

**IN THE HIGH COURT FOR THE STATE OF TELANGANA
AT HYDERABAD**

**THE HON'BLE THE CHIEF JUSTICE SRI APARESH KUMAR SINGH
AND**

THE HON'BLE SRI JUSTICE G.M.MOHIUDDIN

WRIT APPEAL No.102 of 2026

DATE: 03.08.2026

Between:

Patanjali Foods Limited
Represented by its authorized representative
Suryaprakash Puppala

....Appellant

And

Department of Horticulture and 3 others

....Respondents

JUDGMENT

Heard Mr. S. Sriram, learned Senior Counsel representing M/s. TLH Advocates and Solicitors, appearing for the appellant; Mrs. B.Mohana Reddy, learned Government Pleader for Agriculture and Cooperation Department, appearing for respondent Nos.1 to 3; and Mr.Sannapaneni Lohith, learned counsel appearing for respondent No.4 and perused the record.

2. This writ appeal is preferred under Clause 15 of the Letters Patent, against the order dated 08.01.2026 passed by the learned Single Judge in W.P.No.9604 of 2025. By the said order, the learned Single Judge dismissed the Writ Petition filed by the appellant herein. The appellant in the Writ Petition challenged the cancellation of its factory zone in Suryapet District *vide* G.O. Ms. No. 13 dated 15 March 2025 and its re-allotment to respondent No. 4 *vide* G.O. Ms.

No. 14 dated 15 March 2025, along with the consequential letters dated 20.03.2025.

Factual matrix

3. The appellant, is a leading edible oil and FMCG company engaged in oil palm cultivation in the State of Telangana (formerly part of the erstwhile State of Andhra Pradesh) since the year 2009, initially operating under the name and style of MAC Oil Palm Limited. The present appeal arises out of proceedings under the Telangana Oil Palm (Regulation of Production and Processing) Act, 1993 (for short 'the 1993 Act') and the Memorandum of Agreement dated 15.03.2017 (hereinafter referred to as 'the 2nd MOA') executed between the appellant and the State Government represented by the Commissioner of Horticulture.

4. In the year 2021, the Government of India launched the National Mission on Edible Oils–Oil Palm (NMEO-OP) with a view to augment domestic palm oil production. Under the Scheme, oil palm growing States, including Telangana, were identified for financial assistance from the Central and the respective State Governments.

5. In the year 2009, MAC Oil Palm Limited was allotted factory zones comprising four mandals in Nalgonda District and one mandal in Krishna District of the erstwhile State of Andhra Pradesh. Pursuant thereto, a Memorandum of Agreement dated 16.04.2010

(hereinafter referred to as 'the 1st MOA') was executed between the Government of Andhra Pradesh and MAC Oil Palm Limited.

6. In the year 2012, MAC Oil Palm Limited amalgamated with the appellant. The amalgamation and consequential change in name were acknowledged by the Government of Andhra Pradesh *vide* G.O.Rt.No.347 dated 03.04.2012, pursuant to which a Memorandum of Understanding dated 25.04.2012 was executed.

7. In the year 2015, certain mandals earlier allotted to Sarada Yelishala Agrotech India Private Limited were re-allotted to the appellant *vide* Letter No. RKVY/OP/73/2013 dated 06.10.2015, which was subsequently confirmed *vide* Memo No.3256/H&S/2015 dated 09.01.2017. Consequently, by the year 2017, the appellant was operating in eleven mandals of Nalgonda District.

8. Pursuant to the Office Memorandum dated 12.06.2020 issued by the Ministry of Agriculture and Farmers Welfare, Government of India, expanding the potential area for oil palm cultivation in Telangana to 3,09,431 hectares, the Government of Telangana, *vide* Letter No. NFSM/89/2020 dated 18.06.2020, invited fresh applications for operation in the newly identified areas. Thereafter, the appellant was allotted 7,738 hectares in Nalgonda District and 11,300 hectares in Suryapet District (excluding the mandals already operational under respondent No.4) *vide* G.O.Ms.No.60 dated 16.12.2020. Subsequently, *vide* G.O.Ms.No.24 dated 10.06.2021,

four mandals earlier operated by respondent No.4 were also allotted to the appellant.

9. On 28.06.2021, the appellant furnished an affidavit undertaking to abide by the terms of the 2nd MOA in respect of the extended areas in Nalgonda and Suryapet Districts and setting out the proposed area of cultivation under the said districts.

10. The 2nd MOA dated 15.03.2017, *inter alia*, required the appellant to establish a processing mill within the stipulated period, identify and finalize the site for the processing unit, furnish periodical information regarding the progress of area expansion and establishment of the processing facility, and ensure procurement and processing of Fresh Fruit Bunches (FFBs) from farmers in accordance with the terms of the Agreement.

11. By letter dated 13.11.2021, the appellant requested the District Collector and Magistrate, Suryapet District, to allot 50 acres of land for establishment of the processing mill. According to the appellant, no response was received thereto.

12. During the year 2022, the appellant claims to have faced an acute shortage of seedlings and seed sprouts owing to severe scarcity, drought conditions and increased international demand. According to the appellant, notwithstanding the aforesaid constraints, it continued its operations and remained in regular correspondence with the office of respondent No.1.

13. On 12.12.2022, respondent No.1 issued a Show Cause Notice, *inter alia*, alleging that:

- a) The appellant had failed to achieve the plantation targets for the year 2022-23 due to shortage of planting material;
- b) It had not established the processing mill as required under the 2nd MOA; and
- c) It had consequently violated the terms and conditions of the 2nd MOA.

