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IN THE HIGH COURT OF DELHI AT NEW DELHI

Judgment reserved on: 17.12.2025

Judgment pronounced on: 09.01.2026

Judgment uploaded on: 09.01.2026

+ LPA 454/2010, CM APPL. 11909/2010 and CM APPL. 56989/2023

UNION OF INDIA & ORS

.....Appellants

Through: Mr. Ashish K Dixit, CGSC with
Mr. Vivek Goyal, CGSPC with
Gokul Sharma, Mr. Umar
Hashmi, Mr. Shivam Tiwari,
Ms. Iqra Shiesh, Mr. Abdullah
Sahid, Ms. Urmila Sharma, Ms.
Venni Kakkar, Advs. for UOI.
Mr. Tarun Johri, Mr. Ankur
Gupta, Mr. Vishwajeet Tyagi,
Advs. for DMRC.

versus

NATIONAL COLD STORAGE & REFRIGERATION PVT
LTD

.....Respondent

Through: Mr. Dhruv Mehta, Sr. Adv.
with Mr. Ajay Bhushan Kalia,
Adv.
Mr. Sanjay Kumar Pathak,
Standing Counsel along with
Ms. K. Kaomudi Kiran, Mr.
Sunil Kumar Jha, Mr. M. S.
Akhtar, Advs. for LAC-
GNCTD.

+ LPA 411/2011

UNION OF INDIA & ANR

.....Appellants

Through: Mr. Ashish K Dixit, CGSC with
Mr. Vivek Goyal, CGSPC with
Gokul Sharma, Mr. Umar
Hashmi, Mr. Shivam Tiwari,
Ms. Iqra Shiesh, Mr. Abdullah
Sahid, Ms. Urmila Sharma, Ms.

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Venni Kakkar, Advs. for UOI.
Mr. Tarun Johri, Mr. Ankur
Gupta, Mr. Vishwajeet Tyagi,
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versus

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Mr. Sanjay Kumar Pathak,
Standing Counsel along with
Ms. K. Kaomudi Kiran, Mr.
Sunil Kumar Jha, Mr. M. S.
Akhtar, Advs. for LAC-
GNCTD.

+ LPA 529/2011 and CM APPL. 11450/2011

UNION OF INDIA & ANRAppellants

Through: Mr. Ashish K Dixit, CGSC with
Mr. Vivek Goyal, CGSPC with
Gokul Sharma, Mr. Umar
Hashmi, Mr. Shivam Tiwari,
Ms. Iqra Shiesh, Mr. Abdullah
Sahid, Ms. Urmila Sharma, Ms.
Venni Kakkar, Advs. for UOI.
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versus

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Akhtar, Advs. for LAC-
GNCTD.

+ LPA 531/2011 and CM APPL. 11474/2011

UNION OF INDIA & ANR

.....Appellants

Through: Mr. Ashish K Dixit, CGSC with
Mr. Vivek Goyal, CGSPC with
Gokul Sharma, Mr. Umar
Hashmi, Mr. Shivam Tiwari,
Ms. Iqra Shiesh, Mr. Abdullah
Sahid, Ms. Urmila Sharma, Ms.
Venni Kakkar, Advs. for UOI.
Mr. Tarun Johri, Mr. Ankur
Gupta, Mr. Vishwajeet Tyagi,
Advs. for DMRC.

versus

NATIONAL COLD STORAGE & REFRIGERATION PVT
LTD

.....Respondent

Through: Mr. Dhruv Mehta, Sr. Adv.
with Mr. Ajay Bhushan Kalia,
Adv.
Mr. Sanjay Kumar Pathak,
Standing Counsel along with
Ms. K. Kaomudi Kiran, Mr.
Sunil Kumar Jha, Mr. M. S.
Akhtar, Advs. for LAC-
GNCTD.

+ LPA 891/2015

UNION OF INDIA

.....Appellant

Through: Mr. Ashish K Dixit, CGSC with
Mr. Vivek Goyal, CGSPC with
Gokul Sharma, Mr. Umar
Hashmi, Mr. Shivam Tiwari,
Ms. Iqra Shiesh, Mr. Abdullah
Sahid, Ms. Urmila Sharma, Ms.
Venni Kakkar, Advs. for UOI.

versus

NATIONAL COLD STORAGE & REFRIGERATION (P)

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LTD & ORS

.....Respondents

Through: Mr. Dhruv Mehta, Sr. Adv.
with Mr. Ajay Bhushan Kalia,
Adv.
Mr. Sanjay Kumar Pathak,
Standing Counsel along with
Mr. Sunil Kunjar Jha, Adv. for
LAC-GNCTD.

+ W.P.(C) 4792/2011 and CM APPL. 77555/2025

UOI AND ANR

.....Petitioners

Through: Mr. Ashish K Dixit, CGSC with
Mr. Vivek Goyal, CGSPC with
Gokul Sharma, Mr. Umar
Hashmi, Mr. Shivam Tiwari,
Ms. Iqra Shiesh, Mr. Abdullah
Sahid, Ms. Urmila Sharma, Ms.
Venni Kakkar, Advs. for UOI.
Mr. Tarun Johri, Mr. Ankur
Gupta, Mr. Vishwajeet Tyagi,
Advs. for DMRC.

versus

LAND ACQUISITION COLLECTOR AND ANR

.....Respondents

Through: Mr. Sanjay Kumar Pathak,
Standing Counsel along with
Mr. Sunil Kunjar Jha, Adv. for
LAC-GNCTD.
Mr. Dhruv Mehta, Sr. Adv.
with Mr. Ajay Bhushan Kalia,
Adv. for R-2.

CORAM:**HON'BLE MR. JUSTICE ANIL KSHETARPAL****HON'BLE MR. JUSTICE HARISH VAIDYANATHAN
SHANKAR****J U D G M E N T****ANIL KSHETARPAL, J.**

1. With the consent of learned counsel for the parties, the present

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batch of matters, comprising five Letters Patent Appeals and one Writ Petition, all arising out of a common factual background and interlinked orders, are being disposed of by this common judgment.

2. The principal questions which arise for consideration in the present batch of matters concern the nature and character of the leasehold rights of the Respondent-lessee in respect of public land; the effect and enforceability of the resumption clause contained in the lease deed; the entitlement, if any, of the lessee to conversion of the leasehold rights into freehold under the applicable policy framework; and the legality of the determination of compensation and valuation undertaken pursuant to the directions of this Court, particularly in a situation where substantial portions of the leased land have already been resumed for public purposes.

FACTUAL MATRIX

3. In order to comprehend the issues involved in the present batch of matters, it is necessary to notice the relevant and largely undisputed factual background, which forms the common substratum of all the Appeals and the Writ Petition.

4. In terms of Resolution No. 15 dated 10.03.1948, an area admeasuring 0.68 acres (approximately 3,300 sq. yards/2,759.13 sq. meters) at the site in question was leased to National Cold Storage and Refrigeration Ltd. [hereinafter referred to as 'NCSRPL'] for a period of nine years; however, the said lease was not confirmed by the Chief Commissioner, Delhi. Thereafter, the competent authorities considered grant of a fresh lease over an area admeasuring 0.54 acres.

