

REPORTABLE

IN THE SUPREME COURT OF INDIA
CIVIL APPELLATE JURISDICTION

CIVIL APPEAL NOS.6127-6128 OF 2011

(Arising out of Special Leave Petition (Civil) Nos.22086-22087 of 2009)

Valliyammal and another etc.

... Appellants

Versus

Special Tahsildar (Land Acquisition) and another etc.

... Respondents

With

CIVIL APPEAL NOS.6132-6133 OF 2011

(Arising out of SLP(C) Nos. 25581-25582 of 2009)

CIVIL APPEAL NOS.6135-6138 OF 2011

(Arising out of SLP(C) Nos. 25587-25590 of 2009)

CIVIL APPEAL NO.6134 OF 2011

(Arising out of SLP(C) Nos. 25591 of 2009)

CIVIL APPEAL NOS. 6139-6140 OF 2011

(Arising out of SLP(C) Nos. 25596-25597 of 2009)

CIVIL APPEAL NOS.6141-6146 OF 2011

(Arising out of SLP(C) Nos. 33777-33782 of 2009)

CIVIL APPEAL NO.6147 OF 2011

(Arising out of SLP(C) No. 33808 of 2009)

CIVIL APPEAL NOS. 6148-6154 OF 2011

(Arising out of SLP(C) Nos. 2194-2200 of 2010)

CIVIL APPEAL NO.6155 OF 2011

(Arising out of SLP(C) No. 12581 of 2010)

CIVIL APPEAL NO.6156 OF 2011

(Arising out of SLP(C) No. 22831 of 2010)

CIVIL APPEAL NO.6157 OF 2011

(Arising out of SLP(C) No. 23654 of 2010)

CIVIL APPEAL NO. 6158 OF 2011

(Arising out of SLP(C) No. 23655 of 2010)

CIVIL APPEAL NO.6159 OF 2011

(Arising out of SLP(C) No. 23656 of 2010)

CIVIL APPEAL NO. 6160 OF 2011

(Arising out of SLP(C) No. 23657 of 2010)

CIVIL APPEAL NO.6161 OF 2011

(Arising out of SLP(C) No. 23658 of 2010)

CIVIL APPEAL NO.6162 OF 2011

(Arising out of SLP(C) No. 23659 of 2010)

CIVIL APPEAL NO.6163 OF 2011

(Arising out of SLP(C) No. 23666 of 2010)

CIVIL APPEAL NO. 6164 OF 2011

(Arising out of SLP(C) No. 23669 of 2010)

CIVIL APPEAL NO. 6165 OF 2011

(Arising out of SLP(C) No. 23641 of 2010)

CIVIL APPEAL NO.6166 OF 2011

(Arising out of SLP(C) No. 23643 of 2010)

CIVIL APPEAL NO.6170 OF 2011

(Arising out of SLP(C) No. 1147 of 2011)

CIVIL APPEAL NO. 6168 OF 2011

(Arising out of SLP(C) No. 1961 of 2011)

CIVIL APPEAL NO.6169 OF 2011

(Arising out of SLP(C) No. 2187 of 2011)

CIVIL APPEAL NO. 6171 OF 2011

(Arising out of SLP(C) No. 3520 of 2011)

CIVIL APPEAL NO. 6167 OF 2011

(Arising out of SLP(C) No. 26825 of 2011)

JUDGMENT**G.S. Singhvi, J.**

1. Delay in filing Special Leave Petition (Civil) Nos.33777-33782/2009, 22831/2010, 23641/2010, 23643/2010 and 1961/2011 is condoned.

2. Leave granted.

3. These appeals filed against the judgments/orders passed by different Division Benches of the Madras High Court substantially reducing the amount of compensation determined by Additional District Judge, Erode and Principal Subordinate Judge, Erode (hereinafter referred to as, “the Reference Court”) are illustrative of the plight of the owners of small parcels of land, who are deprived of the only source of

livelihood and who have to spend substantial amount in litigation and wait for years together to get just and reasonable compensation in lieu of the compulsory acquisition of their land by the State.

4. For the sake of convenience, we shall first advert to the factual matrix of the appeals arising out of SLP (C) Nos.25581-82 of 2009 – Jaganatha Gounder v. Special Tahsildar (Land Acquisition), Erode and another because learned counsel for the parties made submissions keeping in view the factual matrix of those cases.

5. In exercise of the powers vested in it under Section 4(1) of the Land Acquisition Act, 1894 (for short, “the Act”), the Government of Tamil Nadu issued notification dated 17.1.1997 for the acquisition of 55.89 acres land comprised in different survey numbers of village Erode for construction of houses by the Tamil Nadu Housing Board (for short, “the Board”).

