



CWP-4767-2026 (O&M)

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**IN THE HIGH COURT OF PUNJAB AND HARYANA AT
CHANDIGARH**

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CWP-4767-2026 (O&M)

Date of decision: 27.05.2026

**M/s United Foods, through its partner
Naseeb Singh**

....Petitioner

Vs.

State of Haryana and others

....Respondents

CORAM : HON'BLE MR. JUSTICE HARSH BUNGER

Present: Mr. Sanjeev Sharma, Sr. Advocate assisted by
Mr. Vikramvir Sharda, Advocate
for the petitioner.

Mr. Abhimanyu Antil, DAG, Haryana.

HARSH BUNGER J.

1 Petition herein is, *inter alia*, seeking a writ in the nature of Certiorari, for setting aside the office letter dated 09.12.2025 (Annexure P-23) and also order dated 09.02.2026 (Annexure P-25), both issued by office of Director General, Department of Food, Civil Supplies and Consumer Affairs, Haryana.

2. Briefly, the petitioner is registered partnership firm, which operates a rice mill, situated at District Karnal, Haryana. Petitioner firm is engaged in work of custom milling of paddy since 2017. It is stated that the Government of India adopts a policy of custom milling of paddy whereunder the State Government and its procurement agencies purchase paddy from the open market at Minimum Support Price (MSP) fixed by the Government of



India and the said paddy is allotted to the rice millers for its milling/shelling as per custom milling policy framed by the State Government.

3. It is averred that after the milling, the resultant rice is delivered to the Food Corporation of India (FCI), in the central pool by the rice millers in the account of the concerned State Agency and the cost of rice and another charges are claimed by the concerned State Agency from the Food Corporation of India (FCI) as fixed by the Government of India.

3.1 It is stated that the petitioner had been entering into agreement for the last many years with the State of Haryana, through District Food and Supplies Controller and/or such other authority for custom milling of paddy in accordance with the terms and conditions of the agreement. It is claimed that the work of the petitioner has been satisfactory as he has been supplying rice within the timeline agreed upon and there has been no complaint of any embezzlement and/or misappropriation against the petitioner.

4. Government of Haryana had issued Policy/instructions on 16/18.09.2025 (Annexure P-1) for Paddy Procurement and its Milling during Kharif Marketing Season (KMS) 2025-26. Accordingly, petitioner-firm is stated to have entered into an agreement dated 10.10.2025 (Annexure P-2) with the District Food and Supplies Controller, for paddy milling for the Kharif Marketing Season 2025-26; whereupon, the petitioner was allotted 3772 Mt. of paddy for milling into rice.

4.1 As per the agreement, the petitioner is required to mill the paddy supplied to it and deliver the rice to FCI directly, as per prescribed

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quality specifications and as per the delivery schedule upto June 2026 (subject to milling period decided by the Government of India).

4.2 It is stated that a miller is required to carry out the milling operation only on that paddy, in respect of which the release order has been issued by the District Food and Supplies Controller and/or any other competent authority. It is further stated that in order to secure the interest of the Department, the petitioner has submitted security in form of Fixed Deposit Receipt (FDR) in favour of District Food and Supplies Controller (DFSC), Karnal and also submitted a cheque of Rs.50,00,000/- in favour of DFSC, Karnal. In addition to the aforesaid cheque and FDR, the petitioner is also stated to have submitted 2/3rd party sureties of reputed commission agents/rice millers, who have also handed over two cheques of Rs.50,00,000/- (each) in favour of DFSC, in order to secure the interest of the department, in the paddy allocated to the petitioner.

4.3 Concededly, the department allocated 3772 Mt. paddy to the petitioner for milling; out of which the petitioner claims to have milled approximately 610 Mt. paddy and the resultant 409 Mt. rice was stored in the premises of the petitioner, for delivery to Food Corporation of India as per the delivery schedule. It is stated that balance 3162 Mt. of paddy was available in the premises of the petitioner in terms of agreement dated 10.10.2025 (Annexure P-2); however, on 16.11.2025, certain officials of the Food and Supplies Department, Haryana, conducted a physical verification (P.V.) of the stock available in the premises of the petitioner, whereupon, it was found that out of 3772 Mt. of paddy allocated to the petitioner, only

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2767 Mt. paddy was found available in the premises of the petitioner, therefore, there was a shortage of 1005 Mt. paddy. In this regard, report of physical verification at 16.11.2025 is attached as Annexure P-3. Simultaneously, the Food and Supplies Department, also got a case FIR No.367 of 2025 registered against the partners of the petitioner-firm at Police Station Butana, under Section 316(2) and 318(4) of the Bharatiya Nyaya Sanhita, 2023 (for short “BNS, 2023”), for allegedly misappropriating the allocated paddy.

4.4 It appears that the partner(s) of the petitioner firm sought anticipatory bail, which was rejected by the Sessions Court, Karnal vide order dated 27.11.2025 (Annexure P-4), as well as by this Court vide order dated 04.12.2025 (Annexure P-5).