14. The appellant submitted its reply on 17.12.2022 explaining the measures undertaken to achieve the prescribed targets, including procurement of planting material, establishment of nurseries and identification of suitable sites for the proposed processing mill. Thereafter, a 2nd Show Cause Notice dated 19.12.2023 was issued by respondent No.1 reiterating the earlier allegations. The appellant, by its reply dated 22.12.2023, attributed the delay to deficit rainfall, fluctuations in market prices and the enforcement of the Model Code of Conduct during elections, while also informing respondent No.1 that it had identified approximately 220 acres of land in Nalgonda District for establishment of the processing mill.

15. The appellant thereafter addressed letters dated 09.09.2024 and 08.10.2024 to the Telangana Industrial Infrastructure Corporation Limited (TGIIC) and the Director, Telangana Food Processing Society, respectively, requesting allotment of suitable land

for establishment of the processing mill. According to the appellant, no response was received from either authority.

16. On 05.10.2024, a 3rd Show Cause Notice came to be issued. The appellant submitted its reply on 14.10.2024 seeking an extension of three months' time for establishment of the processing mill. Respondent No.1, thereafter, issued a notice dated 19.12.2024 fixing a personal hearing on 30.12.2024. The appellant appeared pursuant thereto and informed the authorities that the land for the proposed processing unit was in the process of being finalized.

17. By letters dated 22.01.2025 and 19.03.2025, the appellant informed respondent No.1 that it had purchased land admeasuring Ac.16.24 Gts situated at Yacharam Village, Anumula Mandal, Nalgonda District, for establishment of the processing mill.

18. Notwithstanding the aforesaid developments, respondent No.1, *vide* Letter No.OP/89/2020 dated 20.03.2025, informed the appellant that:

- i) By G.O.Ms.No.13 dated 15.03.2025, the allotment of the factory zone in Suryapet District stood cancelled; and
- ii) By G.O.Ms.No.14 dated 15.03.2025, the said factory zone had been allotted to respondent No.4.

19. Aggrieved thereby, the appellant instituted the underlying writ petition before the learned Single Judge challenging G.O.Ms.Nos.13 and 14, both dated 15.03.2025, and the consequential

communication dated 20.03.2025. The learned Single Judge after hearing the parties dismissed the said underlying writ petition *inter alia*, with the following observations:

- i) The Writ Petition was held to be maintainable, as the actions of the State in the realm of contractual matters are amenable to judicial review on the ground of arbitrariness. In arriving at the said conclusion, the learned Single Judge relied upon the precedents cited by the appellant.
- ii) On merits, the learned Single Judge held that Clauses 5 and 6 of the 2nd MOA cast a mandatory obligation upon the appellant to establish the processing mill within a period of 24 months. It was further observed that the appellant had not informed the Government, prior to the issuance of the impugned Government Orders, either about the purchase of land or the initiation of proceedings for conversion of the land under the Telangana Non-Agricultural Lands Assessment Act (hereinafter referred to as 'NALA Act').
- iii) While interpreting Clause 13 of the 2nd MOA, the learned Single Judge held that the obligation thereunder was not confined to furnishing information and documents, but also extended to compliance with the requirement of establishing the processing mill. Therefore, it was held that non-compliance with Clauses 5 and 6 would also attract the consequences

contemplated under Clause 13, including cancellation of the factory zone.

- iv) The learned Single Judge further held that the respondents had acted within the scope of their powers in cancelling the allotment of the Suryapet factory zone, particularly since the appellant continued to retain the Nalgonda factory zone where the proposed processing mill could be established.

20. Aggrieved thereby, the appellant has preferred the present Writ Appeal.

Submissions on behalf of appellant

21. Learned Senior Counsel appearing for the appellant, assailed the impugned order and has advanced the following submissions:

- i) That Clause 13 is confined to the obligation of furnishing “all the relevant information and documents” as may be called for by respondent No.1 from time to time to satisfy itself that the appellant was taking effective steps towards area expansion, establishment of nurseries, setting up of the oil palm mill and refinery. The consequence of forfeiture of deposit and cancellation of the factory zone is attracted only upon failure to furnish the information and documents sought for. It was therefore contended that the interpretation placed by the learned Single Judge, namely, that Clause 13 independently mandates the establishment of the processing mill and

provides for cancellation upon failure to establish the same, is contrary to the plain language of the clause.

- ii) That Clause 15 specifically provides the consequences of failure to commence processing within the stipulated period. In such an event, the appellant is obligated to procure FFBs from the farmers in the allotted factory zone at the prices notified by the Government, establish collection centres, and transport the FFBs to the nearest processing unit at its own cost. Significantly, Clause 15 does not contemplate cancellation of the factory zone as a consequence of delay in establishing the processing mill.
- iii) That the appellant had at all times complied with Clause 15 in its true letter and spirit by continuously procuring FFBs from farmers in the Suryapet factory zone through its collection centres and processing the same at its existing processing unit at Ampapuram, Andhra Pradesh, entirely at its own cost, thereby ensuring that no prejudice or loss was caused to the farmers either by way of price or weightage.
- iv) That the 2nd MOA is a standard-form contract formulated by the Government under a statutory scheme, where there is no parity of bargaining power between the parties. Consequently, the principle of *contra proferentem* would apply and any ambiguity as to whether non-establishment of the processing mill within twenty-four months constitutes an independent

ground for cancellation ought to be construed against the Government, being the author of the document.

- v) That when the contract itself contemplates extension of time and prescribes specific consequences for delayed performance, time cannot be regarded as the essence of the contract. Mere delay would not render the contract voidable unless the case falls within the ambit of the first paragraph of Section 55 of the Indian Contract Act, 1872.
- vi) That time was never intended to be the essence of the 2nd MOA. In support thereof, it was submitted that:
 - a) Clause 15 itself proceeds on the premise that the agreement would continue to operate even if the processing mill is not established within twenty-four months by requiring the appellant to continue purchasing FFBs from the farmers at the prices fixed by respondents Nos.1 to 3 and to arrange for their processing at its own cost.
 - b) The conduct of the respondents in not cancelling the allotment immediately upon expiry of the stipulated period, but instead permitting the appellant to continue operations, issuing repeated show cause notices and granting opportunities to comply, clearly demonstrates that the twenty-four month period was never treated as mandatory.