6. By an award dated 3.3.2000, the Land Acquisition Officer fixed market value of the acquired land at the rate of Rs.50,000/- per acre. This did not satisfy the appellants who filed applications under Section 18(1) of the Act and claimed compensation at the rate of Rs.50/- per square yard by asserting that the acquired land is situated near Erode-

Perundurai and Sennimalai Road junction and residential colonies like Anna Nagar, Sri Nagar, Bharthi Nagar, Rail Nagar, Jeeva Nagar, Subramania Nagar, Kalaigai Karunanidhi Nagar, Arts College, Women's College, Kongu Higher Secondary School, St. Joseph Clinic, Hospitals etc. and was having potential for being used for housing and business purposes. Thereupon, the Collector made reference to the Court for the determination of the compensation payable to the appellants. The Reference Court considered the pleadings of the parties and evidence produced by them and concluded that the appellants are entitled to compensation at the rate of Rs.28/- per square feet.

7. Both, the appellants and the respondents challenged the judgment of the Reference Court by filing appeals under Section 54 of the Act. They also filed applications under Order XLI Rule 27 of the Code of Civil Procedure for permission to adduce additional evidence. The High Court allowed the applications and directed the Reference Court to give opportunity to the parties to adduce additional evidence and make fresh determination of the compensation payable to the appellants and remit its findings along with the documents.

8. In compliance of the direction given by the High Court, the Reference Court considered the additional evidence produced by the

parties and opined that the appellants are entitled to compensation at the rate of Rs.19.28 per square feet.

9. After receiving the report of the Reference Court, the High Court considered the evidence produced by the parties and held that valuation of the land, which was made basis by the Land Acquisition Officer for fixing market value cannot be relied upon because that land was situated far away from the acquired land. The High Court noted that there was a steady increase of property value in the area because of repeated acquisitions made on behalf of the Board, referred to the topo-sketch and sale deed Exhibit C.8 dated 8.2.1991 and observed:

“.....The said property is in a housing colony by name K.K.Nagar and the area is considered to be a developed area. Therefore we are of the opinion that the valuation as found mentioned in Ex.C.8 could be taken as Bench Mark for the purpose of fixing the market rate. In fact we have taken a document of the year 1989 showing the market rate at Rs.20/- per sq.ft. for arriving at the market rate in respect of the property acquired as per the notification issued in the year 1991.

Even though as per Ex.C.8 dated 8.2.1991 the property was sold at the rate of Rs.30/- per sq.ft., the said transaction relates to a smaller extent. However as per the subject notification larger extent of property was acquired and as such the value as shown in Ex.C.8 cannot be taken in its entirety for arriving at the market rate. The Housing Board has to develop the property for housing purposes. It is in evidence that the acquired property was only an agricultural property and it has no potential as a housing site. No evidence was placed on the side of the claimants to show that they have been getting substantial income from the property or it has got high potential as a

house-site. Therefore we are of the view that necessary deduction has to be made towards development charges.”

The High Court then adverted to the principles laid down by this Court in **State of Uttar Pradesh v. Ram Kumari Devi** (1996) 8 SCC 577, **Viluben Jhalejar Contractor v. State of Gujarat** (2005) 4 SCC 789, **Atma Singh v. State of Haryana** (2008) 2 SCC 568, **The General Manager, Oil and Natural Gas Corporation Ltd. v. Rameshbhai Jivanbhai Patel** (2008) 14 SCC 745, **Revenue Divisional Officer-cum-L.A.O. v. Shaik Azam Saheb etc.** (2009) 4 SCC 395, **Faridabad Gas Power Project, NTPC v. Om Prakash** (2009) 4 SCC 719 for determination of market value of the acquired land as also the rule of deduction towards development cost and held:

“The acquired property is a manwari land and even according to the claimants it was not a house-site developed by them. The acquisition was only for construction of residential houses and therefore necessarily the Housing Board has to spend considerable amount for development and to make it fit for construction of residential units. On the other hand, the property in Ex.C.8 is a developed site and the same was sold only as a house-site. Therefore considering the advantages, development and potential of the property in Ex.C.8 vis-a-vis the disadvantages, undeveloped state and lack of potential of the acquired property, we are of the view that deduction at the rate of 40% has to be given towards development charges.”

The High Court also took cognizance of the fact that the sale instance Exhibit C.8 relied upon for fixing market value was in respect of a small piece of land and held:

“While fixing the market rate, very often, documents of smaller extent would be taken as the basis. The normal rule in fixing compensation for large extent of land with reference to the value shown in the sale document of lesser extent is that there must be suitable deduction. It is common knowledge that larger extent of property invariably fetch less when compared to smaller extent. No prudent buyer would buy large extent of land by quoting the price prevailing in the market for a small piece of land.

The document in Ex.C.8 is in respect of a property having only 1200 sq.ft. However as per the present notification, large extent of property was acquired. Therefore we are of the considered opinion that necessary deduction on account of small size of the property retained for fixing the market value has to be given. On an overall consideration of the matter, we fix the deduction on account of small size of the plot taken as the basic document at 20%.

