

IN THE HON'BLE HIGH COURT OF JUDICATURE OF
ANDHRA PRADESH AT HYDERABAD

W.P.No. 27065 OF 2006

Between:

1. Margadarsi Financiers,
a unit of Ramoji Rao - HUF,
having office at Fateh Maidan Road,
Hyderabad
represented by Sri Ramoji Rao
2. Ramoji Rao, Hindu Undivided Family (HUF)
having office at No.3, Chikoti Gardens,
Begumpet, Hyderabad,
represented by Kartha Sri Ramoji Rao
3. Ushodaya Enterprises Limited,
a company incorporated under the
provisions of The Companies Act,
having registered office at
6-3-570, Somajiguda,
Represented by the Chairman
Sri Ramoji Rao.Petitioners

AND

1. The Government of Andhra Pradesh,
The General Administration (L&O.I) Department,
Secretariat, Saifabad, Hyderabad,
represented by The Chief Secretary
2. Mr Y.S. Rajasekhar Reddy,
S/o Late Y.S.Raja Reddy,
Chief Minister, Government of Andhra Pradesh,
Camp Office, Greenlands Circle,
Begumpet, Hyderabad.Respondents

AFFIDAVIT FILED ON BEHALF OF THE PETITIONERS

I, Ramoji Rao S/o Late Venkata Subba Rao, aged about 70 years, presently residing at Ramoji Film City, Anajpur, Hyderabad, do hereby sincerely and solemnly affirm and state as follows:

1. I am the Kartha of the Ramoji Rao - Hindu Undivided Family, the 2nd petitioner herein. Margadarsi

Financiers, the 1st petitioner, is a unit of Ramoji Rao - HUF, the second petitioner herein. The 3rd petitioner company is a deemed Public Limited Company of which I am the Chairman and as such well acquainted with the facts of the case.

2. I submit that the above writ petition is filed questioning :

- (i) the validity of G.O.Ms.No. 800 General Administration (L & O.I) Department dated 19-12-2006; and
- (ii) the validity of G.O.Ms.No. 801 General Administration (L&O I) Department dated 19-12-2006.

I submit that as the impugned G.Os are issued by the Government of Andhra Pradesh it is impleaded as Respondent No.1. As the impugned G.Os. are issued malafide at the instance of the 2nd respondent, the Hon'ble Chief Minister, he is impleaded as a party respondent No.2 in his individual capacity. A copy of the G.O.Ms.No. 800 General Administration (L&O.I) dated 19-12-2006 is filed and marked as Exhibit P-1. A copy of the G.O.Ms.No. 801 General Administration (L&O.I) dated 19-12-2006 is filed and marked as Exhibit P-2.

3. I submit that I am the Editor of the largest circulated Telugu daily and promoter- Chairman of group of companies/firms/concerns of HUF popularly known as 'Eenadu-Margadarsi Group' or Ramoji group (hereinafter called the 'group'). Some of the prominent companies in the group are Ushodaya Enterprises Limited, Margadarsi Chit Funds Limited and Usha Kiron Movies Limited. The group is engaged in a variety of businesses including Media, Chits, Food, Retailing, Hotels and Tourism.)

4. Ushodaya Enterprises Limited has three prominent divisions, namely, Publication division, Television division and Foods Division. The publication division publishes the largest circulated Telugu daily 'EENADU' with 23 editions, having a circulation of 11.3 lakhs per day and readership of more than 1.3 Crores as per NRS readership survey. Eenadu is the third largest read vernacular newspaper in the country. The said company also runs Web edition of 'Eenadu'. Television Division operates 12 channels comprising 11 regional channels and one national channel (Urdu) in the name of 'E-TV' that are as follows:

- (i) E-TV (Telugu)
- (ii) E-TV2 (Telugu)
- (iii) E-TV (Bangla)
- (iv) E-TV (Kannada)
- (v) E-TV (Marathi)
- (vi) E-TV (Oriya)
- (vii) E-TV (Gujarathi)
- (viii) E-TV (Urdu)
- (ix) E-TV (Bihari)
- (x) E-TV (Madhya Pradesh)
- (xi) E-TV (Uttar Pradesh)
- (xii) E-TV (Rajasthan)

The Foods division does business in food products under the name of popular brand "Priya" for the last 26 years. Presently the Foods division is marketing about 190 items of food products. A copy of the Certificates of Incorporation of Ushodaya Enterprises Limited dated 18-04-2001, 17-04-1996 and 12-08-1974 are collectively filed and marked as Exhibit P-3. A copy of resolution of the Board of Directors of

Ushodaya Enterprises Limited dated 03-10-1974 is filed and marked as Exhibit P-4.

5. Margadarsi Chit Fund Limited is the largest Chit Fund Company in the State of Andhra Pradesh having a business turnover of more than Rs 3000 Crores with a total of 94 branches. The said company has about 4 lakh subscribers.

6. Usha Kiron Movies Limited promoted a state of the Art film city popularly known as Ramoji Film City over an extent of approximately 1700 acres on the outskirts of the city of Hyderabad at Anajpur. The Ramoji Film City has been recognized by Guinness Book of World Records as the largest film city in the world. It is serving the interests of tourism and film shooting. I submit that every year approximately 15 lakh people visit Ramoji Film City. I submit that during the course of time it has become a pride of the nation. I submit that Ramoji Film City is an integrated film city where a producer can walk in with a film script and walk out with the final print. A copy of the Certificate issued by the Guinness Book of World Records is filed and marked as Exhibit P-5.

7. (The 2nd petitioner is a Hindu Undivided Family that is engaged in a variety of businesses. The 1st petitioner is a Unit of the 2nd petitioner which accepted deposits incidental to promoting and running of the group. The 2nd petitioner HUF comprises myself, my wife Smt. Rama Devi, my two sons Sri Kiron and Sri Suman and their wives Smt. Sailaja and Smt. Vijayeswari respectively and their children. The first petitioner holds 99.85% of the equity in Ushodaya Enterprises Limited and 99.89% in Usha Kiron Movies Limited.

8. I submit that the group is well reputed and known for their integrity, honesty, and forthright business dealings and enjoy good reputation among the members of the public.

9. I submit that Eenadu newspaper was first published in 1974. 'Eenadu' has been fearlessly and constantly exposing the misdeeds of the wrong doers. The 'Eenadu' has been the unquestioned watchdog of public interest in the State as well as in the country. 'Eenadu' has been exposing scams which caused quite annoyance to the parties in power. After the advent of 'E-TV' in 1995 the combination of 'Eenadu-ETV channels' have been exposing many scams in public life including scams in the government. 'Eenadu-ETV channels' have also been the front-runners in the war against the unabashed misuse of power by the persons running the government. The public good is the spirit behind the news, editorials, investigative reports, photographs and cartoons published and broadcast by the media group. The public interest is the inspiration behind this media aimed at exposing blatant violation of laws, misuse and abuse of power. I submit that Eenadu and ETV channels are run purely on professional lines and always take principled stand on items of public interest cutting across political parties. On many occasions as vigilant media Eenadu-ETV channels criticized the functioning of the government of the day and pointed out the drawbacks in various governmental policies. I submit that the media of the petitioner have been discharging the duties by exposing the cause of the public and cutting across the political parties. I submit that in the State so far Congress as well as TDP held power. I submit that the media of the petitioner has been critical of both the Congress government as well as TDP

government. I submit that until 1983 the Congress was ruling the State in an unchallenged and unilateral manner for the past 30 years. The Congress party became a threat to the democracy and in view of the single party and individual rule by Indira Congress, the opposition in State was in emaciated condition. It has been reduced to the status of a nominal entity. The dictatorial rule of the Congress was proceeding without any hindrance. I submit that as the opposition parties were weak and were in hapless situation where they were unable to do any thing inspite of misrule by the ruling party, Eenadu played the role of opposition.

