

**SUPREME COURT OF INDIA**

Narayanrao Jagobaji Gowande Public Trust

Vs.

The State of Maharashtra &Ors.

C.A.No.870 of 2016

(V.Gopala Gowda and Amitava Roy,JJ.)

04.02.2016

**JUDGMENT**

**V.Gopala Gowda,J.**

(Arising out of SLP(C) No.25972 of 2009)

1. Delay condoned. Leave granted.
2. These appeals are directed against the common impugned judgment and order dated 29.8.2008 passed by the Division Bench of High Court of Judicature at Bombay, Nagpur Bench, Nagpur in various Writ Petitions including Writ Petition No.1034 of 1995, wherein the High Court has dismissed all the writ petitions.
3. As all the appeals raise the same question of law, for the sake of convenience and brevity, we would refer to the facts from the appeal arising out of SLP (C) No. 25972 of 2009. Brief facts are stated hereunder to appreciate the rival legal contentions urged on behalf of both the parties:

“On 01.01.1937, the Nagpur Improvement Trust Act, 1936 (hereinafter referred to as the "NIT Act") came into force under which the Nagpur Improvement Trust (hereinafter referred as "NIT") was established and incorporated to provide for improvement and expansion of Nagpur Town.”
4. The State of Maharashtra vide notification dated 29.06.1939 sanctioned a Civil Station Expansion Scheme of 1939 of the NIT.
5. On 28.02.1942, one Smt. Laxmibai Gawande, wife of Narayanrao Gawande purchased a piece of land, measuring 3.59 acres, comprised in Khasra no. 65, Mouza Ajni, Nagpur by a registered deed from Vithoba Fakira Teli. On 27.04.1944, she executed a Release Deed in favour of her husband Narayanrao Gawande whereby he became the absolute owner of the said land.

6. It is an undisputed fact that the land in question fell within the Civil Station Expansion Scheme of 1939 of NIT.

7. On 11.11.1968, Mr. Narayanrao Gawande applied to respondent no.2-NIT for the development of his said open space land and gave an undertaking whereby he agreed to have the layout of the land formed as per the plans, suggestions and directions of respondent no.2-NIT. In this connection, a development agreement was executed on the same day between Narayanrao Gawande and the NIT, whereby NIT permitted him to develop the said land in a planned way in accordance with the approved scheme and as per the sanctioned layout plan. In the said layout plan, an area was reserved for primary school, which was a public utility land.

8. After the death of Narayanrao Gawande, the appellant-Narayanrao Jagobaji Gawande Public Trust (hereinafter called the "appellant-trust") was created and the said land became the property of this trust. On 21.02.1985, a development agreement was executed between the appellant-trust and the NIT for ratifying the earlier development agreement dated 11.11.1968 which included the sanctioned map/plan showing the land reserved for primary school/public utility purpose. Under the said agreement, the appellant-trust was permitted to develop the layout subject to various conditions including the following one:

"Whereas the said Party No.2 shall agree to transfer the land and or primary school/open land in the said layout at free of cost for Party No.1 before release of plots and Party No.1 shall be free to dispose of this land as per its rules and regulations."

The above Clause contained in the said development agreement (hereinafter called the "impugned clause") provides for the transfer of the land earmarked for the primary school or other public utility purposes, after its development in favour of respondent no.2-NIT without payment of any compensation to the land owners.

9. Respondent no.1- State vide its order dated 05.8.1993 sanctioned the allotment of land from out of Khasra no. 41/1 and 45 Mouza Somalwada, Nagpur in favour of respondent no.3-Santaji Mahavidyalaya for the construction of a senior college. Pursuant to the aforementioned sanction, respondent no. 2-NIT allotted a piece of land in B.D. Thapar layout to Respondent no.3-Santaji Mahavidyalaya. On 25.02.1994 respondent no.3 requested respondent no.2-NIT for a change in location of the allotted plot for the construction of said senior college. The respondent no.2-NIT, by its resolution allotted a land, measuring 1907.65sq.m, comprised in Narayanrao Gawande layout to respondent no.3 in exchange of land.

