THE HONOURABLE SRI JUSTICE P.NAVEEN RAO

WRIT PETITION No.1019 of 2020

DATED: 10.01.2020

Between:

Sri Balaji Parboiled Rice Industries,
Munagala (V&M), Suryapet District,
Telangana, represented by its Proprietor,
Mr. Medavarapu Ashok and another.

…Petitioners

The State of Telangana,
Represented by its Principal Secretary,
Department of Consumer Affairs,
Foods and Civil Supplies,
Secretariat Buildings, Hyderabad
and others.

…Respondents

The Court made the following:

HON'BLE SRI JUSTICE P.NAVEEN RAO

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ORDER:

Heard the learned counsel for the petitioner learned Government Pleader for Civil Supplies and Sri A.Jagan, learned Standing Counsel for respondent No.5.

2. Sri Chandana Par Boiled Rice Mill defaulted in payment of loan obtained from the schedule bank. Therefore, proceedings under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (for short `the SARFAESI Act') were initiated and in the auction conducted for realisation of the money due to the schedule bank, petitioner participated and turned out to be the successful bidder and he became the owner of the said mill now named as Sri Balaji Parboiled Rice Industries. Petitioner applied to supply the paddy for custom milling and supply the milled rice to the Civil Supplies Corporation for distribution of the said rice under the public distribution system. The Collector, Civil Supplies vide order impugned rejected the request of the petitioner to supply paddy under the scheme on the ground that Sri Chandana Par Boiled Rice Mill defaulted in payment of Rs.71 lakhs for the kharif Season 2014-2015 and amount is yet to be paid.

3. Learned counsel for the petitioner sought to contend that the petitioner is a *bona fide* purchaser of the rice mill in the open auction conducted by the schedule bank to recover the loan amounts due from the previous owner of the said mill and having purchased the same, the default amount due to the Civil Supplies Corporation by the earlier owner cannot be a ground to reject the request of the

petitioner to procure paddy for custom milling and the same amounts to arbitrary exercise of power.

4. To appreciate this contention, it is necessary to notice orders issued by the Government notified vide G.O.Ms.No.17, Consumer Affairs, Food and Civil Supplies (CS.I.CCS) Department, dated 27.09.2019 governing procurement of paddy for the Kharif Marketing Season 2019-20. Paragraph H of the Scheme appended to the G.O., prescribes the procedure of allotment of paddy to rice mills. Paragraph H (3) holds that paddy should not be allotted to the defaulted rice mills/rice millers except those covered by the orders in G.O.Ms.No.13, dated 25.07.2019. It is not in dispute that the rice mill which is purchased by the petitioner defaulted in payment of amounts due to the respondents and that the rice is not covered by the exemption granted under G.O.Ms.No.13, dated 25.07.2019. Further, the petitioner's right to carry on the operation of rice mill by procuring paddy from the open market and milling the rice and selling the rice in the open market is not restricted in any manner. Under the public Distribution System, the Government requires huge quantities of rice for supply to the needy people. The Government do not have the rice mills to undertake milling of rice. Therefore, it entrusts the milling operations to the private rice mills. Thus, in the process of allotment of paddy to the rice mills it has formulated operational guidelines which are required to be adhered to by the competent authorities in allotting paddy to the respective rice mills. These guidelines are not under challenge.

5. It cannot be said that irrespective of restrictions imposed in the guidelines paddy should be supplied to the petitioner's rice mill only on the ground that the mill was purchased in an open

auction and therefore, the petitioner cannot be penalized for the previous owner's default in payment.

6. I do not agree with this contention for two reasons; Firstly, there is specific embargo imposed in the scheme formulated and notified by the G.O.Ms.No.17 in paragraph H (3). Therefore, the petitioner cannot ask for supply of paddy under the scheme; and secondly, petitioner has no manner of right to insist for supply of paddy under public distribution system. State being employer requires milled rice for supply in the public distribution system and it is entitled to formulate scheme to identify the mills which can undertake milling operations and supply the rice. While doing so, it can deny supply of paddy to defaulted rice mills in the subsequent agricultural seasons. The object of this particular restriction is to ensure that the rice mills do not indulge in malpractices in procuring paddy under the scheme and sell the custom milled rice in the open market without channeling the rice to the public distribution system. Such illegal diversions would upset the Government plans to procure adequate quantity of rice for public distribution system and would effect the needs of beneficiaries. Thus, such restrictions are in the larger public interest.

7. Therefore I do not see any irregularity in the order impugned. Accordingly, the writ petition is dismissed. Pending miscellaneous petitions shall stand closed.

P. NAVEEN RAO, J

10th January, 2020
grk