Taking an overall view of the matter we are of the opinion that 40% deduction should be made towards development costs and 20% on account of small size of the plot taken as the basis to arrive at the market value. Accordingly, while retaining Ex.C.8 dated 8.2.1991 (Rate Rs.30/- per sq.ft.) as the basic document for arriving at the market rate, we deduct 40% by way of development charges and 20% by way of small size of the plot and arrive at the market rate at Rs.5,22,720/- per acre.”

10. The facts of the other appeals have been incorporated in a statement, which is marked as Schedule ‘A’ and shall be treated as part of this judgment. A perusal of the statement shows that various parcels of land were acquired by the State Government vide notifications dated 9.10.1990, 15.4.1991, 16.4.1991, 22.5.1991, 27.5.1991, 8.4.1992, 15.3.1995, 17.1.1997, 12.2.1997 and 19.3.1997 and the High Court

reduced the market value fixed by the Reference Court from Rs.19.28 to Rs.12/- and from Rs.20/- to Rs.8/- per square feet.

11. Shri V. Giri, learned senior counsel appearing for the appellants in some of the cases criticized the impugned judgments/orders primarily on the ground that while reducing market value fixed by the Reference Court, the High Court completely ignored the settled rule that the landowner is entitled to the benefit of escalation in land prices. Learned senior counsel then argued that the High Court was not at all justified in making 40% deduction towards the cost of development and 20% further deduction on account of smallness of the size of plot, which was taken as basis for arriving at the market value ignoring that the appellants had suffered huge monetary loss on account of non-payment of compensation for years together. The other learned counsel appearing for the appellants adopted the arguments of Shri Giri.

12. Shri Gurukrishna Kumar, Additional Advocate General, Tamil Nadu fairly stated that the appellants are entitled to the benefit of escalation in land prices but argued that the deduction of 40% towards development cost and 20% due to smallness of the size of the plots sold vide Exhibit C.8 cannot be termed as excessive.

13. We have considered the respective arguments and carefully perused the record. At the threshold, it will be useful to notice some of the judgments in which the Court has laid down guiding principles for determination of market value of the acquired land.

14. In **Shaji Kuriakose v. Indian Oil Corporation Limited** (2001) 7 SCC 650, this Court held:

“It is no doubt true that courts adopt comparable sales method of valuation of land while fixing the market value of the acquired land. While fixing the market value of the acquired land, comparable sales method of valuation is preferred than other methods of valuation of land such as capitalisation of net income method or expert opinion method. Comparable sales method of valuation is preferred because it furnishes the evidence for determination of the market value of the acquired land at which a willing purchaser would pay for the acquired land if it had been sold in the open market at the time of issue of notification under Section 4 of the Act. However, comparable sales method of valuation of land for fixing the market value of the acquired land is not always conclusive. There are certain factors which are required to be fulfilled and on fulfilment of those factors the compensation can be awarded, according to the value of the land reflected in the sales. The factors laid down inter alia are: (1) the sale must be a genuine transaction, (2) that the sale deed must have been executed at the time proximate to the date of issue of notification under Section 4 of the Act, (3) that the land covered by the sale must be in the vicinity of the acquired land, (4) that the land covered by the sales must be similar to the acquired land, and (5) that the size of plot of the land covered by the sales be comparable to the land acquired. If all these factors are satisfied, then there is no reason why the sale value of the land covered by the sales be not given for the acquired land. However, if there is a dissimilarity in regard to locality,

shape, site or nature of land between land covered by sales and land acquired, it is open to the court to proportionately reduce the compensation for acquired land than what is reflected in the sales depending upon the disadvantages attached with the acquired land.”

(emphasis supplied)

15. In **Viluben Jhalejar Contractor v. State of Gujarat** (supra), this Court laid down the following principles for determination of market value of the acquired land:

“Section 23 of the Act specifies the matters required to be considered in determining the compensation; the principal among which is the determination of the market value of the land on the date of the publication of the notification under sub-section (1) of Section 4.

One of the principles for determination of the amount of compensation for acquisition of land would be the willingness of an informed buyer to offer the price therefor. It is beyond any cavil that the price of the land which a willing and informed buyer would offer would be different in the cases where the owner is in possession and enjoyment of the property and in the cases where he is not.

Market value is ordinarily the price the property may fetch in the open market if sold by a willing seller unaffected by the special needs of a particular purchase. Where definite material is not forthcoming either in the shape of sales of similar lands in the neighbourhood at or about the date of notification under Section 4(1) or otherwise, other sale instances as well as other evidences have to be considered.

The amount of compensation cannot be ascertained with mathematical accuracy. A comparable instance has to be identified having regard to the proximity from time angle as well as proximity from situation angle. For determining the market value of the land under acquisition, suitable adjustment has to be made having regard to various positive and negative

factors vis-à-vis the land under acquisition by placing the two in juxtaposition. The positive and negative factors are as under:

Positive factors	Negative factors
(i) smallness of size	(i) largeness of area
(ii) proximity to a road	(ii) situation in the interior at a distance from the road
(iii) frontage on a road	(iii) narrow strip of land with very small frontage compared to depth
(iv) nearness to developed area	(iv) lower level requiring the depressed portion to be filled up
(v) regular shape	(v) remoteness from developed locality
(vi) level vis-à-vis land under acquisition	(vi) some special disadvantageous factors which would deter a purchaser
(vii) special value for an owner of an adjoining property to whom it may have some very special advantage	

Whereas a smaller plot may be within the reach of many, a large block of land will have to be developed preparing a layout plan, carving out roads, leaving open spaces, plotting out smaller plots, waiting for purchasers and the hazards of an entrepreneur. Such development charges may range between 20% and 50% of the total price.”