- c) The repeated extensions granted by the respondents and their continued correspondence with the appellant are wholly inconsistent with the contention that time was intended to be the essence of the contract.
- vii) That the impugned action of cancellation is grossly disproportionate to the alleged default, and it was submitted that:
- a) The appellant has continuously procured FFBs from farmers in the Suryapet factory zone at the prices notified by the Government through its collection centres, thereby fully safeguarding the interests of the farming community.
 - b) The appellant has made substantial investments in establishing nurseries, procuring planting material, expanding the cultivation area and undertaking farmer awareness programmes. It was submitted that, as on the date of institution of the writ petition, the appellant had invested approximately Rs.49.53 crores towards its operations in Nalgonda and Suryapet Districts.
 - c) In the circumstances, the extreme measure of cancellation and re-allotment bears no rational nexus and is disproportionate and unconscionable in relation to the alleged delay in establishing the processing mill.

- d) The cancellation of the factory zone and its re-allotment to respondent No.4 would not advance the object of the Scheme or confer any tangible benefit upon the farmers, since there is no assurance that respondent No.4 would establish the processing mill any earlier and, in any event, respondent No.4 would necessarily require considerable time to establish the requisite infrastructure.
- e) The proposed processing mill at Nalgonda was designed with sufficient capacity to cater to both the Nalgonda and Suryapet factory zones and, therefore, the learned Single Judge erred in proceeding on the premise that the proposed mill was intended exclusively for the Nalgonda factory zone.
- f) The appellant ranked fourth amongst fourteen companies implementing the NMEO-OP Scheme despite operating only in two districts, whereas Respondent No.4, despite operating for a longer period and in more districts, had achieved only about fifty per cent of its plantation targets.
- g) The plantation targets fixed under the Scheme were merely tentative and indicative in nature and not mandatory. In the absence of any contractual or statutory stipulation providing that non-achievement of

such targets would entail cancellation, the same could not have constituted a valid ground for the impugned action.

- viii) That the primary object of the 1993 Act, the Rules framed thereunder and the 2nd MOA is to ensure assured procurement of FFBs from farmers at Government-notified prices, whereas establishment of a processing mill is only a facilitating mechanism. It was contended that neither the Act nor the Rules authorises cancellation of a factory zone solely on the ground that a processing mill was not established within twenty-four months so long as procurement of FFBs at the notified prices continued uninterrupted.
- ix) That the writ petition was maintainable under Article 226 of the Constitution of India notwithstanding the contractual relationship between the parties, since the dispute involved arbitrary action on the part of the State and its instrumentalities. It was further submitted that no efficacious alternative remedy was available to the appellant, particularly when the cancellation of the factory zone and its simultaneous re-allotment to respondent No.4 left the appellant remediless.
- x) That, during the pendency of the proceedings, the appellant had made substantial progress towards establishment of the processing mill, thereby demonstrating its *bona fides* and continued commitment to comply with the obligations under

the 2nd MOA. In support thereof, reliance was placed on the following subsequent developments:

- a) Purchase of land admeasuring Ac.16.24 Gts in Nalgonda District;
 - b) Execution of a registered Sale Deed dated 16.07.2025 for purchase of an additional extent of Ac.5.20 Gts;
 - c) Execution of an Agreement of Sale dated 23.05.2025 for acquisition of a further extent of Ac.1.16 Gts;
 - d) Approval of the applications for conversion under the Telangana Non-Agricultural Lands Assessment Act by the Tahsildar-cum-Joint Sub-Registrar, Anumula Mandal, *vide* Proceedings Nos.2500342061 and 2500502274, both dated 02.08.2025; and
 - e) Submission of an application under the TS-iPASS system for obtaining all requisite statutory approvals and permissions for establishment of the processing mill.
- xi) That the aforesaid subsequent developments clearly establish that the appellant has taken concrete and substantial steps towards establishment of the processing mill and, therefore, the impugned action of cancellation of the factory zone no longer survives on facts.
- xii) The learned Senior Counsel in support of his case has relied upon the following decisions:

- a) *Ananya Kocha Shetty v. Lakshmibhai Narayan Santose*¹
- b) *Teri Oat Estate Pvt Ltd. v. UT, Chandigarh and others*²
- c) *Subodh Kumar Singh Rathour v. The CEO and others*³
- d) *Arosan Enterprises Ltd. v. Union of India and another*⁴
- e) *Andhra Pradesh Industrial Infrastructre Corporation Limited and others v. S.N.Raj Kumar and another*⁵

Submissions on behalf of the respondents

22. Learned Government Pleader appearing for respondent Nos.1 to 3 and learned counsel appearing for respondent No.4 have advanced the following submissions:

- i) That the scope of judicial review under Article 226 of the Constitution in matters arising out of commercial or contractual decisions of the State is extremely limited. Unless the impugned action is shown to be arbitrary, *mala fide*, irrational or in violation of statutory or constitutional provisions, this Court cannot sit in appeal over administrative or commercial decisions taken by the executive.
- ii) That G.O.Ms.No.60 dated 16.12.2020 prescribed various conditions governing the allotment of factory zones, including the obligation to establish and commission a fully operational oil palm processing unit within thirty-six months from the date

¹ (2025) SCC OnLine SC 758

² (2004) 2 SCC 130

³ (2024) 15 SCC 461

⁴ (1999) 9 SCC 449

⁵ (2018) 6 SCC 410

of first plantation and to execute a MOA in the prescribed format annexed to the said Government Order. According to the respondents, the appellant failed to execute such a MOA in terms of G.O.Ms.No.60.