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Pursuant to assessment of market value by the Revenue Assistant, Delhi, a lease deed dated 06.09.1951 in respect of land measuring 0.54 acres (2614 sq. yards/approximately 2185.23 sq. meters), situated at the junction of G.T. Road and Boulevard Road, was executed in favour of NCSRPL for a period of 30 years, with an option of renewal for two further terms of 30 years each, subject to the stipulated terms. As per the lease deed, the land was to be utilised only for the purpose of running a cold storage, though activities relating to an ice factory and ice-cream manufacturing were also permitted. Any use for a purpose other than those permitted rendered the lease liable to determination. Clauses I(xi), III(c) and III(d) of the lease deed read as under:

"1. (xi) if during the period of the lease the premises are required for a public purpose or for administrative purposes by the Government the Lessor shall be at liberty to take possession of the land together with all buildings, structures and appurtenances and the Lessees shall be entitled to compensation on respect of the buildings and structure on the demised land at the time when notice to the effect that the said land required for such purpose as aforesaid has been served on the Lessee, and the Lessee will not be entitled to any compensation for his interest in the said land except refund of a proportion of the premium which in case of dispute shall be determined by the Lessor or by such officer as it may appoint for the purpose as nearly as may be in accordance with the provisions of the Land Acquisition Act or regulations for the time being in force and the decision of the Lessor or its such officer shall be final and conclusive;

xxxx

xxxx

xxxx

III. And the lessor doth hereby covenant with the Lessee.

(c) Provided always and it is hereby agreed that after the expiration of the said term or the extensions granted the Lessor or Lessee may determine this tenancy by three calendar month notice in writing from one to the other and immediately upon expiration of three calendar months from the date of any such notice and whether the same shall terminate within a quarter of the tenancy or otherwise this tenancy shall absolutely cease and determine, provided that if the tenancy be determined by the Lessor by notice otherwise than at

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the expiration of a quarter of the tenancy the tenant shall be liable only for a proportionate amount of rent for the broken period.

(d) In case this lease with the Lessee shall continue for the said period of thirty years, and provided the Lessee has observed, performed and complied with the terms and covenants, conditions of this lease, the Lessor shall grant to the Lessee an option to renew the lease for two terms of thirty years each on such terms and conditions as the Lessor deems fit for a further period of thirty years each, provided that the notice of the intention of the Lessee to exercise this option of renewal is given to the Lessor six months before the expiration of the lease; provided further that the lease is extended for a further period of thirty years, the Lessor shall have the right to enhance the rental at each renewal subject to maximum of 50% increase at each renewal.”

5. The lessee was required to pay a premium of Rs.52,280/-, and it was agreed that the annual ground rent would be Rs.1,307/-.

6. On 31.07.1984, on the application of NCSRPL, the lease was renewed for a further period of 30 years by the Land and Development Office [hereinafter referred to as ‘L&DO’]. Thereafter, by letter dated 11.09.2000, sanction of the President of India was conveyed for resumption of an area measuring 1087 sq. meters (approximately 1300 sq. yards) out of the total leased land under Clause (xi) of the lease deed, for the public purpose of the Shahdara-Nangloi Metro Rail Transport System Corridor of the Delhi Metro Rail Corporation [hereinafter referred to as ‘DMRC’]. NCSRPL was called upon to hand over possession of the said portion. In the circumstances, NCSRPL filed W.P.(C) No. 7557/2000 challenging the proposed resumption and, in the alternative, seeking compensation in terms of Clause (xi) of the lease deed.

7. During the pendency of W.P.(C) No. 7557/2000, valuation reports were placed on record by the Respondents and by valuers



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appointed pursuant to directions of this Court. On 07.11.2001, Rule was issued in the said writ petition. The Petitioner thereafter amended the writ petition, confining the relief to determination of compensation, as possession of the resumed land had already been parted with during the pendency of the proceedings. The writ petition was ultimately withdrawn with liberty to file a substantive petition confined to the surviving grievance regarding compensation, pursuant to which CWP No. 19878/2004 was filed seeking issuance of a writ of mandamus for payment of compensation in accordance with law. In the year 2005-06, a further parcel of land measuring 400 sq. meters (approximately 478.3 sq. yards) was resumed for the purpose of streamlining traffic by DMRC. NCSRPL challenged the said action by filing CWP No. 8532/2005, in which interim relief was declined.

8. In the year 2003, the Government issued a policy brochure providing a facility for conversion of leasehold properties into freehold on payment of prescribed charges. On 05.12.2006, NCSRPL applied for conversion of the unresumed portion of the leased land (698.23 sq. metres (approximately 699 sq. metres)/836 sq. yards, being the balance after resumption of 1087 sq. meters and 400 sq. meters) from leasehold to freehold. The request was rejected on 27.12.2006 on the ground that the lease was temporary. Aggrieved thereby, NCSRPL filed W.P.(C) No. 1278/2007. Meanwhile, CWPs No. 19878/2004 and 8532/2005 were disposed of on 04.02.2010, with a direction to refer the claims of NCSRPL to the Land Acquisition Collector [hereinafter referred to as 'LAC'] for determination of compensation payable in respect of the buildings and structures on the land and the proportionate refund of premium, in terms of Clause (xi)

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of the lease deed.

9. During this period, an offer was made by the Government to pay compensation as assessed by a private valuer, which was not accepted by NCSRPL. By order dated 16.03.2010, this Court clarified its order dated 04.02.2010, observing that the LAC shall proceed strictly in accordance with Clause (xi) of the lease deed, and that the provisions of the Land Acquisition Act, 1894 [hereinafter referred to as 'LA Act'], were to be applied as nearly as may be, as a guiding framework for determination of compensation payable towards buildings, structures and appurtenances, as well as refund of proportionate premium, and not for determining compensation for the land as such. Thereafter, on 05.04.2010, W.P.(C) No. 1278/2007 was disposed of, whereby the L&DO was directed to convert the land to freehold within eight weeks, subject to payment of the requisite charges, while quashing the rejection order dated 27.12.2006 on the ground that the lease was not temporary but a long-term lease. The said order is the subject matter of LPA No. 454/2010.

10. The remaining parcel of land was urgently required for a public purpose, hence, on 15.04.2010, a notification under Section 4(1) read with Section 17(1) of the LA Act, proposing to acquire 1183.96 sq. meters (approximately 1,416 sq. yards) of land forming part of the site in question for the Grade Separator Project by the Government of NCT of Delhi/MCD was issued, followed by a declaration under Section 6 of the LA Act on 28.06.2010. Notices under Sections 9 and 10 of the LA Act were thereafter issued, and possession of the land was taken on 30.07.2010 and 18.10.2010, upon release of an interim

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amount of Rs. 2,58,57,686/- at the time of taking possession, as recorded in the Award, towards the statutory requirement of payment under the urgency provisions of the LA Act, without prejudice to the final determination of compensation. Ultimately, Award No. 10/LAC/N/10-11 dated 22.12.2010 was passed, determining the final compensation.

11. For the sake of clarity, it is noted that although an extent of land admeasuring approximately 0.68 acres (3,300 sq. yards/2,759.13 sq. metres) had initially been handed over to NCSRL, the lease deed dated 06.09.1951 covered only an area of 0.54 acres (2,614 sq. yards/approximately 2,185.23 sq. meters). The balance land admeasuring approximately 573.90 sq. metres was not covered by the lease deed. Out of the leased land measuring approximately 2,185.23 sq. metres, an area of 1,087 sq. metres was resumed in the year 2000, and a further area of 400 sq. metres was resumed in the year 2005-06. Consequently, the residual unresumed leased land measured 698.23 sq. metres (approximately 699 sq. metres). The land admeasuring 1,183.96 sq. metres, which was the subject matter of the acquisition notification dated 15.04.2010, comprised the said residual unresumed leased land measuring approximately 698.23 sq. metres together with an area of approximately 485.73 sq. metres drawn from the balance land not covered by the lease deed.

12. As noticed above, LPA No. 454/2010 arises from the order dated 05.04.2010. LPA No. 411/2011 arose from the order dated 22.02.2011, wherein this Court recorded that neither L&DO nor DMRC had challenged the determination dated 26.05.2010 made by

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the LAC pursuant to the directions of this Court issued on 04.02.2010, and directed compliance thereof so long as the said determination remained operative.

