

**SUPREME COURT OF INDIA**

Ram Kripal Singh

Vs

State of Uttar Pradesh and Others

Appeal (Civil) 2675 of 2007

(Arijit Pasayat and L. S. Panta, JJ)

16.05.2007

**JUDGMENT**

**DR. ARIJIT PASAYAT, J.**

1. Leave granted.

2. Challenge in this appeal is to the order passed by a Division Bench of the Allahabad High Court dismissing the writ petition filed by the appellant. Challenge in the writ petition was to the recovery proceedings initiated against him under Uttar Pradesh Public Money's recovery of Dues Act, 1972 (in short the 'Act'). Prayer was to quash the citation issued by the Tehsildar principally on the ground that the proceedings are without jurisdiction as the respondent cannot proceed against the appellant as a guarantor unless and until the property of the principal debtor is sold. Since the recovery proceedings were initiated in the year 1993, recovery citation during the pendency of the earlier writ petition was illegal and therefore the appellant was entitled to get protection in view of what has been stated by this Court in Pawan Kumar Jain v. Pradeshiya Industrial and Investment Corporation of U.P. Â .

3. Respondents on the other hand supported the action taken relying on a decision of this Court in Kailash Nath Agrawal v. Pradeshiya Industrial and Investment Corporation of U.P. Â . It was also

pointed out that the decision in Pawan Kumar's case (supra) is not applicable as the company had been wound up and the official liquidator has been appointed.

4. Accordingly the High Court dismissed the writ petition holding that since that the company has been wound up and the proceedings against the guarantor i.e. appellant were perfectly in order.

5. Stands taken before the High Court were reiterated by the parties in this appeal. At first glance the appellants stand appears to be in terra firma because of what has been stated by this court in Pawan Kumar's case (supra).

6. On a closure scrutiny the finding of the High Court appears to be in order. Though it was urged that the recovery citation was issued after 24.1.2004 i.e. on 18th September, 2004, it is to be noted that the first recovery citation was issued on 3.9.1993. It is true that the same was under challenge in another writ petition. But the basic features are distinguishable. The present case is different from that of Pawan Kumar's case (supra) as principal debtors Company has already been wound up and official liquidator has been appointed. The company was declared as sick industry on 17.11.1994 by the Board for Industrial and Financial Reconstruction (in short the 'BIFR') where after the company has undergone winding up proceedings before the High Court. The BIFR submitted its recommendation for winding up and against the order of BIFR appellant had preferred an appeal before the appellate authority which was rejected on 9.1.1997. The company had filed a writ petition questioning orders of the BIFR and the appellate authority. By order dated 26.2.2003 the Writ Petition No. 14172 of 1997 was dismissed and in the winding up proceedings, Company Court has permitted official liquidator to proceed with the winding up.

7. It appears that proposal for one time settlement was made and nothing concrete has been done by the appellant. In *International Coach Builders Ltd. v. Karnataka State Financial Corporation* it has been held that the position would be different in the company is under liquidation.

8. It appears to be a classic case where the efforts for recovery of the amounts have been frustrated on some pretext or other. In *Orissa State Financial Corporation and Anr. v. Hotel Jogendra* it was held that a recalcitrant defaulters' case deserves to be dealt with sternly.

9. The right of State Financial Corporation (in short 'SFC') unilaterally exercisable under Section 29 of the State Financial Corporation Act, 1951 (in short 'SFC Act') is available against a debtor, if a company, only so long as there is no order of winding up.

10. SFCs cannot unilaterally act to realize the mortgaged properties without the consent of the official liquidator.

11. If the official liquidator does not consent, SFCs have to move the Company Court for appropriate directions to the official liquidator. In any event, the official liquidator cannot act

without seeking directions from the Company Court and under its supervision.

12. The inevitable result is that the appeal is without merit deserves dismissal, which we direct. Costs made easy.