

**HIGH COURT FOR THE STATE OF TELANGANA
AT HYDERABAD
(Special Original Jurisdiction)**

**TUESDAY, THE THIRTY FIRST DAY OF DECEMBER
TWO THOUSAND AND TWENTY FOUR**

PRESENT

THE HONOURABLE SMT JUSTICE T.MADHAVI DEVI

WRIT PETITION NOS: 31583 AND 32262 OF 2024

W.P.No.31583 of 2024

Between:

1. M/s. SAR RICE PRODUCTS, situated at Sy.No.421/ 1, Gundrathimadugu Village, Konijerla Mandal, Khammam District Rep., by its Sole Proprietor, Smt.Medempudi Rama Jyothi, W/o. M. Bala Krishna Prasad, Aged about. 55 Years, R/o. Gundrathimadugu Village, Konijerla Mandal, Khammam District - 507165, Telangana.
2. Smt.Medempudi Rama Jyothi, W/o. M. Bala Krishna Prasad, Aged about. 55 Years, Occ. Sole Proprietor of M/s. SAR RICE PRODUCTS, R/o. Gundrathimadugu Village, Konijerla Mandal, Khammam District- 507165, Telangana

.....PETITIONERS

AND

1. The State of Telangana, Rep., by its Principal Secretary to Government, Consumer Affairs, Foods and Civil Supplies Department, Government of Telangana, Dr.B.R.Ambedkar, Telangana Secretariat, Hyderabad-500022, Telangana.
2. Telangana State Civil Supplies Corporation Limited (TGSCSCL), Rep., by its Vice Chairman and , Managing Director, Registered office at. 6-3-655/ I/A, Block-B, Civil Supplies Bhavan, Somajiguda, Hyderabad-500082, Telangana.
3. The Commissioner of Civil Supplies, Consumer Affairs, Foods and Civil Supplies Department, Government of Telangana, Registered office at. 6-3-655/1/A, Block-B, Civil Supplies Bhavan, Somajiguda, Hyderabad-500082, Telangana.
4. The District Collector, Khammam District, Khammam Town and , District, Telangana.
5. The Collector (CS), Khammam District, Khammam Town and District, Telangana.
6. The Additional Collector (CS), Khammam District, Khammam Town and District, Telangana.

7. The District Civil Supply Officer (DCSO), Khammam, Khammam Town and District, Telangana.
8. The District Manager, TGSCSCL, Khammam District, Khammam Town and District, Telangana.
9. Union Bank of India, Rep., by its Branch Manager, Khammam Branch, Union Bank of India, at Gandhi Chowk, Khammam Town, Khammam District-507003, Telangana.
10. Karur Vysya Bank Limited, Rep., by its Branch Manager, Khammam Branch, Karur Vysya Bank Limited, 3-1-3/1 86 2, Sunder Talkies Road, Khammam Town and District-507003, Telangana.

.....RESPONDENTS

Petition under Article 226 of the Constitution of India praying that in the circumstances stated in the affidavit filed therewith, the High Court may be pleased to issue an appropriate writ, order or direction more particularly one in the nature of WRIT OF MANDAMUS, to declaring the highhanded action of the 6th and 8th Respondents, in issuing the letter bearing Lr.No. Mktg/Paddy/Default Millers, dated. 30.09.2024 and another letter bearing No. Mktg/Paddy/Default Millers, dated.08.10.2024, by directing the bank authorities to FREEZE the petitioners Current Accounts, i.e., i) bearing No. 031111100004401 which is opened in the name and style of M/s.SAR RICE PRODUCTS and ii) another Current account bearing No. 1433135000007157, which is opened in the name and style of Smt.Medempudi Rama Jyothi, i.e., 2nd petitioner herein, with the 9th and 10th Respondents Banks and also questioning the consequential action of the 9th and 10th Respondents in freezing the 1st petitioner rice mill Current Account No. 031111100004401 and another Current Account bearing No. 1433135000007157 (2nd petitioner account) and which was communicated by the 9th and 10th Respondents vide its Lr.No. 03111/SRI/2024-25, dated. 09.10.2024 and Vide Lr.No. M/BC/01/2024-25, dated. 02.11.2024, as arbitrary, illegal and unconstitutional, and principle of natural justice, and violative of Articles 14, 19 and 21 of the Constitution of India and consequently to set-aside the impugned letter issued by the 6th and 8th Respondents vide bearing Lr.No. Mktg/Paddy/Default Millers, dated. 30.09.2024 and vide bearing Lr.No.Mktg/Paddy/Default Millers, dated. 08.10.2024 and its consequential action of the 9th and 10th Respondents vide its Lr.No. 03111/SRI/2024-25, dated.09.10.2024 and Vide Lr.No. M/BC/01/2024-25, dated. 02.11.2024 in