10. I submit that in the elections to the State Assembly held in the year 1983, the Congress for the first time did not secure a majority in the elections and lost the power to the newly formed Telugu Desam Party. I submit that on the day of polling i.e., January 5, 1983 I issued a signed editorial on the front page of Eenadu supporting the manifesto of Telugu Desam Party and calling on the electorate to vote for Telugu Desam Party giving cogent reasons for the stance taken by me. However, immediately after the elections were over, on January 6, 1983, I published another signed editorial on the front page declaring that the honeymoon with the Telugu Desam Party was over and that Eenadu would henceforth judge the new government on its performance. I submit that during the period when the Telugu Desam Party was in power Eenadu had written several news items/articles/editorials which were critical of certain actions of the Telugu Desam Party government. A copy of the signed editorial published in Eenadu dated 05-01-1983 in Telugu and the English translation are collectively marked as Exhibit P-6. A copy of the signed editorial published in Eenadu dated 06-01-1983 in Telugu and the English translation are

collectively marked as Exhibit P-7. A collection of cartoons criticizing the Telugu Desam Government are collectively filed as Exhibit P-8.

11. I submit that some time in the month of August 1984 the government of Sri N.T.Rama Rao (Telugu Desam Party) was toppled through the machinations of Congress (I). Thereupon Eenadu lead a campaign to mobilize public opinion against the toppling of a democratically elected government and this ultimately led to reinstatement of Sri N.T. Rama Rao and holding of fresh elections. In these elections also which were held in 1985 the Telugu Desam Party came to power in the State. I therefore submit that ever since 1983 the Congress Party and its functionaries have nursed a grudge against me and the media operated by me solely for the reason that I not only did not toe their line but also exposed various misdeeds and misgovernance on their part. I submit that the Congress party for their own reasons started false propaganda that Eenadu has always been in favour of Telugu Desam Party which is absolutely baseless. I submit that the articles which were critical of certain actions of the Telugu Desam Party government would clearly show that Eenadu maintained equidistance from all political parties and the paper acted purely in public interest to uphold the democracy and always stood by the people. Eenadu always believed that media should play the role of a watchdog in the interest of the public good. There are umpteen occasions when the individuals at the helm of affairs took this stand as a display of personal animosity by the daily. But its stand was vindicated as its policy resulted in strengthening of democracy and the cause of the people. Its policy and all its news reports reflected its commitment towards the people.

12. I submit that the gist of some of the prominent news items that were published in Eenadu that irked the party in power are as follows :

(i). The investigative story published with a caption "*PEDDALA...GADDALA*" describes how land acquisition notifications were manipulated with regard to Outer Ring Road project, HUDA townships and Hardware park to benefit the ruling party leaders, some relatives of the Chief Minister and the kith and kin of some officials. Wrong information and rumors were deliberately spread among the farmers and small land holders to mount psychological pressure on them to sell their land at throw away prices. On some occasions land acquisition was notified and subsequently the notices were withdrawn. On some occasions the pressure was brought on the land holders through mischievous propaganda by people with vested interest backed by some ruling party leaders and their relatives.

The whole game plan was exposed with clinching evidence after talking to small landholders and farmers. Public interest was paramount in exposing the said land scams. Ruling party leaders' misdeeds and nefarious games were brought to notice of the people. (Eenadu, dated 25.9.2006)

(ii): The investigative story published with title "*GOURU KSHAMABIKSHA LO GOLMAL*" describes the case of gross violation of existing rules in granting remission of sentence to the husband of a Congress MLA Mrs Gouru Charita Reddy. With undue pressure from CM's office, all well established practices were

flouted in granting remission to Mr. Gouru Venkata Reddy. Venkata Reddy is a close associate of the Chief Minister. Mr. Rajashekar Reddy had visited Mr Venkat Reddy at Kurnool jail. The governor was deliberately misled and incorrect information was provided to him. The contention of the story was vindicated by the Supreme Court's verdict which quashed the remission. This had caused much embarrassment to the Chief Minister and ruling Party. (Eenadu, dated 11.11.2005)

(iii). The exclusive story published with title "*Rs.390 KOTLU TINNARU*" revealed the irregularities that place in the YELLAMPALLI STAGE-2 PHASE ONE lift irrigation project works. Lokayukta had taken up a suo motu enquiry based on EENADU story and had come to conclusion that there is prima-facie evidence to point out that irregularities in enhancing the estimates by Rs 390 crore. The estimates were changed within twelve hours. The YELLAMPALLI case is one episode in saga of much deep rooted irregularities of irrigation projects. (Eenadu, dated 5.12.2006)

(iv). The investigative story published with title "*CHIEF WHIP TAPPU TAPPU*" shows how valuable lands are being encroached by prominent personalities of ruling party. This story indicated with clinching evidence how 700 yards of land in MLA colony was grabbed by Chief Whip Mr. Kirankumar Reddy. This land was earmarked as an open area in the layout. Despite this fact, the chief whip had constructed the compound wall with out following any formalities. The next day he held press conference and attributed motives to Eenadu. After a few days he agreed that it

was a mistake to construct the compound wall. The opposition parties made scathing criticism against him for his blatant land grabbing in MLA colony. If open areas are grabbed by the high and influential people like the government chief-whip, the whole city would become a concrete jungle. (Eenadu, dated 05.11.2006)

(v). The investigative story published with title "*DARJAGAA KABJA*" was a story of Chief Minister's brother Mr. Vivekananda Reddy's unauthorized construction in a disputed land situated near Hi-tec city. The government made it clear that no new construction would be allowed on that land. But Mr. Vivekananda Reddy appeared to have forgotten the fact that rule of law is equally applicable to all. It was a clear case of nepotism. Many middle class people purchased land without knowing that it was the disputed one. But many of them were not permitted to construct houses. Since Vivekananda was the Chief Minister's brother, officials did not dare to ask him an explanation. In fact, they helped him in completing the construction. Ruling party MLAs supported the Vivekananda Reddy in a press conference. (Eenadu, dated 1.9.2006)

(vi). The exclusive story based on extensive field survey published with title "*VOTLA SAMHARANA*" explained how voter lists were defectively prepared to eliminate the names of opposition party sympathizers. Officials connived with ruling party leaders deliberately and did a mischief in preparing the voter lists. At the behest of the ruling party leaders names of thousands of voters were deleted from electoral rolls. Right to vote

is fundamental in a democracy. When this was the fate of citizens, as the watch dog of democracy Eenadu highlighted the injustice meted out to the citizens. (Eenadu, dated 22.06.2006)

(vii). The exclusive story based on exclusive field study published with title "AAGANI MRUTHUYUGHOSHA AAGALEDU" described the pathetic tale of rural peasantry. Caught in a debt trap, many farmers committed suicides. In spite of help lines announced by the government with much fanfare the spree of suicides continued when this story was published. At the same time the government was claiming that suicides have stopped. Against this background, Eenadu investigative teams went to villages to gain first hand situation. In that study, striking facts came to light that suicides were continuing by the farmers. Help lines were of no help to the farmers. The village- wise list of the farmers, who committed suicide, was published. The government thought that it was a serious dent of its image. Many congress leaders and ministers attacked Eenadu attributing motives. (Eenadu, dated 27.11.2005)

