

**REPORTABLE**

**IN THE SUPREME COURT OF INDIA**

**CIVIL APPELLATE JURISDICTION**

**CIVIL APPEAL NO. 9007 OF 2012**  
**(Arising out of SLP (C) No.25856 of 2008)**

**State of Punjab**

**... Appellant**

**Versus**

**Gian Chand & Ors.  
Respondents**

**...**

**WITH**

**CIVIL APPEAL NOS. 9008-9009 OF 2012**  
**(Arising out of SLP (C) No.18734-18735 of 2007)**

**CIVIL APPEAL NO. 9010 OF 2012**  
**(Arising out of SLP (C) No.18878 of 2010)**

**CIVIL APPEAL NO. 9011 OF 2012**  
**(Arising out of SLP (C) No.22841 of 2009)**

**CIVIL APPEAL NO. 9012 OF 2012**  
**(Arising out of SLP (C) No.23121 of 2010)**

**CIVIL APPEAL NO. 9013 OF 2012**  
**(Arising out of SLP (C) No.23607 of 2010)**

**CIVIL APPEAL NO. 9014 OF 2012**  
**(Arising out of SLP (C) No.25387 of 2012)**

**CIVIL APPEAL NO. 9015 OF 2012**  
**(Arising out of SLP (C) No.27327 of 2008)**

**CIVIL APPEAL NO. 9016 OF 2012**  
**(Arising out of SLP (C) No.3110 of 2012)**

**CIVIL APPEAL NO. 9017 OF 2012**  
**(Arising out of SLP (C) No.4036 of 2007)**

**CIVIL APPEAL NO. 9018 OF 2012**  
**(Arising out of SLP (C) No.7474 of 2007)**

**AND**

**CIVIL APPEAL NO. 9019 OF 2012**  
**(Arising out of SLP (C) No.9569 of 2010)**

**J U D G M E N T**

**Swatanter Kumar, J.**

1. Leave granted in all the Special Leave Petitions.

**CAs @ SLP (C) Nos. 25856/08, 18878/10, 22841/09, 23121/10, 23607/10, 25387/12, 27327/08, 3110/12 and 9569/10**

2. Petitioners before the High Court and Respondent Nos.1 to 26 before this Court, were in service of the Punjab State Electricity Board (for short, the 'PSEB') on different posts. All these respondents superannuated on different dates between 31<sup>st</sup> July, 2003 and 30<sup>th</sup> October, 2006 after they had satisfactorily rendered the required years of service in PSEB. Though these respondents had retired on different dates, their grievance was common and hence all of them filed a common writ petition challenging the circular dated 29<sup>th</sup> July, 2003 issued

by the Government. The circular dated 29<sup>th</sup> July, 2003 reads as under :

"I am directed to invite a reference to the subject cited above and to say that the Governor of Punjab is pleased to prescribe a new table (copy enclosed) for present values for the calculation of commutation of pension to replace the present table incorporated as Annexure to Chapter XI of Punjab Civil Service Rules Volume II. This table supersedes the existing table with immediate effect and shall apply to all the cases of retirement arising on or after 31.07.2003.

2. Annexure to Chapter XI of Punjab Civil Services Rules shall be deemed to have been substituted accordingly. Correction slip shall be issued in due course.

It may please be ensured that this is brought to the notice of all the employees who are retiring on or after 31.07.2003 inviting their attention to provisions of Note 2 below Rule 11.5(1) of Punjab Civil Services Rules, Volume-II."

3. The grievance of the respondents was in relation to the table of calculation of commutation of pension, which had been replaced to the disadvantage of the persons who had retired within the above-referred period. They pleaded violation of Article 14 of the Constitution of India.