10. Feeling aggrieved by the action of allotment of land, comprised in Narayanrao Gawande layout, taken by respondent no.2-NIT, the appellant-trust approached the High Court by filing Writ Petition No. 1034 of 1995. Some other writ petitions were also filed by the aggrieved parties. In the said Writ Petitions, the aforesaid action of respondent no.2-NIT was

challenged on the ground of being without jurisdiction and authority of law and also being contrary to the provisions of the NIT Act. The High Court vide its common judgment and order dated 29.08.2008 has dismissed all the Writ Petitions on the ground that the respondent no.2-NIT is free to allot the land by following due procedure of law for public utility purpose. It neither found arbitrariness nor illegality in the aforesaid action of the respondent no.2-NIT in allotting the said public utility land as reserved in the sanctioned layout plan. Hence, these appeals have been filed urging various grounds questioning the correctness of the common impugned judgment and order passed by the High Court.

11. Mr. Shekhar Naphade, the learned senior counsel appearing on behalf of the appellant-trust contended that the impugned clause in the development agreement dated 21.02.1985, referred to supra, which provides for the transfer of developed land by the land owners to NIT free of cost and without payment of any compensation, is void and unenforceable in law in the light of the provisions of Sections 23 and 25 of the Indian Contract Act, 1872. He challenged the said clause of the development agreement on the ground of it being hit by Section 25 of the Indian Contract Act, 1872 as the said agreement is neither registered under the provisions of the Registration Act nor stamped as per the provisions of the Bombay Stamp Act. In this regard he placed strong reliance upon the decision of this Court in the case of *Central Inland Water Transport Corpn Ltd & Anr. v. Brojo Nath Ganguly & Anr.* The relevant para 89 cited by the learned senior counsel reads thus:

"89 The principle deducible from the above discussions on this part of the case is in consonance with right and reason, intended to secure social and economic justice and conforms to the mandate of the great equality clause in Article 14. This principle is that the courts will not enforce and will, when called upon to do so, strike down an unfair and unreasonable contract, or an unfair and unreasonable clause in a contract, entered into between parties who are not equal in bargaining power...."

12. He further contended that respondent no.1-State cannot acquire any land by incorporating a clause like the impugned clause contained in the development agreement, in the instant case, which has been executed between itself and the land owners to the effect that the land owners shall transfer the land developed by them for public utility purpose, free of cost and without getting any compensation from the NIT. In support of the aforesaid contention he placed strong reliance upon the decisions of this Court in *Pt. Chet Ram Vashist v. Municipality Corporation of Delhi and Yogendra Pal & Ors<sup>2</sup>. v. Municipality, Bhatinda & Ors<sup>3</sup>.*

13. It was further contended by him that in view of Section 7 6 of the NIT Act read with Rule 3 of the NIT Land Disposal Rules, 1983, respondent no.1-State should not have sanctioned the allotment of land in favour of respondent no.3. Section 76 of the NIT Act provides for disposal of any land vested in or acquired by Trust subject to rules, if any, made by the State Government. However, in the present case, respondent no.2 has allotted a piece of land comprised in Narayanrao Gawande layout in favour of respondent no.3 when the said piece of land was neither vested in nor acquired by respondent no.2-NIT.

14. It was further contended by the learned Senior counsel that the High Court has erred in holding that the appellant-trust had received consideration for transfer of the said land in the form of benefits. He further submitted that release of the said land reserved in the layout plan from acquisition and grant of permission to sub-divide the plots cannot be considered to be a consideration. He further submitted that the ground as noted above was not taken by respondent no.1 before the High Court and therefore, the same ought not to have been considered by it.

15. It was further contended by him that the High Court has failed to appreciate the scope and scheme of various provisions of NIT Act, particularly Sections 26, 39, 45, 58, 59 and 68.

16. While contending further, he drew the attention of this Court towards various provisions under chapter IV of the NIT Act dealing with Improvement Schemes. Section 26 of the NIT Act deals with the matters to be provided for improvement schemes. Further, Section 27 of the NIT Act provides for various kinds of improvement schemes which include a street scheme under its clause (d). Section 31 of the NIT Act specifically deals with Street scheme. Section 31 (2)(a) stipulates that the Trust can even acquire a land, which in its opinion, is necessary for the execution of a street scheme. Under Section 44 of the NIT Act, power is given to the State Government to sanction, reject or return improvement scheme. Once an improvement scheme is sanctioned by the State Government, a final notification in that regard is issued by it under Section 45 (1)(a) of the NIT Act. He further submitted that in item 2 of the Schedule appended to the NIT Act it is provided that publication of notification under the provisions of Sections 39 and 45 of the NIT Act shall have the same effect as a notification under Sections 4(1) and 6 respectively of the Land Acquisition Act, 1894. He further submitted that it has already come on record that the notification under Section 45 of the NIT Act in respect of "Ajni Street Scheme", was published and the entire land covered under the said street scheme including the land owned by the appellant-trust was under acquisition for the execution of the said street scheme.