(viii). The exclusive story published with title "ANDHRA OOTY ...LOOTY" indicated how Araku valley would lose its beauty as a result of large scale bauxite ore extraction in the region. One lakh crore worth of bauxite was going to be mined by a private company owned by Jindal group. Incidentally a Congress MP also belongs to this group. Despite this fact, with a clinical analysis the pros and cons were presented in

the story. For losing huge deposits of mineral wealth the state may get Rs 125 crore annually in the form of royalty. Apart from this huge loss, the livelihood of thousands of tribals would be affected. Quotes by experts and voluntary associations were included to the story. Projecting the problems from the angle of state interests was the main theme of the story. This has caused wrath in the ruling party. (Eenadu, dated 17.03.2006)

(ix) . The investigative story published with title "*AMMO! AMMESARU!*" describes how blatantly everything was violated when valuable land property was involved. This was the case of a patch of 148 acres of land worth Rs 2000 crore. The land was allotted to refugees. Much controversy raged when this land was allotted to Malani's family by the then commissioner of land administration. The then government immediately cancelled the allotment. But in July this year the revenue secretary upheld the commissioner's decision. There was much uproar from all corners. Role of prominent young leader was also discussed in the whole issue. Compelled by force of circumstances the government went to High Court. The High Court granted the stay. The High Court stay did not stop the so called refugees to sell away some portion of the land to one congress leader. One bogus company was also floated to meet their end. Due to impact of the story the government suspended two officials of Stamps and Registration Department. (Eenadu, dated 18.10.2006)

(x). This investigative item published with title

"KARNATAKA NUNCHI PANNAGAM" had exposed the

role of a bogus company from Karnataka which existed only on paper. This bogus company had brought into existence to purchase evacuees' property illegally in PUPPALAGUDA. The company entered into agreements with farmers who had been cultivating the said lands. In some instances Rs 11 lakhs were paid per acre. Present market value of land is more than Rs10 crores. In this episode also prominent young leader's role was surfaced. Common people could not violate the High Court stay order. Persons very close to power corridor could do all these manipulations. How bogus company issued bank cheques... How they lured the farmers to fall in their trap... explained with substantial evidence. (Eenadu, dated 8.10.2006)

(xi). This item published with the title "KOKAPETANU KOLLAGOTTARU" shows how government body has created situation disadvantageous to the farmers and at the same time to benefit the leaders and some officials. HUDA issued land acquisition notices in 2004 and 2005. Then leaders entered the scene. The farmers were terrorized with propaganda that HUDA would take over their lands. The leaders offered some money saying that they would manage HUDA. The innocent farmers were persuaded by cunning tricks to sell their lands. After this process was over the HUDA announced that it would not procure land for township. In the same area HUDA later auctioned its land with record price. But poor farmers lost valuable land and the ruling party leaders with benami names acquired the same land.

Farmers lost Rs 1,000 crores worth of land for Rs 25 crores. (Eenadu, dated 28.07.2006)

(xii). This item published with caption "*APPAKU VENNUPOTU*" shows that how ORR project was used to destabilize the well established government institution. The Andhra Pradesh Police academy is a prestigious institution. It is situated in 175 acres of land. As per present market value its worth is Rs 1750 crores. In the name of ORR project government decided to shift the academy to other place. But behind this move some private interests had played role. Even if some land were to be lost due to ORR project, APPA can still function there with the remaining major chunk of land. But this fact had been suppressed with intention of handing over the land to private party. With the help of authenticated map it was established that APPA can continue at the present place. The facts were not digestible to the key leaders of ruling party. (Eenadu, dated 28.09.2006)

(xiii). This item published with the caption "*POTEE DAARULU MUSESARU*" explains how a corporation's land was proposed to be handed over to Singapore Company in a Swiss challenge mode. By this mode the LIDCAP would lose Rs 350 crores, if the prevailing land rates in the area are taken into account. Genuine reasons were brought forward to explain the loss (Eenadu, dated 31.08.2006)

The copies of the above publications published in Eenadu in Telugu and their translations are collectively filed and marked as Exhibit P-9.

13. I submit that the present government headed by Sri Y.S. Rajasekhar Reddy, the second respondent herein came to power in the State on May 14, 2004. The present

government has been indulging in a series of acts of misuse and abuse of power, nepotism and several misdeeds. Eenadu-ETV as part of their duty have been constantly exposing various acts of misuse of power by the party functionaries in power and their kith and kin.

14. The 2nd respondent is known for his antagonism and intolerance towards the press and its criticism. On several occasions he made remarks against the media in general and against Eenadu in particular. These remarks manifested his intolerance towards criticism. I submit that the 2nd respondent Chief Minister unable to bear the criticism against the functioning of the government openly accused Eenadu in several Press statements. Some of the statements made by the Chief Minister are as follows :

(i) They (Eenadu) have given a big headline saying the CBI is eyeing Jagan and JC. An IAS officer's name was there in the FIR besides those of my son Jaganmohan Reddy and Minister J.C. Diwakar Reddy. We decided that very day to hand over the case of Paritala's murder to the CBI. 'What's the need now to have a headline saying that CBI is eyeing JC and Jagan?' he questioned. 'They say that CBI officers met the DGP. They also say that the DGP also met me. That looks as if the CBI asked DGP about them and the DGP came to me asking me what to say to CBI. This is how they write'

- Press Conference in Kakinada (28.02.2005)

(ii) When Mr Chandrababu Naidu had relaxed the total prohibition in the State and allowed thousands of dealerships, some newspapers that had earlier encouraged prohibition made favourable remarks

about him. They justified the deed of Mr Naidu with a qualification that the decision was taken in desperation as the machinery was unable to properly implement the dry law and hence the relaxation. Some papers said the prohibition was relaxed to check smuggling of liquor. The fact is that smuggling continues despite the relaxation. Before bars were permitted officially, unofficial bars functioned in towns and village panchayats. They wrote favourable reports because they liked Mr Naidu. Now that I am at the helm, they are publishing my photographs superimposed on a picture of wine bottle. Is this correct? This is not the way.

- On the floor of the Assembly (22.02.2005)

(iii) There is significance in every expression. There is language; there is articulation; there is sarcasm. There is the time and context. Two newspapers gave what we said sarcastically as what we said seriously and what we said seriously were given as our sarcastic comments. Seriousness, sarcasm and humour should be set apart. In a statement the CM further maintained in Jaggaiahpetta that he(Chief Minister) just said "Those two newspapers create a total fiction".

- C.M. Statement, Hyderabad, (14.08.2005)

(iv) Reacting to Mr Chandrababu Naidu's statement on a matter related to the opening of fire by TD leader Mr.Satish Reddy at Velpula village of Kadapa district Mr YSR said "ETV-2 covers Mr Naidu's entire speech even if it stretches for half an hour. This is what is happening here."

- Hyderabad (19-10-2005.)

(v) When our Party workers died, ETV-2 had broadcast Chandrababu Naidu's speech for half an hour and comments were there as "Pulivendula brand of elections." Even I got a doubt about who had suffered. It sounded as if Telugu Desam people had died, said the Chief Minister.