13. The order dated 04.02.2010, whereby the learned Single Judge declined to quantify compensation, is under challenge in LPA No. 529/2011. LPA No. 531/2011 challenges the clarificatory order dated 16.03.2010. In LPA No. 891/2015, rejection of the application filed by the Union of India seeking joint hearing of appeals under Section 54 of the LA Act along with the pending LPAs and writ petition is under challenge. In W.P.(C) No. 4792/2011, the Union of India seeks quashing of the determination made by the LAC holding that resumption of 1087 sq. meters and 400 sq. meters amounted to acquisition of land along with plant, buildings and machinery requiring determination of compensation under the LA Act.

SUBMISSIONS OF THE PARTIES

14. Submissions on behalf of Union of India [‘UOI’]

14.1. Learned counsel appearing for the UOI submitted that all six matters arise out of a common nucleus, namely the resumption of portions of leasehold land forming part of a larger parcel admeasuring approximately 0.54 acres at Property No. 18, Boulevard Road, Delhi, originally leased to National Cold Storage & Allied Industries Ltd. under a lease deed dated 06.09.1951, renewed in 1984, and the consequent disputes relating to compensation, valuation, and conversion.

14.2. It was contended that the governing provision for resumption is

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Clause (xi) of the lease deed, which constitutes a complete contractual code governing both the power of resumption and the measure of compensation. Under the said clause, upon resumption for public or administrative purposes, the lessee is not entitled to compensation for its interest in the land as such. The compensable heads are strictly limited to:

- i. the value of buildings, structures and fixtures standing on the resumed portion; and
- ii. proportionate refund of the premium or charges paid under the lease.

According to learned counsel, market value of land, solatium, additional amounts, or interest applicable in cases of compulsory acquisition of title under the LA Act have no application to a contractual resumption of leasehold rights.

14.3. It was further urged that the order dated 04.02.2010 passed by the learned Single Judge, whereby the issue of quantification was referred to the LAC, expressly confined such exercise to determination “with reference to the lease.” The LAC, however, by Determination dated 26.05.2010, exceeded the scope of the referral as well as the terms of the lease by adopting a market-value methodology, thereby treating the matter as if it were a statutory acquisition of ownership. According to the UOI, such an approach was jurisdictionally impermissible and contrary to the limited interest held by the lessee.

14.4. Learned counsel submitted that the subsequent clarification

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order dated 16.03.2010 has been misconstrued in a manner that impermissibly widens the scope of compensation and, in places, has been read as permitting compensation “for land,” which is wholly alien to Clause (xi). It was contended that to the extent any observation or understanding suggests compensation for land, the same requires reconsideration/ clarification by this Court.

14.5. Assailing the order dated 22.02.2011 directing release of 75% of the amount determined by the LAC, it was submitted that no disbursal could have been ordered when the foundational issues, namely, the permissible heads of compensation and the legality of the LAC’s methodology, were themselves under challenge in the pending Letters Patent Appeals and the writ petition. According to the UOI, such interim release creates a *fait accompli* and exposes the public exchequer to irretrievable loss.

14.6. It was further submitted that the statutory acquisition proceedings culminating in Award No. 10/LAC/N/10-11 dated 22.12.2010, and the subsequent enhancement by the Reference Court, constitute a separate and distinct legal track, governed by different notifications, parcels, and legal principles. The rates, heads, or apportionment applicable in those proceedings, it was urged, cannot be imported into or relied upon for determining compensation under Clause (xi). Learned counsel also drew attention to the interim stay granted by the Hon’ble Supreme Court on 06.05.2016 in the acquisition-related proceedings, to emphasise judicial caution against disbursal where entitlement and quantum remain contested.

14.7. With respect to freehold conversion, learned counsel submitted

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that conversion from leasehold to freehold under the L&DO conversion brochure is a matter of policy and administrative discretion, and no mandamus can issue compelling conversion as a matter of right. It was contended that Clause 1.4 of the policy merely confers a right to apply, not a vested right to obtain conversion. Reliance was placed on Clause 15, which bars conversion where disputes regarding Government dues subsist, and Clause 20.3, which bars conversion during the pendency of litigation between the lessor and the lessee. In the present case, it was submitted, both these disqualifications are attracted.

14.8. Finally, learned counsel emphasised the necessity of strict compartmentalisation between (i) compensation for resumption under Clause (xi), (ii) statutory acquisition proceedings under the Land Acquisition Act, and (iii) policy-based freehold conversion. Any conflation, it was urged, would result in double counting and confer an unwarranted windfall upon the lessee.

15. Submissions on behalf of Delhi Metro Rail Corporation Ltd. ('DMRC')

15.1. Learned counsel appearing for DMRC adopted and supported the submissions advanced on behalf of the UOI insofar as they relate to the scope and interpretation of Clause (xi) of the lease deed dated 06.09.1951.

15.2. It was submitted that a plain reading of Clause (xi) makes it clear that upon resumption of the leased premises for a public purpose, the lessee is not entitled to compensation for its interest in the land,



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except for refund of a proportionate part of the premium paid. The reference to the provisions of the LA Act in Clause (xi), according to learned counsel, is only for the limited purpose of determining the proportion of premium in case of dispute, and not for determining the market value of the land itself.

15.3. Learned counsel contended that the LAC committed a manifest error in determining the market value of the land instead of restricting the exercise to proportionate refund of premium and valuation of structures, as contemplated by the lease. Since the proceedings before the LAC were not proceedings under the LA Act, the document styled as an 'award' dated 26.05.2010, it was urged, could not bind the parties unless accepted or affirmed by the Court after consideration of objections.

15.4. Without prejudice to the above submissions, learned counsel drew attention to the order dated 22.02.2011, wherein the learned Single Judge directed L&DO to make payment of the amounts determined by the LAC and expressly kept open all rights and contentions of DMRC. It was submitted that no liability for payment of compensation was fastened upon DMRC by the said order and that any inter se liability between L&DO and DMRC was left open to be determined in accordance with law.

15.5. It was further submitted that DMRC had not consented to the reference made to the LAC for determination of compensation or proportionate premium, as is evident from the tenor of the order dated 04.02.2010. The Determination dated 26.05.2010 is, in any event, under challenge in LPA No. 411/2011, pursuant to the liberty granted

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by the learned Single Judge.

16. Submissions on behalf of National Cold Storage & Refrigeration Private Ltd. (NCSRPL)

16.1. Learned senior counsel appearing for the NCSRPL opposed the Appeals and the Writ Petition and supported the orders passed by the learned Single Judge as well as the Determination dated 26.05.2010 made by the LAC.

16.2. At the outset, it was submitted that NCSRPL has been in uninterrupted possession of the subject land since 1948. Out of 3,300 sq. yards initially handed over to NCSRPL on 11.03.1948, a lease deed dated 06.09.1951 was executed in respect of 0.54 acres (2,614 sq. yards/approximately 2,185.23 sq. meters) for a term of 30 years, renewable at the sole option of the lessee for two further terms of 30 years each. It was contended that NCSRPL paid a premium of Rs. 52,280/-, which, as per the resolution of the Notified Area Committee dated 29.11.1950, was claimed/stated by NCSRPL to represent the then prevailing market value of the land, along with annual ground rent.

16.3. Learned counsel submitted that the lease was renewed on 31.07.1984 and remained subsisting, with renewal rights extending up to 05.09.2041. On this basis, it was argued that the lease was, in substance, perpetual in nature and conferred a substantial and valuable leasehold interest in the land.

16.4. With respect to the first resumption, it was submitted that in the year 2000, L&DO resumed 1,087 sq. metres of land for the Delhi

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Metro Rail Project under Clause (xi) of the lease. NCSRPL challenged the resumption by filing W.P.(C) 7557/2000, pursuant to which the Court permitted possession to be taken but directed joint valuation. It was pointed out that interim compensation was disbursed only towards shifting charges of plant and machinery and not towards the value of plant and machinery embedded at site.