4.5 On the other hand, petitioner firm is stated to have filed a civil suit bearing C.S. No. 3079 of 2025 seeking mandatory injunction for directing the department to receive the milled rice (already milled by the petitioner) and to further grant permission to the petitioner to mill the remaining stock of paddy, which is lying in the premises of the petitioner firm. Simultaneously, the department filed an application under Sections 5 and 8 of the Arbitration and Conciliation Act, 1996, (in short the “1996 Act”) in view of the arbitration clause contained in the agreement dated 10.10.2025 (Annexure P-2); which was allowed by the learned Civil Judge (Junior Division), Karnal vide order dated 28.11.2025 (Annexure P-8), wherein it was observed that the parties are at liberty to approach the Arbitrator and get the dispute adjudicated through arbitration proceedings.



4.6 It transpires that the District Food and Supplies Controller, Karnal, vide order dated 05.12.2025 (Annexure P-9), called upon the petitioner to deposit an amount of Rs.2,47,24,676/- towards shortage of 1005 Mt. of paddy. The petitioner is stated to have deposited the aforesaid amount with the District Food and Supplies Controller, Karnal, on 05.12.2025 against receipt (Annexure P-11). Simultaneously, the petitioner issued a letter dated 05.12.2025 (Annexure P-10) requesting the Department to grant provisioning of CMR on the balance paddy.

4.7 It appears that the District Food and Supplies Controller, Karnal, issued a letter dated 11.12.2025 (Annexure P-14), instructing the officials to prepare a list of rice mills nearest to the petitioner's rice mill, so that the proposal for transfer of paddy stored at the rice mill of the petitioner-firm to another mill, (which is nearest to the petitioner-firm), can be prepared and sent to Government.

4.8 On the same date i.e. 11.12.2025, the petitioner submitted a letter (Annexure P-15) to the office of Director General, Department of Food, Civil Supplies and Consumer Affairs, Haryana, requesting that the petitioner-firm be allowed to deliver the milling carts to the FCI, since the paddy had already dried up and transferring into another mill would result in significant financial loss. A similar request was submitted by the petitioner vide letter dated 15.12.2025 (Annexure P-16) and letter dated 16.12.2025 (Annexure P-17).

5 It transpires that in the interregnum, vide communication dated 09.12.2025 (Annexure P-23), the office of Director General, Department of



Food, Civil Supplies and Consumer Affairs, Haryana informed the District Food and Supplies Controller, Karnal that the request made by the petitioner firm for milling of balance paddy has been examined and not found suitable for further custom milling rice (CMR) and it has been decided to shift the paddy to the nearest rice mill and the cost is to be recovered from the petitioner-firm.

5.1 In the aforementioned circumstances, the petitioner approached this Court by filing a writ petition bearing CWP No.3320 of 2026, which came to be disposed of vide order dated 06.02.2026 (Annexure P-24), the relevant extract thereof reads as under:-

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In such circumstances, at this stage with respect to question of permitting the petitioner to process paddy lying in its premises, it would not be appropriate to relegate the petitioner to proceed for arbitration. There is no reasoned order by respondents to shift paddy lying in the petitioner's premises to another mill. The petitioner was never heard by respondents. The State counsel has not pointed out any clause of the policy or agreement adverting to situation in hand.

8. In the backdrop, this Court finds it appropriate to direct the Director General, Food Civil Supplies & Consumers Affairs Department to pass a speaking order within 7 days from today after granting opportunity of hearing to the petitioner. To avoid confusion and mis-communication, the petitioner is hereby directed to appear before the Director on 09.02.2026 at 11:00 AM and thereafter as directed by said officer. Till the passing of fresh order by the Director, the respondent would not attempt to shift paddy lying in the premises of the petitioner.

9. Disposed of in the above terms.”



6 Thereafter, the Director General, Department of Food, Civil Supplies and Consumer Affairs, Haryana, passed the impugned order dated 09.02.2026 (Annexure P-25), whereby the communication dated 09.12.2025 (Annexure P-23) for shifting of paddy from the premises of petitioner firm was maintained and the petitioner-firm has been further 'blacklisted'. The relevant extract of order dated 09.02.2026 (Annexure P-25), reads thereof:-

“After careful perusal of the agreement dated 10.10.2025 executed between the DFSC Karnal and M/s United Foods Village Shekhpura Indri, wherein all the terms and conditions are reduced into writing, it has been observed that the miller was allotted 3772 MT paddy for milling during KMS 2025-26. As per clause No. 4 (vi) of the agreement, the paddy was stored in the mill of the miller and was in his custody wherein the said clause conspicuously imposes a sole responsibility of the miller in case of any shortage or damage to the paddy.