freezing the 1st petitioner rice mill bank accounts, which is opened in the name of M/s.SAR RICE PRODUCTS vide Current Account bearing No. 031111100004401 and , another Current Account bearing No. 1433135000007157, which is opened on the name of 2nd petitioner herein.

I.A.NO:1 OF 2024

Petition Under Section 151 CPC praying that in the circumstances stated in the affidavit filed in support of the petition, the High Court may be pleased to direct the 10th respondent, to forthwith unfreeze the 2nd Petitioner Current Account vide bearing No.1433135000007157, which is on the name of Smt.Medempudi Rama Jyothi, by suspending impugned letter issued by the 6th Respondent vide bearing Lr.No.Mktg/ Paddy/Default Millers, dated.08.10.2024 and its consequential impugned letter of 10th Respondent Vide Lr.No. M/BC/01/2024-25, dated. 02.11.2024, in the interest of justice, pending disposal of main writ petition.

I.A.NO:2 OF 2024

Petition Under Section 151 CPC praying that in the circumstances stated in the affidavit filed in support of the petition, the High Court may be pleased to direct Respondents, not to interfere with the day-to-day operations of the petitioners Current Accounts, i.e., i) Current Account vide bearing No. 031111100004401, and ii) Current Account vide bearing No. 1433135000007157, which are existing in the 9th and 10th respondents banks, without following due process of law, in the interest of justice, pending disposal of main writ petition.

I.A.NO:3 OF 2024

Petition Under Section 151 CPC praying that in the circumstances stated in the affidavit filed in support of the petition, the High Court may be pleased to direct the 9th respondent, to forthwith unfreeze the 1st Petitioner's rice mill Current Account vide bearing No. 031111100004401, which is on the name and style of M/s.SAR RICE PRODUCTS, by suspending impugned letter issued by the 8th Respondent vide bearing Lr.No. Mktg/Paddy/Default Millers, dated.

30.09.2024 and its consequential impugned letter of 9th Respondent vide its Lr.No. 03111/SRI/2024-25, dated.09.10.2024, in the interest of justice, pending disposal of main Writ petition.

Counsel for the Petitioners : SRI R.N.HEMENDRANATH REDDY, SENIOR COUNSEL FOR SRI C.HARI PREETH

Counsel for the Respondent No.1, 3, 7 & 8 : GP FOR CIVIL SUPPLIES

Counsel for the Respondent No.2 : SRI T.P.ACHARYA

Counsel for the Respondent Nos.4, 5 & 6 : GP FOR REVENUE

Counsel for the Respondent Nos.9 & 10 : --

W.P.NO: 32262 OF 2024

Between:

1. M/s. ARM Agro Industries, a partnership firm, Registered under Indian Partnership Act, 1932, Vide Regd. No. 212 of 2014, Registrar of Firms, Karimnagar, having its office at H. No. 4-73/3, Sy. No. 898, 899, 900/2, Arepally, Husnabad, Siddipet District, Telangana, Rep. by its Managing-Partner, Mr. Anandas Ram Mohan, S/o. Veeramallu, aged about 52 years.
2. Anandas Ram Mohan, S/o. A. Veeramallu, aged about 52 years, Occ. Business, R/o. Plot No. 12, A R M Arcade, West Balaji Hills Colony, Boduppal, Uppal, Medchal-Malkajgiri District, Telangana - 500039.