4. The PSEB had framed regulations called the Punjab State Electricity Board Main Service Regulations, Vol.I, Part I, 1972 in exercise of the powers conferred by Section 79(c) of the

Electricity Supply Act, 1948. Regulation 1.7 of these Regulations provided that unless it was otherwise specifically provided in any regulation, the PSEB employees' claim to pay and allowances shall be regulated by the Regulations in force at the time in respect of which the pay and allowances are earned. It also provided that claims with regard to pension shall be by the regulations in force applicable to him at the time when the employee retires or is discharged from service. As the PSEB had not framed any Regulations of its own with regard to the Pension Rules pertaining to pension contained in the Punjab Civil Services Rules, Vol.II were to be applicable to the employees of the PSEB. The PSEB had, vide its circular dated 4<sup>th</sup> September, 1999, (Circular No. 36 of 1998) adopted the applicability of the Punjab Government Rules. Rule 11.5 of the Punjab Civil Service Rules, Vol.II dealing with the subject reads as under :

“11.5 (1) The lump sum payable on commutation shall be calculated in accordance with a table or tables of present values which shall be prescribed by the competent authority.

Note 1. - The lump payable on commutation to Government employees who have served under more than one Government when the commutation tables applied by the different Governments are not identical, shall be calculated according to the commutation table of the Government under whose rule

making control they are, at the time of retirement. In the case of Government employees who are temporarily lent by one Government to another, the commutation shall be according to the table of the lending Government and in the case of those who are permanently transferred from one Government to another it shall be according to the table of the Government to which their services have been permanently transferred.

Note 2. - In the event of the table of present values applicable to an applicant having been modified between the date of administrative sanction to commutation and the date on which commutation is due to become absolute, payment shall be made in accordance with the modified table, but it shall be open to the applicant if the modified table is less favourable to him than that previously in force, to withdraw his application, by notice in writing despatched within 14 days of the date on which he receives notice of modification. (2) The table of present value is given in Annexure to this Chapter and will be applicable to all Government employees.

For the purpose of this rule, the age, in case of impaired lives, shall be assumed to be such age, not being less than the actual age as the certifying medical authority may direct."

5. The table of commutation of pension was prescribed by the State Government on the recommendation made by the 4<sup>th</sup> Pay Commission which was accepted by the State Government and was implemented with effect from 1<sup>st</sup> January, 1996. The State of Punjab, appellant herein, issued a circular dated 29<sup>th</sup> July,

2003 replacing the existing table with a new table for calculation of commutation of pension superseding the existing table. As already noticed, this circular contains the table of commutation of pension. As is clear from the above referred circular dated 29<sup>th</sup> July, 2003, it had directed deemed substitution of Annexure to Chapter XI of the Punjab Civil Services Rules, Volume II and stated that commutation table was based on rate of interest of 8 per cent per annum (commutation value for pension to Re1/- per annum). However, vide circular dated 31<sup>st</sup> October, 2006, this circular was superseded. The circular dated 31<sup>st</sup> October, 2006 revised the existing table of commutation of pension and the Governor of Punjab reduced the discount rate from existing 8 per cent to 4.75 per cent and consequently revised the existing table in terms of Rule 11.5(2). As a result, employees who retired between 31<sup>st</sup> July, 2003 and 30<sup>th</sup> October, 2006 are at a disadvantageous position. The respondents cited illustrations to show that they were placed at a disadvantageous position. The circular dated 29<sup>th</sup> July, 2003 is arbitrary and has no reasonable nexus for making a classification between the employees who retired during the above period and the employees who retired prior to and /or after the cut off period. Before the High Court, the appellant as well as the PSEB filed a reply in which facts

were hardly disputed. In that reply, it was stated that the law relied upon by the respondents before the High Court was not applicable and the claim of the said respondents was generally denied. They prayed for dismissal of the writ petition.

6. The High Court, vide its judgment dated 21<sup>st</sup> July, 2008 accepted the writ filed by the respondents and while allowing the writ petition, the High Court noticed that no justification or clarification had been provided by the State, while making a feeble attempt to defend its stand and there was no rational basis for providing the cut off dates between the period from 31<sup>st</sup> July, 2003 to 30<sup>th</sup> October, 2006. The following operative part of the judgment can usefully be reproduced at this stage :

“After hearing the counsel for the parties, we are of the considered opinion that this petition deserves to be allowed and our opinion is further strengthened by the ratio of law, laid down in V. Kasturi’s case (supra) which has been followed by Hoshiar Singh’s case (supra). The State cannot be permitted to create two categories of retirees by providing a cut off date as there is no rationale.

