

Annexure-D

ANNEXURE P-4

IN THE HIGH COURT OF JUDICATURE OF ANDHRA PRADESH
AT HYDERABAD
(Special Original Jurisdiction)

THURSDAY THE TWENTY FIFTH DAY OF JANUARY
TWO THOUSAND AND SEVEN

: PRESENT:

THE HON'BLE SRI G.S. SINGHVI, THE CHIEF JUSTICE
AND
THE HON'BLE SRI JUSTICE C.V.NAGARJUNA REDDY

WRIT PETITION NO: 27065 of 2006
AND
WPMP. Nos. 34785 & 34786 of 2006

Between:

- 1 Margadarsi Financiers, a unit of Ramoji Rao-HUF, having office at Fateh Maidan Road, Hyderabad rep by its Sri Ramoji Rao.
- 2 Ramoji Rao, Hindu Undivided Family (HUF) having Office at No.3 Chikoti Gardens, Begumpet, Hyderabad, rep. 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, rep by the Chairman Sri Ramoji Rao

..... Petitioners
(Petitioners in both WPMP. Nos. 34785 & 34786 of 2006)

AND

- 1 The Government of Andhra Pradesh, the General Administration (L&O.I) Department, Secretariat, Saifabad, Hyderabad, rep. 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
(Respondents in both WPMP. Nos. 34785 & 34786 of 2006)

WP. NO. 27065 OF 2006:

Petition under Article 226 of the constitution of India praying that in the circumstances stated in the Affidavit filed herein the High Court will 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. No 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)
- (c) and pass such other or further orders as this Hon'ble Court may deem fit and proper in the circumstances of the case.

WPMP. No. 34785 of 2006

Petition under Section 151 of C.P.C. praying that in the circumstances stated in the affidavit filed in WP No. 27065 of 2006 the High 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 W.P. No. 27065 of 2006 on the file of the High Court;

WPMP. No. 34786 of 2006

Petition under Section 151 of C.P.C. praying that in the circumstances stated in the affidavit filed in WP No. 27065 of 2006 the High 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 W.P. No. 27065 of 2006 on the file of the High Court;

COUNSEL FOR THE PETITIONERS :

Shri Anil B. Divan, Senior
Advocate assisted by Shri B.
Nalin Kumar, Advocate

COUNSEL FOR THE RESPONDENT NO. 1:

The Advocate General.

Per G.S. Singhvi, CJ

This is a petition for quashing G.O.Ms.No.800, General Administration (L & O.I) Department, and G.O.Ms.No.801, General Administration (L & O.I) Department, dated 19-12-2006 issued by the Government of Andhra Pradesh (respondent No.1 herein) and to restrain the said respondent from taking any action against petitioner No.1 in furtherance of the impugned G.Os.

Petitioner No.2 is Ramoji Rao Hindu Undivided Family (HUF). Petitioner No.1 - Margadarsi Financiers is said to be a unit of Ramoji Rao HUF. Petitioner No.3 is a company incorporated under the Companies Act of which Shri Ramoji Rao is the Chairman. In the affidavit filed by him, Shri Ramoji Rao has averred that he is the editor of the largest circulated Telugu Daily and promoter - Chairman of the Group of Companies/ Firms/Concerns of HUF popularly known as Eenadu/Margadarsi Group or Ramoji Group, which include Ushodaya Enterprises Limited, Margadarsi Chit Funds Limited and Ushakiran Movies Limited. Ushodaya Enterprises Limited has three prominent divisions i.e. Publication Division, Television Division and Foods Division. The publication division is said to be publishing 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. Television Division operates 12 channels comprising 11 regional channels and one national channel (Urdu). The Foods Division is engaged in the



