appointed as Stage-II Transport Contractor for transportation of Essential Commodities from MLS point to fair price shops *vide* proceedings dated 21.8.2013. He furnished bank guarantee of Rs.3,00,000/- and security deposit of Rs.1,00,000/- along with EMD of Rs.75,000/-. The fair price shops allotted to the petitioner are situated in Madhira, Bonakal and Yerrupale Mandals. When the respondent terminated the contract of the petitioner by proceedings dated 14.7.2014 forfeiting the security deposit and bank guarantee, the present writ petition was filed.

This Court by order dated 30.07.2014 granted interim suspension of the impugned order on the ground that no notice was issued to the petitioner before terminating the contract. The original period of contract is only for one year and it has expired. Seeking vacation of the said interim order, the respondent filed a counter-affidavit stating that action was taken in pursuance of condition Nos.9 (ii) 12 (ii) and 12 (vi) of the agreement. It is further stated that when the petitioner involved in black marketing of PDS rice in lorry bearing No.A.P.16 TV 356,

6-A proceedings were initiated against him under the Essential Commodities Act, 1955, and the goods were confiscated in favour of the State. The impugned action of termination of the contract was taken after receiving a report dated 26.6.2014.

It is clear from the above averments that the petitioner was appointed as contractor for a period of one year *vide* proceedings dated 14.7.2014. But, there was an allegation that he was doing clandestine business of rice meant for public distribution system and there by, violated the conditions of agreement.

It appears that a report was obtained with regard to the activities of the petitioner on 26.6.2014, based on which, the contract was cancelled. The cancellation of contract not only casts a stigma on the petitioner, but also involves civil consequences such as forfeiture of bank guarantee and security deposit. In those circumstances, the respondent should have observed the principles of natural justice before taking further action.

A perusal of the impugned order indicates that no opportunity was given to the petitioner before issuing the order of termination.

In the circumstances, the impugned order of termination dated 14.7.2014 is set aside and the matter is remanded to the respondent for passing orders afresh. It is needless to observe that the petitioner shall be supplied a copy of the report dated 26.6.2014 alleged to have been obtained by the respondent and the petitioner shall be given an opportunity to submit his explanation based on

the allegations levelled against him in the said report. The entire exercise shall be completed within a period of three months from the date of receipt of a copy of this order.

Accordingly, the Writ Petition is allowed to the extent indicated above. No costs.

Miscellaneous petitions, if any, pending shall stand closed.

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JUSTICE A.RAMALINGESWARA RAO

*15<sup>th</sup> December, 2016*  
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