

REPORTABLE

IN THE SUPREME COURT OF INDIA
CIVIL APPELLATE JURISDICTION

CIVIL APPEAL NO. 3392 OF 2006

STATE OF HIMACHAL PRADESH APPELLANT

:Versus:

RAVINDER KUMAR SANKHAYAN (DEAD)
AND ORS.RESPONDENTS

WITH

CIVIL APPEAL NOS. 3393 & 3394 OF 2006**J U D G M E N T****A.M. Khanwilkar, J.**

1. These appeals emanate from the judgment and interim orders dated 24th May, 2005 and 5th July, 2005 passed by the High Court of Himachal Pradesh at Shimla in Civil Writ Petition No.555 of 2004, during the pendency of the said writ petition. Civil Appeal No.3392 of 2006 has been filed by the State of Himachal Pradesh (for short “the State”) against the

judgment and order dated 5th July, 2005, whereas the other two appeals, i.e. Civil Appeal Nos.3393 & 3394 of 2006 have been filed by the Himachal Pradesh Tourism Development Corporation (for short "**HPTDC**") against the judgment and orders dated 24th May, 2005 and 5th July, 2005, respectively.

2. The stated writ petition was filed by the original respondent No.1, who died during the pendency of the proceedings in this Court. He claimed to be a public spirited person. He was aggrieved by the acts of commission and omission of the Municipal Corporation, Shimla, whereby the property owned and possessed by the Municipal Corporation was leased out to HPTDC at a rate much lower than the prevailing market rate, without conducting auction or resorting to tender process. Additionally, the Municipal Corporation had failed to recover the municipal taxes from HPTDC, including the rental/lease money, which was quite substantial, causing loss to the Municipal Corporation. This is the crux of the grievance made in the aforementioned writ petition, for which following reliefs were claimed:

- “(I) Respondents may kindly be restrained from allotting the above mentioned stall to H.P.M.C. which is loss-making venture in public interest, or in the alternative quash the said allotment to the respondent No.3 and disposed of the same in accordance with law and direct the respondents to demolish the illegal structures.
- (II) Respondent Municipal Corporation be directed to recover its outstanding legal dues from various governmental authorities and individuals.
- (III) The respondent Municipal Corporation be directed to reject its leased out properties to a realistic revision of (monthly lease amounts) monthly rentals.
- (IV) The respondents may kindly be directed to produce the entire records pertaining to this case for the kind perusal of this Hon’ble Court.
- (V) Any other writ, order or direction deemed fit and proper in the facts and circumstances mentioned herein above may very kindly be passed in favour of the petitioner and against the respondents.
- (VI) Cost of the writ petition may kindly be granted throughout in favour of the petitioner.”

3. The Municipal Corporation as well as the State resisted the said writ petition, by filing affidavits. The State asserted that the land in question is owned by the Government of Himachal Pradesh. The entry in the revenue record indicates that the possession of the property was with the Municipal Corporation since 1977. Be that as it may, the property known as “Goofa”, situated at the Ridge in Shimla Town, was let out to HPTDC. A lease document was executed on 2nd January, 1978 stipulating the terms and conditions of the lease. The

differences between the Municipal Corporation and HPTDC regarding the rent were resolved in terms of the award passed by the Secretary (LSG) to the Government of Himachal Pradesh. The Municipal Corporation and HPTDC were bound by the said award, whereunder enhanced rent in respect of the subject properties was specified. The Municipal Corporation in its meeting held on 20th July, 1988, had taken a decision regarding the increase of rent payable by HPTDC. The thrust of the stand taken by the State was that HPTDC, being a State Corporation, was obliged to engage in promoting tourism within the State and in terms of the tourism policy of the State, the directions given by the State were required to be carried out by HPTDC. The possession of the subject premises by the HPTDC cannot be equated with a private lease or occupation by a private individual, as the activities of the HPTDC were to effectuate the larger public interest and tourism within the State. Significantly, the lease agreement between HPTDC and the Municipal Corporation was still subsisting.