16.5. As regards the second resumption, learned counsel submitted that on 20.01.2005, a further 400 sq. metres was resumed for traffic streamlining, leading to W.P.(C) 8532/2005. Joint valuation exercises conducted by Ernst & Young and the District Valuation Officer revealed substantial disparities, and possession was taken on 10.04.2006.

16.6. It was submitted that, thereafter, by order dated 04.02.2010 passed in W.P.(C) 19878/2004 and W.P.(C) 8532/2005, the learned Single Judge referred the issue of determination of compensation to the LAC. By a subsequent order dated 16.03.2010, the Court clarified that the LAC was required to act in accordance with Clause (xi) of the lease deed and determine compensation for land together with buildings, structures and appurtenances in accordance with the provisions of the LA Act.

16.7. Pursuant to these directions, the LAC passed the Determination dated 26.05.2010, determining compensation for both parcels of resumed land. By order dated 22.02.2011, the learned Single Judge directed L&DO to disburse 75% of the land compensation and 100% of the compensation for superstructures to NCSRPL.

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16.8. On the interpretation of Clause (xi), learned counsel for NCSRPL submitted that the clause expressly provides that compensation is to be determined “as nearly as may be in accordance with the provisions of the LA Act.” It was argued that this necessarily attracts the principles contained in Section 23 of the LA Act, including compensation for land, buildings, severance, and other statutory components. According to NCSRPL, any interpretation confining compensation merely to refund of premium would render the reference to the LA Act otiose.

16.9. It was further contended that since the premium paid by NCSRPL at the inception of the lease represented the market value of the land at that time, the “refund of proportionate premium” envisaged under Clause (xi) would, in effect, amount to payment of the market value of the resumed land as on the date of resumption.

16.10. Learned counsel placed reliance on the judgment of the Supreme Court in *Inder Parshad v. Union of India*¹ to submit that lessees under perpetual or long-term leases are entitled to compensation for their leasehold interest upon acquisition, and that such compensation is required to be apportioned between the lessor and the lessee.

16.11. It was further argued that the conduct of L&DO itself supports NCSRPL’s interpretation. In respect of another parcel of land admeasuring approximately 1,183.96 sq. metres, which also formed part of the original lease, L&DO initiated acquisition proceedings under the Land Acquisition Act in 2010, resulting in an award



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granting 75% compensation to NCSRPL and 25% to L&DO. NCSRPL contended that L&DO cannot be permitted to adopt inconsistent stands in respect of different portions of the same leased land.

16.12. On the challenge to the Determination dated 26.05.2010 in W.P.(C) 4792/2011, learned counsel submitted that the Writ Petition was filed belatedly after the Appellants had participated in the proceedings before the LAC, filed their claims, and sought apportionment. It was contended that notices had been duly issued by the LAC and that the award, which according to NCSRPL, had been approved by the Government under the proviso to Section 11 of the LA Act.

16.13. It was further submitted that the LAC determined land compensation on the basis of prevailing circle rates and adopted valuations of recognised consultants for buildings and structures. According to NCSRPL, the compensation awarded was reasonable and, in fact, lower than what NCSRPL had originally claimed.

16.14. With regard to limitation, learned counsel submitted that the Letters Patent Appeals filed by L&DO and DMRC suffer from inordinate delay, ranging from 26 days to over 450 days. It was argued that the Appellants had acquiesced in the orders dated 04.02.2010 and 16.03.2010, acted upon them by participating before the LAC, and only challenged the orders after the implementation direction dated 22.02.2011 was passed. Reliance was placed on decisions of the Supreme Court to contend that lack of *bona fides* disentitles the

¹ (1994) 5 SCC 239



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appellants to condonation of delay.

16.15. In relation to freehold conversion (LPA 454/2010), learned counsel submitted that NCSRPL had applied for conversion of the residual land admeasuring 698.23 sq. metres (approximately 699 sq. metres) in accordance with the L&DO brochure, fulfilled all eligibility criteria, and deposited the requisite conversion charges, which were encashed by L&DO. It was contended that pursuant to the order dated 05.04.2010 passed in W.P.(C) 1278/2007, all formalities for conversion stood completed and that the land must be treated as freehold. Consequently, according to NCSRPL, L&DO would have no entitlement to any share in compensation payable for subsequent acquisition.

16.16. As regards LPA 891/2015, learned counsel supported the view taken by the learned Single Judge that proceedings arising out of statutory acquisition under the LA Act and proceedings relating to resumption under Clause (xi) operate in distinct legal fields and ought not to be clubbed.

ISSUES FOR DETERMINATION

17. Having given this Court's anxious consideration to the rival submissions advanced on behalf of the parties and having carefully examined the record, the orders passed by the learned Single Judge, the lease deed dated 06.09.1951, and the proceedings before the LAC, the following principal issues arise for determination in the present batch of matters:

(i) What is the true nature of the lease granted in favour of

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NCSRPL, and what legal incidents flow from the terms thereof, particularly with reference to duration, user restrictions and the right of resumption?

(ii) What is the scope, ambit and legal effect of Clause (xi) of the lease deed dated 06.09.1951, and whether resumption of leasehold land thereunder constitutes a purely contractual resumption or amounts to compulsory acquisition of land along with building, plant and machinery attracting the provisions of the LA Act?

(iii) Whether, upon resumption of portions of the leased land for public purposes, the lessee is entitled to compensation only towards buildings, structures and proportionate refund of premium, as contended by the Union of India and DMRC, or whether compensation for land is also payable by applying the principles contained in the LA Act, as contended by the lessee?

(iv) Whether the reference made to the LAC for determination of compensation was limited to the terms of the lease deed, and whether the LAC exceeded jurisdiction in determining compensation by adopting a market value methodology?

(v) Whether the directions issued by the learned Single Judge for disbursal of compensation, pending challenge to the Determination dated 26.05.2010 and allied proceedings, were legally sustainable?

(vi) Whether the lessee has an enforceable right to conversion of the residual leasehold land into freehold under the applicable policy, and whether the order dated 05.04.2010 directing such conversion calls for interference?

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(vii) Whether the proceedings arising out of statutory acquisition under the LA Act and those arising out of resumption under Clause (xi) of the lease deed operate in distinct legal fields, and the effect of setting aside the order directing conversion?

(viii) Whether the Letters Patent Appeals and the Writ Petition suffer from delay, acquiescence or lack of *bona fides*, and if so, the effect thereof on the maintainability of the proceedings.

ANALYSIS & FINDINGS

ISSUE Nos. (i) & (ii): Nature of the lease and scope of the right of resumption under Clause (xi)

18. Issue Nos. (i) and (ii) may be taken up together, as the determination of the true nature of the lease granted in favour of NCSRPL [“the lessee”] and the legal incidents flowing therefrom are inextricably linked with the scope, ambit and effect of the resumption clause contained in Clause (xi) of the lease deed dated 06.09.1951.

19. A careful reading of the lease deed reveals that the land in question was not allotted as an unrestricted or general commercial lease, but was granted for a highly specific and circumscribed purpose, namely, the establishment and operation of a cold storage. The lease deed expressly stipulated that the demised premises could not be utilised for any purpose other than cold storage, save and except for the allied activities of an ice factory and ice cream manufacture, and that any deviation from the permitted user would render the lease void.



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20. The duration of the lease was initially fixed at thirty years, with a further provision enabling renewal for two additional terms of thirty years each, subject to compliance with the terms of the lease and subject to such conditions as the lessor might deem fit. While the cumulative duration could thus extend up to ninety years, the mere length of the tenure cannot, by itself, be determinative of the legal character of the lease. The nature of the rights conferred, the restrictions imposed, and the overarching control retained by the lessor, namely the Government, are of equal, if not greater, significance.