As per clause No. 22(v) of the milling policy, the paddy stored in the premises of the rice mill will be under the joint supervisory custody of the rice mill and State procuring agency. The responsibility for quantity and quality will be of the concerned rice millers. The concerned custodian staff of agencies and Inspector/Sub-Inspector Food, Civil Supplies and Consumer Affairs Department will supervise. Accordingly, on dated 16.11.2025, the undersigned alongwith the inspection team of DFSC Karnal conducted a physical verification of the stock available in the presence of miller and found the shortage of 1005 MT paddy causing a whopping financial loss to the tune of Rs. 2,47,24,676/- to the department. An FIR No. 367 dated 16.11.2025 was lodged in the Police Station Butana district Karnal under section 3(5), 316(2) & 318(4) of BNS, 2023 as per the clause No. 13 (i) of the Agreement. Though the



firm has deposited to Rs. 2.47 crore towards the shortfall of paddy. However, the firm and the department both are bound by KMS 2025-26 Milling Policy as well as agreement dated 10.10.2025 as observed by the Hon'ble High Court in its order dated 06.02.2026.

As the clause 13 (iv) empowers the undersigned to transfer the paddy stocks in case of failure of the rice miller to deliver the CMR of KMS 2025 as per stipulated scheduled and further empowers the undersigned to blacklist the firm. In compliance of the aforesaid clause of the agreement, the undersigned vide order dated 09.12.2025 decided to shift the remaining 2767 MT paddy to another rice mill from the premises of the miller. However, the said order of shifting the paddy from the firm to another rice miller was challenged by the firm in the Hon'ble Punjab and Haryana High Court in CWP No. 3320 of 2026 which was disposed of by the Hon'ble Court vide order dated 06.02.2026 directing the undersigned to pass a speaking order within seven days from today after granting opportunity to the firm. In compliance to the above said direction, the defaulting firm was called for personal hearing before the undersigned on 09.02.2026 at 11.00AM to present his case

After careful consideration of the arguments advanced by the miller, I am of the considered opinion that the miller has failed to give any cogent and reasonable justification for not shifting of paddy from his premises to the another rice miller and to blacklist his firm which is in consonance with the well defined terms and condition of the agreement and policy of KMS 2025-26. As the department of Food Civil Supplies & Consumer Affairs Department caters to the nutritional needs of the under privileged and BPL families through its targeted Public Distribution Systems which adds to the gravity of the



offence of criminal breach of trust committed by the defaulting firm. Therefore, in compliance of the direction dated 06.02.2026 of the Hon'ble Punjab and Haryana High Court, I, Anshaj Singh, Director General Food, Civil Supplies & Consumer Affairs Department Haryana, being a competent authority to pass speaking order uphold the order dated 09.12.2025 of shifting of paddy from the premises of the defaulting firm and blacklist the firm.

"I hereby order accordingly.""

7. In the aforementioned circumstances, present writ petition has been filed before this Court, for seeking relief(s), as noticed hereinabove.

8. Learned Senior counsel appearing for the petitioner has primarily raised two submission(s); firstly, that the direction issued vide impugned letter/order dated 09.12.2025 (Annexure P-23) regarding shifting of the paddy from the premises of the petitioner to another mill is without any basis as there is no provision under the Custom Milling Policy (Annexure P-1) and/or agreement (Annexure P-2) executed between the parties, authorizing the Department to direct shifting of paddy. Secondly, that the direction issued vide impugned letter dated 09.02.2026 (Annexure P-25) for blacklisting the petitioner-firm and that too without affording opportunity of hearing to the petitioner on the aspect of blacklisting and/or specifying the period for which the petitioner-firm has been blacklisted, is arbitrary and illegal, therefore liable to be set aside.

9. On the other hand, learned State counsel has opposed the contention raised on behalf of the petitioner by submitting that since 1005 Mt. paddy has gone missing from the premises of the petitioner-firm and the



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petitioner-firm has been trying to replace the paddy with inferior quality procured from Uttrakhand, and even the anticipatory bail filed by the partners of the petitioner-firm has been declined by Sessions Court, Karnal vide order dated 27.11.2025 (Annexure P-4), as well as by this Court vide order dated 04.12.2025 (Annexure P-5); therefore, in the attending circumstances and also in the light of the provisions contained in Policy (Annexure P-1) as well as agreement (Annexure P-2); no interference is required in the impugned letter/order dated 09.12.2025 (Annexure P-23) and/or the impugned order dated 09.02.2026 (Annexure P-25). Accordingly, prayer for dismissal of the writ petition has been made.

10. I have heard the learned counsel for the respective parties and perused the paperbook with their able assistance.

11. Before dealing with the submissions raised on behalf of petitioner, it would be apposite to refer to a few relevant provisions contained in Policy (Annexure P-1) as well as the agreement (Annexure P-2). Clause 22 of Policy (Annexure P-1) of the State in respect of Kharif Marketing Season (KMS) 2025-26, specifies regarding custom milling of paddy, which reads as under:-

“22. Policy regarding Custom Milling of Paddy

In order to ensure smooth operations of custom milling of Paddy procured by the State Procurement Agencies during KMS 2025-26, the following instructions shall be followed in letter and spirit by the State Procurement Agencies:-

Storage of Paddy

- i) Paddy procured by the Agencies will be stored in the premises of the allotted Rice Mills as per details given in subsequent paragraphs. The transportation of paddy***



from mandi/purchase center to mill, will be done by the transporter/miller. **Hence the paddy will be delivered to the Millers in the mills itself, and he will be responsible for its quality and quantity till the rice is delivered to FCI in Central Pool.**