4. Despite the opposition to the writ petition by the State authorities, the High Court, while considering the prayer for interim relief sought by the writ petitioner for issuing directions to the Municipal Corporation to file a list of properties owned and possessed by the Municipal Corporation and also to place on record its outstanding legal dues of payment by the various Government authorities and individuals, including the monthly rental values for which the properties have been leased out by the Municipal Corporation, proceeded to pass an order on 24th May, 2005, without considering the cardinal aspects such as that there is a subsisting agreement between HPTDC and Municipal Corporation in respect of the subject premises. Being swayed away by the submission made by the intervener – applicant, whose application was allowed on the same date, that he was willing to offer a monthly lease amount of Rs.2,50,000/- (annual amount of Rs.30 lakhs), the High Court opined that the difference between the lease rent payable by HPTDC and the offer made by the intervener was quite substantial, for which reason the Municipal Corporation should issue public

advertisement for leasing out the subject property. The High Court passed the following order:

“ O R D E R

CWP No.555/2004.

24.05.2005 Present: Mr. B.C. Negi Advocate, for the petitioner.

Mr. M.S. Chandel, Advocate General, with Mr. J.K. Verma, Dy. A.G. for respondent No.1.

Mr. Ajay Mohan Goel, Advocate, for respondent No.2.

Mr. Shrawan Dogra, Advocate, for respondent No.3.

Mrs. Ranjana Parmar, Advocate, for respondent No.4.

Mr. Ankush D. Sood, Advocate for respondent No.5.

CMP No.1043/2005.

Learned counsel for all the parties submit that they have no objection to this application being allowed to the limited and the only extent of the applicant herein being permitted to intervene in the proceedings. We order accordingly. The other prayers made in the application are declined.

The application is disposed of.

CWP No.555/2004.

In CMP No.1043/2005 we have ordered today that the applicant therein be allowed to intervene in these proceedings. In that application, the applicant has offered to take the property, Ashiana and Goofa Restaurants situated at the Ridge, Shimla on a monthly lease amount of Rs.2,50,000/-/- (annual lease amount of Rs.30 lacs). This offer of the aforesaid applicant is against the present lease money of Rs.2,86,992/- per annum which works out to

Rs.23,916/- per month as is being paid by H.P. Tourism Development Corporation. As per the Statement of Accounts filed by respondent No.2 HPTDC actually it has been in arrears with respect to the payment of aforesaid lease amount also at the aforesaid rate and the amount of arrears, has been worked out at Rs.18,50,361/- as on 31st March, 2005.

What, therefore, clearly emerges is that as against the aforesaid annual amount of Rs.2,86,992/- being paid by HPTDC to Shimla Municipal Corporation, for the same property a party before us has offered to pay Rs.30,00,000.00 per annum which is more than ten times the aforesaid amount. This is just one party offering to pay the aforesaid amount. We are sure that there is a strong possibility, actually bright prospects, of many more parties coming forward to take the property on lease and offer lease money even higher, much higher, than what the intervener has offered to pay.

With a view thus to attract the best offers and to ensure that the property is given on lease/license basis which will be in best public interest and also in the interest of Corporation, we direct respondent No.2 to publish and also in the interest of Corporation, we direct respondent No.2 to publish advertisements in three leading newspapers within ten days from today inviting offers from interested parties for obtaining the aforesaid property on lease/license basis. In the advertisements so published, respondent No.2 shall ensure that the last date of receipt of offers is not later than 30th June, 2005.

With a view to attracting the best offers, it shall be desirable that the property is offered on a long term lease/license basis. Also while issuing the advertisement, respondent No.2 shall ensure that for the benefit of prospective bidders, it fully describes and specifically defines the exact details of the property sought to be leased/licensed.

H.P. Tourism Development Corporation and the intervener herein, both are at liberty to respond to the invitation of respondent No.2 in the aforesaid advertisement and to submit their respective offers. The submission of offers by the HPTDC and by the intervener shall be without prejudice to their rights and contentions in this case. It is, however, also specifically made clear that if they both, or anyone of them, fails to offer in response to the aforesaid invitation to offer, they shall be doing so entirely at their own risk and responsibility.