17. The learned senior counsel further drew the attention of this Court towards Section 58 of the NIT Act. The aforesaid Section deals with the acquisition by agreement and empowers the Trust to enter into an agreement with any person for the acquisition, by purchase, lease or exchange of any land within the area comprised in a sanctioned scheme. He further submitted that Section 58 of NIT Act doesnot in any manner provides fo opting to acquire a part of the land covered under the scheme and a part of land being left un-acquired either by agreement or by compulsory acquisition. In the light of aforesaid, if at all, respondent no.2-NIT intended to acquire the land of the appellant-trust under the aforesaid Section, it could not have acquired the said land, by development agreement, without acquiring the entire land (measuring about 13.45 acres). Further, assuming that NIT can acquire a part of land by agreement under Section 58 of the NIT Act, then it ought to have acquired the remaining land by compulsory acquisition and nothing like this has happened in the instant case.

18. It was further contended by the learned counsel that Section 68 of the NIT Act empowers the Trust to abandon the acquisition of the land which is subsequently discovered to be unnecessary for the execution of the scheme on the terms and conditions stipulated therein.

He further submitted that from the perusal of both the provisions of Sections 58 and 68 of the NIT Act, it is clear that the development agreement in question has been entered into between the parties under Section 68 of the NIT Act as all the conditions required under the said Section are fulfilled. He fortified his aforementioned submission by emphasizing upon clause 2(ii)(b) of the development agreement which reads thus:

"b) If and when any improvement scheme for development of the area in which the aforesaid Kh. No. 65 of Mouza Ajni is situated is sanctioned by the State Government, the party no. 2 shall be liable to pay the betterment or abandonment charges which may be assessed on the plots in accordance with the provisions of the Nagpur Improvement Trust Act."

19. He further contended that once a scheme is declared and notification akin to Section 6 of the Land Acquisition Act, 1894 is issued in this regard, the entire land covered under the scheme has to be acquired by NIT and no provision of the NIT Act permits the release of any land, partly or wholly, by NIT from acquisition, except in a case where the said land is subsequently discovered to be unnecessary for the execution of the scheme as contemplated under Section 68 of the NIT Act which empowers the abandonment of acquisition. He further submitted that there is no other provision in the NIT Act which empowers the NIT to release the land on the terms and conditions contained in the development agreement and particularly the condition contained in the impugned clause. The fact of the matter, in the instant case, clearly shows that the land of the appellant-trust which was included in the approved scheme by the State Government was subsequently discovered to be unnecessary for the execution of the said scheme by the NIT.

20. It was further contended that a bare perusal of the development agreement reveals that all the terms and conditions of the development agreement, except the condition contained in the impugned clause, relate to development of the property. There is no relevance of the condition contained in the impugned clause with the development purpose as contemplated under sub-section (1) of Section 68 of NIT Act. Therefore, in the light of aforesaid, the NIT does not have any power, whatsoever, to incorporate such condition in the development agreement, which is not only unilateral but also unconscionable. Thus, the said condition cannot be made binding upon the appellant-trust and consequently, the same cannot be enforced against it.

21. It was further submitted that NIT has no power to acquire, by transfer or otherwise, land de hors the provisions of the NIT Act in lieu of charging the betterment contribution from the appellant-trust. He further submitted that Section 68(4) of the NIT Act provides that when an agreement is executed in pursuance of sub-section (1) to Section 68 of the NIT Act, the proceedings for the acquisition of land shall be deemed to be abandoned. Section 68(5) of the NIT Act provides that the provisions contained in Sections 70–74 of the NIT Act shall apply mutatis mutandis for the assessment of betterment charges, its levy and recovery. Further, as per Section 70 of the said Act, NIT is required to pass a resolution determining such betterment contribution. Once such a resolution is passed, the execution of the scheme, by a legal fiction under sub-section (1) to Section 70 of the NIT Act, is deemed to have been