21. Of particular relevance is Clause (xi) of the lease deed, which expressly reserved to the Government the liberty to resume possession of the land, together with all buildings and structures thereon, at any time during the subsistence of the lease, if the land was required for a public or administrative purpose. The clause further restricted the entitlement of the lessee, in the event of such resumption, to compensation only in respect of buildings and structures standing on the land at the time of notice, coupled with a proportionate refund of premium, while excluding compensation for the lessee's interest in the land as such.

22. The presence of such a resumption clause is not incidental or peripheral; rather, it goes to the very root of the leasehold arrangement. The clause indicates that the Government never intended to divest itself of dominion over the land, nor to create any enduring or indefeasible interest in favour of the lessee. The lease, notwithstanding its length, was always subordinate to the paramount



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right of the State to reclaim the land for public purposes, a right which could be exercised at any point of time during the lease period.

23. The argument advanced on behalf of the lessee that the lease, by reason of its long duration and renewable character, ought to be treated as a long-term lease conferring substantial proprietary incidents, cannot be accepted in isolation from the express contractual terms. A lease may be long in duration and yet remain temporary in character, where the lessor has consciously reserved an overriding right of resumption and has imposed stringent restrictions on user, transfer and enjoyment.

24. In the present case, the lease deed makes it abundantly clear that the lessee's interest was conditional, limited and defeasible, and was at all times subject to the superior title and requirements of the Government. The resumption contemplated under Clause (xi) was not predicated upon breach by the lessee, but upon the public need of the State, thereby reinforcing the conclusion that the lease was granted as a matter of regulated permission rather than as a conferment of near-ownership rights.

25. Once Clause (xi) is given its plain and intended meaning, it follows that resumption of land thereunder is, in substance, an exercise of a contractual right expressly reserved by the Government, flowing from the terms voluntarily accepted by the lessee at the inception of the lease. Such resumption, when effected strictly in accordance with the lease deed, does not, *per se*, partake the character of compulsory acquisition of land under the LA Act, though the clause itself envisages determination of compensation by adopting principles

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“as nearly as may be” in accordance with the said Act.

26. The reference to the LA Act in Clause (xi) cannot be construed as converting a contractual resumption into a statutory acquisition. The clause merely borrows the methodology or guiding principles for valuation in case of dispute, without displacing the contractual framework governing the rights and liabilities of the parties. To hold otherwise would be to rewrite the bargain struck between the parties and to efface the clear distinction between resumption under a lease and acquisition under statute.

27. Accordingly, this Court is of the considered view that the lease granted in favour of the lessee, though long in duration, was temporary and conditional in legal character, subject to stringent user restrictions and an overriding right of resumption in favour of the Government, and that resumption of land under Clause (xi), when effected in accordance with its terms, constitutes a contractual resumption and not a compulsory acquisition attracting the full rigour of the LA Act.

ISSUE Nos. (iii) & (iv): Entitlement to compensation upon resumption and the scope of the reference to the Land Acquisition Collector

28. Issue Nos. (iii) and (iv) relate to the nature and extent of compensation payable to the lessee upon resumption of portions of the leased land under Clause (xi) of the lease deed dated 06.09.1951, and to the question whether the LAC, while acting pursuant to the directions of this Court, remained within the bounds of the lease deed

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and the reference made to him, or exceeded jurisdiction by adopting a market value methodology akin to a statutory acquisition of land having plant, machinery and building.

29. As noticed earlier, Clause (xi) of the lease deed constitutes a self-contained code governing both the right of resumption and the consequences flowing therefrom. The clause unequivocally stipulates that, upon resumption for a public or administrative purpose, the lessee shall not be entitled to compensation for its interest in the land as such. The compensable components are expressly confined to:

- a) the value of the buildings and structures standing on the land at the time of notice; and
- b) refund of a proportionate part of the premium paid in respect of the resumed land.

30. The clause further provides that, in case of disagreement as to the quantum of compensation, the same shall be determined “as nearly as may be in accordance with the provisions of the LA Act.” This formulation, in the opinion of the Court, is of critical significance. It cannot be construed as incorporating the LA Act wholesale, nor does it elevate the lessee’s interest to that of an owner whose land is being compulsorily acquired. Rather, it adopts the principles of the LA Act only as a guiding mechanism for quantification, within the confines of the contractual entitlement already delineated.

31. To read the reference to the LA Act as entitling the lessee to compensation for land at market value would be to render nugatory the express exclusion of compensation for land contained in Clause



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(xi). Such an interpretation would violate settled principles of contractual construction, which require that effect be given to all parts of the instrument and that no clause be treated as redundant or otiose.

32. The distinction between (i) compensation for acquisition of title under statute and (ii) compensation for resumption of a limited leasehold interest under contract is fundamental. In the former, the State extinguishes private ownership and is therefore obliged to pay market value for the land itself. In the latter, the State merely reasserts its pre-existing title in accordance with a right expressly reserved at the inception of the lease, and the lessee is compensated only to the extent contractually agreed.

33. Turning now to the reference made to the LAC, it is evident from the order dated 04.02.2010 that the learned Single Judge referred the issue of determination of compensation to the LAC “with reference to the lease”. This limitation was neither casual nor accidental. It reflected the Court’s conscious recognition that the source of entitlement was the lease deed and not the LA Act.

34. The subsequent clarification order dated 16.03.2010 reiterated that the LAC was required to act in accordance with Clause (xi) of the lease deed, while applying the principles of the LA Act for determination of compensation. The clarification cannot be read as enlarging the scope of the reference so as to permit determination of compensation for land itself, contrary to the express stipulation contained in the lease.

35. However, a perusal of the Determination dated 26.05.2010

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passed by the LAC reveals that the exercise undertaken travelled beyond these limits. The LAC proceeded to determine the market value of the land by adopting prevailing rates and treated the resumption as if it were a statutory acquisition of ownership rights. This approach, in the considered view of the Court, amounted to a jurisdictional error.

36. The LAC was not acting as a statutory authority under the LA Act, but as a valuing authority appointed pursuant to judicial directions in a writ proceeding. His jurisdiction was thus circumscribed by the terms of the reference and by the lease deed itself. By determining compensation for land on a market value basis, the LAC effectively rewrote the contract between the parties and conferred upon the lessee a benefit expressly excluded by Clause (xi).

37. The contention advanced on behalf of the lessee that the premium paid at the inception of the lease represented the market value of the land at that time, and that refund of proportionate premium would therefore be equivalent to payment of market value, cannot justify the methodology adopted by the LAC. The lease contemplates refund of proportionate premium as a contractual measure, not reassessment of land value as on the date of resumption. Consequently, NCSRPL cannot claim the current market value of the land merely because it had deposited the premium in the year 1951.

38. Similarly, reliance on principles applicable to apportionment of compensation between lessor and lessee in cases of statutory acquisition is misplaced in the context of a contractual resumption. Those principles presuppose acquisition of ownership and extinction



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of title, neither of which occurs when land is resumed under Clause (xi).

39. In view of the above, this Court holds that upon resumption of portions of the leased land under Clause (xi), the lessee is entitled only to compensation towards buildings and structures and to refund of proportionate premium, and not to compensation for land at market value. The reference to the LAC was limited to determination of compensation strictly in accordance with the lease deed, and the LAC exceeded jurisdiction in adopting a market value methodology inconsistent with the contractual framework.