business of food products under the popular brand 'Priya' and is marketing about 190 items of food products. Margadarsi Chit Fund Limited is said to be the largest chit fund company having a business turnover of more than Rs.3,000 crores and 94 branches with 4,00,000 subscribers. In paragraph 9 of his affidavit, Shri Ramoji Rao has averred that Eenadu has been the watchdog of public interest in the State and the country; that it has been exposing scams which caused annoyance to the parties in power; that it has been critical of the Congress as well as Telugu Desam Party (TDP) governments; that on January 5, 1983 he issued a signed editorial on the front page of Eenadu supporting the manifesto of TDP calling upon the electorate to vote for TDP and on the next day he published another signed editorial declaring that the honeymoon with the TDP was over; that ever since 1983, the Congress Party and its functionaries have nursed a grudge against him because he did not toe their line but exposed various misdeeds and mis-governance. In paragraph 12 of his affidavit, Shri Ramoji Rao has given the particulars of various news items and stories based on investigative journalism or otherwise which, according to him, involved the Chief Whip of Congress Party Mr.Kiran Kumar Reddy, relatives of the present Chief Minister Shri Y.S. Rajasekhar Reddy (respondent No.2) and kith and kins of the office bearers of Congress Party. In para 12 (ii), the deponent has alleged that due to undue pressure from Chief Minister's Office, all well established practices were flouted in granting remission to Mr.Gouru Venkat Reddy, a close associate

of respondent No.2, who had visited the accused at Kurnool jail. In the same paragraph, the deponent has made a mention of the judgment of the Supreme Court quashing the remission granted to Gouru Venkat Reddy. In paragraph 14 of the affidavit, Shri Ramoji Rao has given the particulars of 12 statements allegedly made by respondent No.2 against the media in general and Eenadu newspaper in particular and averred that the same are indicative of his intolerance towards criticism. In paragraph 15, he has referred to notice dated 9-1-2006 issued by the State Government through the Advocate General in respect of news item published in Eenadu dated 4-1-2006 and 6-1-2006 with reference to the statement of Shri B.V. Raghuvulu of CPM who is said to have stated that the men in power received 1,000 crores as bribes in irrigation projects, the factum of filing of complaints under Section 199 Cr.P.C. in the Court of Metropolitan Sessions Judge, Hyderabad, issue of advertisement by Hyderabad Urban Development Authority casting baseless aspersions on the deponent and his son, the signed editorial published in Eenadu dated 29-9-2006 with the title "Ulta Chor Kothwal Ko Dante" and the details of dharnas organised in more than 12 districts at which copies of Eenadu newspapers and his own effigies were burnt. Reference has also been made to 19 resolutions passed by Congress workers including 2 Ministers, 14 M.Ps., MLAs., 9 Municipal Chairmen and Mayors, 41 Mandal Parishad Presidents, ZPTC Presidents and former Ministers and 187 prominent Congressmen criticizing the newspaper "Eenadu" and its



Chairman. In paragraph 17, Shri Ramoji Rao has made a reference of the complaint dated 6-11-2006 made by Shri Undavalli Arun Kumar, Member of Parliament of Rajahmundry Parliamentary Constituency belonging to Congress Party to the Union Finance Minister and the alleged statements made by him about the violation of the provisions of Reserve Bank of India Act, 1934 (for short, 'the RBI Act') by petitioner No.1. In paragraph 18, he has referred to the public statement dated 7-11-2006 made by him to explain the position to the depositors about the financial status of petitioner No.1. According to Shri Ramoji Rao, petitioner No.1 voluntarily discontinued acceptance of deposits including renewals below Rs.1,00,000/- with effect from 16-9-2006 and acceptance of all deposits including renewals with effect from 20-11-2006. On the same day i.e. 20-11-2006, petitioner No.1 is said to have sent letter to the Reserve Bank of India to explain its position on the issue of non-applicability of Section 45-S of the RBI Act to HUF and various steps taken for protection of the investors. In paragraph 20, he has referred to the press release dated 1-12-2006 issued by the Press Information Bureau of the Government of India containing the advice given by Reserve Bank of India to petitioner No.1 and the latter's decision not to accept any fresh deposits and to deposit an equivalent amount of unclaimed deposits in an Escrow Account and utilization of the disinvestment proceeds to meet the depositors' liability. In paragraph 23 of his affidavit, Shri Ramoji Rao has given the details of the stories published in Eenadu dated 15th, 17th, 18th