- ii) The CCTV camera shall be installed at the gates of the Rice Mill and the rice millers shall retain soft copy of footage for all the period mentioned in the agreement.
- iii) The miller must make a declaration that he is doing CMR work only, for other work he has to make separate stock registers and updation of these two stocks registers has to be submitted to concerned agency after every 15 days. The rice miller will also maintain a stock register of the paddy allotted to him duly certified by the DFSC/DFSO/AFSO/IFS/SIFS. The stock entered in the stock register by the rice millers will be verified by the DFSCs/DMs of the procurement agency by constituting a committee of atleast three officers/officials not below the rank of Inspector, immediately after total allotment to the miller and before commencement of milling operation and the same shall be communicated to Headquarter.
- iv) In extreme emergencies and with prior written approval of the Director Food, Civil Supplies & Consumer Affairs Haryana, the agencies may store Paddy in their own godowns. In such cases, the services of appointed Labour, Cartage and Transport Contractors will be required.
- v) **The Paddy stored in the premises of the rice mill will be under the joint supervisory custody of the rice mill and State procuring agency. The responsibility for quantity and quality will be of the concerned rice millers.** The concerned custodian staff of Agencies and Inspector/Sub-Inspector Food, Civil Supplies & Consumer Affairs Department will supervise. The rice millers will plan the daily CMR milling as per the stack number and entries in the register with I-form number to ensure priority milling and this plan has to be submitted to concerned agency for next 15 days. All the supervisory officers of the Procurement Agencies and Food Department i.e. DFSC/DFSO/AFSO/IFS/SIFS and Manager/District Manager of the concerned agency will be held accountable for any irregularities if they are found not



following the instructions and guidelines for supervisory controls and mandatory inspections. **The miller will ensure the storage of the paddy stocks of the Agencies/department separately from his own stock by erecting a physical barrier such as a boundary wall or a proper and durable fencing by producing site plan duly approved by the architect.**

- vi) The Paddy shall be delivered in the mills by the Agency to the miller through delivery challan duly signed by the authorized representative of the Agency. **The miller on receipt of such delivery challan shall have a right to examine the paddy so delivered. The acceptance of paddy by the miller is testimony to the fact that paddy is as per specifications fixed by the Government.** The miller shall record on a separate register the paddy received through each delivery challan every day.
- vii) Once the paddy has been accepted through the delivery challan by the Miller, he or his representative shall put his signatures on the Delivery Challan. **The paddy so received by the miller shall be considered to be correct in terms of quantity and quality and no disputes shall be entertained after such acceptance with regard to the quality and quantity of the paddy received by the miller.**
- viii) No Delivery Challan accepted by the miller shall be recognized by the Agency unless it has been duly issued and signed by authorized representative of the State procuring agencies.
- ix) Each miller will prepare a pictorial chart/sketch in triplicate depicting the positioning of the stacks with stack no., I-form number & number of bags in each stack. He will retain a copy of the above at his mill premises, second with the Inspector/ In-charge of agency and third copy will be kept in the District Office of the Procurement Agency for priority milling on fortnightly basis.
- x) **It shall be responsibility of the millers to ensure that the stock of paddy/CMR within the mill premises is always available in countable condition for accurate physical verification.**
- xi) The Signature on cheque book will be got verified by the miller from his banker and a certificate must be issued by the miller/second party that the guarantor to the agreement is not his family member.



- xii) In order to prevent the unscrupulous rice millers from making advance purchase of rice and to deter them from using bogus bills to show it as genuine purchase from the farmers, an undertaking from the rice millers be taken regarding the existing stock of paddy and rice in their mills and same should be kept separately. For this 100% verification of the premises of mills is to be carried out by the DCs through a committee constituted for this purpose and videography of entire inspection should be undertaken.
- xiii) No paddy for CMR is to be given to those rice mills who could not show the genuine bills of their stock already lying in their mills at the time of inspection before allotment of paddy.
- xiv) The detailed report of the release order (RO) for delivery of paddy to mills should be maintained.
- xv) A Co-ordination committee including District Marketing Enforcement (DMEO) Mandi Secretary, DM/FCI and heads of all State Procurement Agencies under the chairmanship of DC should ensure proper monitoring of procurement operations.
- xvi) The full address of the guarantor with pin code and e-mail id will be taken and the property pledged by the guarantor should be unencumbered.”

(Emphasis Supplied)

11.1. Further clause 27 of the Policy (Annexure P-1), provides for allocation of the paddy for custom milling of rice, whereunder sub-clause (xvi) provides as under:-

“xvi) In case the miller lifts Paddy without release order & unauthorizedly converts it into rice, theft or misappropriation it shall tantamount to defalcation and Agency will take criminal action against the miller. The miller will be liable to pay the interest @ CCL rate of interest on the value of Paddy for the duration of defalcation. In addition, the miller along with his mill premises will be blacklisted.”