16. In **Atma Singh v. State of Haryana** (supra), the Court held:

“In order to determine the compensation which the tenure-holders are entitled to get for their land which has been acquired, the main question to be considered is what is the market value of the land. Section 23(1) of the Act lays down what the court has to take into consideration while Section 24 lays down what the court shall not take into consideration and have to be neglected. The main object of the enquiry before the

court is to determine the market value of the land acquired. The expression “market value” has been the subject-matter of consideration by this Court in several cases. The market value is the price that a willing purchaser would pay to a willing seller for the property having due regard to its existing condition with all its existing advantages and its potential possibilities when led out in most advantageous manner excluding any advantage due to carrying out of the scheme for which the property is compulsorily acquired. In considering market value disinclination of the vendor to part with his land and the urgent necessity of the purchaser to buy should be disregarded. The guiding star would be the conduct of hypothetical willing vendor who would offer the land and a purchaser in normal human conduct would be willing to buy as a prudent man in normal market conditions but not an anxious dealing at arm's length nor facade of sale nor fictitious sale brought about in quick succession or otherwise to inflate the market value. The determination of market value is the prediction of an economic event viz. a price outcome of hypothetical sale expressed in terms of probabilities. See *Kamta Prasad Singh v. State of Bihar*, *Prithvi Raj Taneja v. State of M.P.*, *Administrator General of W.B. v. Collector, Varanasi* and *Periyar Pareekanni Rubbers Ltd. v. State of Kerala*.

For ascertaining the market value of the land, the potentiality of the acquired land should also be taken into consideration. Potentiality means capacity or possibility for changing or developing into state of actuality. It is well settled that market value of a property has to be determined having due regard to its existing condition with all its existing advantages and its potential possibility when led out in its most advantageous manner. The question whether a land has potential value or not, is primarily one of fact depending upon its condition, situation, user to which it is put or is reasonably capable of being put and proximity to residential, commercial or industrial areas or institutions. The existing amenities like water, electricity, possibility of their further extension, whether near about town is developing or has prospect of development have to be taken into consideration. See *Collector v. Dr. Harisingh Thakur*, *Raghubans Narain Singh v. U.P. Govt. and Administrator General, W.B.* v. *Collector Varanasi*. It has been held in *Kausalya Devi Bogra v. Land Acquisition Officer and Suresh*

Kumar v. Town Improvement Trust that failing to consider potential value of the acquired land is an error of principle.”

17. In fixing market value of the acquired land, which is undeveloped or under-developed, the Courts have generally approved deduction of 1/3rd of the market value towards development cost except when no development is required to be made for implementation of the public purpose for which land is acquired. In **Kasturi v. State of Haryana** (2003) 1 SCC 354, the Court held:

“.....It is well settled that in respect of agricultural land or undeveloped land which has potential value for housing or commercial purposes, normally 1/3rd amount of compensation has to be deducted out of the amount of compensation payable on the acquired land subject to certain variations depending on its nature, location, extent of expenditure involved for development and the area required for roads and other civic amenities to develop the land so as to make the plots for residential or commercial purposes. A land may be plain or uneven, the soil of the land may be soft or hard bearing on the foundation for the purpose of making construction; may be the land is situated in the midst of a developed area all around but that land may have a hillock or may be low-lying or may be having deep ditches. So the amount of expenses that may be incurred in developing the area also varies. A claimant who claims that his land is fully developed and nothing more is required to be done for developmental purposes, must show on the basis of evidence that it is such a land and it is so located. In the absence of such evidence, merely saying that the area adjoining his land is a developed area, is not enough particularly when the extent of the acquired land is large and even if a small portion of the land is abutting the main road in the developed area, does not give the land the character of a developed area. In 84 acres of land acquired even if one portion on one side abuts the main road, the remaining large area where planned development is required, needs laying of internal roads,

drainage, sewer, water, electricity lines, providing civic amenities, etc. However, in cases of some land where there are certain advantages by virtue of the developed area around, it may help in reducing the percentage of cut to be applied, as the developmental charges required may be less on that account. There may be various factual factors which may have to be taken into consideration while applying the cut in payment of compensation towards developmental charges, may be in some cases it is more than 1/3rd and in some cases less than 1/3rd. It must be remembered that there is difference between a developed area and an area having potential value, which is yet to be developed. The fact that an area is developed or adjacent to a developed area will not ipso facto make every land situated in the area also developed to be valued as a building site or plot, particularly when vast tracts are acquired, as in this case, for development purpose.”

