

**WRIT PETITION Nos:19766, 19767, 19768 and
20657 of 2003****W.P.No.19766 of 2003**

M.Appalayya,

...Petitioner

Vs.

The Government of A.P. and Others

...Respondent(s)

Advocate for Petitioners:

Smt.K UDAYA SRI

Advocate(s) for Respondent(s):

GP FOR AGRICULTURE,
ADDL ADVOCATE GENERAL**CORAM : SRI JUSTICE CHALLA GUNARANJAN****DATE : 05th February, 2026.****COMMON ORDER:**

Petitioners in all these four writ petitions were earlier to employed in various categories as General Manager, Technical Assistants and Driver respectively with 4th respondent Society. Since all of them were sought to be brought under the purview of Voluntary Retirement Scheme (for short, "V.R.S.") that was rolled out by 4th respondent Society in pursuance to 68th meeting of Board of Directors of the Society, they instituted the present writ petitions challenging aforesaid decision taken in 68th meeting of Board of Directors and consequently, sought for direction to continue them in service till they attain the age of superannuation with all benefits.

2. (a) Petitioner in W.P.No.19766 of 2003 was appointed in the year 1987 as Marketing Development Officer, and later the said post got re-designated as General Manager, and accordingly, he continued to work. Likewise, petitioner in W.P.No.19767 of 2003 was appointed as Junior Assistant in the year 1991, and petitioners in W.P.No.19768 were all appointed as Technical Assistants in the year 1991, and so also petitioner in W.P.No.20657 of 2003 was appointed as Driver in the year 1991. Initially, 4th respondent Society came to be established in the year 1975 under the A.P. Cooperative Societies Act, 1964, with authorised share capital of Rs.300.00 lakhs, consisting of 12,000 shares of Rs.2,500/- each. The paid-up share capital as on 31.03.2000 remained as Rs.145.825 Lakhs , which essentially was contributed by cooperative societies to an extent of Rs.7.425 Lakhs and the rest by Government of Andhra Pradesh and Government of India. The societies those that were affiliated to 4th respondent Society were silk weavers cooperative societies, Sericulturists, Tassar growers, and weavers. The main object of promoting aforesaid Society was to render services to its affiliated members mainly in the areas of making regular and timely supply of quality inputs, besides marketing their output in order to enhance the potential of employment to the weavers. In the process, though initially the Society had tried to reach the objects as envisaged, however, due to adverse market conditions it slowly slipped into losses. As on 31.03.2000, the total outstanding

liabilities stood as Rs.228.260 lakhs as against the fixed assets of Rs.62.43 lakhs before depreciation.

(b) In that view, the Society had come up with a proposal for restructuring of the staffing pattern. The issue came to be referred to the expert committee to come up with appropriate study on the requirement of restructuring of the society. Adam Smith Institute, a private agency, along with Implementation Secretariat, Department of Public Enterprises, Government of Andhra Pradesh, have undertaken the study and proposed three options. One of the options was to restructure the Society. The said option came to be examined by the Society and was placed before the Board of Directors. Eventually, Board of Directors in its 68th Meeting held on 28.08.2003 took a decision to restructure the staffing pattern by downsizing the existing employees from 36 to 24 in various cadres. The said decision came to be taken keeping in view the general guidelines issued by the Government in terms of G.O.Ms.No.16, P.E. (PE.III) Department, 02.03.2001. The writ petitioners apprehending that they would be affected by the proposed voluntary retirement scheme that was sought to be rolled out in pursuance to the aforesaid Board of Directors meeting, preferred these writ petitions.

(c) Initially, in all these writ petitions, an interim direction, dated 18.09.2003, was passed directing to maintain *status quo* with respect to

the decision made by the Board of Directors insofar as V.R.S. was concerned.

3. (a) The respondents 3 and 4 filed common counter-affidavit in all these writ petitions opposing the respective prayers made therein by *inter alia* stating that the decision to downsize the staffing pattern and extending VRS was on account of the economic and financial distress, in which the Society was undergoing, only after the issue was appropriately consulted with the experts committee, who suggested various options for revival of the Society, which included the one of restructuring the staffing pattern, culminated into a conscious decision by the Board of Directors, therefore, the process and the reasoning in coming to such conclusion being transparent and based on sound application of mind does not call for interference.