11.2 Further clause 28 of the Policy (Annexure P-1), provides for execution of agreement between the millers and the concerned procurement agencies, which reads as under:-

“28. **Execution of Agreements**

- i. *Millers doing custom milling of Paddy shall execute an agreement with the concerned Procurement Agencies immediately in the prescribed proforma and complete all other formalities in this regard, failing which the allotment of Paddy shall be cancelled.*
- ii. *Signatures on the agreement must be authorized by the partners/Directors through a legally executed General Power of Attorney. They will have to adhere to various terms and conditions incorporated in the agreement.*
- iii. *No Paddy will be given to any miller without executing proper agreement.*
- iv. *All the columns of the Agreement should be properly filled and each should be signed by both the parties.*
- v. *It will be the joint responsibility of the Sub-inspector, Inspector, AFSO, DFSO and DFSC to ensure that the agreement is executed with the Rice Mill totally in concurrence with the Policy and all relevant documents, security, Bank Guarantee (where ever applicable) in each & every case.*
- vi. *The agreement should be complete in all respect and duly signed by all the executors and submitted to head office.”*

11.3 Still further, clause 31 of the Policy (Annexure P-1), deals with the delivery of rice and sub-clause (iv) to (vii) and (xii), read as under:-

“(iv) **The Concerned DFSC/DMs shall maintain truck-wise paddy issue entries and monitor them for receipt of proportionate CMR as per schedule.**

- (v) *In the event of failure to deliver CMR, within stipulated period, the miller, as a penal provision, shall be liable to pay interest @ CCL.*
- (vi) *In the event of failure of the due delivery of CMR by the rice miller against the paddy issued, the miller shall be liable to pay the cost of short quantity of rice @ 110% of rates of CMR fixed by the Govt. Of India along with*



Compound interest @ 12% p.a. on the actual payable amount from 1" July 2026 till the date of actual payment. However, the waiving off the penalty is not appealable.

- (vii) *Rate of interest will be levied in the form of holding charges for delayed period on the delivery of CMR from the date it becomes due till the date of realization towards the left over quantity/stocks. District Milling Committee will ensure that the Holding Charges should be deducted in uniform pattern by all agencies.*

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- (xii) **In view of the clause no. 31(iv), if rice miller fails to deliver the CMR of KMS 2025-26 of the Agency as per the stipulated schedule and the Agency has to shift the Paddy stocks, it would be done at the risk and cost of the miller concerned giving him 7 days notice for this purpose. This paddy will be shifted after approval of the Director, Food, Civil Supplies & Consumer Affairs Department/Managing Directors of the concerned agency under intimation to FCI. The miller and his mill premises shall also be blacklisted.**

11.4 That apart clause 35 of the Policy (Annexure P-1), provides for arbitration in the following terms:-

“35 All disputes relating to interest, penalty, holding charges, milling charges including interpretations pertaining to the policy of custom milling of Paddy between the millers and the agencies shall be resolved through arbitration by an Arbitrator to be appointed by the Head of the concerned Procurement Agency on the request of any of the party in the agreement. There shall be no objection to any such appointment to the miller/DM/DFSC concerned. The cases of fraud, theft, embezzlement or misappropriation etc. are not covered under this clause and in such cases legal proceedings as deemed fit will be initiated against the defaulting rice millers.”

12. In furtherance and compliance to the aforesaid Policy (Annexure P-1), the petitioner-firm has already executed an agreement dated



10.10.2025 (Annexure P-2) with the District Food and Supplies Controller, whereunder clauses 4, 5, 7, 12 and 13, reads as under:-

- “4. (i) On receipt of the paddy through delivery challan, the Miller/Second Party shall cause the challan to be signed by him or his representative.
- (ii) The Miller/Second Party shall record on a separate register the paddy received through each Delivery Challan every day.
- (iii) One of the authorized partner/representative of the Miller/Second Party on a weekly basis (each Monday) shall inform the First Party about the total quantity of paddy received by him in the following format :-

| Sr. No. | Date | Challan No. | Qty. of Paddy. | Total of the week |
|---------|------|-------------|----------------|-------------------|
| 1 | 2 | 3 | 4 | 5 |

- (iv) Once the paddy has been accepted through the Delivery Challan by the Miller/Second Party, he or his representative shall put his signatures on the delivery challan. **The paddy so received by the Miller/Second Party shall be considered to be correct in terms of quantity and quality and no disputes shall be entertained after such acceptance with regard to the quality and quantity of the paddy received by the Miller/Second Party.**
- (v) No delivery challan accepted by the Miller/Second Party shall be recognised by the First Party/Agency unless it has been duly signed and issued by authorised representative of the 1st party.
- (vi) **The paddy stored in the mill of the Miller/Second Party shall remain in his custody and he will be responsible for any shortage or damage to paddy/rice stock.** Paddy procured by the Agencies will be stored in the premises of the allotted Rice Mills as per details given in subsequent paragraphs. The transportation of paddy from mandi/purchase center to mill will be done by the Transport Contractor Govt. agencies. **Hence the paddy will be delivered to the Millers in the mill itself, and he will be responsible for its quality and quantity till the rice is delivered to FCI in central pool.**