(emphasis supplied)

18. The rule of 1/3rd deduction was reiterated in **Tejumaal Bhojwani v. State of U.P.** (2003) 10 SCC 525, **V. Hanumantha Reddy v. Land Acquisition Officer & Mandal Revenue Officer** (2003) 12 SCC 642, **H.P. Housing Board v. Bharat S. Negi** (2004) 2 SCC 184 and **Kiran Tandon v. Allahabad Development Authority** (2004) 10 SCC 745. In **Lal Chand v. Union of India** (2009) 15 SCC 769, the Court indicated that percentage of deduction for development to be made for arriving at market value of large tracts of undeveloped agricultural land with potential for development can vary between 20 and 75 per cent of the price of developed plots and observed:

“The ‘deduction for development’ consists of two components. The first is with reference to the area required to be utilised for

developmental works and the second is the cost of the development works. ...

Therefore the deduction for the 'development factor' to be made with reference to the price of a small plot in a developed layout, to arrive at the cost of undeveloped land, will be for more than the deduction with reference to the price of a small plot in an unauthorised private layout or an industrial layout. It is also well known that the development cost incurred by statutory agencies is much higher than the cost incurred by private developers, having regard to higher overheads and expenditure."

19. In **A.P. Housing Board v. K. Manohar Reddy** (2010) 12 SCC 707, the rule of 1/3rd deduction towards development cost was invoked while determining market value of the acquired land. In **Subh Ram v. State of Haryana** (2010) 1 SCC 444, this Court held as under:

"Deduction of "development cost" is the concept used to derive the "wholesale price" of a large undeveloped land with reference to the "retail price" of a small developed plot. The difference between the value of a small developed plot and the value of a large undeveloped land is the "development cost". Two factors have a bearing on the quantum (or percentage) of deduction in the "retail price" as development cost. Firstly, the percentage of deduction is decided with reference to the extent and nature of development of the area/layout in which the small developed plot is situated. Secondly, the condition of the acquired land as on the date of preliminary notification, whether it was undeveloped, or partly developed, is considered and appropriate adjustment is made in the percentage of deduction to take note of the developed status of the acquired land.

The percentage of deduction (development cost factor) will be applied fully where the acquired land has no development. But where the acquired land can be considered to be partly developed (say for example, having good road

access or having the amenity of electricity, water, etc.) then the development cost (that is, percentage of deduction) will be modulated with reference to the extent of development of the acquired land as on the date of acquisition. But under no circumstances, will the future use or purpose of acquisition play a role in determining the percentage of deduction towards development cost.”

(emphasis supplied)

20. If the impugned judgment is considered in the light of the principles laid down in the aforesaid cases, there is no escape from the conclusion that the same suffer from multiple errors and call for interference by this Court.

21. The first error committed by the High Court relates to deduction of 40% towards development charges. While doing so, the High Court ignored its own finding that the acquired land was situated in the vicinity of the residential colonies developed by the Board and other establishments as also the fact that the respondents had not produced any evidence to show that they will have to start the development work from scratch. Therefore, the High Court could have, at best, applied 1/3rd deduction towards development cost.

22. The second error committed by the High Court is that while fixing market value, it did not take into account the escalation in land prices. In **Ranjit Singh v. U.T. of Chandigarh** (1992) 4 SCC 659, **Land**

Acquisition Officer and Revenue Divisional Officer v. Ramanjulu (2005) 9 SCC 594, **Krishi Utpadan Mandi Samiti v. Bipin Kumar** (2004) 2 SCC 283, **Sardar Jogendra Singh v. State of U.P.** (2008) 17 SCC 133, **Revenue Divisional Officer-cum-L.A.O. v. Shaik Azam Saheb** (supra) and **Oil and Natural Gas Corporation Ltd. v. Rameshbhai Jivanbhai Patel** (supra), this Court has repeatedly held that the exercise undertaken for fixing market value and determination of the compensation payable to the landowner should necessarily involve consideration of escalation in land prices. In the last mentioned judgment, the Court noticed the earlier precedents and observed as under:

“We have examined the facts of the three decisions relied on by the respondents. They all related to acquisition of lands in urban or semi-urban areas. Ranjit Singh related to acquisition for development of Sector 41 of Chandigarh. Ramanjulu related to acquisition of the third phase of an existing and established industrial estate in an urban area. Bipin Kumar related to an acquisition of lands adjoining Badaun-Delhi Highway in a semi-urban area where building construction activity was going on all around the acquired lands.

Primarily, the increase in land prices depends on four factors: situation of the land, nature of development in surrounding area, availability of land for development in the area, and the demand for land in the area. In rural areas, unless there is any prospect of development in the vicinity, increase in prices would be slow, steady and gradual, without any sudden spurts or jumps. On the other hand, in urban or semi-urban areas, where the development is faster, where the demand for land is high and where there is construction activity all around, the escalation in market price is at a much higher rate, as compared to rural areas. In some pockets in big cities, due to rapid development and high demand for land, the escalations in

prices have touched even 30% to 50% or more per year, during the nineties.