and 19th December, 2006 about the surrender of land by respondent No.2, which is said to have been purchased by his father and averred that this has further angered respondent No.2. Thereafter, notices were issued to certain individuals identified with Ramoji Film City for filing returns under the Andhra Pradesh Land Reforms (Ceiling on Agricultural Holdings) Act, 1973. He has also referred to the alleged giving of lessons to the party M.L.As. by Shri Undavalli Arun Kumar in connection with the proposed discussion in the Assembly under Rule 304 and claimed that he has been doing so at the instance of respondent No.2. In para 24, the deponent has referred to the G.Os. impugned in the writ petition and pleaded that the appointment of Shri N. Rangachari to examine all the relevant papers of M/s.Margadarsi Financiers and report about the alleged violation of the provisions of the RBI Act or of Andhra Pradesh Protection of Depositors of Financial Establishments Act, 1999 (for short, 'the 1999 Act') is clearly indicative of the mala fides of respondent No.2 and arbitrary exercise of power by the government. In paragraph 22, Shri Ramoji Rao has claimed that petitioner No.1 is financially sound and the group of companies own substantial properties, both movable and immovable, and the interest of the investors is fully protected.

On 28-12-2006, the notice of the writ petition was issued to respondent No.1. On the next day i.e. 2-1-2007, the case was adjourned to 3-1-2007. Thereafter, the petitioners filed WPMP No.144 of 2007 for placing on record C.Ds. marked as Ex.P.36,



transcripts marked as Ex.P.37 and publications in Eenadu Telugu Newspaper and translations thereof as Ex.P.38. The application was allowed and the C.Ds. and documents filed with the application were taken on record. Thereafter, the petitioners filed three more applications, which were registered as WPMP Nos.294, 295 and 1207 of 2007. All the applications were allowed on 18-1-2007 and leave was granted to the petitioners to file affidavit in support of WPMP Nos.34785 and 34786 of 2006 and also to place on record publication titled "the Deccan Chronicle" dated 9-11-2006 and C.D. dated 8-11-2006 together with English translation.

Shri Anil B. Divan, learned Senior Counsel appearing for the petitioners extensively referred to the averments contained in the affidavit of Shri Ramoji Rao and documents filed with the writ petition and the miscellaneous petitions and argued that the two G.Os. issued by the State Government are liable to be quashed on the grounds of violation of Articles 19(1)(a) and (g) and mala fide and arbitrary exercise of power. He relied on the judgments of the Supreme Court in **Barium Chemicals Ltd. v. Company Law Board**¹, **Rohtas Industries Ltd. v. S.D. Agarwal**², **D.D. Suri v. A.K. Barren**³, **Indian Express Newspapers v. Union of India**⁴, and **Modi Industries Ltd. v. Union of India**⁵ and argued that appointment of Shri N. Rangachari to make a rowing enquiry in

¹ AIR 1967 SC 295

² AIR 1969 SC 707

³ (1970) 3 SCC 313

⁴ (1985) 1 SCC 641

⁵ (1982) 52 Company Cases 589

the matter of the alleged violation of the provisions of the RBI Act or the 1999 Act is nothing but an attempt to pressurize Eenadu newspaper to stop criticism of the government in general and respondent No.2 in particular. Learned counsel also referred to the statements allegedly made by respondent No.2, the Members of Parliament and Legislative Assembly and other functionaries of Congress Party criticizing Eenadu newspaper, the burning of the newspapers by congressmen and argued that all this is being done at the instance of respondent No.2. He also referred to the statement made by Shri K. Rosaiah, Finance Minister of the Government of Andhra Pradesh on the floor of the Legislative Assembly to show that the G.Os. are primarily meant to unsettle the financial base of petitioner No.2 and argued that this should be treated as gross violation of Article 19 (1)(a) and 19(1)(g) of the Constitution. Shri Divan then referred to the provisions contained in Chapter III-B and III-C of the RBI Act, letter dated 20-11-2006 written by petitioner No.2 to the Chief General Manager, Department of Non-Banking Supervision, Reserve Bank of India, Mumbai, Press release dated December 01, 2006 issued by the Press Information Bureau, Government of India, application dated 2-12-2006 submitted by Senior Executive of petitioner No.1 to the Manager, Union Bank of India, Saifabad for opening Escrow Account in the name of petitioner No.1 for making payments of all deposits, which mature from time to time and letter dated 4-12-2006 of the Assistant General Manager of Union Bank of India vide which petitioner No.1 was informed