- iii) That G.O.Ms.No.24 dated 10.06.2021 itself records that the appellant had not executed the MOA contemplated under G.O.Ms.No.60. Consequently, while allotting the four additional mandals to the appellant, the Government directed that the allotment would remain subject to the existing MOA and upon the appellant furnishing an affidavit incorporating the requisite conditions together with the balance Earnest Money Deposit.
- iv) That the appellant executed an affidavit dated 28.06.2021 undertaking to bring an extent of 49,038 hectares under oil palm cultivation by the year 2026-27. The appellant further acknowledged therein that failure to fulfil the stipulated conditions would entail forfeiture of the Earnest Money Deposit and cancellation of the factory zone.
- v) That the performance of the appellant was periodically reviewed by the Government and was found to be unsatisfactory. It was submitted that the appellant achieved only about 14% of the targeted plantation in the Suryapet factory zone, whereas in Nalgonda District the performance was approximately 36%. Taking into consideration the

comparatively better performance in Nalgonda, the Government retained the appellant in respect of the Nalgonda factory zone while cancelling the allotment relating to Suryapet District.

- vi) That the District Collector, Suryapet, by letter dated 02.08.2022, informed respondent No.1 that several farmers who had initially opted for oil palm cultivation were reverting to paddy cultivation owing to the appellant's inability to supply adequate planting material. In view thereof, the District Collector recommended re-allotment of the targeted area from the appellant to respondent No.4.
- vii) That, despite having been allotted the Nalgonda factory zone even prior to the bifurcation of the erstwhile State of Andhra Pradesh, the appellant had failed to establish the processing mill. Instead, the appellant continued to procure FFBs from Telangana and transport the same to its processing unit situated in the State of Andhra Pradesh, resulting in substantial loss of revenue to the State of Telangana.
- viii) That the appellant was afforded adequate and repeated opportunities to explain its position through issuance of multiple show cause notices, consideration of its replies and grant of a personal hearing. Therefore, the allegation of violation of the principles of natural justice is wholly misconceived.

- ix) That the appellant had sought to place selective reliance upon the 2nd MOA dated 15.03.2017 while completely overlooking the binding obligations flowing from G.O.Ms.No.60 dated 16.12.2020, the Model Memorandum of Agreement appended thereto, G.O.Ms.No.24 dated 10.06.2021 and the affidavit dated 28.06.2021 executed by the appellant. It was submitted that when the impugned Government Orders are read in conjunction with the aforesaid documents, the authority of the State Government to cancel the factory zone is clearly established.
- x) That the cancellation of the Suryapet factory zone was not founded merely on the delay in establishment of the processing mill, but also on the appellant's unsatisfactory performance in achieving the plantation targets. The show cause notices issued from time to time consistently referred to both deficiencies, namely, non-achievement of the stipulated targets and failure to establish the processing mill within the prescribed period.
- xi) That the subsequent steps relied upon by the appellant, such as purchase of agricultural land in Nalgonda District, execution of further sale transactions, filing of applications for conversion under the NALA Act and initiation of the process for obtaining statutory approvals, are all belated developments which cannot cure the admitted default.

23. We have taken note of the respective contentions urged and perused the material on record.

Consideration by this Court

24. Before advertng to the merits of the controversy, it is necessary to first consider the preliminary objection raised by respondent No.4 regarding the maintainability of the Writ Petition. The legal position governing the exercise of writ jurisdiction in contractual matters is no longer *res integra*. Though disputes arising purely out of private contracts ordinarily do not warrant interference under Article 226 of the Constitution, the position stands considerably qualified where the action of the State or its instrumentalities is alleged to be arbitrary, unreasonable or violative of Article 14 of the Constitution.

25. In ***ABL International Ltd. v. Export Credit Guarantee Corporation of India Ltd.***⁶, the Hon'ble Supreme Court, held as under:

27. From the above discussion of ours, the following legal principles emerge as to the maintainability of a writ petition:

(a) In an appropriate case, a writ petition as against a State or an instrumentality of a State arising out of a contractual obligation is maintainable.

(b) Merely because some disputed questions of fact arise for consideration, same cannot be a ground to refuse to entertain a writ petition in all cases as a matter of rule.

(c) A writ petition involving a consequential relief of monetary claim is also maintainable.

28. However, while entertaining an objection as to the maintainability of a writ petition under Article 226 of the Constitution of India, the court should bear in mind the fact that the power to issue prerogative writs under Article 226 of the

⁶ (2004) 3 SCC 553

Constitution is plenary in nature and is not limited by any other provisions of the Constitution. The High Court having regard to the facts of the case, has a discretion to entertain or not to entertain a writ petition. The Court has imposed upon itself certain restrictions in the exercise of this power. (See Whirlpool Corpn. v. Registrar of Trade Marks [(1998) 8 SCC 1] .) And this plenary right of the High Court to issue a prerogative writ will not normally be exercised by the Court to the exclusion of other available remedies unless such action of the State or its instrumentality is arbitrary and unreasonable so as to violate the constitutional mandate of Article 14 or for other valid and legitimate reasons, for which the Court thinks it necessary to exercise the said jurisdiction.

26. In **Subodh Kumar Singh Rathour** (supra 3), the Hon'ble Supreme Court reiterated that where the action of the State is challenged as being arbitrary, unfair or unreasonable, the requirements of Article 14 necessarily come into play. It was further observed that the distinction between matters governed purely by private law and those involving a public law element depends upon the nature of the controversy. Where the challenge is directed against the decision-making process of a public authority or the exercise of statutory or executive power, judicial review is available to ensure that such authority acts fairly, reasonably and within the bounds of law.

27. In the present case, the appellant has assailed the cancellation of the allotment of the factory zone on the ground that the impugned action is arbitrary, disproportionate and actuated by considerations extraneous to the terms governing the allotment. The challenge is directed not merely against the contractual consequences flowing from the 2nd MOA, but against the decision of the State and its authorities in exercising executive power to cancel the allotment and

simultaneously re-allot the factory zone to respondent No.4. Therefore, the controversy transcends the realm of a pure contractual dispute and involves a distinct public law element amenable to judicial review under Article 226 of the Constitution.