completed and the betterment contribution is then, calculated as per the procedure prescribed therein. He further submitted that nothing has been placed on record by NIT to show that any such resolution has been passed assessing the betterment contribution under Section 70(1) of NIT Act. He further submitted that the development agreement in question itself provides for the payment of the betterment charges, in future, on such conditions, from such persons, as may be assessed in accordance with the provisions of the NIT Act. For this purpose, the clause 2(ii)(b) of the development agreement (supra) stipulates that the appellant-trust shall bind itself to incorporate a clause in the sale deed of each plot to the effect that the plot is sold subject to the responsibility of the purchaser to pay betterment charges to NIT in accordance with the provisions of the NIT Act.

22. It was further submitted by him that the NIT Act is a self-contained Act and there is no need to place reliance upon the provisions of Maharashtra Regional & Town Planning Act, 1966 and Nagpur Corporation Act, 1948. He contended that the High Court has erred in not holding the impugned clause in the development agreement as void and unenforceable in law as the same is opposed to the public policy and contrary to law laid down by this Court in various cases.

23. He further submitted that the finding recorded by the High Court that the terms and conditions of the development agreement were neither unconscionable nor void and that there was no inequality of bargaining power between the parties, is completely perverse in the light of the facts and circumstances of the instant case. He further submitted that respondent no.2-NIT enjoys a monopoly status as regards the permission to develop the land under the NIT Act. NIT exerts pressure on such land owners who desire to develop their land and compels them to incorporate such void and unconscionable clauses in the development agreement executed between itself and the land owners, like the impugned clause in the instant case.

24. Per contra, Mr. V. Giri, the learned senior counsel appearing on behalf of the respondents sought to justify the impugned judgment and order passed by the High Court on the ground that the same is well founded both on facts and law and is not vitiated in law. Therefore, no interference of this Court with the impugned judgment is required in exercise of its appellate jurisdiction.

25. It was contended by Mr. Giri that when the parties entered into development agreement, they were fully aware of the nature of the transaction, conditions and respective obligations incorporated therein. On the basis of the same, the appellant-trust has commercially exploited the said land. There was no objection raised by it at any point of time while entering into such agreement and even thereafter, when the appellant-trust and such other persons who, based upon the development agreements got the benefit out of the same. He further submitted that the entire development agreement has to be read as a whole. It is very clear from the provisions of the Indian Contract Act, 1872 that the consideration of any such agreement is permissible and valid in law and not to defeat the provisions of any law. The same is neither fraudulent nor opposed to public policy.

26. It was further contended by the learned senior counsel that there was no inequality of bargaining power with the appellant-trust at the time of getting the development scheme sanctioned. In this regard, he placed strong reliance upon the decisions of this Court in *Prem Singh and Others v. Birbal and others*<sup>4</sup> and *Yamunabai Anantrao Adhav v. Anantrao Shivraj Adhav* to<sup>5</sup> press upon the point that there is no need of a court decree to set aside an agreement, like the development agreement in the instant case (as the impugned clause therein is not void ab initio) especially when the agreement as well as the clause in question are amply clear and there has been no ambiguity regarding the same at any point of time. Thus, the terms and conditions of the said development agreement are binding upon the parties.

27. It was further contended by him that since the parties have already acted upon the terms and conditions of the said development agreement, the entire agreement is required to be considered in totality. He further submitted that there is no justification of reading any clause by severing it in isolation or in part(s) to examine and consider the legal submissions made on behalf of the appellant-trust. It was further submitted that it is a well settled principle of law that a party to an agreement cannot be allowed to approbate and reprobate after availing the benefit from it. In support of this contention he placed strong reliance upon the decision of this Court in the case of *New Bihar Biri Leaves Co. & Ors v. State of Bihar & Ors*<sup>6</sup>. The relevant paragraph

48 cited by him reads thus:

"48. It is a fundamental principle of general application that if a person of his own accord, accepts a contract on certain terms and works out the contract, he cannot be allowed to adhere to and abide by some of the terms of the contract which proved advantageous to him and repudiate the other terms of the same contract which might be disadvantageous to him. The maxim is *qui approbat non reprobat* (one who approbates cannot reprobate). This principle, though originally borrowed from Scots Law, is now firmly embodied in English Common Law. According to it, a party to an instrument or transaction cannot take advantage of one part of a document or transaction and reject the rest. That is to say, no party can accept and reject the same instrument or transaction (Per Scrutton, L.J., *Verschures Creameries Ltd. v. Hull & Netherlands Steamship Co.*; see *Douglas Menzies v. Umphelby*; see also Stroud's judicial dictionary, Vol. I, p. 169, 3<sup>rd</sup> Edn.)"