On the other extreme, in remote rural areas where there was no chance of any development and hardly any buyers, the prices stagnated for years or rose marginally at a nominal rate of 1% or 2% per annum. There is thus a significant difference in increases in market value of lands in urban/semi-urban areas and increases in market value of lands in the rural areas. Therefore, if the increase in market value in urban/semi-urban areas is about 10% to 15% per annum, the corresponding increases in rural areas would at best be only around half of it, that is, about 5% to 7.5% per annum. This rule of thumb refers to the general trend in the nineties, to be adopted in the absence of clear and specific evidence relating to increase in prices. Where there are special reasons for applying a higher rate of increase, or any specific evidence relating to the actual increase in prices, then the increase to be applied would depend upon the same.

Normally, recourse is taken to the mode of determining the market value by providing appropriate escalation over the proved market value of nearby lands in previous years (as evidenced by sale transactions or acquisitions), where there is no evidence of any contemporaneous sale transactions or acquisitions of comparable lands in the neighbourhood. The said method is reasonably safe where the relied-on sale transactions/acquisitions precede the subject acquisition by only a few years, that is, up to four to five years. Beyond that it may be unsafe, even if it relates to a neighbouring land. What may be a reliable standard if the gap is of only a few years, may become unsafe and unreliable standard where the gap is larger. For example, for determining the market value of a land acquired in 1992, adopting the annual increase method with reference to a sale or acquisition in 1970 or 1980 may have many pitfalls. This is because, over the course of years, the “rate” of annual increase may itself undergo drastic change apart from the likelihood of occurrence of varying periods of stagnation in prices or sudden spurts in prices affecting the very standard of increase.”

23. Though it may appear repetitive, we deem it necessary to mention that the acquired land is situated in the close vicinity of various residential colonies, educational institutions, hospitals etc. and is on the junction of two important roads. Therefore, it can safely be concluded that the land is semi-urban and has huge potential for being developed as housing sites and the High Court should have added 10% per annum escalation in the price specified in the sale deeds relied upon for fixing market value of the acquired land.

24. The third error committed by the High Court is that in fixing market value of the land acquired vide notifications issued in 1991, 1992 and 1995 with reference to sale deed dated 4.9.1990 vide which a piece of land was sold at the rate of Rs.20/- per square feet, the High Court did not add 10% escalation per annum in the land prices.

25. We may have sustained 20% deduction keeping in view the smallness of the plots which were sold vide sale deeds dated 4.9.1990 and 8.2.1991, but, in the peculiar facts of the case, we think that it will be wholly unjust to allow such deduction. Majority of the appellants have been deprived of their entire landholding and they have waited for 14 to 20 years for getting the compensation. It appears that in compliance of the interim orders passed by the Court, some of the appellants did get

25% and one of them get 35% of the compensation, but majority of them have not received a single penny towards compensation and at this distant point of time, it will be wholly unjust to deprive them of their legitimate right by approving the 20% deduction made by the High Court. In such matters, the Court cannot be oblivious of the fact that the landowners have been deprived of the only source of livelihood, the cost of living has gone up manifold and the purchasing power of rupee has substantially declined.

26. In the result, the appeals are allowed and market value of the acquired land is fixed as under:

(i) For the acquisition made vide notification dated 9.10.1990, the base document will be sale deed dated 4.9.1990 vide which land was sold at the rate of Rs.20/- per square feet. One-third of Rs.20/- comes to Rs.6.6 per square feet. After deducting Rs.6.6 from Rs.20/-, market value of the acquired land will be Rs.13.4 per square feet which is rounded off to Rs.14/- per square feet.

(ii) For the acquisitions made by the notifications issued on 15.4.1991, 16.4.1991 and 27.5.1991, the base document will be sale deed dated 8.2.1991 vide which land was sold at the rate of Rs.30/- per square feet. One-third of Rs.30/- is equal to Rs.10/- per

square feet. After deducting Rs.10/- from Rs.30/-, market value will be Rs.20/- per square feet.

(iii) For the acquisition made vide notification dated 08.4.1992, the base document will be sale deed dated 8.2.1991 vide which land was sold at the rate of Rs.30/- per square feet. By adding 10% per annum in lieu of escalation in the land prices and deducting 1/3rd towards development cost, market value of the acquired land will be Rs.29.2 per square feet which is rounded off to Rs.30/- per square feet.

(iv) For the acquisition made vide notification dated 15.3.1995, the base document will be sale deed dated 8.2.1991 vide which land was sold at the rate of Rs.30/- per square feet. By adding 10% per annum in lieu of escalation in the land prices and deducting 1/3rd towards development cost, market value of the acquired land will be Rs.29.2 per square feet which is rounded off to Rs.30/- per square feet.