- (vii) *The Miller/Second Party, however, undertakes to mill approximately _____ MT of paddy purchased during Kharif Marketing Season 2025-26. The exact quantity of paddy shall be calculated as per actual delivery accepted by the Miller/Second Party. The details of actual delivery statement signed by both parties will be part of this agreement.*
- (viii) *Provided further that the First Party does not guarantee any definite volume of work relating to shelling of paddy at any time or throughout the period of contract. The mere mention of any item of work in this contract shall not by itself confer a right on the Miller/Second Party to demand that the work relating to shelling of paddy at a particular centre/mandi should necessarily or exclusively be entrusted to him. The First Party shall have the exclusive right to support one or more millers for any particular centre/mandi and to distribute the work between such millers in any manner that the First Party/Agency may decide and no claim shall lie against the First Party/Agency for such withdrawal/distribution of work.*
- (ix) *The miller/second party agrees to install CCTV cameras at the gates of the Rice Mill and the rice millers will retain soft copy of footage for all the period mentioned in the agreement.*
- (x) **The miller/second party will also maintain a stock register of the paddy allotted to him duly certified by the DIFSC/DMs of procurement agency. The stock entered in the stock register by the rice millers will be verified by the DFSCs/DMs of procurement agency by constituting a committee of at least three officer/officials not below the rank of Inspector, immediately after total allotment to the miller and before commencement of milling operation.**
- (xi) *Property/Land record like Fard/Jamabandi of the miller and guarantors should be taken at the time of the agreement with the mill.*
- (xii) *In case of partnership firm, the partnership deed should have been registered in Haryana.*
5. **The Miller/Second Party shall ensure that the paddy within his premises is stored in a scientific manner so**



that it does not get damaged or lost in any manner whatsoever. Each stack in which the paddy is stored shall be given a stack number. The Miller/Second Party shall make good the loss, if any, caused to the paddy stored in his premises due to any reason.

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- 7.(i) **Since the Miller/Second Party is also entitled to utilize the part of his capacity for milling of his own paddy, he shall keep a separate record with regard to the stocks of paddy and rice of both the parties separately. He shall further allow and facilitate inspection of record and physical inspection of paddy and rice belonging to the agency i.e. Government as well as of his own stocks.**
- (ii) **Authorized representatives of the First Party shall be entitled to inspect the record and the stocks at any time during the milling season.**
- (iii) The Miller/Second Party shall carry out the milling operations only of that paddy in respect of which the Release Order has been duly issued by the First Party. The Miller/Second Party shall apply for issuance of Release Order to the First Party, well in time and as per instructions on this subject.
- (iv) The Miller/Second Party shall complete delivery of rice due to Government /Agency on the total quantity of paddy issued to him within 10 (Ten) days of the issuance of paddy by way of Release Order to him. Rice against entire stock kept in his mill shall be delivered not later than the 30th June, 2026 **(Subject to the final milling period decided by the Government of India)** as per following schedule:-

The delivery schedule of CMR shall be regulated as under:-

Upto Dec. 2025 = 15% of the allotted Paddy
January, 2026 = 25% -do-
February, 2026 = 20% -do-
March, 2026 = 15% -do-
Upon May, 2026 = 15% -do-
June, 2026 = 10% -do-
(Subject to the final milling period decided by the Government of India)



In the event of failure to deliver Custom Milled Rice, within stipulated period, the miller, as a penal provision, shall be liable to pay interest @ CCL.

In the event of failure of the due delivery of CMR by the rice miller against the paddy issued, the miller shall be liable to pay the cost of short quantity of rice @110% of rates of CMR fixed by the Govt. of India, along with compound interest@ 12%p.a. on the actual payable amount from 1" May, 2025 till the date of actual payment. The waiving off the penalty is not appealable.

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12. *In case the Miller/Second Party fails or neglects to observe or perform any of his obligations under the contract, it shall be lawful for the First Party/Agency to forfeit the security amount after granting due opportunity and get the work executed at the miller's/ second party's risk and cost. **In case loss is caused to the First Party/ Agency, over dues, or damage to its property/ stocks etc., and total losses caused to the state exchequer shall be recoverable through concerned District Collector under arrears of land Revenue Act of 1887 from the Miller/Second Party/Sureties. In addition, such Miller and his Mill premises shall be liable to be blacklisted for future.***

Provided, further that the Govt. shall be within its right to recover the losses or damages from the millers as well as from the sureties jointly and severally in accordance with law.

13. *The delivery of rice by miller will be regulated as under:-*
- (i) *The Miller/Second Party shall not mill paddy without release order. **Theft or misappropriation shall tantamount to defalcation and agency will be entitled to initiate civil/criminal action against the miller/second party. In addition, the Miller/Second Party and the mill premises will also be blacklisted.***
- (ii) *The Miller/Second Party agrees to mill the paddy kept at any other storage point of the First Party/ Agency by way of mutual consent.*
- (iii) *The Miller/Second Party shall process the paddy within five days of issuance of Release Order.*