about the opening of Escrow Account and argued that when the Reserve Bank of India is satisfied about the assurance given by petitioner No.1 to protect the interest of the depositors, the State Government has no power to appoint an officer to make enquiry in the matter. Shri Divan relied on the judgment of the Full Bench of Bombay High Court in **Vijay C. Puljal v. State of Maharashtra**⁶ whereby the provisions of the Maharashtra Protection of Interests of Depositors (Financial Establishments) Act, 1999 were struck down and argued that the two G.Os. impugned in the writ petition should be quashed because they do not have any legal sanction. Learned counsel submitted that in last more than two decades, there has been no complaint against petitioner No.1 from any of the depositors and argued that the State Government cannot bypass the Reserve Bank of India and get an enquiry conducted in the matter of alleged violation of the provisions of the RBI Act and the 1999 Act. Learned counsel emphasized that the purpose of the impugned G.O. is to somehow or the other throttle the newspaper establishment of petitioner No.3 by creating panic among the depositors of petitioner No.1. Shri Divan relied on interim order passed by the Bombay High Court to which a reference has been made in the **Indian Express Newspapers (Bombay) (P) Ltd. and others v. Union of India and others**⁷ and submitted that if the operation of the impugned

⁶ 2005 (4) Mah.Law Journal 5
⁷ (2000), 1 Comp. LJ 403 (Bom)

G.Os. is not stayed, the freedom of Press will be put to peril and irreparable injury will be caused to the petitioners.

Shri C.V.Mohan Reddy, learned Advocate General relied on Sections 45-T and 58-E of the RBI Act and argued that the appointment of Inspector General of Police, CID as Authorised Officer cannot be faulted merely because the G.O. issued for his appointment was preceded by another G.O. issued on the same day for appointment of Shri N. Rangachari to examine the relevant papers and other materials to ascertain whether petitioner No.1 has raised deposits in violation of the provisions of the RBI Act or the 1999 Act. Learned Advocate General relied on the provisions of the 1999 Act and submitted that instead of directly taking action under Section 3 of the said Act, the government has appointed an officer to ascertain the true facts and submit report. He further submitted that G.O.Ms.No.800 dated 19-12-2006 was issued by the government to avoid unnecessary criticism because petitioner No.1 is managed by the same group, which is also managing the Eenadu newspaper and T.V. Channels. Learned Advocate General then pointed out that petitioner No.1 has collected a huge amount of Rs.2300 crores and suffered a loss of about 1200 crores and with a view to protect the interest of the depositors, the government has appointed Shri N. Rangachari to make a fact finding enquiry and submit report regarding violation of the provisions of the RBI Act or the 1999 Act. Learned Advocate General submitted that the impugned G.Os. are in no way concerned with petitioners No.2



and 3 and the enquiry to be conducted by Shri N. Rangachari will not, in any manner, affect the rights guaranteed to petitioner No.3 under Articles 19(1)(a) or (g). He emphasized that the petitioners have not produced any material to show any link between petitioner No.1 and petitioner No.3 and, therefore, enquiry ordered by the government in the matter of deposits taken by petitioner No.1 should not be stultified by invoking the right to freedom guaranteed under Article 19(1)(a) of the Constitution. Learned Advocate General refuted the charge of Shri Divan that respondent No.2 is instrumental in ordering enquiry into the deposits taken by petitioner No.1 because he is ill-disposed against Shri Ramoji Rao.