(v) For the acquisitions made by the notifications issued on 17.1.1997 and 19.3.1997, the base document will be sale deed dated 8.2.1991 vide which land was sold at the rate of Rs.30/- per

square feet. If 10% per annum is added in lieu of escalation in the land prices and 1/3rd is deducted towards development charges, market value of the acquired land will be Rs.35.3 per square feet which is rounded off to Rs.36/- per square feet.

The appellants shall get solatium, interest and other statutory benefits in accordance with the provisions of the Act.

27. With a view to ensure that the landowners are not fleeced by the middleman, we deem it proper to issue the following further directions:

(i) Within one month from the date of receipt of copy of this judgment, the Land Acquisition Officer shall depute an officer subordinate to him not below the rank of Naib Tehsildar or an equivalent rank, who shall get in touch with the landowners and/or their legal representatives and inform them about their entitlement to receive enhanced compensation.

(ii) The concerned officers shall instruct the landowners and/or their legal representatives to open savings bank account in a nationalized or scheduled bank, in case they already do not have such account.

(iii) The account numbers of the landowners and/or their legal representatives should be furnished by the concerned officer to the Land Acquisition Officer within a period of two months.

(iv) Within next one month, the Land Acquisition Officer shall deposit the amount of compensation along with other statutory benefits in the bank accounts of the landowners and/or their legal representatives by way of cheques.

New Delhi;
August 01, 2011.



.....J.
[G.S. Singhvi]

.....J.
[H.L. Dattu]

SCHEDULE 'A'

S. No.	SLP(C) Nos. & Name of Parties	Date of Section 4(1) Notification	Date of award by LAO and compensation	Date of Reference Court order and Amount fixed.	Date of High Court Judgment in Appeal Suit Nos. and rate fixed
1.	22086-22087/2009 – Valliyammal and another v. Special Tahsildar (Land Acquisition), Erode and another	19.3.1997	21.6.2000 & Rs.50,000/- per acre	4.7.2003 and Rs.28/- per square feet	28.4.2009 in A.S. Nos.200 & 201/2009 and Rs.12/- per square feet.
2.	25591/2009 – Thangamuthu Gounder v. Special Tahsildar (Land Acquisition), Erode and another	17.1.1997	3.3.2000 & Rs.50,000/- per acre	24.3.2005 and Rs.30/- per square feet	2.3.2009 in A.S. No. 706/2006 and Rs.12/- per square feet
3.	25587-90/2009 – Mohan and others etc v. Special Tahsildar (Land Acquisition), Erode and another	15.4.1991	10.06.1994 & Rs.37,500/- per acre	27.11.2002 and Rs.20/- per square feet	2.3.2009 in A.S. Nos. 813, 820, 821 and 822/2003 and Rs.8/- per square feet (Rs.3,48,480/- per acre)
4.	25596-97/2009 – K.R.Palaniappan v. Special Tahsildar (Land Acquisition), Erode and another	9.10.1990/ 16.4.1991	28.9.1994, 10.6.1994 & Rs.37,500/- per acre	30.03.2001 and Rs.16/- per square feet	2.3.2009 in A.S. Nos. 170/2003 and 871/2006 and Rs.8/- per square feet
5.	33777-82/2009 – Ramayammal and others v. Special Tahsildar (Land Acquisition), Erode and another	15.4.1991	10.6.1994 & Rs.37,500/- per acre	16.4.1999 and Rs.2,18,500/- per acre	2.3.2009 in A.S. Nos.759 to 764/1999 and Rs.8/- per square feet (Rs.3,48,480/- per acre)
6.	33808/2009 – Vishwanatha Gounder v. Special Tahsildar (Land Acquisition) Erode	27.5.1991	03.7.1994 & Rs.37,500/- per acre	27.11.2006 and Rs.20/- per square feet	2.3.2009 in A.S. Nos. 721/2003 and Rs.8/- per square feet (Rs.3,48,480/- per acre)
7.	2194-2200/2010 – Veerasamy and others v. Special Tahsildar (Land Acquisition), Erode and another	19.2.1997	31.6.2000 & Rs.50,000/- per acre	29.11.2002 and Rs.28/- per square feet	2.3.2009 in A.S. Nos. 727, 729, 730, 731, 732, 733 and 734/2003 and Rs.12/- per square feet
8.	12581/2010 – N. Pazhanisamy Gounder v. Special Tahsildar (Land Acquisition), Erode and another	12.2.1997	3.3.2000 & Rs.50,000/- per acre (Rs.1.15 per square feet)	2.3.2006 and Rs.30/- per square feet	8.7.2009 in A.S. No. 854/2006 and Rs.12/- per square feet (Rs.5,22,720/- per acre)