In view of the above, we allow the writ petition and quash the impugned circular dated 29.07.2003 and restore the pension of the petitioner, in accordance with the revised table, issued as per the Circular dated 31.10.2006 (Annexure P-6).”

7. Aggrieved from the above judgment of the High Court, the State of Punjab has filed the present appeal by way of special leave challenging the legality and correctness of the above judgment.

8. On behalf of the appellant, it is contended that :

- (a) the High Court has not correctly applied the principle of law contained in the judgment of this Court in the case of *V. Kasturi v. Managing Director, State Bank of India* [1998 (5) SLR 629]. That case related to computation of pension and not commuting of pension.
- (b) The circular was neither arbitrary nor violative of Article 14 of the Constitution of India as there was rationale behind the decision of the State Government which had been implemented by the PSEB.
- (c) The State was suffering from serious financial crunch and the State with the intention to balance its financial liability, for good and valid economic reasons had issued the circular dated 29<sup>th</sup> July, 2003. Reliance in this regard is placed upon the judgment of this Court in the case of *State of Bihar v. Bihar Pensioner's Samaj* [(2006) 5 SCC 65] and *State of Punjab v. Amar Nath Goyal* [(2005) 6 SCC 754].



- (d) Date of retirement by itself is a reasonable classification and does not offend the doctrine of equality. Reliance in this regard is placed upon *Union of India v. P.N. Menon & Ors.* [(1994) 4 SCC 69]. Vide circular dated 29<sup>th</sup> July, 2003, an attempt had been made on behalf of the Government to stabilize its financial position. It was a decision taken in the larger public interest and can even be supported by subsequent reasons. Reliance for this proposition is placed upon the case of *Chairman, All India Railway Recruitment Board & Anr. v. M. Shyam Kumar & Ors.* [(2010) 6 SCC 614].
- (e) Under Note 2 to Rule 11.5(1), the respondents had a choice to withdraw the request for commutation, if they were adversely affected within 14 days from the issuance of the circular dated 29<sup>th</sup> July, 2003 in terms of the Punjab Civil Service Rules.

9. On behalf of the respondents, it is contended that none of these arguments were raised either in the affidavits filed before the High Court or even during the course of hearing. No records were produced to substantiate any such plea. On the contrary, it was a case of 'no stand' on behalf of the official respondents as even noticed by the High Court. It is vehemently argued that

the date of retirement by itself is capable of providing a rational basis for issuance of such orders and the same would affect the rights of the parties adversely. In this regard reliance is placed on the cases of *V. Kasturi* (supra) and *D.S. Nakara v. Union of India* [(1983) 1 SCC 305]. According to the respondents, the High Court has rightly applied the law as stated by this Court. Further, to substantiate their plea, it has been argued with some vehemence that no reasons are disclosed in the circular and there is no rationale for such categorization. It is also the contention that an executive circular cannot amend, alter or substitute an appendix or annexure which is the result of an exercise of statutory power. In this regard, reference is made to the judgment of this Court in the case of *Dr. Rajinder Singh v. State of Punjab* [(2001) 5 SCC 482]. The appellant cannot be permitted to take new grounds before this Court for the first time and the appeals deserve to be dismissed.

10. From the record, it is clear that none of these arguments were taken in the counter affidavit or even appear to have been addressed before the High Court during the course of arguments. The substantial pleas are being sought to be raised before this Court for the first time. It requires to be noticed at this stage that vide order dated 16<sup>th</sup> December, 2010 passed by a Bench of this Court after hearing, liberty was granted to the

State to file additional affidavit. The affidavit dated 7<sup>th</sup> January, 2011 was filed on behalf of the State taking the ground that the State of Punjab had faced an acute financial crisis in the year 2003 and, in fact, was in a virtual debt trap. Since the commutation of pension is essentially loan/advance against the future payments of the monthly pension, the State Government could ill-afford to raise further debt at higher rate of interest to make such payments to employees at concessional effective rate of interest which was as low as 4.75 per cent per annum. The chart showing figures of fiscal indicators of Punjab from 2002-03 to 2006-07 was also annexed to this affidavit. Still another affidavit was filed with the leave of the Court dated 21<sup>st</sup> April, 2011 by the Deputy Secretary, Department of Finance, Punjab, Chandigarh bringing on record the policy of the Government, formula adopted for commutation factor and giving facts and figures as to how the circular dated 29<sup>th</sup> July, 2003 came to be issued.