- Press Conference, Hyderabad (20.10.2005)

(vi) A person is thanked when he does something good to us. I have been suffering from a tumour for the past one year. Mr B.V. Raghavulu thrust his hand into my mouth and removed the tumour with the help of Eenadu. Obviously we cannot forget the good done to us. Chandrababu Naidu was witnessing the removal of tumour with awe. I thank him also for observing the process. For the past several years Eenadu has never bothered about the need for irrigation projects in the State. Mr Prakash Karat's statement was also published by the daily. All this gives out an impression that these people consider Rajasekhar Reddy as a useless fellow who should be ousted from his seat immediately to bring back the rule of Chandrababu Naidu. They seem to be prepared to go to any extent in order to achieve this objective. However, others are saying that Andhra Pradesh is worthy of emulation.

- Against Eenadu cartoon and media, Hyderabad
(06.01.2006)

(vii) Today I held a review meeting with the high officials of the irrigation department after seeing a newspaper report which said the concrete bund of Pulichintala project was proposed to be turned into an

earthen bund. The manner in which the report was displayed on the daily's page gave an impression that the State was in flames. After talking to the officers I realised that no irregularity took place in the matter. There is no truth in the allegations against Polavaram project as well. You should strive to write accurate and comprehensive reports after taking the details from the ministers and officers concerned. It is wrong on your part to write reports on matters related to engineering without having basic understanding of the subject. It is not right to write reports which indicated that the works related to irrigation projects are full of irregularities. Journalists should acquaint themselves with the science of engineering before attempting on writing such reports of wide repercussions. Otherwise reporting on such matters should be assigned to engineering graduates trained in journalism.

- On change of Pulichintala project design. Hyderabad,
(13.02.2006)

(viii) If there is no harm in having an earthen dam at Nagarjuna Sagar, what is the problem with Pulichintala? Criticism is being levelled on the basis of newspaper writings. If there are any doubts, the officers concerned should be approached and their views should also be published. You should not confuse the people by giving one-sided arguments.

- Assembly, Hyderabad (19.02.2006)

(ix) We have great regard for the freedom of the press. Unfortunately, freedom of the press is being construed as freedom of the newspaper's management. During a conversation, Mr Ramoji Rao had once told me that he never influenced journalists to write in

such and such manner. I told him that his antagonism towards the Indira Gandhi family for the past three or four decades is well known. Similarly everyone knows that Mr Ramoji Rao was instrumental in bringing NTR into politics. The role he played in unseating NTR and replacing him with Chandrababu Naidu is also well known. Hence, you need not dictate your journalists to take a certain stand. They will follow the stand you have made known for decades. I had told him to encourage objective reporting in newspapers.

- On the floor of Assembly (21.08.06)

- (x) The people of the State have stopped believing the negative reports published against us by Eenadu. Today a report appeared on Eenadu's page 1 regarding the changes to the proposed alignment of the Outer Ring Road. It was written that the relatives of the ruling party leaders and some officials were benefited due to the change in alignment. Three pages were earmarked for stories on the subject. None of the reports mentioned the fact that 20 cases were filed against the ORR project in the court, and all of them got struck down. The court had upheld HUDA's stand. But, there was no mention of the ruling.

The outcome of the municipal, panchayat and cooperative polls made it very clear that the people of the State do not believe in Eenadu daily anymore. The same verdict would be repeated in all future elections as well. Eenadu wrote the reports as a curtain raiser for the filing of a case against the ORR by the Telugu Desam. People are observing everything. They would teach a fitting lesson to the Opposition and Eenadu. Several ministers gave clarifications today. The land

bought in the year 2000 was sold in the year 2005. You cannot write whatever you like just because you happen to own a newspaper.

- Against Eenadu. Tirupati, (25.09.2006)

(xi) While talking about Pulivendula Y.S. commented that two newspapers and a television channel showed the charming face of Chandra Babu Naidu on the election day. When people, who had nothing to do with Pulivendula municipality, started disturbing the election "The people did what they should be doing," he said. He clarified it that they had conducted the elections in perfect order. Cases were filed also against Congress MLAs and they were taken into custody.

- Press Conference, Rajahmundry, (26.09.2006)

(xii) The Opposition and two prominent dailies are resorting to deliberate negative campaign against the prestigious Outer Ring Road Project. The Telugu Desam, and some individuals working under the guise of the media are resorting to criticism as they were jealous of the achievements credited to my government. The two papers and the Telugu Desam have turned into blackmailers. The two papers have transgressed all the limits and barriers of freedom of the press. They have also given the go by to ethics and moral values as they blindly toed the line of the Telugu Desam. A daily prominently published a report which said Sonia Gandhi found fault with me on the Telangana issue at the Nainital conclave. The fact is that the issue never came up during my conversation with her. The two dailies are eager to anoint Mr Chandrababu Naidu again as Chief Minister. One of

the dailies in question earmarked three pages for the reports related to a matter on which deliberations were concluded on the floor of the house. All this was being done with the sole objective of slinging mud against the party. Reports related to the alleged irregularities in the ring road alignment are a blatant lie. One Vasudeva Reddy, whose name has figured in the reports, has no relationship with the district Collector of Ranga Reddy district. But the media reports said Vasudeva Reddy is a relative of the collector. My elder brother died over a decade ago. His children have settled down in Africa where they are involved in agriculture. They bought some land with the money they earned in Africa. These mediapersons are dragging our women also into this. The mention of former Chief Minister Jalagam Vengala Rao's grave in the report is scandalous.

- On the news Peddala Gaddala, Na Bhootho Bhavishyati,
etc., Hyderabad (26.09.2006)

I submit that the statements of the 2nd respondents are reported in print media and also electronic media. Copies of the same are available

15. I submit that the 2nd respondent and other ministers unable to bear the criticism against the government have been making provocative statements and launched scathing attacks against me and the media. In short the 2nd respondent and his party functionaries found the media of the 3rd petitioner very inconvenient to them and unable to bear justifiable criticism levelled in public interest by Eenadu-ETV, the Chief Minister and other party functionaries not only

made scathing attacks but also organized propaganda against the group of companies headed by me solely with a malafide intention to shake the confidence of the public in the group in general and the media in particular and paralyze the work. Further the government with a view to cow down me got issued a notice dt. 09-01-2006 through Advocate General in respect of a news item published in Eenadu dated 04-01-2006 and 06-01-2006 quoting Sri B.V.Raghavaalu of C.P.M. stating that the powers received Rs 1000 Crores towards bribes in awarding irrigation projects. I gave a suitable reply dated 18-01-2006. Further the State government also sanctioned two prosecutions against me and others of the group for filing criminal complaints under the provisions of Section 199(1) of the Code of Criminal Procedure for the offence of defamation bearing C.C.Nos. 2/2006 and 11/2006 on the file of the Hon'ble Metropolitan Sessions Judge, Hyderabad. Further Hyderabad Urban Development Authority which is under the control of the government issued advertisement casting baseless aspersions on me and my son in all major news papers dated 03-08-2006 in connection with outer ring road project. I understand that approximately an amount of Rs 60 lakhs was spent on the said advertisements. In Eenadu dated 04-08-2006, 05-08-2006, 06-08-2006, 07-08-2006 and 08-08-2006 rejoinders were published to the above said advertisement issued by HUDA exposing the baseless allegations against me and my son. I submit that more investigative reports were published in public interest after the said advertisement which the leaders of the ruling party could not digest. Therefore they unleashed vilification campaign against the group. They started spreading sarcastic rumours to damage me and the group and thereby shake the confidence and trust of the public. I submit that in order to further clarify the unjust