- (iv) *In case, rice miller fails to deliver the CMR of KMS 2025 of the Agency as per the stipulated schedule and the Agency has to shift the Paddy stocks, it would be done at the risk and cost of the miller concerned giving him 7 day notice for this purpose. The miller and his mill premises shall also be blacklisted.*
- (v) *There will be complete ban on the miller to mortgage, gift, sell or transfer the mill through any means to any other person till the dues of Custom Milled Rice are cleared (Affidavit from the miller should be taken in this regard in advance)*
- (vi) *In case of sole proprietorship, partnership firm, Private Limited company and Societies there shall be a complete ban on change of proprietor, partners, Directors or Members of Societies, once an agreement has been entered into for Custom Milling of Paddy or mill is allotted for Custom Milling or Paddy is stored in the mill for Custom Milling till the entire Custom Milled Rice due is delivered to FCI and account is settled with concerned Procurement agency.”*

13. It is thus evident that in terms of clause 22 (v) of the Policy (Annexure P-1), the paddy stored into the premises of the rice mill is under the joint supervisory custody of the rice miller and the State Procurement Agency, whereas the responsibility for quantity and quality is that of the concerned rice miller. It is also the responsibility of the miller to ensure that stock of the paddy/CMR within the miller premises is always available in accountable condition for accurate physical verification [see clause 22(x) of the Policy (Annexure P-1)].

13.1 Further in terms of clause 27(xvi), if in case, the miller unauthorizedly converts the paddy into rice or there is theft or misappropriation of the paddy, the same shall tantamount to defalcation and the State Procurement Agency has been authorized to take civil/criminal action against the miller. Further the miller is also liable to pay the interest



on the value of paddy and in addition, the miller along with his mill premises is also liable to be **'blacklisted'**.

13.2 Furthermore, under clause 31(xii); in case, the rice miller fails to deliver the custom milled rice of the agency as per the stipulated schedule, then the agency can shift the paddy stocks at the risk and cost of miller concerned.

13.3 Similar provision(s) (as noticed hereinabove) in Policy (Annexure P-1), are also contained in the agreement (Annexure P-2) executed between the parties.

14. Now, coming to the case in hand; as regards the first contention of petitioner that the direction for shifting of paddy from petitioner-Mill to another Mill is without any basis or provision under the Policy (Annexure P-1) and/or the agreement (Annexure P-2); suffice it to say that upon conjoint reading of the provisions contained in Policy (Annexure P-1) as well as agreement dated 10.10.2025 (Annexure P-2), as noticed hereinabove; there is no manner of doubt that the paddy/rice is the property of the procurement agency and even when the paddy is stored in the mill premises of the miller, during that period as well, such paddy remains under the joint supervisory custody of the rice miller as well as the State Procurement Agency. It is also specifically provided in the Policy (Annexure P-1) and agreement dated 10.10.2025 (Annexure P-2) that the responsibility for the quality and quantity will be of the concerned rice miller. Even as per clause 5 of the agreement (Annexure P-2), the Miller is liable to make good the loss, if any, caused to the paddy stored in his premises due to any reason.



14.1 Concededly on 16.11.2025, the officials of Food and Supply Department, Haryana, in terms of clause 7(ii) of agreement (Annexure P-2); conducted a physical verification of the stock of paddy available in the premises of the petitioner-firm, wherein it was found that 3772 Mt. of paddy was allocated to the petitioner, and only 2767 Mt. of paddy was found available and therefore, there was a shortage of 1005 Mt. paddy. Thereafter, a case FIR No.367 of 2025 was registered against the partners of the petitioner-firm at Police Station Butana, under Section 316(2) and 318(4) of the BNS, 2023, for allegedly misappropriating the allocated paddy. Even the anticipatory bail of partners of petitioner-firm was declined upto this Court.

14.2 Furthermore, the District Food and Supplies Controller (DFSC), Karnal, vide order dated 05.12.2025 (Annexure P-9), called upon the petitioner to deposit an amount of Rs.2,47,24,676/- towards shortage of 1005 Mt. of paddy, which has been concededly deposited by the petitioner **(without any protest)** on 05.12.2025 against receipt (Annexure P-11).

14.3 Keeping in view the aforementioned circumstances and also the express provisions contained in the Policy (Annexure P-1) as well as agreement dated 10.10.2025 (Annexure P-2) that for all intents and purposes, the paddy stored in the mill premises of the petitioner-firm is under joint supervisory custody of the miller as well as the State Procurement Agency and also that the paddy/rice shall be the property of the State Procurement Agency; I am of the considered view that the Department was well within its right to direct shifting of the paddy from the mill premises of the petitioner-firm to another mill vide letter dated 09.12.2025



(Annexure P-23), so as to ensure proper milling of paddy from a trustwrothy Miller. Accordingly, the first contention raised on behalf of the petitioners is rejected.

15. As regards the second contention of the petitioner-firm that the order dated 09.02.2026 (Annexure P-25) regarding blacklisting the petitioner-firm is arbitrary and bad as no opportunity of hearing has been given to petitioner on the aspect of blacklisting nor the period for which the petitioner-firm has been blacklisted has been specified; suffice it to say that the petitioner had earlier approached this Court by filing CWP-3320-2026, wherein petitioner had raised a grievance that no opportunity of hearing was afforded to petitioner, before taking action against the petitioner. On the other hand, it was the categoric stand of respondents-State that as per clause 13 of the agreement (Annexure P-2), Department was entitled to take civil/criminal action in case of theft or misappropriation and the Miller may also be blacklisted.