.....PETITIONERS

AND

1. The State of Telangana, Rep. by its Principal Secretary Consumer Affairs, Food and Civil Supplies Department Civil Supplies Bhavan, Erramanjil, Somajiguda, Hyderabad, Telangana.
2. Telangana State Civil Supplies Corporation -Ltd., (TSCSCL), Rep. by its Vice Chairman/ Managing Director, Civil Supplies Bhavan, Erramanjil, Somajiguda, Hyderabad, Telangana.
3. The District Collector, Siddipet District Siddipet Telangana.
4. The Additional Collector, Civil Supplies Department Siddipet District.
5. The Lead District Manager, The Union Bank of India Lead Bank Office Integrated District Offices Complex Duddeda (v), Kondapaka (M) Siddipet District, Telangana.
6. The Union Bank of India, Rep. by its Branch Manager Husnabad Branch Akkannapaeta Road, Husnabad Siddipet District, Telangana.

.....RESPONDENTS

Petition Under Article 226 of the Constitution of India praying that in the circumstances stated in the affidavit filed therewith, the High Court may be pleased to issue appropriate Writ, Order or direction more particularly one in the nature of Writ of Mandamus declaring the action of the Respondents in issuing proceedings vide letter Lr.No. TSCSCL/SDPT/ Default mills/2023 dated 06.04.2023 to the 5d1 Respondent directing the freezing of bankaccount bearing account no. 111311100002014 opened in the name of M/s. ARM Agro Industries i.e., the 1st Petitioner herein with the 6th Respondent bank and the consequent action of the 6th Respondent bank in freezing of the account bearing no. 111311100002014 of the 1St Petitioner firm without any prior notice or any communication whatsoever as arbitrary, illegal and violative of the Articles 14, 19 (1) (g), 21 of the Constitution of India as well as Principles of natural justice and consequently to set aside the same directing the Respondents to defreeze the said account.

I.A.NO:1 OF 2024

Petition Under Section 151 CPC praying that in the circumstances stated in the affidavit filed in support of the petition, the High Court may be pleased to direct the 6th Respondent to forthwith unfreeze the 1st Petitioner firm's bank account bearing no. 111311100002014 with the 6th respondent bank.

**Counsel for the Petitioners : SRI R.N.HEMENDRANATH REDDY, SENIOR
COUNSEL FOR SRI SANNAPANENI LOHIT**

Counsel for the Respondent Nos.1 & 4 : GP FOR CIVIL SUPPLIES

Counsel for the Respondent No.2 : SRI T.P.ACHARYA

Counsel for the Respondent No.3 : GP FOR REVENUE

Counsel for the Respondent Nos.5 & 6 : --

The Court made the following ORDER

THE HONOURABLE SMT. JUSTICE T. MADHAVI DEVI

WRIT PETITION Nos. 31583 and 32262 of 2024

COMMON ORDER:

In both the Writ Petitions, though the petitioners are different, they are both aggrieved by the orders of the respondents in issuing proceedings directing the freezing of their bank accounts for recovery of the dues under the Custom Milling Rice agreement for the concerned periods.

2. Sri R. N. Hemendranath Reddy, learned Senior Counsel appearing for the petitioner in W.P.No.32262 of 2024 and also the learned counsel for the petitioner in W.P.No.31583 of 2024, have both submitted that no notices were given to the parties before issuing the orders of freezing their bank accounts and therefore, the same are bad in law. It is further submitted that this Court in W.P.Nos.17985 of 2024 and batch has observed that without determining or crystallizing the demand, the respondents could not have resorted to recovery

procedure under the Telangana Revenue Recovery Act, 1864 (for short, 'R.R. Act').

3. The respondents have filed a counter affidavit in W.P.No.32262 of 2024 and submitted that the same is to be adopted in another case as well. In view thereof, both matters have been heard extensively and after hearing the relevant parties, this Court passes the following order.

4. Learned Senior Counsel for the petitioner in W.P.No.32262 of 2024, has extensively taken this Court through various clauses of the Telangana Rice (Custom Milling) Order, 2015 (for short, 'Order, 2015') to demonstrate that the millers are required to take delivery of the paddy from the State Corporation and after milling, deliver rice as per the ratio fixed by the State Corporation/Food Corporation of India as ordered by the State Corporation from time to time. It is submitted that if the petitioner fails to conform to the fair average quality or does not deliver the rice within the prescribed period, the respondents have the authority to levy a penalty for the short supply of the agreed rice. Learned Senior Counsel submitted that the Government of India has extended the period for receipt of CMR dues, including the payment of