ISSUE No. (v): Legality of the directions for disbursal of compensation pending challenge

40. Issue No. (v) concerns the legality and propriety of the order dated 22.02.2011 passed by the learned Single Judge, whereby directions were issued for disbursal of 75% of the compensation for land and 100% of the compensation for buildings and structures as determined by the LAC, notwithstanding the pendency of Letters Patent Appeals and the Writ Petition questioning the very basis and methodology of such determination.

41. It is not in dispute that, by the time the order dated 22.02.2011 came to be passed, serious and substantial challenges had already been laid to the Determination dated 26.05.2010. The UOI and DMRC had specifically assailed the jurisdiction of the LAC to determine compensation for land at market value, contending that such determination was contrary to Clause (xi) of the lease deed and

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beyond the scope of the reference made by the Court.

42. The disbursal directed by the learned Single Judge was thus not in respect of an admitted or undisputed amount, but was founded upon an Award whose legality, jurisdictional basis and conformity with the lease deed were themselves the subject-matter of challenge in pending proceedings. In such a situation, the direction for release of substantial sums necessarily called for circumspection.

43. It is a settled principle that where the entitlement itself is in serious dispute and the challenge raises *prima facie* jurisdictional issues, courts must exercise restraint in directing disbursal of amounts which may ultimately be found to be not payable. Interim directions ought not to result in creation of a fait accompli or expose the public exchequer to the risk of irretrievable loss, particularly where restitution may be difficult or illusory.

44. The concern articulated by the Appellants that release of compensation for land, an element which, as held above, was not contractually payable under Clause (xi), would amount to conferring a windfall upon the lessee, cannot be brushed aside as speculative. Once public funds are disbursed pursuant to an interim direction, recovery in the event of success in appeal is often fraught with practical and legal difficulties.

45. It is true that the learned Single Judge sought to safeguard the interests of the Appellants by observing that all rights and contentions were kept open. However, the mere reservation of rights does not neutralise the consequences of actual disbursal, especially where the



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amount released is founded on a determination which is later found to be without jurisdiction.

46. At the same time, the Court is conscious of the fact that the lessee had been deprived of possession of the land and that valuation of buildings and structures had been undertaken. To that limited extent, directions for disbursal towards undisputed components, if any, may have been justified. However, the direction for release of 75% of the compensation determined towards land, when the very entitlement to compensation for land was under serious challenge, cannot be sustained.

47. Before parting with this issue, it is necessary to clarify the position with regard to disbursal of compensation. The record indicates that an amount of Rs. 2,58,57,686/- was released to the lessee on 30.07.2010 at the time of taking possession, which was an interim payment released at the time of taking possession in the statutory acquisition proceedings initiated under the urgency provisions of Section 17 of the LA Act, independent of and distinct from the contractual resumption proceedings under Clause (xi) of the lease deed. The final compensation was thereafter determined by Award No. 10/LAC/N/10-11 dated 22.12.2010. It has been stated on behalf of the Union of India that no further amount pursuant to the said Award, or in terms of the order dated 22.02.2011, has been disbursed, save and except amounts released towards relocation expenses of plant and machinery.

48. In these circumstances, while the interim amount already released shall abide by and be subject to adjustment in accordance

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with law, any direction for disbursal of compensation for land under clause (xi) founded upon the market value determination by the LAC could not have been issued pending adjudication of the serious jurisdictional and contractual challenges raised by the Appellants. At the same time, it is clarified that this determination shall not prejudice the entitlement of the lessee to compensation, if any, lawfully payable under Clause (xi) of the lease deed, including compensation for buildings, structures, plant and machinery, as well as proportionate refund of premium or charges paid, subject to due verification and determination in accordance with law. In the event it is found that any amount has been disbursed pursuant to the Order dated 22.02.2011 towards compensation for land, the same shall remain subject to restitution.

ISSUES (vi): Whether the lessee has an enforceable right to conversion of the residual leasehold land into freehold, and whether the order dated 05.04.2010 directing such conversion calls for interference

49. This issue goes to the heart of the present batch of matters. It concerns the legality of the order dated 05.04.2010 passed in W.P.(C) 1278/2007, whereby the learned Single Judge quashed the order dated 27.12.2006 rejecting the request of NCSRPL for conversion of the remaining leasehold land into freehold and directed the L&DO to effect such conversion subject to payment of requisite charges.

50. At the outset, it is necessary to note that conversion of leasehold rights into freehold, under the policy framed by the Government in 2003, is not a matter of statutory entitlement. The policy is an

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executive measure intended to extend a facility or concession to eligible lessees, subject to fulfilment of prescribed conditions and subject to administrative discretion. It does not, by its own force, confer a vested or indefeasible right to conversion.

51. The legal character of such a policy has been consistently recognised as conferring, at the highest, a right to apply for conversion and to have such application considered in accordance with the policy. It does not create a mandamus-enforceable right to obtain conversion, particularly where the foundational eligibility conditions are absent or where overriding public interest considerations intervene.

52. When the terms of the lease deed dated 06.09.1951 are examined, certain features assume central importance. The lease was granted for a defined purpose, namely the establishment and operation of a cold storage, with a clear prohibition against user for any other purpose. The lease further contained an express and unqualified resumption clause, Clause (xi), which reserved to the Government the right to take back the land, together with buildings and structures, at any point during the currency of the lease if the land was required for a public or administrative purpose.

53. The existence of a renewal clause permitting extension for two further periods of 30 years does not dilute the legal effect of the resumption clause. Renewal only prolongs the tenure of the lease; it does not convert the nature of the interest into ownership nor does it negate the overriding right of the lessor to resume the land for public purposes. The lease, therefore, even though long in duration, remained a lease subject to stringent conditions and defeasible at the instance of

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the Government.

54. It is in this context that the rejection of the conversion application on the ground that the allotment was “temporary” must be understood. The expression “temporary” cannot be read in a purely arithmetical sense of duration alone. A lease may endure for several decades and yet remain temporary in character if it is purpose-specific, conditional, and expressly resumable at any time for public purposes. The substance of the rights conferred, rather than the length of tenure, is determinative.

55. By the time the application for conversion came to be considered, significant developments had already occurred. Substantial portions of the leased land had been resumed for public purposes, first for the Delhi Metro Rail Project and thereafter for traffic streamlining. These resumptions were not speculative or hypothetical; they were actual, implemented, and irreversible. The remaining portion of land was also stated to be required imminently for public purposes, a fact which subsequently culminated in statutory acquisition proceedings.

56. In such a situation, directing conversion of the residual land into freehold would have the effect of fundamentally altering the legal relationship between the parties. Conversion would extinguish the Government’s reversionary interest and resumption rights and would convert a defeasible leasehold interest into absolute ownership, only to be followed by compulsory acquisition and payment of full market value compensation.

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57. Such a course would result in a consequence which the policy was never intended to achieve, namely, the creation of ownership rights in favour of a lessee in respect of public land, immediately prior to acquisition, thereby obligating the State to pay compensation as if it were acquiring private property. This would amount to converting a policy-based concession into a vehicle for unjust enrichment.

58. The Court cannot be oblivious to the fact that, under the lease deed, the lessee never possessed an unfettered right in the land. The land at all times remained Government land, subject to a limited right of use, and subject to resumption without payment of compensation for land. To compel conversion in such circumstances would be to rewrite the contract between the parties and to defeat the express terms of the lease.

59. The learned Single Judge, while directing conversion, appears to have proceeded primarily on the premise that the lease was a long-term lease and therefore could not be characterised as temporary. With respect, such an approach places undue emphasis on duration and insufficient emphasis on the decisive features of the lease, namely purpose restriction, Government ownership, and unconditional right of resumption.

60. Equally significant is the fact that the conversion policy itself contains exclusions and safeguards. Clauses barring conversion where disputes relating to Government dues subsist, or where litigation between the lessor and lessee is pending, are not empty formalities. In the present case, multiple litigations concerning resumption, compensation, valuation, and entitlement were pending at the time

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when conversion was sought and directed. Grant of conversion in the midst of such disputes runs counter to the express policy framework.