criticism against Eenadu and myself, I published a signed editorial entitled "Ulta Chor Kothwal Ko Dante" in Eenadu dated 29-09-2006 . The substance of the said signed editorial is that the thief snides the police. I submit that the said signed editorial raised several important public issues which further stroked the anger of the 2nd respondent and ruling party bigwigs who declared an open war against the group. They organized Dharnas and burnt my effigies and passed adverse resolutions in more than 12 districts. Further as many as 67 demonstrations were staged through out the State. In at least 28 instances, copies of Eenadu newspaper and my effigies were burnt in different parts of the State. The Congressmen passed 19 adverse resolutions against the group. 2 Ministers, 14 M.Ps., MLAs., 9 Municipal Chairmen and Mayors, 41 Mandal Parishad Presidents, ZPTC Presidents and former ministers and 187 prominent Congressmen participated in the protest demonstrations and indulged in other adverse activities against Eenadu-ETV. I further submit that the State government as an act of victimization did not release the advertisement supplement on 01-11-2006 in connection with A.P. Formation Day to Eenadu event though it is the largest circulated daily. The same advertisement supplement was released to other dailies with far less circulations. This incident establishes the discrimination of the highest order and malafides on the part of the State government headed by the 2nd respondent. However, the media of the 2nd petitioner inspite of the discrimination continued with its steadfastness and exposed various acts of misdeeds and wrong doings of the persons in power. A true copy of the notice dated 09-01-2006 issued by the Advocate General is filed and marked as Exhibit P-10.

A true copy of the reply notice dated 18-01-2006 issued by Sri Ramoji Rao and others is filed and marked as Exhibit

P-11. A copy of G.O.Ms.No. 405 dated 21-01-2006 is filed and marked as Exhibit P-12. A copy of G.O.Ms.No. 1317 dated 09-03-2006 is filed and marked as Exhibit P-13. A copy of G.O.Ms.No. 1928 dated 12-04-2006 is filed and marked as Exhibit P-14. A true copy of the Complaint filed by the State of Andhra Pradesh against Sri Ramoji Rao and another in C.C.No. 2 of 2006 is filed and marked as Exhibit P-15. A true copy of the notice dated 01-03-2006 issued on behalf of Principal Secretary is filed and marked as Exhibit P-16. A true copy of the reply dated 23-05-2006 issued on behalf of Sri Ramoji Rao and others is filed and marked as Exhibit P-17. The true copies of the advertisements issued by HUDA and the rejoinders issued thereof which were published in Eenadu dated 04-08-2006, 05-08-2006, 06-08-2006, 07-08-2006 and 08-08-2006 In Telugu and English translation are collectively filed and marked as Exhibit P-18. A copy of the signed editorial published in Eenadu under the caption "Ulta Chor Kotwal Ko Daante" is filed and marked as Exhibit P-19. I submit that a list of anti Eenadu activities staged by Congress Party is furnished in the form of a statement which is filed and marked as exhibits P-20.

16. I submit that the Congress party developed so much hostile attitude against me and the Media operated by me that A.P.Congress Legislature Party headed by the 2nd respondent through their four Secretaries, namely, Mr E. Pratap Reddy, Ms Konda Surekha, Mr S.Gangaram and Mr H.Appayya Dora issued an open letter dated 04.10.2006 to me which was published in various newspapers. In the said open letter A.P.Congress Legislature Party made serious and baseless accusation against me which not only caused aspersions on the integrity and the honesty of myself and the business concerns headed by me but also defamed me in the

society. In the circumstances I was constrained to issue a legal notice dated 28.10.2006 to the said four Secretaries of the A.P.Congress Legislature Party pointing out that the said open letter was highly defamatory of me and demanding a sum of Rs 1.5 crores towards damages. The Congress Party Legislature has not chosen to give me a reply to the said notice. A copy of the open letter issued by A.P.Congress Legislature Party published in Andhra Prabha dated 04-10-2006 in Telugu and English are collectively filed and marked as Exhibit P-21. A copy of the notice dated 28-10-2006 to the members of the A.P.Congress Legislature Party is filed and marked as Exhibit P-22.

17. I submit that the members of the ruling party and the 2nd respondent unable to digest and bear the exposures made in the media operated by me have conspired to involve the 1st petitioner in controversy and thereby indirectly cut the financial sinews to group companies in general and Ushodaya Enterprises Limited in particular so as to cause disturbance and destabilization of the group in general and the media in particular and thereby annihilate the media operated by me. In furtherance of the conspiracy and even though there has not been a single complaint against the 1st petitioner from the depositors they have made, Mr Vundavalli Arun Kumar, an M.P. of the ruling party representing Rajahmundry Parliament Constituency, on November 6, 2006 gave a complaint to the Union Finance Minister. Even before any action could be taken on it he rushed to print and electronic media and dramatically and provocatively announced in the media taking New Delhi as the venue that he wrote a letter to the Union Finance Minister regarding the perceived violation of Reserve Bank of India Act by the 1st petitioner without any verification especially when none of the

depositors had any complaint in that regard against the 1st petitioner. It was published in the Press. I submit that no sooner the said M.P. made announcement from New Delhi on November 6, 2006 many Congress leaders joined in chorus against the 1st petitioner. Further the 2nd respondent deliberately added fuel to the fire by making an open announcement that he would dwell into the matter. It is further reported in the Press on 08-11-2006 that the 2nd respondent met the Union Finance Minister and requested to take action on the representation of the said M.P..

18. I submit that the attempt of the members of the ruling party in trying to project maliciously that the 1st petitioner is not in a position to repay the deposits is clearly an attempt to create panic among the depositors and make them run for repayment of the depositors thereby leading to collapse of the 1st petitioner which has more than 34 years of clean standing and thereby give death blow to the media operated by me. I submit that in view of the false propaganda unleashed by the functionaries of the Congress government, I as the Kartha of my HUF in a public statement dated 07-11-2006 explained the position to the depositors the malicious intention behind the public announcement made by the said member of Parliament and I assured the depositors that the payment would be made on due dates. I also issued a public notice which was published in Eenadu dated 12-11-2006 stating that deposit certificates in respect of matured deposits may be surrendered seven working days before the maturity date to enable the 1st petitioner to make prompt payment. I submit that in several branch offices of the 1st petitioner a status of matured deposits is being displayed in the notice boards. The said statement gives the details of the FDR No., Date of Maturity, Date of submission, and Date of payment.

The said statement is being updated every day. A true copy of the statement of Sri Ramoji Rao published in Eenadu dated 07-11-2006 in Telugu and English translation are collectively filed and marked as Exhibit P-23. A true copy of the public notice issued by Margadarsi Financiers published in Eenadu dated 12/11/2006 in Telugu and English translation are collectively filed and marked as Exhibit P-24. A true copy of the letter dated 02-12-2006 addressed to Union Bank of India, Saifabad branch is filed and marked as Exhibit P-25. A true copy of the letter dated 04-12-2006 issued by Union Bank of India is filed and marked as Exhibit P-26. An illustrative statement showing the status of deposits are filed and marked as Exhibit P-27.