28. Once the action of the State is found to involve a public law element, the exercise of executive power, even in the contractual sphere, must satisfy the requirements of fairness, reasonableness and non-arbitrariness embodied in Article 14 of the Constitution. In this regard, the writ jurisdiction of this Court cannot be excluded merely because the dispute arises in the backdrop of a contractual relationship.

29. The principal issue that arises for consideration in the present Writ Appeal is the proper interpretation of the 2nd MOA, particularly Clauses 5(b), 6, 13 and 15 thereof, and whether the respondents were justified in cancelling the allotment of the Suryapet Factory Zone on the basis of the obligations contained therein.

30. In ***Provash Chandra Dalui v. Biswanath Banerjee***⁷, the Hon'ble Supreme Court while elucidating the interpretation of contracts, has held as under:

“10. ‘Ex praecedentibus et consequentibus optima fit interpretation The best interpretation is made from the context. Every contract is to be construed with reference to its object and the whole of its terms. The whole context must be considered to ascertain the intention of the parties. It is an accepted principle of construction that the sense and meaning of the parties in any particular part of instrument may be collected ‘ex antecedentibus et consequentibus; every part of it may be brought into action in

⁷ AIR 1989 SC 1834

order to collect from the whole one uniform and consistent sense, if that is possible.

As Lord Davey said in *N.E. Railway v. Hastings* (1900) A.C. 260 , "The deed must be read as a whole in order to ascertain the true meaning of its several clauses, and the words of each clause should be so interpreted as to bring them into harmony with the other provisions of the deed if that interpretation does no violence to the meaning of which they are naturally susceptible." In construing a contract the Court must look at the words used in the contract unless they are such that one may suspect that they do not convey the intention correctly. If the words are clear, there is very little the Court can do about it. In the construction of a written instrument it is legitimate in order to ascertain the true meaning of the words used and if that be doubtful it is legitimate to have regard to the circumstances surrounding their creation and the subject matter to which it was designed and intended they should apply."

(Emphasis supplied)

31. At this juncture, it would be apposite to reproduce the relevant clauses of the 2nd MOA dated 15.03.2017, which have a direct bearing on the controversy involved in the present case.

32. Clause 5(b) and 6 of the 2nd MOA is extracted hereunder:

Clause 5(b) and 6:

5) To establish of Oil Palm Processing Units comprising Oil Mill/Refinery/Fractionation Units of s MT/Irr capacity respectively as per the schedule given below.

Sl No.	Proposed district for establishing processing unit	Name of the Unit/Firm	Capacity in MT/Hour	Year of Commissioning
1	Nalgonda	Ruchi Soya Industries Limited	5	2018-2019

- a) The allotted Company should deposit an Earnest Money Deposit of Rs.5.00 Lakhs in favour of Commissioner of Horticulture, Govt of Telangana.
- b) The allotted Company should establish the processing unit within 24 months after entering into the agreement. The allotted company should bear all the investment at its own cost for purchase of land, setting up of processing unit obtaining other licences etc. The Department of Horticulture will not provide any loans and subsidies for setting up of processing units.

6) To identify and finalise the site for location of the Processing unit within two years from the date of receipt of final order of allotment zones.

A plain reading of the aforesaid clauses leaves no room for ambiguity. They impose a clear contractual obligation upon the appellant to identify the site and establish the processing unit within the stipulated period. The obligation itself is explicit and unequivocal.

33. The contention advanced on behalf of the appellant that time was not of the essence of the contract does not dilute or obliterate the existence of the aforesaid obligation. Whether time is to be regarded as the essence of the contract pertains to the consequences of delayed performance and not to the existence or enforceability of the contractual obligation itself.

34. Clause 13 of the 2nd MOA is extracted hereunder:

Clause 13:

13) The Occupier of the factory should submit to the Commissioner of Horticulture all the relevant information and documents called by him from time to time to satisfy himself that the Occupier of the factory is taking effective steps for:-

- i) Area expansion*
- ii) Setting up of Nursery*
- iii) Setting of Oil Palm Mill*
- iv) Setting up of Refinery*

Failure to comply with the information, leads to the conclusion that the occupier of the factory is violating the terms and conditions of the MoA made with the Commissioner of Horticulture, Telangana and attracts forfeiture of deposit and cancellation of Factory Zone without assigning any reason therefor.

35. The said Clause 13 obligates the occupier of the factory to furnish to the Commissioner of Horticulture all relevant information

and documents as may be called for from time to time in order to satisfy the Commissioner that the occupier is taking effective steps towards: (i) area expansion; (ii) establishment of nurseries; (iii) establishment of the oil palm processing mill; and (iv) establishment of the refinery.

36. The clause further stipulates that failure to comply with the information sought by the Commissioner would lead to the conclusion that the occupier has violated the terms and conditions of the 2nd MOA, thereby attracting forfeiture of the deposit and cancellation of the factory zone.

37. The appellant's contention that Clause 13 is confined only to the furnishing of information and documents and that the consequence of cancellation can arise only upon failure to furnish such information, does not merit acceptance.

38. It is pertinent to note that Clause 13 cannot be read in isolation. The requirement of furnishing information and documents is not an end in itself but serves the purpose of enabling the Commissioner to satisfy himself that the occupier is taking effective steps towards fulfilment of the obligations expressly enumerated therein, including establishment of the oil palm processing mill and refinery. The expression "effective steps" occurring in Clause 13 necessarily derives its content from the substantive obligations contained in Clauses 5(b) and 6. Therefore, failure to demonstrate compliance with those obligations through effective steps would

legitimately attract the regulatory consequences contemplated under Clause 13.