On the next date the Commissioner, Municipal Corporation shall file his affidavit informing this Court the details of the offers received and the action proposed thereupon.

List on 4th July, 2005. Copy Dasti.”

5. This interim order passed by the High Court has been assailed by HPTDC by way of Civil Appeal No.3393 of 2006. Pursuant to the aforementioned interim order passed by the High Court, the Municipal Corporation issued Tender Notice on 9th June, 2005, inviting offers from the interested parties. The impleaded respondent N & S Resorts gave the highest offer of rent of Rs.6,51,000/- per month (annual rent of Rs.78,12,000/-). In continuation of the aforementioned order, the High Court proceeded to pass another interim order on 5th July, 2005 which reads thus:

“As a sequel to, and in compliance with the directions contained in our order dated 24th May, 2005 the Commissioner, Municipal Corporation, Shimla has filed his affidavit which has been affirmed on 1st July, 2005. In his affidavit the Commissioner has informed us that the Corporation had issued a tender notice on 2nd June, 2005 whereby sealed tenders were invited for leasing out the property in question for a period of 25 years on monthly rental basis. In response to the said tender notice, the following five parties submitted their tenders and offered the rates (per months) as shown against the name of each one of them:-

- | | |
|--|----------------|
| 1. N & S Resorts,
The Mall, Shimla | Rs.6,51,000.00 |
| 2. RA 3 & Co.
48/1, The Mall Shimla
Ashiana Restaurant,
Chhota Shimla. | Rs.4,80,000.00 |
| 3. The Pillancle Service
Co. Jasmine Villa, Top
Floor, Near CPRI,
Shimla-1. | Rs.4,75,251.00 |
| 4. Mahavir & Co.
Lower Bazar, Shimla | Rs.4,11,000.00 |
| 5. Ascot Hotels & Resorts
Ltd. | Rs.2,75,000.00 |

As per the aforesaid affidavit, as well as the aforesaid statement of offers and also as per the comparative statement of tenders filed as Annexure R-2/B to the aforesaid affidavit, it clearly transpires that M/s. N&S Resorts, The Mall, Shimla has offered the highest rate of Rs.6,51,000/- per month. The Committee constituted by the Corporation, as is evidently clear from the perusal of Annexure R-2/B, has also recommended that the offer of M/s N&S, The Mall Shimla may be accepted.

In our order dated 24th May, 2005 we had clearly recounted that with respect to the same property H.P. Tourism Development Corporation had been paying the

annual lease money of Rs.2,86,992/- which actually worked out to Rs.23,916/- which is presently being paid by H.P. Tourism Development Corporation, the aforesaid M/s N&S Resorts has now offered the monthly lease money of Rs.6,51,000/- , almost twenty eight-twenty nine times of what is being paid by HPTDC. We have no doubt in our minds that the aforesaid offer by PTDC. We have no doubt in our minds that the aforesaid offer by M/s. N&S Resorts is in best public interest. We are also convinced that H.P. Tourism Development Corporation did not have any legal, contractual or statutory right to continue occupying the premises in question for any indefinite period.

Apart from the fact that the HPTDC does not have any contractual or statutory right to continue occupying the premises in question for any indefinite period, merely because the HPTDC is a Government owned Corporation, does not mean that, in law, it should have any preferential right of holding on to the occupation of the property despite it paying a very meager amount as lease money. Related to this issue is also the question of pure commercial nature of the property. The property in question is a Restaurant, situated at perhaps the most prime location of Shimla town. The Restaurant is to be run on pure commercial lines and has to serve the best public interest. Therefore, viewed from every angle, it cannot be said that merely because the HPTDC is a government owned Corporation, it should be treated differently than others in the matter of allotment of property on lease. We feel that in such like matters whichever party pays the highest price should be held entitled to the grant of lease.

It may also be worthwhile to recount that at one stage, we had an occasion to go through the accounts of HPTDC for the last few years and we found that in every year the HPTDC has been incurring losses, year after year, as far as the running of this particular Restaurant in question is concerned. Not only that, actually at one stage the HPTDC was in such a precarious position that it had not even paid the arrears of rent to the Corporation for almost a decade or so. In this background, therefore, burdening the HPTDC with the running of this restaurant and at the same time

depriving the Municipal Corporation of its legitimate right of leasing out the property for the highest available rent, would be against the principles of natural justice.