penalties, for the seasons Rabi 2019-20, Rabi 2020-21, Kharif 2021-22, Rabi 2021-22 and Kharif 2022-23 by a period of 60 days from the date of the memo dated 18.11.2024. Therefore, according to him, there is still time for the petitioners to pay the CMR dues for the above seasons, as is evident from the impugned order, the CMR dues for Rabi 2021-22 and Kharif 2022-23 are sought to be recovered from the petitioner in W.P.No.32262 while the CMR dues for Rabi 2022-23 and Kharif 2023-24 are sought to be recovered in the case of W.P.No.31583 of 2024. Learned Senior Counsel submitted that the authorities under the Essential Commodities Act, 1955 (for short, 'the E.C. Act, 1955') have no power to order the seizure of the bank accounts even for recovery of the dues. Learned Senior Counsel further submitted that unless and until the demand is crystallized, the authorities cannot resort to recovery of the amounts under the R.R. Act and as seen from the impugned order, no notice was given to the petitioner prior to raising of the demand under the letter dated 06.04.2023 and hence according to him, the demand has not yet been crystallized. Learned Senior Counsel therefore relied upon the

decision of the learned Single Judge of this Court in W.P.Nos.17985 of 2024 and batch, dated 28.08.2024 for the proposition that unless and until the demand is crystallized, the respondents cannot resort to the R.R. Act and cannot direct seizure of the bank account. Learned Senior Counsel further placed reliance upon the decision of the Hon'ble Supreme Court in the case of *Ratan Babulal Lath v. State of Karnataka*¹, for the proposition that where the Act is a code by itself, the respondents cannot take recourse to Section 102 of the Code of Criminal Procedure. Learned Senior Counsel submitted that the E.C. Act, 1955 is a code by itself as it contains both the substantive as well as machinery provisions and therefore, the recourse can only be under the said Act, not in any other Act for freezing of the bank account, and as there is no provision under the E.C. Act, 1955 for freezing of the bank account, the impugned orders are liable to be set aside. Learned Senior Counsel placed reliance upon the judgment of the Hon'ble Supreme Court in the case of *Bharat Petroleum Corporation Ltd. v. N.R. Vairamani*², for the proposition that circumstantial flexibility,

¹ (2022) 16 SCC 287

² 2004 (7) Supreme 126

one additional or different fact, may make a world of difference between conclusions in two cases and disposal of cases by blindly placing reliance on a decision is not proper. According to learned Senior Counsel, the facts of each case have to be gone into before applying the law of precedents and in support of the same, he relied upon the decision of the Hon'ble Supreme Court in the case of *S. Kasi v. State through Inspector of Police*³. Learned Senior Counsel placed reliance upon the decision of the Hon'ble Supreme Court in the case of *State of Karnata v. Shree Rameshwara Rice Mills, Thirthahalli*⁴, for the proposition that a party to the agreement cannot be an arbiter in his own cause. Therefore, he has drawn the attention of this Court to the CMR agreement under which it is the Civil Court, which can decide the dispute, if any, between the parties to the agreement. Learned Senior Counsel relied upon the decision of the Hon'ble Supreme Court in the case of *Tulsi Narayan Garg v. M.P. Road Development Authority, Bhopal*⁵, for the proposition that the respondents cannot

³ (2021) 12 SCC 1

⁴ (1987) 2 SCC 160

⁵ (2022) 17 SCC 750

initiate recovery proceedings unless the dispute remained pending crystallization or finalization.

5. Learned Government Pleader for Civil Supplies, appearing for respondents No.1, 3 & 4, on the other hand, relied upon the averments made in the counter affidavit and submitted that the petitioner has defaulted in supplying CMR rice and therefore, the demand has been raised against the petitioner and for non-payment of the demanded amount, the respondents had no other option but to freeze the account of the petitioner. In support of his contentions, learned Government Pleader placed reliance upon the decision of the Hon'ble Supreme Court in the case of *Teesta Atul Setalvad v. State of Gujarat*⁶, for the proposition that issuance of prior notice to the account holder before seizure of the bank account is not required.