19. I submit that the 1st petitioner voluntarily discontinued acceptance of deposits including renewals below Rs 1 lakh with effect from September 16, 2006 and acceptance of all deposits including renewals with effect from November 20, 2006. Further the 1st petitioner addressed the latest letter dated November 20, 2006 to the Reserve Bank of India clearly explaining to the Reserve Bank of India the non applicability of Section 45S of Reserve Bank of India Act to HUF and also various steps taken to protect the interests of the depositors. In the said letter dated November 20, 2006 I explained the correct position relating to HUF and the correspondence exchanged between the Reserve Bank of India and Margadarsi Financiers from the time Section 45S was amended with effect from February 15, 1984 and the subsequent amendment in 1997. The said letter clearly indicates that the group is in possession of sizable assets and is in a position to make repayments of matured deposits on due dates. The said letter was faxed to Reserve Bank of India on 20-11-2006 and also sent through Blue Dart Express

Limited (couriers). The Tracking result showed that the letter was delivered. I also submit that Margadarsi Financiers addressed a letter dated 02-12-2006 to Union Bank of India requesting them to open an Escrow account exclusively for the purpose of making payments of deposits that mature from time to time. The Union Bank of India issued a letter dated December 4, 2006 to Margadarsi Financiers confirming that Escrow account bearing No. 370601010036137 has been opened and that the funds in this account would be utilized only for the purpose of repayment of deposits of Margadarsi Financiers which are matured and that the said account shall not be subject to lien or charge or encumbrance in respect of the funds held in the account. In this connection, I submit that the 1st petitioner has been transferring necessary funds every week in advance to the said Escrow account on Monday. I submit that for the month of December 2006, the liability on account of matured deposits has already been transferred up to 31-12-2006 to the said escrow account. The 1st petitioner, as per the above arrangement, would deposit on every Monday, in advance, in the escrow account, an amount equivalent to the deposit liability of that week, from its sources. A true copy of the letter dated 20-11-2006 addressed to Reserve Bank of India is filed and marked as Exhibit No.28. The Freight receipt both dated 20-11-2006 and the Tracking result dated 21-11-2006 are collectively filed and marked as Exhibit P-28A.

20. I submit that the complaints against Margadarsi Financiers were referred to Reserve Bank of India. The Press information Bureau, Government of India, issued a Press release dated 01-12-2006, inter alia, stating that the Margadarsi Financiers have confirmed to Reserve Bank of India that they are not accepting any fresh deposits or

undertaking renewals of matured deposits and that matured deposits are being paid as per schedule. It was further noted that the Margadarsi Financiers had also agreed to deposit an equivalent amount of unclaimed deposits in an Escrow Account on the due date and utilize disinvestments proceeds to meet the depositors liability which are consistent with the three element approach. It was further stated that the Reserve Bank of India would closely monitor the developments and take appropriate action as and when considered necessary. The Press release also noted that only when there is a violation in payment of deposits (matured) it could attract the attention under the provisions of the Andhra Pradesh Protection of Depositors of Financial Establishments Act 1999. The said Press release is widely reported and it would be well within the knowledge of the 1st respondent. A copy of the said Press release is filed and marked as Exhibit P-34

21. I also issued a statement on 03-12-2006 which was published in Eenadu as well as other news papers announcing , inter alia, to the public that steps have been taken to ensure prompt payment of matured deposits on due dates and that an Escrow account has been opened and that false propaganda was being carried out against the Margadarsi Financiers. I also clarified that the State Congress Party who for their malafide intention are projecting that the 1st petitioner violated Section 45S of the Reserve Bank of India Act. I submit that the State Congressmen are not the persons that can decide the issue.

22. I submit that the 1st petitioner and the group are very well positioned to make repayments of the matured deposits on due dates from their own sources and there is

absolutely no cause of concern regarding the same. I also submit that the deposits are payable only on maturity and the deposits mature for repayment spread over a period up to the year 2013. Therefore the 1st petitioner has adequate time for repayment spread up to the year 2013. The petitioners from their own sources and from out of disinvestments proceeds can easily liquidate the deposits from time to time. I submit that the 2nd petitioner has many business units of its own, which are engaged in a variety of businesses including TV software for various television channels of the third petitioner, film distribution, publishing data processing and computer services, newspaper and magazine distribution, film production and a host of other businesses. That apart, the HUF made substantial investments in group companies which are held by the HUF. I also submit that funds of HUF have been invested in long term businesses that automatically ensure the complete security of the depositors. I further submit that the funds have been deployed by the HUF with a view to maximize long term value of the businesses, backed by tangible asset base which obviously secures the interests of large number of depositors. I also submit that I issued Press statement stating that payments would be made on due dates and that there is no cause of concern for the depositors. I submit that the investments made by the 2nd petitioner have multiplied many times over and above the losses of the HUF. It is relevant to point out that the losses of Margadarsi Financiers have arisen due to accumulated interest on investments made in its own businesses and also in group companies over a period of time but correspondingly, the said investments have multiplied many times. I submit that in the ultimate analysis, the total investments in the group companies belong to HUF and as such what matters is the capacity and capability of

Margadarsi Financiers to repay the matured deposits and on an overall view of the matter, there cannot be any doubt on the same which is fortified by the fact that there has not been a single default during the last 34 years. Even as on today, there is not a single complaint against Margadarsi Financiers as confirmed by the Home Minister of the State. The group companies own substantial properties, both movable and immovable, apart from goodwill brand and enterprise value are far higher than the deposit liability. In this connection, it is also relevant to submit that certain formalities with a foreign investor to divest a part of the equity of one of our group companies is completed. The said disinvestment is expected to yield substantial amount to HUF. However, at this juncture and particularly having regard to the political vendetta and orchestrated vilification campaign by the ruling party functionaries and for the purpose of confidentiality, it is not in the interest of depositors to reveal the identity of the investor who is being constantly threatened by various methods including e-mails not to invest in the group company. I also submit that at present there is a threat to scuttle the process of disinvestments by some vested interests. However as already announced in my public statement dated 23-12-2006 the details of the disinvestment would be revealed in course of time. It is needless to mention here that proceedings of the disinvestment would naturally go to HUF which would further facilitate Margadarsi Financiers to meet its financial commitments from time to time as per schedule. Therefore a comprehensive picture of the group would show that they are in a very comfortable position and that there is absolutely no cause of concern for meeting the contractual liabilities.

23. While so, the 2nd respondent on 12-12-2006 publicly announced that he was surrendering 618 number of acres of lands in his estate in Kadapa district stating that prohibited lands were purchased during the life time of his father. On this statement the opposition parties and intelgentia raised several important questions and also demanded resignation and prosecution of the 2nd respondent for holding prohibited lands. I submit that Eenadu published stories on 15-12-2006, 17-12-2006, 18-12-2006 and 19-12-2006 all of which point out inconsistencies about the land held by the family of the 2nd respondent. Eenadu-ETV network published one story on 17-12-2006 under the caption "YS - Why blame Father" which establishes that the statement of the 2nd respondent that the lands were purchased during the life time of his father was a blatant lie and that the land transactions took place even a day before he became the Chief Minister and that the purchases continued after he became the Chief Minister. I further submit that on 19-12-2006 Eenadu published another news item under the caption "Bhoo Aparimithi" meaning unlimited land in the hands of the several companies controlled by the members of the 2nd respondent family. A graphic description of misuse of power in providing facilities to the said estate were also pointed out. All this has added to the rage of the Chief Minister against Eenadu. I also submit that certain notices were issued to certain individuals identified with Ramoji Film City for filing returns under the A.P.Land Reforms (Ceiling on Agricultural Holdings) Act 1973. Further Sri Vundavalli Arun Kumar reportedly took lessons to his party MLAs in connection with the proposed discussion in the Assembly under Rule 304 regarding the 1st petitioner. In the said lessons the M.P. can be seen to have linked publications in Eenadu and the matters of the 1st petitioner.