In the best interest of the Corporation as well as in best public interest, therefore, we approve of the recommendation of the Committee constituted by the Corporation and direct the Corporation to lease out the premises in question in favour of the highest bidder. All the consequences accordingly shall also follow including the consequence of H.P. Tourism Development Corporation being asked to vacate the premises without any loss of time. Actually from today onwards for whatever period the H.P. Tourism Development Corporation continues to remain in occupation of the premises, it shall be its obligation to pay to the Municipal Corporation the monthly lease amount at the rate as has now been offered by M/s N&S Resorts for the period that it remains in occupation.

We also wish to observe and direct that the Municipal Corporation, Shimla shall ensure, before leasing out the property to M/s. N&S Resorts, that the interests of the Corporation are fully secured and protected in so far as ensuring the payment of the lease money to the Corporation by M/s. N&S Resorts is concerned. It may, therefore, insist on receiving advance payment from the aforesaid party or security or taking such other steps. The purpose, of course, is to ensure that the lease money being offered by the aforesaid party is paid to the Corporation regularly and without any delay.

List after three months. On the next date, the Commissioner shall file his latest affidavit giving us the status report in compliance to the aforesaid directions.

CMP NO.1341 of 2005

All the parties in this petition may file reply to this application in four weeks.”

6. Even this interim order has been assailed before this Court by way of Civil Appeal No.3392 of 2006 by the State and by way of Civil Appeal No.3394 of 2006 by HPTDC. During the pendency of these appeals, the operation of the impugned judgment passed by the High Court has been stayed by this Court.

7. We have heard Mr. J.S. Attri, learned senior counsel appearing for the State of Himachal Pradesh and Mr. Varinder Kumar Sharma and Ms. Tarannum Cheema, learned counsels appearing for the respondents.

8. After perusing the reliefs claimed in the writ petition, purportedly public interest litigation and the application for interim relief filed by the writ petitioner, it is perceptible that the interim order passed on 24th May, 2005, transcends beyond the relief claimed by the writ petitioner and more so, is a mandatory order passed at an interlocutory stage without recording any just and tangible reasons therefor. We say so because the High Court has not even adverted to the efficacy of the subsisting contract between the Municipal Corporation

and HPTDC. It was nobody's case that HPTDC was in unauthorized occupation of the subject properties. At best, the High Court felt that the agreed lease rent payable by HPTDC in respect of subject properties was on the lower side, which inevitably progenerated financial loss to the Municipal Corporation. Before recording such a finding, it was necessary for the High Court to first authoritatively hold that HPTDC was not legally entitled to remain in occupation of the subject premises.

9. Notably, the contract between the Municipal Corporation and HPTDC or the rental policy of the State, as applicable to the Municipal Corporation, has not been challenged much less quashed by the High Court. Even the decision of the Municipal Corporation recorded in its meeting held on 28th March, 2005, has neither been challenged nor been quashed by the High Court. The said resolution records as under:

“The following decisions were taken:-

1. It has been agreed that HPTDC will pay 10% increase in the rent after every three years as per policy. The enhancement will be applicable and shall be calculated w.e.f.

1.11.1990 as the rent of Ashiana Restaurant was fixed at Rs.13,500/- vide Govt. order dated 24.11.1987, accordingly the first increase of 10% will be due w.e.f. 1.11.1990.

2. HPTDC also agreed to enhance the rent as per policy of the Municipal Corporation from time to time in future.

The decisions taken in the meeting were also discussed with the MD, HPTDC, Shimla, who also agreed and gave his consent to settle/enhance the rent as per policy of the Municipal Corporation, Shimla.”

10. It is unfathomable as to how the High Court could have passed the order dated 24th May, 2005, to straightway direct the Municipal Corporation to issue tender notice. There is no indication in the order passed by the High Court on 24th May, 2005, of having quashed the subsisting contract between Municipal Corporation and HPTDC. As aforesaid, without deciding on the issue of validity of the subsisting contractual terms and conditions between the Municipal Corporation and HPTDC, the High Court could not and should not have ventured to pass the order, such as dated 24th May, 2005.