We have given serious thought to the respective arguments and carefully scanned the record. We can take judicial notice of the fact that in large number of petitions filed under Article 226 of the Constitution, allegations of mala fides are made against the public servants and political functionaries and also that such allegations are rarely proved by producing cogent evidence. The Courts have repeatedly emphasized that the burden to prima facie prove the charge of malus animus is on the person who levels such allegations and dubious inference of malice in fact should not be drawn from the bald averments contained in the writ petition. In **E.P. Royappa v. State of T.N.**⁸, the Constitution Bench of the Supreme Court laid down guidelines for exercise of the power of judicial review in the cases in which

⁸ AIR 1974 SC 555

allegations of mala fides are levelled by the petitioner against political functionaries. In that case, the petitioner challenged his transfer from the post of Chief Secretary on several grounds including the one that the action was an end product of the mala fides of the Chief Minister. While dealing with the issue of mala fides, Ray, CJ speaking for himself and Palekar, J observed as under:

"The petitioner made allegations of mala fides to suggest that the petitioner was an honest officer and the Chief Minister and the other Ministers did not want such an honest officer and therefore they got rid of him. The most significant feature in the allegations of mala fides is that when on 7 April, 1971 the petitioner was appointed to act as Deputy Chairman, Planning and he went on leave he did not at any stage state anywhere that the order was made mala fide. The first letter where the petitioner alleged mala fides is dated 7 June, 1972. The allegations of mala fides are not contemporaneous but after-thoughts at a distance of one year. That was when the petitioner returned from leave after one year and he was appointed to the post of Deputy Chairman, Planning Commission. Even in that letter the only allegation about mala fide is that the petitioner took strong steps about maintenance of law and order at the time of the elections in 1971 against the views of the Chief Minister and the Ministers. It, therefore, follows that until the petition was filed in the month of July, 1972 the respondents were not aware of various allegations of mala fide made in the petition. Therefore, when the impugned order was made on 26/27 June, 1972 it is manifest that the Government did not make the order out of any improper motive or any indecent haste or out of any ingenious inspiration to get rid of the petitioner. Another

noticeable feature in the allegations of mala fides is that the petitioner all throughout describes himself as a person who acted without any fear or favour and enjoyed the reputation of being a strict and honest officer, and, therefore, the Government contrived to remove the petitioner from the post of Chief Secretary. Honest and fearless cadre officers are not unknown and rare as the petitioner suggests. Nor are intrepid officers in cadre posts thrown out of office because of expression of views about law and order situation. In the petition the petitioner has ascribed to the Chief Minister, the Governor and a few other Ministers certain statements having been made by them. The statements are quoted to be words of mouth of the Chief Minister or the Governor or the Ministers. The petitioner has nowhere made contemporaneous entry or record of such utterances. It is difficult to believe that the petitioner would remember identical words in long sequence and set them out with exactitude in the petition. These allegations are made in the petition for the purpose of giving semblance of truth and lending colour to chronicle.

The events alleged at the time of the elections are in aid of the petitioner's contention that his dealing of the law and order situation was so firm that the Chief Minister and other members of his party became alienated. The petitioner suggested that the Chief Minister and the members of his party were responsible for introducing violence and intimidation. The further suggestion of the petitioner is that the petitioner exposed the activities of the D.M.K. Party, Complaints against the D.M.K. Party were like complaints against other political parties. The affidavit evidence indicates that the law and order situation was kept under normal control. All the officers of the State including the police service discharged their duty in the

best interest of administration as also in public interest. The petitioner did not achieve anything extraordinary. As the Chief Secretary it was the duty of the petitioner to see that situation nowhere went out of control. The Chief Minister and the members of his party cannot be said on the affidavit evidence to have committed acts of violence or intimidation. The entire affidavit evidence establishes beyond any measure of doubt that the petitioner's allegations imputing mala fides against the Chief Minister are baseless. The petitioner's allegations were in aid of suggesting vindictiveness and vengeance on part of the Chief Minister. Facts and circumstances repel any such insinuation and innuendo."