Further he also tried to mobilize the support of the opposition M.L.As. I submit that sequence of events before 6-11-2006 as well as after 6-11-2006 demonstrably go to show that the party in power in the State headed by 2nd respondent is activated by malafide and political vendetta against me and the concerns headed by me particularly Media. It is clearly evident that their evil design is to annihilate the group of concerns and silence the media operated by me which has been steadfastly exposing scam after scam, misdeed after misdeed etc., of the present leaders in power as well as their kith and kin. I submit that the M.P. went to the extent of saying that a penalty of about Rs 6000 crores would be levied on me and I will be jailed for 2 years. The stand of the M.P. is obviously at the instigation of the 2nd respondent who is nursing a grudge against me and the Media operated by me for not tocing his line. Copies of the publication published in Eenadu in respect of the estate lands of the 2nd respondent in Telugu and English translations are collectively filed and marked as Exhibit P-29. Copies of one of the notices dated 11-12-2006 and 12-12-2006 issued under A.P.Land Reforms (Ceiling on Agricultural) Holdings Act,1973 are collectively filed and marked as Exhibit P-30.

24. While so on 19-12-2006 the impugned G.O.Ms.Nos. 800 and 801 were issued. G.O.Ms. 800 which reads as under:

GOVERNMENT OF ANDHRA APRADESH
ABSTRACT

Allegation of raising deposits against M/s Margadarsi Financiers, Fateh Maidan Road, Hyderabad - Appointment of Sri N. Rangachari, Advisor to Government, Finance, under A.P.Protection of

Depositors of Financial Establishment Act 1999 for a
Report – Orders – Issued.

GENERAL ADMINISTRATIVE (L&O.I) DEPARTMENT

G.O.Ms.No.800

Dated: 19.12.2006

ORDER

Government had viewed with concern the News items which have appeared in several newspapers in particular in The Hindu dated 03-12-2006, Eenadu dated 03.12.2006 and 09.12.2006 and in Andhra Prabha dated 14.12.2006, all of which suggest that M/s Margadarsi Financiers is not an incorporated body as it is a Hindu Undivided Family and is consequently not expected to raise or receive deposits from the public as made available to the Government, M/s Margadarsi Financiers is reported to have accumulated losses and on the other hand is reported to have raised deposits from the public in excess of Rs 2,000 crores.

2. The State Government has a bounden duty, as per the provisions of the Andhra Pradesh Protection of Depositors of Financial Establishment Act, 1999 (Act No.17 of 1999), to take deterrent action against financial establishments indulging in malpractices during the course of acceptance of public deposits.

3. With a view to protect the interests of the depositors, the State Government, hereby appoint Sri N. Rangachari, Advisor to Government, Finance, to examine all the relevant papers and other material and

to submit a report on whether M/s Margadarsi Financiers have raised deposits from the public in violation of the provisions of Reserve Bank of India Act or under the provisions of Andhra Pradesh Protection of Depositors of Financial Establishment Act 1999 and if there is any reason to believe that this financial establishment is acting in a manner prejudicial to the interests of the depositors and whether the financial establishment is not likely to return the deposits collected from the public.

(BY ORDER AND IN THE NAME OF THE GOVERNOR
OF ANDHRA PRADESH)

J. HARI NARAYAN
CHIEF SECRETARY TO GOVERNMENT

To
Sri N. Rangachari,
Advisor to Government, Finance Department

Copy to:

The Home Department

//Forwarded :: By Order//

Sd/-

Section Officer (SC)

25. I submit that G.O.Ms.No. 801 reads as under :

GOVERNMENT OF ANDHRA APROADESH
ABSTRACT

Appointment of Sri Krishna Raju, IPS, Inspector Genral
of Police, C.I.D., as an Authorized Officer under

Sections 45(T) and 58(E) of Reserve Bank of India Act,
1934 - Orders - Issued.

GENERAL ADMINISTRATIVE (L&O.I) DEPARTMENT

G.O.Ms.No.801

Dated: 19.12.2006

ORDER

The State Government hereby authorize Sri Krishna Raju, IPS, Inspector General of Police, C.I.D., as the Authorized Officer to file application in Courts of jurisdiction and take other action as enjoined under the provisions of the Reserve Bank of India Act, 1934 and in particular authorize the said Officer to take action under Section 45(T) and 58(E) of the said Act.

(BY ORDER AND IN THE NAME OF THE GOVERNOR
OF ANDHRA PRADESH)

J. HARI NARAYAN
CHIEF SECRETARY TO GOVERNMENT

To
Sri Krishna Raju, IPS.,
Inspector General of Police (C.I.D),
Hyderabad

Copy to:

The Chief General Manager (Incharge)
Department of Non Banking Supervision, Central
Office,
Reserve Bank of India, World Trade Centre, Colaba,
Mumbai (by name cover)

//Forwarded :: By Order//

Sd/-
Section Officer (SC)

26. I submit that in 'The Hindu' dated 03-12-2006 it was reported that I had voluntarily taken steps and that the group is committed to repaying the deposits along with interest in time and retaining the depositors confidence. To the same effect is the report in Eenadu dated 03-12-2006. However the Vundavalli Arun Kumar, the M.P. mischievously

made a statement which was published in 'The Hindu' dated 03-12-2006 purporting to state that 1st petitioner was misleading the people by its statement to RBI which is incorrect. In 'Andhra Prabha' dt. 14-12-2006 a news report captioned Maturity Draws closer was published which was the view of the said paper. True copies of the news reports published in 'The Hindu' dated 03-12-2006, Eenadu dated 03-12-2006 and 09-12-2006 and Andhra Prabha dated 03-12-2006 and 14-12-2006 in Telugu and English translations are collectively filed and marked as Exhibit P-31. I submit that the State Finance Minister during the discussion in the State Assembly on 22-12-2006 under Rule 304 of Assembly Rules stated that G.O.Ms.No. 801 dated 19-12-2006 was issued for taking action against the 1st petitioner. These proceedings were telecast live in satellite channels, including ETV2. Further it was also reported in newspapers.

27. I submit that I issued a public statement published in Eenadu dated 23-12-2006 assuring them that the deposits would be repaid on maturity to the last penny. The editorial in 'The Hindu' dated 23-12-2006 also stated that the present action against Margadarsi Financiers is only to attack the Media operated by me and cut off the financial inflows. A true copy of the public statement issued by Sri Ramoji Rao published in Eenadu dated 23-12-2006 in Telugu and English translation are collectively filed and marked as Exhibit P-32. The editorial published in 'The Hindu' dated 23-12-2006 is filed and marked as Exhibit P-33.