(b) In the counter-affidavit, it is pleaded that the Society has incurred losses for 14 consecutive years and as on 31.03.2003, the accumulated losses were Rs.196.065 lakhs, thereby, the net worth of the Society getting completely eroded, which necessitated the Board to take appropriate call for revival or restructuring of the Society and any decision taken in that regard was only to safeguard the interest of the Society and the same essentially being an economic factor and criteria applied for downsizing the staffing pattern being rational, cannot be found fault with. Inasmuch as Bye-law No.16 empowered the Board to fix and sanction the staffing

pattern to the Society, including pay scales, responsibilities of the employees, downsizing the staffing pattern would be well within its powers. By pleading the same, the respondents sought for vacating the interim order.

4. Considering the nature of grievance raised in these writ petitions, that withholding of rolling out of V.R.S. would impeach the purpose of restructuring, essentially the restructuring being on account of the economic factors, those need to be appreciated for revival of the Society, the interim order granted earlier came to be vacated by orders, dated 02.01.2004. Aggrieved by the aforesaid orders, the writ appeals came to be preferred in W.A.No.148 of 2004 and others.

5. The Division Bench, while disposing of the writ appeals, in its judgment, dated 27.01.2004, though has not upset the order under challenge, but, however, made it clear that any option to be exercised by appellants in pursuance to V.R.S. would be without prejudice to their rights and contentions in pending writ petitions. In that view of the matter, the challenge laid in all these writ petitions would still survive for consideration of this Court.

6. Heard learned counsel for the petitioners and learned Special Government Pleader attached to the office of the learned Advocate General appearing for the respondents.

7. (a) Learned counsel for the petitioners, while reiterating the averments made in respective writ petitions, would primarily contend that the decision of Board of Directors to downsize the staffing pattern of 4th respondent Society was clearly without any basis and application of mind. There is no rationality in determining the number of staff to continue and the method and manner in which the downsizing was clearly not spelt out anywhere, therefore, the entire exercise was done in an arbitrary manner.

(b) It is further contended that entire of aforesaid exercise did not precede with any expert consultation nor on an objective consideration, therefore, the same was clearly vitiated. The persons, in particular, petitioners, who were thrust upon V.R.S. under the guise of downsizing the staffing pattern, and the persons those who were continued in service were sheerly discriminated as the method so adopted was clearly on pick and choose basis. The seniors in fact were brought under the net of V.R.S. though many others who are much juniors to them continued in service. Therefore, the methodology adopted in extending V.R.S. clearly lacked any rationality. Lastly, it is contended that subjecting petitioners to V.R.S. really deprived them from the balance service and consequential loss on account of dignified livelihood.

8. (a) *Per contra*, learned Government Pleader appearing for the respondents tried to support the decision taken in the Board meeting impugned in these writ petitions by contending that the entire exercise of

downsizing of staffing pattern was on account of the exercise that was undertaken to restructure the 4th respondent Society and the decision had preceded with Option Study Report submitted by an external agency viz., Adam Smith Institute in collaboration with the Implementation Secretariat working under the aegis of Department of Public Enterprises, Government of Andhra Pradesh. As a corollary to the recommendation made under the said report, the matter was placed before the Board of Directors, who have taken a conscious decision to downsize the staffing pattern, enabling the Society to turn around and come to profits. It is contended that the expenditure that was being incurred on account of salaries to the staff was one of major financial aspects, which was affecting the operations of Society, therefore, a conscious decision was taken to downsize the employees vis-à-vis the nature and volume of work.