39. Further, acceptance of the interpretation canvassed by the appellant would substantially dilute the efficacy of Clause 13. If the provision were construed as requiring only the submission of information and documents, irrespective of whether effective steps had in fact been taken towards establishment of the processing mill, the regulatory mechanism envisaged under the 2nd MOA would be rendered largely ineffective. Such an interpretation would defeat the object underlying the agreement and, therefore, cannot be accepted.

40. Clause 15 of the 2nd MOA is extracted hereunder:

Clause 15:

15) The occupier of the factory zone is responsible for purchase of Fresh Fruit Bunches from the existing plantations in their factory zone as per the rates fixed by the Government of Telangana from time to time. In case any occupier of the factory does not commence processing of oil extraction unit, within the time limit, they are supposed to purchase Fresh Fruit Bunches in that factory zone as per the rates fixed by the Government through their collection centers and arrange processing without suffering the farmers produce i.e., loss in weightage of Fresh Fruit Bunches. They are responsible for arranging collection centers in their respective factory zone and to arrange transportation of Fresh Fruit Bunches from collection centers to nearest processing units at their own costs.

It is pertinent to note that Clause 15 provides that where the occupier fails to commence processing within the stipulated period, it shall continue to procure FFBs from farmers in the allotted factory zone at the prices notified by the Government, establish collection centres and arrange transportation of the FFBs to the nearest

processing unit at its own cost, so that the farmers do not suffer any loss.

41. The appellant's contention that since Clause 15 specifically prescribes the consequences of delay in commencement of processing, namely procurement and transportation of FFBs, the cancellation of the factory zone cannot be implied as an additional consequence, particularly when cancellation is expressly referred to only in Clause 13, cannot be accepted.

42. It is to be noted that Clause 15 and Clause 13 operate in distinct fields and address different aspects of the contractual arrangement. Clause 15 is intended to safeguard the interests of the farmers by ensuring uninterrupted procurement and processing of FFBs pending establishment of the processing unit. Clause 13, on the other hand, provides the regulatory consequence where the occupier fails to satisfy the Commissioner that effective steps are being taken towards compliance with the obligations undertaken under the 2nd MOA. The operation of one provision does not exclude or render otiose the other.

43. It must also be borne in mind that the 2nd MOA is not a purely commercial contract executed between two private parties. It is an instrument executed pursuant to the statutory framework under the 1993 Act, for implementation of the objectives contemplated thereunder. The reciprocal obligations contained in the 2nd MOA are inextricably linked with the allotment of the factory zone under the

Act. The appellant, as an occupier of the factory within the meaning of the Act, is governed not merely by the contractual stipulations but also by the statutory obligations flowing from the Act, the Rules framed thereunder and the Government Orders governing the scheme.

44. Considerable importance is also attached to the Affidavit dated 28.06.2021 executed by the appellant. Under the said Affidavit, the appellant expressly undertook to adhere to the provisions of the 2nd MOA governing the area expansion programme for oil palm development. The appellant further acknowledged that failure to comply with the requirements stipulated under the 2nd MOA would attract forfeiture of the deposit and cancellation of the factory zone. The said undertaking reinforces the contractual and regulatory obligations undertaken by the appellant. Thus, the learned Single Judge has rightly held that Clauses 5(b), 6, 13 and 15 must be read harmoniously and as part of an integrated contractual framework.

45. The submission advanced on behalf of the appellant that time was not of the essence of the 2nd MOA requires careful consideration. In **Arosan Enterprises Ltd.** (supra 4), the Hon'ble Supreme Court, has held as under:

“27. Mere fixation of a period of delivery or a time in regard thereto does not by itself make the time as the essence of the contract, but the agreement shall have to be considered in its entirety and on proper appreciation of the intent and purport of the clauses incorporated therein. The state of facts and the relevant terms of the agreement ought to be noticed in their proper perspective so as to assess the intent of the parties. The agreement must be read as a whole with corresponding

obligations of the parties so as to ascertain the true intent of the parties....

13. These presumptions of the High Court in our view are wholly unwarranted in the contextual facts for the reasons detailed below but before so doing it is to be noted that in the event the time is the essence of the contract, question of there being any presumption or presumed extension or presumed acceptance of a renewed date would not arise. The extension if there be any, should and ought to be categorical in nature rather than being vague or on the anvil of presumptions...."

(Emphasis supplied)

46. In *M/s. Hind Construction Contractors by its Sole Proprietor Bhikamchand Mulchand Jain (Dead) by Lrs. v. State of Maharashtra*⁸, the Hon'ble Supreme Court further held that even where a contract prescribes a specific period for performance, the question whether time is of the essence must be determined upon a holistic reading of the contract. The existence of clauses providing for extension of time or prescribing the consequences of delayed performance may indicate that strict adherence to the stipulated time was not intended to be an essential condition of the contract. The relevant portion of the said decision is extracted hereunder for ready reference:

"In the latest 4th edn. of Halsbury's Laws of England in regard to building and engineering contracts the statement of law is to be found in Vol. 4, Para 1179, which runs thus:

1179. Where time is of the essence of the contract. The expression time is of the essence means that a breach of the condition as to the time for performance will entitle the innocent party to consider the breach as a repudiation of the contract. Exceptionally, the completion of the work by a specified date may be a condition precedent to the contractor's right to claim payment. The parties may expressly provide that time is of the essence of the contract and where there is power to determine the contract on a failure to

⁸ (1979) 2 SCC 70

complete by the specified date, the stipulation as to time will be fundamental. Other provisions of the contract may, on the construction of the contract, exclude an inference that the completion of the works by a particular date is fundamental, time is not of the essence where a sum is payable for each week that the work remains incomplete after the date fixed, nor where the parties contemplate a postponement of completion.