28. I submit that the said G.Os wholly are arbitrary, illegal and without jurisdiction and the result of malafide exercise of power are liable to be set side for the following among other:

G R O U N D S

- (i) The entirety of the action taken by the respondent State of Andhra Pradesh is actuated by malice in fact, and legal malafides and acts of political vendetta against the petitioners for the exposures made by Eenadu and ETV (Print and Electronic Media, operated by petitioners) fearlessly in exercise of the freedom of the Press on matters of public interest.
- (ii) The impugned action is nothing short of an onslaught on the freedom of the Media that is Eenadu and ETV guaranteed under Article 19(1)(a) of Constitution of India for their refusal to toe the line of the Ruling Party with a view to muffle and gag the freedom of the Media.
- (iii) The 1st petitioner which is a unit of 2nd petitioner HUF is neither a person nor a group of individuals and as such it does not fall under the definition of Financial Establishment as defined under Act 17 of 1999 and as such the said Act cannot be applied against the 2nd petitioner.
- (iv) The Reserve Bank of India even as per the release of Press Information Bureau dated 01-12-2006 is seized of the matter and as such the State government is not legally competent to enquire into the matter by issuing the impugned GOs.
- (v) Admittedly there is not a single instance of default committed by the 2nd petitioner in the payment of matured deposits or in meeting the contractual obligations and there is no material before the State

government that the 2nd petitioner is acting in a manner prejudicial to the interest of the depositors or that the 2nd petitioner is not likely to return the deposits collected from the public and in absence of any such material the State government has no power or jurisdiction to issue the impugned G.Os.

- (vi) The State government without any application of mind, without any material before them, arbitrarily, maliciously and out of political vendetta, issued the impugned G.Os to embark upon a roving enquiry and also create panic among the depositors by sending wrong signals which is not at all in public interest.
- (vii) The 1st respondent failed to see that the appointee under G.O. 800 is not legally competent to adjudicate upon the question whether the 1st petitioner herein has violated the provisions of the RBI Act or the A.P. Protection of Depositors of Financial Establishments Act, 1999.
- (viii) In G.O.Ms.No.800 dated 19-12-2006 the first term of reference is whether the 2nd petitioner have raised deposits from the public in violation of the provisions of Reserve Bank of India Act,. But surprisingly even before any report is submitted by Sri Rangachari under the said G.O., the State government issued the G.O.Ms.No. 801 dated 19-12-2006 purporting to authorize Sri Krishna Raju, IPS to take action under Section 45T and 58 E of Reserve Bank of India Act which unmistakably shows that the government has prejudged the whole issue and the so called examination by Sri Rangachari is a make believe affair.

- (ix) A reading of the G.Os 800 and 801 would clearly establish that the 1st respondent has already taken a decision in the matter to launch criminal prosecution against the 1st petitioner herein and hence the advisor to the Government, who is a subordinate to the government would not submit the report in any other manner.
- (x) Any other ground that may be urged at the time hearing.

29. I submit that the 1st petitioner has been in business since 1972. During the last 34 years it has not committed a single default. Further I, as the head of the group, has already committed to honour the commitments towards the depositors and we are possessed of sufficient asset base as well as resources to meet our commitments. I have already appealed to the depositors to surrender matured deposit certificates at least one week in advance to enable the 2nd petitioner to make payment on maturity. It is also noteworthy to mention that even though the controversy is racked up solely with the malafide intention to create panic among the depositors so far not a single depositor expressed any apprehension to the 1st petitioner thereby showing extraordinary confidence and trust in the 1st petitioner. That apart, the 1st petitioner who has an impeccable record has been keeping up the said confidence and trust by meeting their contractual obligations on time even after controversy broke out on 06-11-2006. The 1st petitioner has already opened an escrow account with Union Bank of India, Saifabad branch, Hyderabad to make payment of matured deposits from time to time. Thus there is absolutely no

scope whatsoever for any sort of apprehension against the petitioners.

30. I submit that there are about 2.75 lakh depositors who made deposits with the 1st petitioner. That apart, the group directly employs about 25,000 people and provides indirect employment to about another 50,000 people. The group has been in business since 1962. I further submit that since 1972, the 1st petitioner has not made a single default in repayment of matured deposits. The business carried on by the group are varied and they require special management skills to run the same. The present management is well exposed and well experienced to manage the business effectively while maintaining the requisite standards. Therefore, any interference with the going concerns would create pelmel, havoc and endanger the interests of the depositors, subscribers, employees and the society at large as the group provides substantial employment as also income to large number of people.

31. I submit that the impugned G.Os. if allowed to stand, would send wrong signals to the depositors and create panic among them thereby destroying the smooth functioning of the 1st petitioner which has been the constant feature for over iast 34 years. It is needless to mention that any wild rumour against the financial soundness of a financial establishment would make the investors/depositors run for repayment of in a statement of panic. Even a bank like State Bank of India will not be able to pay the depositors if all of them make a run for payment of money. For instance ICICI Bank which is the second biggest bank in India with assets worth around Rs 1 lakh crores was shaken to its roots when there was a rumour that it was in a financial crisis. Now the

attempt of the Congress functionaries in the State is to shake the 1st petitioner to its roots by inciting the depositors to make a run for repayment of deposits and thereby cut off the financial sinews of the group and annihilate the group.

32. I submit that Sri N.Rangachari without any authority of law issued a notice dated 23-12-2006, received by the 1st petitioner on 26-12-2006 calling upon the 1st petitioner to furnish information within 10 days. I submit that Sri N.Rangachari has already started acting under the impugned G.O. and if the same is permitted, the petitioners would be put to irreparable loss and damage. A copy of the notice dated 23-12-2006 is filed and marked as Exhibit P-35.

33. Hence it is just and necessary that pending the W.P., this Hon'ble Court may be pleased to suspend the operation of the impugned G.Os. Otherwise the petitioners will suffer serious loss and irreparable injury which cannot be compensated. I submit that by suspending the impugned G.Os. no prejudice would be caused to the depositors as we have been honouring the matured deposits.

34. I submit that the petitioners have no other alternative or effective remedy except to approach this Hon'ble Court under Article 226 of the Constitution of India to challenge the impugned G.Os.

35. I submit that the petitioners have not filed any other writ petition or other proceedings with respect to the subject matter of the writ petition.

Hence it is prayed that this Hon'ble Court may be pleased to suspend the operation of G.O.Ms.No. 800 ,General

Administration, (L&O.I) Department dated 19-12-2006 issued by the 1st respondent pending disposal of the above writ petition in the interest of justice.

Hence it is prayed that this Hon'ble Court may be pleased to suspend the operation of G.O.Ms.No. 801 ,General Administration, (L&O.I) Department dated 19-12-2006 issued by the 1st respondent pending disposal of the above writ petition in the interest of justice.

For all the aforesaid reasons, the petitioners herein pray that this Hon'ble Court may be pleased to issue a Writ in the nature of a Writ of Mandamus or any other appropriate writ order or direction declaring:

- (a) G.O.Ms.No.800 GA(L&O.I) Department and G.O.Ms.801, General Administration (L&O.I) Department dated 19-12-2006 issued by the 1st respondent as illegal and void; and
- (b) restrain the 1st respondent from taking any action against the 1st petitioner under the impugned G.Os dated 19-12-2006 bearing No. 800 and 801 General Administration (L&O.I)
- (d) and pass such other or further orders as this Hon'ble court may deem fit and proper in the circumstances of the case.

DEPONENT

Sworn and signed on this the
26th day of December 2006.
Before me,

Advocate, Hyderabad

VERIFICATION

I, Ramoji Rao S/o Venkata Subba Rao, the 1st petitioner herein do hereby state that I have gone through the contents of the above affidavit and having understood the same I declare that the averments made in the above paras 1 to 32, and are true to the best of my knowledge and information and believe that the contentions para 28 in the grounds and the statement in paragraph 31 are made on the advise of my counsel. Hence verified on this the .. day of December 2006 at Hyderabad.

DEPONENT

Advocate