15.1 Upon consideration of the matter, this Court deemed it proper to direct learned Director General, Food, Civil Supplies and Consumer Affairs, Department to pass a speaking order after granting opportunity of hearing to petitioner; whereupon the impugned order dated 09.02.2026 (Annexure P-25) was passed, after affording opportunity of hearing to petitioner. Therefore, there is no merit in the plea of the petitioner that no opportunity of hearing was afforded to petitioner much less on the aspect of blacklisting as the said aspect was duly highlighted as well as noticed in the order dated 06.02.2026 (Annexure P-24) passed by this Court in CWP-3320-2026. That



apart, a perusal of various provisions/clauses of Policy (Annexure P-1) and also agreement (Annexure P-2) clearly depicts that in case of theft or misappropriation of Paddy by the Miller; the Miller and his Mil premises shall be 'blacklisted'. Therefore, considering the peculiar facts and circumstances of this case where, on 16.11.2025 upon physical verification of paddy stock lying in petitioner's Mill, a shortage of 1005 Mt. of paddy was found, which amounted to misappropriation, for which a case FIR No.365 of 2025 was also registered against partners of petitioner-firm coupled with the fact that the petitioner deposited the amount of Rs.2,47,24,676/- towards shortage of 1005 Mt. of paddy without any protest; there is no error so far as order of blacklisting of petitioner-firm is concerned.

15.2 However, the issue arises as to whether petitioner-firm can be blacklisted for an indefinite period. The said issue is no more *res integra* as the same stands settled by the Hon'ble Supreme Court in case of "**B.C. Biyani Projects Pvt. Ltd. Vs. State of Madhya Pradesh and others**", 2016 **SCC Online SC 2070**, wherein the following observations were made:-

"7. In Kulja Industries Limited Vs. Chief General Manager, Western Telecom Project Bharat Sanchar Nigam Limited [(2014) 14 SCC 731], this Court held in paragraph 25 of the report that "debarment" cannot be permanent and the period of "debarment" would invariably depend upon the nature of the offence committed by the erring contractor. Paragraph 25 of the report reads as follows

"25. Suffice it to say that "debarment" is recognized and often used as an effective method for disciplining deviant suppliers/contractors who may have committed acts of



omission and commission or frauds including misrepresentations, falsification records and other breaches of the regulations under which such contracts were allotted. What is notable is that the "debarment" is never permanent and the period of debarment would invariably depend upon the nature of the offence committed by the erring contractor."

8. *As mentioned above, the order for blacklisting the appellant is a permanent one. This is impermissible in law.*

9. *Since the appellant was blacklisted by an order dated 14th March, 2013 and since more than three years have gone by during which period the appellant has suffered blacklisting and also taking into consideration the fact that three out of six contracts have been completed by the appellant, we are of opinion that the period of blacklisting already undergone by the appellant is sufficient to meet the ends of justice.*

10. *Accordingly, we allow the appeal and set aside the order of blacklisting the appellant permanently and hold that blacklisting of the appellant will remain valid until today."*

16. At this stage, learned senior counsel for petitioner-firm has submitted that since petitioner-firm has already suffered consequences of blacklisting since passing of the order dated 09.02.2026 (Annexure P-25) till now; therefore, the order of blacklisting be modified to the effect that blacklisting period of petitioner-firm shall be only for current milling season i.e. upto June 2026.

16.1 On the other hand, learned State counsel has opposed the aforesaid plea and submitted that blacklisting period should be proportional to the acts of commission and omission.

17. I have considered the aforesaid plea raised by learned senior counsel for petitioner-firm as well as learned State Counsel. It needs no



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reiteration that while considering the period of blacklisting, the principle of proportionality has to be considered as the order of blacklisting entails both civil and penal consequences.

17.1 Since there is no dispute as regards shortage of Paddy stored at the Mill premises of the petitioner-firm; therefore, the order of blacklisting of the petitioner-firm appears to be in consonance with the relevant provisions of Policy (Annexure P-1) read with agreement (Annexure P-2), however, since no period of blacklisting of the petitioner-Mill has been specified; in my opinion, the same is unduly harsh. Considering the fact that 1005 Mt. paddy was found missing from the mill premises of the petitioner-firm and an amount of Rs.2,47,24,676/-, has been assessed as value for missing paddy; however, it is noticed that the same was deposited by the petitioner forthwith without any protest; accordingly, in my considered view, the ends of justice would be met if the period of blacklisting of petitioner-mill is confined to present milling season as well as next milling season i.e. Kharif Marketing Season (KMS) 2026-27.

18. No other argument was raised.

19. Keeping in view the above discussion, the present writ petition is ***disposed of*** in the aforestated terms.

20. All the pending application(s), if any, shall also stand closed.

(HARSH BUNGER)
JUDGE

27.05.2026

Ankit

Whether speaking/reasoned:
Whether reportable:

Yes/No
Yes/No