9.	22831/2010 – Arumugha Gounder and another v. Special Tahsildar (Land Acquisition), Erode and another	15.4.1991	10.6.1994 & Rs.37,500/- per acre	25.10.1999 and Rs.17/- per square feet	2.3.2009 in A.S. No. 325/2000 and Rs.8/- per square feet (Rs.3,48,480/- per acre)
10.	23654/2010 – Kulanthaiswamy and another v. Special Tahsildar (Land Acquisition) Erode and another	08.4.1992	22.5.1995 & Rs.37,500/- per acre	26.3.2007 and Rs.20/- per square feet	11.12.2009 in A.S. No. 428/2008 and Rs.8/- per square feet
11.	23655/2010 – K.B. Dakhinamoorthy and others v. Special Tahsildar (Land Acquisition) Erode and another	08.4.1992	22.5.1995 & Rs.37,500/- per acre	26.3.2007 and Rs.20/- per square feet	11.12.2009 in A.S. No. 543/2008 and Rs.8/- per square feet
12.	23656/2010 – P. Chandrasekar and others v. Special Tahsildar (Land Acquisition) Erode and another	08.4.1992	22.5.1995 & Rs.37,500/- per acre	26.3.2007 and Rs.20/- per square feet	11.12.2009 in A.S. No. 610/2008 and Rs.8/- per square feet
13.	23657/2010 – Pavayammal and others v. Special Tahsildar (Land Acquisition) Erode and another	15.4.1991	10.6.1994 & Rs.37,500/- per acre	4.1.2006 and Rs.20/- per square feet	11.12.2009 in A.S. No. 1002/2007 and Rs.8/- per square feet
14.	23658/2010 – Lakshmi & Anr. v. Special Tahsildar (Land Acquisition) Erode and another	15.3.1995	25.3.1998 & Rs.39,220/- per acre	6.2.2006 and Rs.22/- per square feet	11.12.2009 in A.S. No. 356/2007 and Rs.8/- per square feet
15.	23659/2010 – Kannammal and others v. Special Tahsildar (Land Acquisition) Erode and another	15.4.1991	10.6.1994 & Rs.37,500/- per acre	29.11.2005 and Rs.20/- per square feet	11.12.2009 in A.S. No. 748/2008 and Rs.8/- per square feet
16.	23666/2010–Kannammal @Rajeshwari & another v. Special Tahsildar (Land Acquisition) Erode & another	15.3.1995	25.3.1998 & Rs.50,000/- per acre	29.11.2002 and Rs.28/- per square feet	11.12.2009 in A.S. No. 770/2004 and Rs.8/- per square feet
17.	23669/2010 – Kannammal and others v. Special Tahsildar (Land Acquisition) Erode and another	27.5.1991	10.6.1994 & Rs.37,500/- per acre	29.11.2005 and Rs.20/- per square feet	11.12.2009 in A.S. No. 760/2008 and Rs.8/- per square feet
18.	23641/2010 – Chinnaasamy and others v. Special Tahsildar	27.5.1991	3.7.1994 & Rs.37,500/- per acre	23.3.2001 and Rs.17/- per square feet	2.3.2009 in A.S. No. 618/2003 and Rs.8/- per square feet

	(Land Acquisition) Erode and another				
19.	23643/2010 –K.N. Arumugham v. Special Tahsildar (Land Acquisition) Erode and another	09.10.1990	28.9.1994 & Rs.37,500/- per acre	17.01.2005 and Rs.75,000/- per acre	2.3.2009 in A.S. No. 756/2008 and Rs.8/- per square feet (Rs.3,48,480/- per acre)
20.	26825/2010 – Thambusamy (Dead by LRs.) v. Special Tahsildar (Land Acquisition) Erode and another	27.5.1991	03.08.1994 & Rs.37,500/- per acre	27.3.2008 and Rs.9/- per square feet	19.12.2009 in A.S. No. 835/2008 and Rs.8/- per square feet
21.	1961/2011 –Nachimuthu v. Special Tahsildar (Land Acquisition) Erode and another	19.2.1997	31.6.2000 & Rs.50,000/- per acre	31.3.2004 and Rs.28/- per square feet	2.3.2009 in A.S. No. 544/2005 and Rs.12/- per square feet (Rs.5,22,720/- per acre)
22.	2187/2011– Kannaki & another v. Special Tahsildar (Land Acquisition) Erode and another	19.3.1997	21.06.2000 & Rs.50,000/- per acre	29.2.2005 and Rs.30/- per square feet	8.7.2009 in A.S. No.141/2006 and Rs.12/- per square feet (Rs.5,22,720/- per acre)
23.	1147/2011 –Jayalakshmi and others v. Special Tahsildar (Land Acquisition) Erode and another	19.3.1997	21.6.2000 & Rs.50,000/- per acre	4.4.2006 and Rs.25/- per square feet	8.7.2009 in A.S. No. 181/2007 and Rs.12/- per square feet (Rs.5,22,720/- per acre)
24.	3520/2011–P.Subbarayan and others v. Special Tahsildar (Land Acquisition) Erode and another	22.5.1991	10.8.1994 & Rs. 37,500/- per acre (Rs. 0.86 per sq. ft.)	21.11.2005 and Rs.17/- per square feet	8.7.2009 in A.S. No. 392/2007 and Rs.8/- per square feet (Rs.3,48,480/- per acre)

JUDGMENT