6. Having regard to the rival contentions and the material on record, this Court finds that the petitioners, as well as the respondents, are bound by the CMR agreement and the petitioners are bound to provide the rice as per the allotment of paddy made to it. The

⁶ (2018) 2 SCC 372

respondents are also entitled to impose a penalty for short supply of rice. However, the demand would have to be crystallized before the respondents can initiate and undertake the recovery proceedings under the R.R. Act. As seen from the impugned order dated 06.04.2023 in W.P.No.32262 of 2024, except for references to G.O.Ms.No.13 dated 16.10.2021, G.O.Ms.No.23 dated 18.10.2022, the report of the Deputy Tahsildar dated 01.04.2023 and the Collector letter dated 02.04.2023, there is no reference to any notice to the petitioner or the explanation of the petitioner before coming to the conclusion that the amount to be recovered is Rs.27,76,09,996/-. Therefore, as observed by the learned Single Judge of this Court in W.P.No.17985 of 2024 and batch, the respondents did not follow the procedure laid down under the R.R. Act while issuing a distraint order in Form No.1 under Section 8 of the R.R. Act; demand notice prior to the attachment of land in Form No.4 under Section 25 of the R.R. Act and therefore, notice of attachment of the bank account in this case is not sustainable. As held by the Hon'ble Supreme Court in the case of *Teesta Atun Setalvad* (cited supra), it is not required to issue a notice to the account holder before the seizure

of the bank account, but a notice to the petitioner for crystallization of the demand before freezing of the bank account of the petitioner is definitely necessary i.e., before any coercive steps are taken under the R.R. Act. The respondents also cannot seize the amount in the bank account which is exceeding the demand amount. Therefore, it is necessary that the demand has to be crystallized before taking any coercive steps. This principle is applicable to the facts in W.P.No.31583 of 2024 as well.

7. In view of the same, the freezing of the bank account of the petitioners are accordingly set aside and the petitioners are free to operate the bank accounts. The respondents all are at liberty to proceed in accordance with law. Accordingly, both the Writ Petitions are allowed. There shall be no order as to costs.

Pending miscellaneous petitions, if any, shall also stand dismissed.

SD/-A.V.S. PRASAD
ASSISTANT REGISTRAR

//TRUE COPY//

SECTION OFFICER

To

1. The Principal Secretary to Government, Consumer Affairs, Foods and Civil Supplies Department, Government of Telangana, Dr.B.R.Ambedkar, Telangana Secretariat, State of Telangana at Hyderabad-500022, Telangana.
2. The Vice Chairman and Managing Director, Telangana State Civil Supplies Corporation Limited (TGSCSCL), Registered office at. 6-3-655/ I/A, Block-B, Civil Supplies Bhavan, Somajiguda, Hyderabad-500082, Telangana.
3. The Commissioner of Civil Supplies, Consumer Affairs, Foods and Civil Supplies Department, Government of Telangana, Registered office at. 6-3-655/1/A, Block-B, Civil Supplies Bhavan, Somajiguda, Hyderabad-500082, Telangana.

4. The District Collector, Khammam District, Khammam Town and , District, Telangana.
5. The Collector (CS), Khammam District, Khammam Town and District, Telangana.
6. The Additional Collector (CS), Khammam District, Khammam Town and District, Telangana.
7. The District Civil Supply Officer (DCSO), Khammam, Khammam Town and District, Telangana.
8. The District Manager, TGSCSCL, Khammam District, Khammam Town and District, Telangana.
9. The Branch Manager, Union Bank of India, Khammam Branch, Union Bank of India, at Gandhi Chowk, Khammam Town, Khammam District-507003, Telangana.
10. The Branch Manager, Karur Vysya Bank Limited, Khammam Branch, Karur Vysya Bank Limited, 3-1-3/1 86 2, Sunder Talkies Road, Khammam Town and District-507003, Telangana.
11. Two CCs to GP FOR CIVIL SUPPLIES, High Court for the State of Telangana at Hyderabad. [OUT]
12. Two CCs to GP FOR REVENUE, High Court for the State of Telangana at Hyderabad. [OUT]
13. One CC to SRI SANNAPANENI LOHIT, Advocate [OPUC]
14. One CC to SRI T.P.ACHARYA, Advocate (OPUC)
15. One CC to SRI C.HARI PREETH, Advocate (OPUC)
16. Two CD Copies

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HIGH COURT

DATED:31/12/2024

COMMON ORDER

WP.Nos.31583
AND 32262 of 2024



ALLOWING THE BOTH WRIT PETITIONS
WITHOUT COSTS.

(20)

lcp
3/1/25