

**COMPETITION COMMISSION OF INDIA**  
**Case No. 64 of 2012**

Dated: 29/11/2012

**IN THE MATTER OF:**

Vijay Rice & General Mills

Informant

v.

Punjab State Civil Supplies Corporation Limited

Opposite Party

**ORDER UNDER SECTION 26(2) OF THE COMPETITION ACT, 2002**

The present information has been filed by Vijay Rice & General Mills ('the informant') under Section 19(1)(a) of the Competition Act, 2002 ('the Act') against Punjab State Civil Supplies Corporation Limited (PUNSUP) ('the opposite party') alleging inter-alia contravention of Section 4 of the Act.

2. The informant is stated to be in the rice milling business since 1987. It requires various licenses, pollution control Clearances, water and electricity supply to successfully operate its business. These licenses are subject to renewal every year and the opposite party being a government corporation, allegedly, plays a big role in grant/refusal of these licenses/clearances.

3. The opposite party is a limited company under the Companies Act, 1956, and is under the control of the Punjab State Government. Its primary function is to procure items and arrange the distribution of the same in the State through its network/distribution centres. It also procures food grains and other commodities for the Central pool, for its own reserves and also for and on behalf of the other Government agencies. It procures paddy from the farmers and uses the services of the milling units, like that of the informant, to convert the paddy into rice.

4. In 2007, the informant accepted the work contract of the opposite party for the first time. The informant alleged that it was made to sign on a blank agreement but it trusted the opposite party, it being a state controlled agency. As the informant suffered heavy losses due to short delivery of paddy by opposite party in 2007, it decided not to sign the agreement in 2008.

However on the assurances of the opposite party to help the informant to make up for such losses, the informant signed the agreement for the year 2008 as well. In 2008 also, the opposite party allegedly failed to supply the desired quantity for milling and the informant again incurred losses.

5. The informant alleged that it was forced to sign similar contracts in 2009, 2010 & 2011 which resulted in heavy accumulated losses to the informant. The informant averred that the opposite party being a state controlled company dictated its terms and conditions and forced the informant to accept its paddy for milling and made the informant sign blank document(s)/agreement(s) containing clauses detrimental to the interests of the informant. Further, without considering the quality of paddy the opposite party had set a standard of accepting only 660 kg of milled rice against 1000 kg of paddy given to the informant while this yield is possible only in good quality of paddy.

6. The informant is primarily aggrieved by the modus operandi adopted by the opposite party in awarding milling contracts which according to the informant amounted to blatant abuse of its dominant position. This facilitated the practice of delivering sub-standard quality of paddy to the informant and asking a yield of superior quality. The other grievance is of making the informant sign on blank documents to be later on filled up by the opposite party to show that the paddy handed over by the opposite party to the informant was of 'A' quality (good quality), resulting into a roller coaster effect i.e. the informant being unable to deliver the desired quantities of rice to the opposite party. On the basis of these facts, the informant prayed to the Commission to initiate enquiry into the conduct of the opposite party so that the abuse of the dominant position and the mal-practices adopted pursuant to such dominant position, like coercing the informant to sign the documents on dotted lines, can be put to end.

7. As noted above, the allegations of the informant relate to rice milling services provided by it to the Opposite Party. Thus, the relevant product in the present case appears to be custom milling services of paddy. Thus, *prima facie*, the relevant product market in the instant case appears to be the market of custom milling services of paddy. The relevant geographic market in this case is the territory of the State of Punjab. Accordingly, the relevant market in the present case is the market of "custom milling services of paddy in the State of Punjab".

8. As per the information available on the web site of Department of Food, Civil Supplies and Consumer Affairs, Government of Punjab, the following agencies purchase paddy in the State of Punjab on the minimum support price(MSP) viz. FOODSUP/Punjab Grains Procurement Corporation Ltd.(PUNGRAIN), Markfed, PUNSUP, Punjab State Warehousing Corporation (PSWC), Punjab Agro Industries Corporation Limited (PAIC) and Food Corporation of India (FCI). The percentage of total paddy procured by these agencies in the State of Punjab for the year 2009-2010 is 30%, 20.7%, 22.9%, 12.2%, 9.5% and 4.8% respectively.

9. From the above, it may be noticed that the Opposite Party has a market share of 22.9% in procurement of paddy in Punjab and given the market construct, PUNSUP cannot be termed as dominant enterprise in procurement of paddy. Thus, the Opposite Party, *prima facie*, does not appear to be a dominant procurer of paddy and, therefore, cannot be a dominant user of custom milling services of paddy in the State of Punjab.

10. As the dominance of opposite parties is not established, it is futile to examine the alleged instances of abusive conduct.

11. In view of the above discussion there does not exist a *prima facie* case under section 4 of the Act to order DG investigation. Therefore, the Commission deems it fit to close the proceedings in the above case under section 26(2) of the Act.

12. The Secretary is directed to communicate the decision of the Commission to all concerned accordingly.

Sd/-

H.C. Gupta  
(Member)

Sd/-

R. Prasad  
(Member)

Sd/-

Geeta Gouri  
(Member)

Sd/-

Anurag Goel  
(Member)

Sd/-

M.L. Tayal  
(Member)

Sd/-

Justice(Retd.) S.N. Dhingra  
(Member)

Sd/-

Ashok Chawla  
(Chairperson)