61. This Court is therefore unable to accept the proposition that NCSRPL had an enforceable right to conversion of the leasehold land into freehold, or that rejection of its application was arbitrary or illegal. The direction for conversion effectively compelled the Government to part with ownership of land which it required, and was entitled to resume, for public purposes.

62. In view of the foregoing, this Court holds that the order dated 05.04.2010 directing conversion of the leasehold land into freehold is legally unsustainable and warrants interference. The said order is set aside. Once the order directing conversion is set aside, the legal character of the residual land remains that of Government land held under lease, subject to Clause (xi).

ISSUE No. (vii): Whether the proceedings arising out of statutory acquisition under the Land Acquisition Act and those arising out of resumption under Clause (xi) of the lease deed operate in distinct legal fields, and the effect of setting aside the order directing conversion.

63. This issue arises primarily in the context of LPA 891/2015, wherein the Union of India assailed the order of the learned Single Judge rejecting its application seeking that the Appeals arising out of statutory acquisition proceedings under the LA Act be heard together with the present batch of Letters Patent Appeals and the connected Writ Petition, which primarily concern resumption of land under Clause (xi) of the lease deed dated 06.09.1951.

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64. At the threshold, it must be recognised that the source, nature and legal incidents of resumption under Clause (xi) of the lease deed are fundamentally distinct from those of compulsory acquisition under the LA Act.

65. Resumption under Clause (xi) flows from a contractual arrangement between the Government as lessor and the lessee. The right to resume is expressly reserved in the lease deed itself and is exercisable upon the occurrence of a specified contingency, namely the requirement of the land for a public or administrative purpose. The consequences of such resumption, including the heads and measure of compensation, are governed entirely by the terms of the lease.

66. In contrast, acquisition under the LA Act is a statutory exercise of sovereign power of eminent domain. It results in compulsory divestment of rights in land, including ownership or other interests, by operation of law, and compensation is required to be determined strictly in accordance with the statutory scheme contained in Sections 23, 24 and allied provisions of the LA Act.

67. The two mechanisms, therefore, operate in distinct legal fields. One is rooted in contract; the other in statute. One governs the consequences of termination of a limited, defeasible interest; the other governs compulsory acquisition of rights recognised in law. The mere fact that both may relate to portions of the same original parcel of land does not obliterate this fundamental distinction.

68. This distinction becomes even more pronounced when regard is had to the specific facts of the present case. The resumptions of land



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admeasuring 1,087 sq. metres and 400 sq. metres were effected under Clause (xi) of the lease deed for identified public purposes, and disputes arising therefrom relate to the interpretation of the lease, the permissible heads of compensation, and the jurisdiction exercised by the LAC pursuant to judicial directions.

69. The initiation of statutory acquisition proceedings in respect of the remaining parcel was not an independent assertion of eminent domain over privately owned land, but was a consequence flowing from the legal position created by the order dated 05.04.2010 directing conversion of the leasehold land into freehold. Once the said order directing conversion is held to be unsustainable and is set aside, the foundational premise for treating the residual land as privately owned ceases to exist. The land, in law, continues to vest in the Government, subject to the lease and its resumption clause. The State cannot be compelled to acquire its own land under the LA Act. In such a situation, the legally permissible mode for taking back possession of the remaining land would ordinarily be resumption under Clause (xi) of the lease deed.

70. The issues arising in the statutory acquisition proceedings concern matters such as market value, apportionment between lessor and lessee, statutory benefits, and enhancement by the Reference Court. These issues do not arise, and indeed cannot arise, in proceedings relating to resumption under Clause (xi), where the lease itself excludes compensation for land as such.

71. The contention advanced on behalf of NCSRPL that the Government cannot adopt inconsistent stands in respect of different

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portions of the same leased land cannot be accepted in the abstract. The Government's conduct must be assessed in light of the legal regime governing each transaction. The Government was forced to proceed under the LA Act, in view of the direction contained in the order passed on 05.04.2010 and not because the land had, in law, ceased to be Government land independently of such direction.

72. The choice of legal route, resumption or acquisition, may be informed by administrative exigencies, project requirements, or statutory compulsions. That choice, by itself, does not authorise a court to collapse two legally distinct regimes into one or to apply the incidents of statutory acquisition to a contractual resumption.

73. The learned Single Judge, while rejecting the application seeking consolidation or joint hearing of the acquisition-related proceedings with the present batch, correctly appreciated this distinction. Clubbing the proceedings would not only blur well-established legal boundaries but also risk importing considerations and principles wholly alien to one regime into the other. In view of the setting aside of the order directing conversion, the legal basis for invoking statutory acquisition in respect of the remaining parcel does not survive, and any taking over of possession would necessarily have to be traced to Clause (xi) of the lease deed.

74. This Court is therefore of the view that proceedings arising out of resumption under Clause (xi) of the lease deed and proceedings arising out of statutory acquisition under the LA Act operate in distinct legal fields, governed by different sources of power and different legal principles. They could neither be compulsorily clubbed



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nor decided together as a matter of course.

75. Consequently, no fault can be found with the rejection of the application giving rise to LPA 891/2015, and the challenge thereto must fail.

ISSUE No. (viii): Whether the Letters Patent Appeals and the Writ Petition suffer from delay, acquiescence or lack of bona fides, and if so, the effect thereof on the maintainability of the proceedings

76. This issue arises on account of the objection raised on behalf of NCSRPL that the Letters Patent Appeals filed by the Union of India and other Appellants suffer from inordinate delay; that the Appellants had acquiesced in the orders dated 04.02.2010 and 16.03.2010 by participating in the proceedings before the LAC; and that the challenges were mounted only after the order dated 22.02.2011 directing disbursal of compensation, thereby disentitling the Appellants to any discretionary relief.

77. There can be no dispute with the proposition that delay and acquiescence are relevant considerations in the exercise of appellate and writ jurisdiction. However, it is equally well settled that these considerations cannot be applied mechanically and must yield where substantial questions of jurisdiction, legality and public interest arise.

78. In the present batch of matters, the gravamen of the challenge raised by the Union of India is not merely to the quantum of compensation, but to the very jurisdiction and remit of the LAC in determining compensation by adopting a market value methodology, allegedly contrary to the terms of the lease deed and the limited



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referral made by the Court.

79. The order dated 04.02.2010 referred the issue of quantification to the LAC “with reference to the lease”. The subsequent grievance of the Appellants arose only after the Determination dated 26.05.2010 was rendered by the LAC, which, according to the Appellants, travelled beyond the scope of the referral by treating the matter as akin to a statutory acquisition.

80. The order dated 22.02.2011 directing release of 75% of the amount determined by the LAC marked a further and significant stage, inasmuch as it gave rise to an immediate and concrete apprehension of irreversible financial consequences and loss to the public exchequer. It is thereafter that the present cluster of Letters Patent Appeals and the Writ Petition came to be instituted.

81. Participation by the Appellants in the proceedings before the LAC, pursuant to judicial directions, cannot by itself be construed as acquiescence in the legality of the process or as a waiver of the right to question jurisdictional excess. Compliance with a court-directed procedure does not estop a party from challenging the outcome where such outcome is alleged to be ultra vires the governing legal framework.

82. The determination dated 26.05.2010 submitted by the LAC was not a statutory award under the LA Act but a determination made pursuant to judicial directions. The learned Single Judge, while directing disbursal, consciously kept all rights and contentions open. In the absence of any statutory mechanism to challenge such



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determination, the Appellants were constrained to institute W.P.(C) 4792/2011. The filing of the said Writ Petition, therefore, cannot be characterised as lacking in bona fides or as an act of approbation and reprobation.