Where time has not been made of the essence of the contract or, by reason of waiver, the time fixed has ceased to be applicable, the employer may by notice fix a reasonable time for the completion of the work and dismiss the contractor on a failure to complete by the date so fixed.

(Emphasis supplied)

*8. It will be clear from the aforesaid statement of law that even where the parties have expressly provided that time is of the essence of the contract such a stipulation will have to be read along with other provisions of the contract and such other provisions may, on construction of the contract, exclude the inference that the completion of the work by a particular date was intended to be fundamental, for instance, if the contract were to include causes providing for extension of time in certain contingencies or for payment of fine or penalty for every day or week the work undertaken remains unfinished on the expiry of the time provided in the contract such clauses would be construed as rendering ineffective the express provision relating to the time being of the essence of contract. The emphasised portion of the aforesaid statement of law is based on *Lamprell v. Billericay Union* [1849] 3 Ex 283, *Webb v. Hughes* [1870] L.R. 10 Eq 281 and *Charles Rickards Ltd. v. Oppenheim* [1950] 1 KB 616.”*

(Emphasis supplied)

47. Examining the present case in the light of the aforesaid principles, the following aspects assume significance:

- i) Clause 5(b) of the 2nd MOA unequivocally obligates the appellant to establish the processing unit within twenty-four months from the date of execution of the agreement.
- ii) The 2nd MOA does not contain any provision expressly permitting extension of the stipulated period for establishment of the processing unit. Equally, Clause 15 does not provide for extension of time or prescribe a contractual penalty for delayed

establishment of the processing mill. It merely ensures continuity in procurement and processing of FFBs so that the interests of the farmers remain protected during the intervening period.

iii) The appellant itself acknowledged the applicability of the stipulated timeline in its replies to the show cause notices by repeatedly seeking extension of time for establishing the processing mill. Such conduct clearly indicates that the appellant understood the obligation under Clause 5(b) to be binding.

iv) The fact that the respondents did not immediately proceed to cancel the factory zone cannot, by itself, be construed as a waiver of the contractual obligation. On the contrary, the issuance of successive show cause notices and the grant of personal hearing demonstrate that the respondents afforded adequate opportunity to the appellant to fulfil its obligations before taking the impugned decision.

48. It is to be noted that, it is unnecessary to determine whether time, in the strict legal sense, constituted the essence of the 2nd MOA. Even assuming that time was not of the essence, the contractual obligation cast upon the appellant under Clauses 5(b) and 6 remained binding. Admittedly, the appellant failed to establish the processing unit within the stipulated period and continued to remain in default despite repeated opportunities and extensions

afforded by the respondents. Thus, the respondents were justified in invoking the consequences flowing from the contractual framework, including Clause 13 of the 2nd MOA.

49. Further, the appellant has also assailed the impugned action on the ground that the cancellation of the Suryapet factory zone is arbitrary and disproportionate. The doctrine of proportionality requires that an administrative measure must bear a reasonable nexus with the object sought to be achieved and that the means adopted should not be excessive in relation to the purpose intended.

50. In ***Teri Oat Estates*** (supra 2), the Hon'ble Supreme Court held that the question whether the extreme power of resumption or forfeiture has been validly exercised depends upon the factual matrix of each case and that the Court, while exercising judicial review, must examine whether a proper balance has been maintained between the rights of the affected party and the public interest sought to be achieved.

51. The Hon'ble Supreme Court further observed that judicial review in such matters is directed not against the merits of the decision itself, but against the legality of the decision-making process. Administrative action is liable to interference only on the well-recognised grounds of illegality, irrationality, procedural impropriety or manifest arbitrariness.

52. Examined in the light of the aforesaid principles, we are unable to hold that the impugned action suffers from arbitrariness or disproportionality. The following circumstances assume significance:

- i) The appellant was allotted the Suryapet Factory Zone subject to a specific contractual obligation to establish a processing mill within the stipulated period. Admittedly, the said obligation remained unfulfilled for several years.
- ii) The respondents did not resort to cancellation immediately upon expiry of the stipulated period. On the contrary, multiple show cause notices were issued, the appellant's explanations were considered and a personal hearing was also afforded before the impugned decision was taken. Despite repeated opportunities, the appellant failed to establish the processing mill.
- iii) The purchase of land, execution of subsequent sale transactions, approval of applications under the Telangana NALA Act and initiation of the TS-iPASS process are all developments intimated to respondent No.1 subsequent to the issuance of the impugned Government Orders and, therefore, cannot invalidate the decision which was otherwise lawful on the date it came to be taken.
- iv) The material placed on record further indicates that the appellant's performance in achieving the plantation targets in

the Suryapet Factory Zone remained unsatisfactory, with only about 14% of the proposed area having been covered.

- v) The decision to cancel the allotment was not arbitrary or capricious, but was founded upon the contractual obligations contained in the 2nd MOA, the undertaking furnished by the appellant in its affidavit dated 28.06.2021 and the appellant's continued non-compliance despite repeated opportunities.
- vi) It is also relevant to note that the Appellant continues to retain the Nalgonda Factory Zone and remains at liberty to establish the processing unit there in accordance with law. Therefore, the impugned action does not prevent the appellant from carrying on its operations in the State of Telangana.

53. It is pertinent to note that the appellants contention on its overall ranking under the NMEO-OP Scheme, does not advance its case. The issue for consideration is not the appellant's comparative performance under the Scheme as a whole, but whether it discharged the specific obligations undertaken in respect of the Suryapet Factory Zone.

54. Further, this Court find no merit in the contention that the re-allotment of the Suryapet Factory Zone would not advance the object of the Scheme or that respondent No.4 may not perform any better. The validity of the impugned action is required to be tested on the basis of the legality of the decision-making process adopted by the respondents and not on a comparative assessment of the future

performance of the allottee. Once the appellant failed to comply with the conditions governing the allotment, it was open to the State to re-allot the factory zone to another eligible entity in furtherance of the objectives of the statutory scheme.