(b) He further contended that the V.R.S. came to be implemented across the board to all the employees, however, as decision was taken to downsize the existing employees from 36 to 24, by applying the principle of last come first go, the junior most in the cadre were brought under the net of V.R.S. and the method and manner in which the entire exercise was undertaken was based on aforesaid methodology, therefore, petitioners being the juniors, they have been subjected to the V.R.S. Insofar as petitioner in W.P.No.19766 of 2003 was concerned, though he was General Manager and that there was only one such post, the Board has

taken a conscious decision to do away with the post of General Manager, which was highest paid post in the Society and as Board was empowered to sanction the staff and fix the pattern, including pay scales and responsibilities etc., by virtue of Bye-Law No.16, it is competent enough to restructure the staffing pattern and in the process, abolish any of the posts as well. Therefore, the restructuring that was done by abolishing the post of General Manager was well within the powers of the Board and hence, learned Government Pleader pleaded for dismissal of these writ petitions.

9. Perused the record and considered the rival submissions of learned counsels on either side.

10. All the petitioners were duly appointed in 4th respondent Society and they have been discharging duties. It is on account of the financial losses that the Society started to incur and ultimately net worth of the Society getting eroded, as apparent from the audited financial statement as of 31.03.2003, pegging the losses to Rs.196.50 lakhs, the Society has undergone the process of restructuring. Even before the aforesaid period, as on 31.03.2000 itself, the accumulated losses were pegged at Rs.213.4 Lakhs and it was also noticed that for a continuous period of 14 years, the Society was incurring losses. On that count, a proposal was muted by the very same Society for restructuring. In the proposal so muted, it was noticed that there were 36 employees in total, of which 12 were felt to be in excess, therefore, it recommended for downsizing its strength to 24 from

36. The proposal also had taken cognizance of the fact that the Society was being unduly burdened by salaries, which were working out to 5% of the turnover, therefore, it required serious re-thinking of the staffing pattern. That apart, some of the non-productive staff who were not contributing to either sales or income in any manner were also sought to be downsized in order to make the Society more efficient and effective in its business. In a way, the proposal aimed at balancing cost for employees, considering the volume of work, the sales and the revenue generation.

11. Apropos said proposal of 4th respondent Society, which incidentally was generated by petitioner in W.P.No.19766 of 2003, being the then General Manager, the Government had referred the matter for an expert committee to solicit ways forward in restructuring the Society. Adam Smith Institute along with Implementation Secretariat of the Department of Public Enterprises, Government of Andhra Pradesh, had undertaken extensive study and ultimately, submitted reform option study report suggesting three options - one was to continue the Society by restructuring and to realise redundant assets to reduce the liabilities, secondly, liquidating the Society and thirdly, absorbing the Society into the Department of Sericulture. The matter was later placed before the Cabinet Sub-Committee on Public Enterprises for taking a decision on the manner in which they propose to deal with the Society. In its meeting held on 04.06.2003, the Cabinet Sub-Committee has decided to go with the first option of restructuring the

Society and to realise redundant assets enabling reduction of liabilities. In the process, it was suggested that the existing employees be downsized from 36 to 24. The said decision was also favoured positively by the Registrar of Cooperative Societies vide proceedings, dated 08.07.2003. Thereafter, the matter was placed before the Board of Directors of the Society. In its 68th meeting held on 28.08.2003, the Board has eventually deliberated on the issue of V.R.S. being extended to the employees of Society as Agenda No.8. The decision so made, which is relevant for all these cases, reads as under:

“8. VRS For employees of SERIFED:

The board discussed in detail about VRS to the employees of SERIFED. The Board decided to follow scrupulously G.O.Ms.No.16 PE (PE.III) Dept, dt.2-3-01. This G.O. requires that Serifed should first identify the surplus posts and staff, Category-wise. Once such surplus posts are identified, VRS has to be offered only to such employees. The board accordingly identified the following posts and the employees against those posts as surplus posts. The board also decided to adopt the criteria of "Date of entry in Serifed", in case whose the "Date of Regular appointment" is the same, for deciding the seniority, for the purpose of VRS. The list of posts and the employees, who are to be offered VRS, are:

Sl. No.	Post	Name	
1.	General Manager	M.Appalayya	3 Posts against the category "Officers"
4.	Technical Asst.	S.Badrinarayana	4 posts against the category "Clerical"
5.	Technical Asst.	B.Vasudeva Rao	
6.	Technical Asst.	R.Gangadhar Rao	
7.	Jr. Asst.	P.Appala Raju	
8. 9.	Driver Driver	T.Masoodvali S.Shivakumar	2 Posts against the

			category "Drivers"
14.	Attender	P.Manijyalxmi	5 Posts against the category "Attender"

While deciding the above list, Board has been guided the fact that posts of "Technical Asst." are no more required as all the Reeling & Twisting units are closed. The board also kept in view the financial status of the Federation, and wanted that administrative expenditure on salary etc., should be minimized.

Managing Director is authorized to issue option letters to the above employees giving (15) days time to exercise their option."

12. Perusal of aforesaid extracted part of resolution would indicate that the Board had broadly gone by the guidelines which were envisaged in G.O.Ms.No.16, dated 02.03.2001, which has set out the manner in which surplus posts and staff were required to be identified before applying or extending V.R.S. to the said category of staff. It also transpires that one of the criteria stipulated for deciding which of those employees to be applied V.R.S., having regard to their seniority, it candidly adopted the criteria of date of entry into the Society in case more than two employees have the same date of regular appointment for deciding the seniority *inter se*.

13. By applying the aforesaid test, the 12 persons, who were declared to be in excess on account of downsizing, have been identified. Further, the Board has also stated that inasmuch as the posts of Technical Assistants, who were working in reeling and twisting units, on account of closure of such units, were no more required, they were also considered for the purpose of V.R.S. under the category of Technical Assistants though they really did not fall under the category of clerical.

14. Learned counsel for the petitioners in one of the contentions tried to raise an issue that some of the employees, who were much junior to petitioners, in particular, working as Technical Assistants, have been continued despite petitioners being much senior to them. To buttress the same, he tried to refer to the reply affidavit filed.

15. On close scrutiny of the plea so raised, though petitioners have stated in general that some of the persons junior to them were continued, no specific particulars as such have been furnished. That apart, it appears the computation of seniority was construed on the basis of the age of the employees rather than their entry into service. Therefore, this Court is not convinced on aforesaid plea.

16. Besides that, it is also contended that though the initial proposal and so also the orders of Registrar of Society contemplated downsizing of employees falling under Clerical category from 18 to 14, the petitioners, who were working as Technical Assistants, have been brought under the purview of Clerical category, though they really do not fall under such category as being class apart. The proposal and as well as the orders of Registrar of Societies, did downsize certain category of employees. However, it is for the Board finally to take a call as to which category of employees are required to be downsized, having regard to the economic consequences and the requirement of staffing pattern, it would to continue with the existing operations. The resolution did provide for specific

reasoning that inasmuch as reeling and twisting units, in which the Technical Assistants earlier used to work, since were closed, the work and functions which was earlier to discharged by them since no longer exists, and they were categorized as Clerical for time being, those categories of posts came to be downsized. The power to downsize or restructure the staffing pattern emanates from the Bye-laws of the Society.

17. So long as the Society enjoys the power to do such restructuring pattern, unless it is shown that the power so exercised is patently erroneous or manifestly arbitrary, this Court will not sit in appeal and re-examine as to whether the decision so made is illegal. The Board has primarily gone by the recommendations made by the Expert Committee and also the guidelines issued by the State Government for coming to the conclusion of downsizing the employees. It is for the employer to decide as to how many number of employees or the pattern of employees to continue, having regard to the activities and the business carried on by the Society. In matters of economic prudence, the employer would be the best person to scale and judge the need and necessity of manpower required to run the organisation, definitely, this Court would have no expertise to embark on deciding such intrinsic requirements.

18. In that view of the matter, I see no reason to interfere with the decision made by the Board of Directors and the consequential implementation of V.R.S. to the petitioners.

19. Accordingly, all these writ petitions stand dismissed. No order as to costs.

As a sequel, miscellaneous petitions pending consideration, if any, in this case shall stand closed.

Date:05.02.2026.

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JUSTICE CHALLA GUNARANJAN