11. From the orders passed by this Court, it is clear that while granting liberty to the State to file additional affidavit, no objection was raised by the respondents herein. Now, once the additional facts and grounds had been brought on record to which the said respondents have already filed a rejoinder, they cannot be permitted to raise the objection in regard to the new

grounds being examined by the Court. There are certainly lapses on the part of the State, but the questions raised before us are not only substantial legal questions but are also likely to have far reaching consequences. It is argued that the circular dated 29<sup>th</sup> July, 2003 has been issued by the State of Punjab and the same having been quashed, there is every likelihood that all the employees of the State of Punjab, including various corporations, would raise similar claims. The grounds with regard to Note 2 of Rule 11.5, financial crunch of the State and there being proper rationale for fixation of the cut off period (31<sup>st</sup> July, 2003 to 30<sup>th</sup> October, 2010) are matters which require discussion and determination by the Court in accordance with law. Equally, the pleas raised by the respondents require proper examination. There is no doubt that the circular dated 29<sup>th</sup> July, 2003 does not contain any reason, whatsoever, for passing a directive, which enmass adversely affects the people who have retired in the period between 31<sup>st</sup> July, 2003 to 31<sup>st</sup> October, 2006. Additional affidavit now filed before this Court, with the leave of the Court, does provide reasons and some justifiable grounds in support of the circular. All that we propose to say is that the contentions raised by the respective parties are worthy of consideration in accordance with law.

12. The judgment impugned in the present petition, in fact, does not even discuss the plea of arbitrariness and discrimination in its proper perspective. The Court also has not deliberated upon as to whether the law stated by this Court in the case of *V. Kasturi* (supra) to the facts of the case in hand or not, particularly with reference to the contentions raised. Another aspect which could be considered by this Court on the basis of the material produced before it, was whether the format to a statutory rule can be amended, altered or substituted by an executive order.

13. For lack of proper reasoning in the judgment of the High Court, in view of the additional pleas raised before this Court which have significant ramifications in law and with regard to the liability of the State, we are left with no option but to set aside the judgment of the High Court under appeal and remit the matter to the High Court for fresh decision in accordance with law. We would request the High Court to consider all the arguments that have been noticed by us above. All the affidavits placed on record of this Court shall also be placed before the High Court for its consideration. Another reason which can be stated in support of the view that we are taking is that the determination of the contentions raised before this Court for the first time may deprive either of the parties of a

right to appeal to this Court. Deprivation of right to appeal can be construed as prejudicial to the rights and interests of the parties to the *lis*.

14. Accordingly, the appeals are partly allowed and the matter is remitted to the High Court, however, with cost of Rs.50,000/- to be paid to the respondent Nos.1 to 26 in equal proportion cost being conditional to the hearing of the writ petition, in default thereto, the appeal preferred by the State shall stand dismissed.

**CAs @ SLP (C) Nos.18734-18735/07, 4036/07 and 7474/07**

15. As the questions arising in these cases are different and the High Court has dealt with these questions on merits, the arguments raised in SLP Nos. Civil Appeals @ SLP (C) Nos. 25856/08, 18878/10, 22841/09, 23121/10, 23607/10, 25387/12, 27327/08, 3110/12 and 9569/10 are not available to the State of Punjab in these cases. Thus, these cases are ordered to be detached from this batch and be listed for hearing independently.

.....J.  
[Swatanter Kumar]

.....J.  
[Madan B. Lokur]

New Delhi;  
December 13, 2012

SUPREME COURT OF INDIA



JUDGMENT