11. The order dated 5th July, 2005 is only a consequential order which must, therefore, meet the same fate. We hold that the interim orders passed by the High Court were in complete

disregard of the scope of judicial review. Further, a mandatory order has been passed at an interlocutory stage by the High Court without even bothering to examine the efficacy of the subsisting contractual obligations of the Municipal Corporation and HPTDC. It is also in complete disregard of Section 157 of the Himachal Pradesh Municipal Corporation Act, 1994, which mandates the procedure for grant of lease. First, the proposal should be recommended by the Municipal Corporation; and second, the agreement can be executed by the Municipal Corporation only after grant of prior sanction by the Government for leasing out the property. It is not necessary for us to examine the stand of the State that the Municipal Corporation can moot a proposal for grant of sanction for leasing out, only in respect of the property owned by the Corporation.

12. Suffice it to observe that the writ petitioner had not even prayed for quashing of the subsisting contract between the Municipal Corporation and HPTDC in respect of the subject properties. The gravamen of the reliefs claimed in the writ

petition is to direct the Municipal Corporation to lease out the subject premises on the basis of the prevailing market rent. Such relief could be entertained only after the subject premises were to be vacated by HPTDC upon expiry or termination of the subsisting contract between HPTDC and the Municipal Corporation.

13. In our opinion, the only relief that could have received the attention of the High Court was to direct the Municipal Corporation to recover its outstanding legal dues from various governmental authorities and individuals, namely, prayer clause (II) of the writ petition. However, the emphasis in the writ petition in this behalf is only with regard to the dues recoverable from HPTDC in respect of the subject premises. Assuming that there are outstanding dues payable by HPTDC to the Municipal Corporation, that matter could be resolved with the intervention of the State. In that, if HPTDC is financially incapable of settling the claim/demand of the Municipal Corporation, the State may have to provide financial assistance to HPTDC to the extent necessary, failing which the

Municipal Corporation will be left with no other option but to take recourse to statutory remedies for recovery of its dues from HPTDC in relation to the subject premises. Since the State has also come up in appeal against the decision of the High Court, it must take initiative to find out a suitable solution in accordance with law, expeditiously and within a reasonable time, failing which it may be open to the Municipal Corporation to resort to recovery proceedings against HPTDC and including eviction of HPTDC from the suit premises consequent to termination of the contract *inter partes*.

14. In light of these observations, nothing would survive for consideration in the writ petition as filed before the High Court, which is still pending for final decision. As a result, besides setting aside the impugned judgment and orders dated 24th May, 2005 and 5th July, 2005, respectively, we are inclined to dispose of the said writ petition with the aforementioned observations. Thus, the Writ Petition No.555 of 2004, filed in the High Court of Himachal Pradesh at Shimla, be deemed to have been disposed of accordingly.

15. The only other issue that remains to be addressed is about the amount of earnest money paid by the impleaded respondent N & S Resorts by way of banker's cheque dated 27th June, 2005 in the sum of Rs.10 lakhs. Since the tender process in which the impleaded respondent had participated, was subject to the outcome of the pending legal proceedings, no right would accrue to it in the stated premises except to get refund of the amount paid as earnest money for participating in the Court directed tender process. The amount so paid by the impleaded respondent shall be refunded to it, with interest at the rate of 9% per annum (equivalent to the bank rate for fixed deposits prevailing at the time the deposit was made) from the date of deposit till its realization. The Municipal Corporation shall forthwith refund such amount to the impleaded respondent N & S Resorts but not later than twelve weeks from today, failing which the Municipal Corporation shall be liable to pay interest at the rate of 12% per annum from the date of deposit till the date of its realization.

16. We, accordingly, allow these appeals in the above terms, with no order as to costs.

.....CJI.
(Dipak Misra)

.....J.
(A.M. Khanwilkar)

**New Delhi;
March 28, 2018.**