28. The learned senior counsel drew the attention of this Court towards Section 58 of the NIT Act which reads thus:

"The Trust may enter into an agreement with any person for the acquisition, by purchase, lease or exchange by the Trust from such person, of any land within the area comprised in the sanctioned scheme."

It was submitted by him that if the appellant-trust has entered into an agreement with the NIT, then, the said public utility land can be said to have been acquired by an agreement in

view of the exchange of not implementing the scheme as per the sanctioned notification under Section 45 of the NIT Act but agreeing to sanction a private layout with regard to land comprised within the sanctioned scheme of the NIT. Thus, in light of aforesaid, it cannot be said that the public utility land, which is being transferred to the NIT free of cost, is without any compensation.

29. On the issue of allotment of land in favour of respondent no.3, it was contended by him that NIT does not have inherent jurisdiction over any piece of land. The NIT gets ownership of a land through the procedure as contemplated in the NIT Act. The NIT has been established by the State Government for the improvement of the city of Nagpur through the implementation of various improvement schemes. He further submitted that these schemes are framed by NIT from the matters provided in Section 26 of the NIT Act. These schemes are framed by the NIT and published by notification under Section 39 of the NIT Act, which is equivalent to notification under Section 4 of the Land Acquisition Act, 1894. Thereafter, going through the provisions of Section 40,41,42,43 and 44 of the NIT Act, the improvement schemes are sanctioned by the State Government by a notification issued under Section 45 of the NIT Act, which is equivalent to Section 6 of the Land Acquisition Act. Section 46 of the NIT Act allows the alteration of improvement schemes after its sanction. Thus, in the light of aforesaid, he further submitted that the High Court has rightly concluded that the NIT has a jurisdiction over the areas, which are part and parcel of notification issued under Section 6 of the Land Acquisition Act, 1894 equivalent to Section 45 of the NIT Act. He further submitted that the land in question is definitely a part and parcel of the improvement schemes of the NIT sanctioned by the State Government under the provision of Section 45 of the NIT Act.

30. It was further submitted by him that Pt. Chet Ram Vashist and Yogendra Pal cases, referred to supra, upon which the learned senior counsel on behalf of the appellant-trust has relied upon are of no relevance to the case in hand as the facts and the circumstances of the instant case differ from the facts and circumstances of the aforesaid cases.

31. We have carefully heard both the parties at length and have also given our conscious thought to the materials on record and the relevant provisions of law. We are of the view that the High Court in its judgment and order has rightly held that respondent no.1-State and respondent no.2-NIT are bound to stick to the development plan and scheme. It has placed reliance upon the decision of this Court in *Chairman, Indore Vikas Pradhikaran v. Pure Industrial Coke & Chemicals Ltd. & Ors*<sup>7</sup>, wherein this Court, while dealing with the aspect of town planning and Articles 300-A and 14 of the Constitution of India, has observed as under:

” The courts must make an endeavour to strike a balance between the public interest on the one hand and protection of a constitutional right to hold property, on the other. For the aforementioned purpose, an endeavour should be made to find out as to whether the statute takes care of public interest in the matter vis-a-vis the private interest, on the one hand, and the effect of lapse and/or positive inaction on the part of the State and other planning authorities, on the other.”

Further, the High Court has rightly held thus:

"NIT or such other local authority needs to consider the purpose, Scheme, development plan and the circular issued from time to time by striking a balance of public and private interest. The petitioners are bound by the agreement and undertaking as given. In fact, both the parties are bound by the agreements. In totality the permissible action of respondent NIT is within the frame of law and the record. There is no substance in these petitions."