P.N. Bhagwati, J speaking for himself and Chandrachud and Krishna Iyer, JJ dealt with the issue in greater detail and observed:

"Now, when we examine this contention we must bear in mind two important considerations. In the first place, we must make it clear, despite a very strenuous argument to the contrary, that we are not called upon to investigate into acts of maladministration by the political Government headed by the second respondent. It is not within our province to embark on a far flung inquiry into acts of commission and omission charged against the second respondent in the administration of the affairs of Tamil Nadu. That is not the scope of the inquiry before us and we must decline to enter upon any such inquiry. It is one thing to say that the second respondent was guilty of misrule and another to say that he had malus animus against the petitioner which was the operative cause of the displacement of the petitioner from the post of Chief Secretary. We are concerned only with the latter limited



issue, not with the former popular issue. We cannot permit the petitioner to side track the issue and escape the burden of establishing hostility and malus animus on the part of the second respondent by diverting our attention to incidents of suspicious 'exercise of executive power. That would be nothing short of drawing a red herring across the trial. The only question before us is whether the action taken by the respondents includes any component of mala fides: whether hostility and malus animus against the petitioner were the operational cause of the transfer of the petitioner from the post of Chief Secretary.

Secondly, we must not also overlook that the burden of establishing mala fides is very heavy on the person who alleges it. The allegations of mala fides are often more easily made than proved, and the very seriousness of such allegations demands proof of a high order of credibility. Here the petitioner, who was himself once the Chief Secretary, has flung a series of charges of oblique conduct against the Chief Minister. That is in itself a rather extraordinary and unusual occurrence and if these charges are true, they are bound to shake the confidence of the people in the political custodians of power in the State, and therefore, the anxiety of the Court should be all the greater to insist on a high degree of proof. In this context it may be noted that top administrators were often required to do acts which affect others adversely but which are necessary in the execution of their duties. These acts may lend themselves to misconstruction and suspicion as to the bona fides of their author when the full facts and surrounding circumstances are not known. The Court would, therefore, be slow to draw dubious inferences from incomplete facts placed before it by a party, particularly when the imputations are grave and they are made against the holder

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of an office which has a high responsibility in the administration. Such is the judicial perspective in evaluating charges of unworthy conduct against ministers and other high authorities, not because of any special status which they are supposed to enjoy, nor because they are highly placed in social life or administrative set up - these considerations are wholly irrelevant in judicial approach - but because otherwise, functioning effectively would become difficult in a democracy. It is from this stand-point that we must assess the merits of the allegations of mala fides made by the petitioner against the second respondent."

If the allegations of mala fides levelled in the affidavit of Shri Ramoji Rao and the documents so far filed by the petitioners are scrutinised in the light of the above noted observations of the Supreme Court, it is not possible to draw an inference, much less a conclusion, that G.Os. impugned in the writ petition are an end product of the personal ill-will, bias or mala fides of respondent No.2. The mere fact that respondent No.2 has expressed his anguish over the stories published in Eenadu newspaper or the tenor of the telecast made in the T.V. channels belonging to petitioner No.3 cannot lead to an inference that the enquiry instituted by the government to find out whether there has been violation of the provisions of the RBI Act or the 1999 Act is vitiated due to mala fides of respondent No.2. The alleged acts of Congress workers of burning the copies of newspaper or effigy of Shri Ramoji Rao and adverse statements or criticism made by the elected representatives of Congress Party or its workers cannot



lead to an inference that everything was done at the instance of or under the dictates of respondent No.2. We, therefore, do not find any valid ground or justification to entertain the writ petition qua respondent No.2 at this stage.

However, keeping in view the fact that Writ Petition No.27403 of 2006 filed by petitioner No.1 questioning the legality of the 1999 Act has been admitted and if the Court comes to the conclusion that the 1999 Act is beyond the legislative competence of the State or is otherwise violative of the provisions of the Constitution, then the same will have direct bearing on the legality of the G.Os. impugned in this petition, we deem it proper to admit the writ petition qua respondent No.1. Ordered accordingly.