55. It is to be noted that the appellant contented on the subsequent developments that took place during the pendency of the proceedings, namely, the purchase of land for establishment of the processing mill, the approval of applications for conversion under the Telangana NALA, and the submission of an application under the TS-iPASS system for obtaining the requisite statutory approvals. In this regard, it is relevant to note the following:

- i) The steps relied upon by the appellant were undertaken only after repeated show cause notices had been issued by the respondents and, in substantial measure, after the issuance of the impugned Government Orders. The approval of the applications for conversion under the Telangana NALA was granted only on 02.08.2025, several months after the impugned Government Orders dated 15.03.2025.
- ii) As rightly observed by the learned Single Judge, the appellant had not intimated the Government regarding the purchase of the land prior to the issuance of the impugned Government Orders. The learned Single Judge has further noticed that the appellant communicated the purchase of the land only by its

letter dated 19.03.2025, subsequent to the cancellation of the allotment *vide* G.O.Ms.No.13 dated 15.03.2025.

- iii) The aforesaid subsequent developments cannot efface the appellant's pre-existing default in complying with its contractual obligations. The obligation to establish the processing unit within the stipulated period under the 2nd MOA remained unfulfilled for several years prior to the impugned action.

56. It is apposite to note that the subsequent developments relied upon by the appellant do not render the impugned Government Orders vulnerable to challenge. The validity of an administrative decision is required to be tested on the basis of the facts and circumstances prevailing on the date on which the decision was taken. The belated steps initiated by the appellant cannot invalidate an action which was otherwise justified on the basis of the material available before the respondents at the relevant point of time.

57. The appellant's contention that the principle of *contra proferentem* ought to be applied while construing the 2nd MOA, as it is a standard-form agreement drafted by the Government and executed without any real parity in bargaining power, does not merit acceptance. The doctrine of *contra proferentem* is attracted only where the contractual terms are genuinely ambiguous and are capable of more than one reasonable interpretation. As already discussed, Clauses 5(b), 6 and 13 of the 2nd MOA are clear and

unambiguous. Clause 5(b) unequivocally mandates the establishment of the processing unit within twenty-four months, while Clause 13 stipulates the consequences of failure to comply with the obligations undertaken thereunder. In the absence of any ambiguity in the contractual provisions, the doctrine of *contra proferentem* has no application. The appellant, having voluntarily entered into the 2nd MOA and accepted the obligations embodied therein, cannot seek to avoid the consequences of its admitted non-compliance by invoking the said principle.

58. Further, the appellants contention that the allegation regarding “poor performance” being introduced for the first time in the Counter Affidavit and did not form the basis of the impugned Government Orders, does not advance its case. The record reveals that right from the issuance of the 1st Show Cause Notice dated 12.12.2022, the respondents had consistently adverted to the appellant's failure to achieve the stipulated targets for area expansion under the Oil Palm Development Programme. The subsequent Show Cause Notices dated 19.12.2023 and 05.10.2024 also reiterated the appellant's inability to achieve the prescribed cultivation targets, while furnishing the relevant performance data. The targets undertaken by the appellant also formed part of the Affidavit dated 28.06.2021 and constituted an integral component of its contractual obligations. Therefore, the allegation of poor performance was neither an afterthought nor a new ground

introduced in the Counter Affidavit, but formed part of the material on the basis of which the respondents evaluated the appellant's performance. In any event, the principal ground for cancellation remains the appellant's failure to comply with its obligations under the 2nd MOA, while the unsatisfactory performance in achieving the cultivation targets only reinforces the decision taken by the respondents.

59. The submission founded on the doctrine of legitimate expectation is equally devoid of merit. The doctrine embodies a principle of fairness in administrative action and does not confer an independent or enforceable legal right contrary to the governing statutory or contractual framework. The appellant cannot legitimately expect the respondents to indefinitely continue the allotment despite its admitted failure to discharge the obligations undertaken under the 2nd MOA. The continued procurement of FFBs in terms of Clause 15 cannot create a legitimate expectation that the respondents would forbear from exercising the powers available to them under the contractual and statutory framework.

60. We are conscious that commercial agreements entered into by the State or its instrumentalities must inspire confidence amongst private participants and that arbitrary or capricious termination of such arrangements would undermine the credibility of public-private partnerships. However, the sanctity of such agreements rests upon reciprocal adherence to the obligations voluntarily undertaken by

both parties. In the present case, the impugned action cannot be characterised as arbitrary or disproportionate. The respondents proceeded only after issuing successive Show Cause Notices, affording the appellant an opportunity of personal hearing, and considering its explanations. The cancellation of the Suryapet Factory Zone was ultimately founded upon the appellant's continued non-compliance with the obligations under the 2nd MOA, particularly its failure to establish the processing unit within the stipulated period and its unsatisfactory performance in achieving the agreed targets.

Conclusion

61. For the foregoing reasons, this Court is of the considered view that the appellant failed to discharge its contractual obligations under the 2nd MOA by not establishing the processing unit within the stipulated period despite repeated opportunities afforded by the respondents. The decision to cancel the Suryapet Factory Zone was founded on the terms of the 2nd MOA, the undertaking furnished by the appellant, and the material on record demonstrating its continued non-compliance and unsatisfactory performance. The learned Single Judge has correctly appreciated both the factual and legal aspects of the matter and has rightly declined to interfere with the impugned Government Orders. Therefore, this Court find no ground warranting interference in the present Writ Appeal.

62. Accordingly, the Writ Appeal is dismissed. The impugned order dated 08.01.2026 passed by the Learned Single Judge in W.P.No.9604 of 2025 is affirmed.

As a sequel, miscellaneous petitions, pending if any, stand closed. No costs.

APARESH KUMAR SINGH, CJ

G.M.MOHIUDDIN,J

Date: 03.08.2026
szt