32. The High Court has, further, rightly held that the impugned clause contained in the said development agreement is neither void nor illegal for want of consideration. It has also been rightly held by it that after consideration of whole scheme of the NIT Act, particularly, provisions under Sections 29 to 70 and 121 of the said Act read with the terms and conditions of the said development agreement entered into between the parties, it is clear that the said development agreement creates reciprocal rights and obligations between the parties with some objects. The aforesaid objects as cited by the High Court in its judgment and order read thus:

- "(a) Abandonment of the land from acquisition of NIT.
- (b) Permission to develop the said land and sanction of a scheme of a layout therein,
- (c) Entrustment of the job of supervision of such development on NIT,
- (d) Transfer of the public utility land, reserved in the said layout to the NIT.
- (e) Immediate and reciprocal permission to develop the land by making a layout in the said land and permission to sell plots therein, i.e. permission for commercial exploitation of the land."

Thus, seeking abandonment of acquisition of the land as provided under Section 68 of the NIT Act is a huge benefit which the appellant-trust has gained from the agreement. Further, it is not open for the appellant-trust to avail only the beneficial part of the said development agreement to form a layout plan and allow the sites to be allotted in favour of allottees, when it itself is not willing to discharge the obligation of transferring the reserved land for public utility purpose, as agreed upon in the development agreement.

33. Further the High Court has rightly observed that another benefit derived by the appellant-trust from the said development agreement is immediate and reciprocal sanction for the development of the said land with permission for the commercial usage of the same, presuming that there would be no acquisition. has the to

34. This Court is of the view that the High Court rightly held that the impugned clause in development agreement is neither void nor opposed the public policy. The High Court has held thus:

"42. When the parties entered into agreement, they were fully aware of the nature of transaction, conditions and respective obligations. There was no objection raised at any point of time while entering into such agreement and even thereafter when petitioners and such other persons who based upon the said agreement got the benefit out of the same. We cannot read the clauses in isolation. We have to read the whole agreement in question. It is very clear even from the provisions of the Contract Act that the consideration of any such agreement was permissible and not unlawful and/or not prohibited by law and was not to defeat the provisions of any law or is fraudulent and/or is immoral or opposed to public policy.

43. The submissions, that such contract and especially the clause is void, in view of provisions contained under Section 23/2.5. of the Indian Contract Act being opposed to public policy; violative of fundamental rights of the petitioner; violative of the right of property of petitioner/society; because of unequal bargain power; being forbidden by law and further in view of Section 25 of the Contract Act, as the agreement to transfer is without consideration and the same was not registered, have no force."

In view of the findings and reasons recorded by the High Court in the Central Inland Water Transport Corpn Ltd & Anr case (supra) upon which the reliance was placed by the learned senior counsel for the appellant- trust is of no relevance to the fact situation.

35. Further, it has been rightly held by the High Court that the appellant-trust has accepted and acted upon the said development agreement like other beneficiaries who are either the societies or other similar persons who are benefited by the approved scheme of the NIT. It is noteworthy that the appellant-trust has accepted all the terms and conditions of the development agreement without any objection while executing the same. The impugned clause of the said development agreement Provides for the transfer of land in favour of NIT which is earmarked in the layout for the public utility purpose. The same is in term of the approved development plan by Maharashtra Government and as per the provisions of the Maharashtra Regional & Town Planning Act, 1966 contained in its Chapter-V i.e., Sections 59-112 and Nagpur Corporation Act, 1948.

36. The findings recorded on the relevant contentious issues by the High Court in the impugned judgment with cogent and valid reasons are legal and justifiable. Therefore, we do not find any valid reason, whatsoever, to interfere with the said impugned judgment and order as the same, in our opinion, is a well-considered and reasoned decision. The same does not suffer from erroneous reasoning or error in law which requires interference by this Court.

37. For the reasons stated supra, the civil appeals are dismissed. The order dated 01.10.2009 granting status quo shall stands vacated.

Judgment Referred.

- <sup>1</sup> (1986) 3 SCC 0156
- <sup>2</sup> (1995) 1 SCC 0047
- <sup>3</sup> (1994) 5 SCC 0709
- <sup>4</sup> (2006) 5 SCC 0353
- <sup>5</sup> (1988) 1 SCC 0530
- <sup>6</sup> (1981) 1 SCC 0537
- <sup>7</sup> (2007) 8 SCC 0705