We shall now consider the prayer of the petitioners for staying the operation of the G.Os. impugned in the writ petition.

The admission of the writ petition is indicative of the existence of prima facie case in favour of the petitioners. However, that by itself is not sufficient for passing an order of injunction or stay. It is trite to say that before passing an interim order, the Court must feel convinced that the elements of prima facie case, balance of convenience, irreparable injury and public interest are in favour of passing an order of injunction or stay. The argument of the learned Senior Counsel appearing for the petitioners that the impugned G.Os. are violative of Articles 19 (1)(a) and 19(1)(g) and if the Court does not grant stay in terms of the prayer made in WPMP Nos.34785 and 34786 of 2006, the

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freedom of Press would be put to peril has not impressed us. The fact that Eenadu newspaper, E-TV channels are managed by petitioners No.2 and 3 or that Shri Ramoji Rao happens to be promoter and Chairman of the Group of Companies including petitioner No.1 cannot lead to an inference that every action taken in relation to the working of petitioner No.1 will have adverse impact on the freedom of Press, which has been consistently protected by the Courts by being treated as an important pillar of the democratic institutions. In our opinion, the collection of deposits by petitioner No.1 has nothing to do with the publication of newspaper or the T.V. channels which are managed by petitioner No.3. Therefore, the impugned G.Os. cannot be stayed on the premise that the same are violative of Articles 19(1)(a) and 19(1)(g) of the Constitution.

We are further of the view that the enquiry instituted by the government is not going to cause any injury, much less an irreparable injury to any of the petitioners. Shri N. Rangachari has been merely asked to ascertain whether the activities of petitioner No.1 are violative of the provisions of the RBI Act or the 1999 Act. If at all the report of Shri N. Rangachari is adverse to petitioner No.1 and the competent authority proposes to take action on the basis of the said report, then petitioner No.1 will be entitled to notice and reasonable opportunity of hearing. At that stage, petitioner No.1 will be free to challenge the adverse report, if any submitted by Shri N. Rangachari and the action, if any initiated by the competent authority. However, there can be no



justification to stultify, at the threshold, the fact finding enquiry instituted by the Government. The assurances given by petitioner No.1 to the Reserve Bank of India not to accept any investment from the depositors and the opening of Escrow Account by petitioner No.1 with the Union Bank of India are not sufficient to restrain Shri N. Rangachari from making enquiry in furtherance of G.O.Ms.No.800 dated 19-12-2006.

The element of public interest is also against the grant of interim stay. The statement made by the learned Advocate General that petitioner No.1 has collected Rs.2300 crores from the depositors and it has suffered loss of Rs.1200 crores certainly calls for an investigation so that the interest of thousands of depositors is protected.

For the reasons stated above, we hold that the petitioners have failed to make out a case for staying the operation of G.O.Ms.Nos.800 and 801, dated 19-12-2006. Consequently, WPMP.Nos.34785 and 34786 of 2006 are dismissed.

It is however made clear that any observations made in this order touching upon the merits of the case shall not be understood as expression of final opinion on the merits of the case and they shall not have any bearing on the adjudication of the main writ petition.

Respondent No.1 is directed to file counter-affidavit within

List the case on 19-02-2007 for being heard with Writ
Petition No.27403 of 2006.

SD/- K. LAKSHMINARAYANA
ASSISTANT REGISTRAR

// TRUE COPY //

KL
for ASSISTANT REGISTRAR

To

1. The Chief Secretary, Government of Andhra Pradesh, the General Administration (L&O.I) Department, Secretariat, Saifabad, Hyderabad.
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.
3. The Section Officer, Writ Notice Section, High Court of A.P., Hyderabad.
4. Two CCs to the Advocate General, High Court of A.P., Hyderabad. (BY SPECIAL MESSENGER)
5. One CC to Sri B. Nalin Kumar, Advocate (OPUC)
6. Two spare copies.

Ksv