83. The delay pointed out in some of the Appeals must also be viewed in the backdrop of the multiplicity of interlinked proceedings, overlapping orders, and evolving factual developments, including parallel statutory acquisition proceedings and questions relating to freehold conversion. The record reflects a continuous and interconnected litigation trajectory rather than abandonment or conscious acceptance of the impugned orders.

84. More importantly, the issues raised go to the root of the matter, namely:

- a) whether compensation for land can at all be awarded despite a contractual resumption clause;
- b) whether the LA Act regime can be imported into such resumption; and
- c) whether public funds can be disbursed on a basis not sanctioned by the governing contract.

These are not merely inter partes disputes, but issues bearing directly on the interpretation of Government leases, public policy, and fiscal accountability.

85. In such circumstances, technical objections as to delay or alleged acquiescence cannot be permitted to defeat adjudication on the



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merits. Where jurisdictional error and potential public exchequer implications are alleged, courts have consistently held that substantive justice must prevail over procedural technicalities.

86. Accordingly, this Court is of the view that the Letters Patent Appeals and the Writ Petition do not warrant dismissal on the ground of delay, acquiescence or lack of *bona fides*, and are maintainable. Consequently, delay in filing the Appeals is condoned.

FINAL CONCLUSIONS & DIRECTIONS

87. Having examined the entire conspectus of facts, the contractual framework governing the parties, the sequence of judicial orders, and the rival submissions, this Court summarises its conclusions issue-wise as under.

A. Nature of the Lease and Right of Resumption

88. The lease deed dated 06.09.1951 granted leasehold rights in favour of NCSRPL for a fixed term of 30 years, renewable in accordance with the terms of the lease.

89. The lease was not an absolute or perpetual grant of land, but a conditional allotment of Government land for a specific purpose, coupled with an express stipulation reserving to the Government the right of resumption for public or administrative purposes.

90. The length of tenure or the presence of renewal clauses does not alter the essential character of the lease as a Government allotment subject to resumption. The lessee never acquired ownership rights in the land, and its interest remained confined to the leasehold estate

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created by the deed.

B. Scope and Effect of Clause (xi) - Resumption and Compensation

91. Clause (xi) of the lease deed constitutes a self-contained contractual regime governing both the power of resumption and the nature and extent of compensation payable upon such resumption.

92. Resumption under Clause (xi) is a contractual resumption of leasehold rights and does not amount to compulsory acquisition of ownership of land so as to attract the substantive provisions of the Land Acquisition Act, 1894.

93. Upon resumption, the lessee is not entitled to compensation for the land as such. The compensable heads under Clause (xi) are confined to:

- (a) the value of buildings, structures, fixtures, plant and machinery standing on the resumed land; and
- (b) proportionate refund of the premium or charges paid under the lease.

94. The reference in Clause (xi) to determination “as nearly as may be in accordance with the provisions of the Land Acquisition Act” is limited to the mode of valuation in the event of dispute and does not import the substantive right to market value of land, solatium, or other statutory benefits applicable to compulsory acquisition of title.

95. Any construction equating contractual resumption with acquisition of ownership would negate the express terms of the lease and result in conferring ownership-level compensation upon a lessee



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who never held title to the land.

C. Reference to and Award by the Land Acquisition Collector

96. The order dated 04.02.2010 referred the issue of quantification to the LAC expressly “with reference to the lease”. The LAC was therefore bound by the contractual framework of Clause (xi).

97. By adopting a market value methodology for land and treating the exercise as one akin to statutory acquisition, the LAC transgressed both the scope of the judicial reference and the limitations imposed by the lease deed.

98. The determination/Award dated 26.05.2010, insofar as it determines compensation for land at market value and applies principles of the LA Act beyond the limited purpose contemplated by Clause (xi), is unsustainable in law.

D. Disbursal of Compensation

99. The order dated 22.02.2011 directing disbursal of 75% of the compensation determined by the LAC was passed at a stage when the jurisdiction of the LAC and the legality of the methodology adopted by it were already under serious challenge.

100. Directions for disbursal of amounts founded upon a disputed and legally questionable determination, particularly involving public funds, were premature and unsustainable.

101. Accordingly, the order dated 22.02.2011 is liable to be set aside to the extent it directs disbursal of compensation premised on

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valuation of land, while leaving it open to the competent authority to determine and disburse compensation strictly in accordance with Clause (xi) of the lease deed and the findings recorded herein.

E. Statutory Acquisition Proceedings - Separate Legal Track

102. Proceedings arising out of statutory acquisition under the LA Act, including Award No. 10/LAC/N/10-11 dated 22.12.2010, constitute a distinct and independent legal track governed by separate notifications, parcels of land and statutory principles.

103. The rates, heads of compensation or principles applicable to statutory acquisition proceedings cannot be imported into or relied upon for determining compensation payable upon contractual resumption under the lease.

104. Even where proceedings have progressed contemporaneously, strict segregation of issues, evidence and legal principles is imperative to prevent impermissible overlap between the contractual and statutory regimes.

F. Freehold Conversion

105. Conversion from leasehold to freehold under the L&DO conversion policy is a matter of policy and administrative discretion. The policy confers only a right to apply and does not create an enforceable right to obtain conversion as a matter of course.

106. The policy itself incorporates express disqualifications, including:

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- i. subsistence of disputes relating to Government dues (Clause 15); and
- ii. pendency of litigation between the lessor and the lessee (Clause 20.3).

107. In the present case, multiple disputes and litigations were pending at the relevant time. In such circumstances, no mandamus could have been issued directing conversion of the residual leasehold land into freehold.

108. The order dated 05.04.2010 directing conversion of the residual land into freehold, therefore, cannot be sustained and calls for interference. The same is, accordingly, set aside.

G. Delay and Maintainability

109. The objections relating to delay, acquiescence and lack of *bona fides* do not merit acceptance. The challenges raised involve jurisdictional errors and issues of public importance affecting Government land and public funds.

110. Participation in proceedings pursuant to judicial directions does not amount to waiver or acquiescence, and technical objections cannot defeat adjudication on merits in such circumstances.

OPERATIVE DIRECTIONS

111. In view of the above conclusions:

- i. LPA Nos. 529/2011, 531/2011 and 411/2011 are allowed to the extent indicated herein.

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- ii. W.P.(C) 4792/2011 is allowed, and the determination/Award dated 26.05.2010 is set aside insofar as it determines compensation for land contrary to Clause (xi) of the lease deed.
- iii. The order dated 22.02.2011 directing disbursal of compensation is set aside to the extent it directs disbursal of compensation premised on valuation of land.
- iv. LPA No. 454/2010 is allowed, and the order dated 05.04.2010 directing conversion of the residual leasehold land into freehold is set aside.
- v. LPA No. 891/2015 stands disposed of in terms of the principles of strict compartmentalisation laid down herein.

112. It is clarified that the competent authority shall be at liberty to determine and disburse compensation, if any, payable to the lessee strictly in accordance with Clause (xi) of the lease deed. It is also declared that initiation of acquisition proceedings under the LA Act in respect of the subject property cannot be sustained in law, having been premised upon the direction of the learned Single Judge to convert the property to freehold, which has been set aside by this Court. Consequently, the remaining parcel of land admeasuring 698.23 sq. metres (approximately 699 sq. metres) continues to vest in the Government and any taking over of possession thereof can only be in accordance with Clause (xi) of the lease deed. Any amount already released shall be duly adjusted. In the event it is found that excess amount has been disbursed towards compensation for land pursuant to interim orders and contrary to this judgment, the same shall be liable



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to restitution in accordance with law.

113. All the pending applications shall stand closed.

ANIL KSHETARPAL, J.

HARISH VAIDYANATHAN SHANKAR, J.

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