2026 INSC 551

REPORTABLE

IN THE SUPREME COURT OF INDIA
CIVIL APPELLATE JURISDICTION

CIVIL APPEAL NOS. 13092–13093 OF 2025

K. RAHEJA CORP. PRIVATE LIMITED .... APPELLANT

VERSUS

THE STATE OF MAHARASHTRA & ORS. ETC. ... RESPONDENTS

WITH

CIVIL APPEAL NOS. 13094–13095 OF 2025

AND

CIVIL APPEAL NOS. 13096–13097 OF 2025

J U D G M E N T

ALOK ARADHE, J.

(I) INTRODUCTION

1. These Civil Appeals have been filed by the M/s. K. Raheja Corp. Private Limited ('the Developer'), the Employees of Shopping Mall, Hotel, the Developer and the Retailers Association of India, challenging the common judgment and order dated 20.11.2014 and 21.11.2014 passed by the Division Bench of the High Court of Judicature at Bombay in PIL No. 131 of 2003

Signature Not Verified
Digitally signed by Jayant Kumar Arora
Date: 2026.05.20 17:01:39 IST
Reason:

and PIL No. 48 of 2004. The central question before this Court is not merely one of the legality of the original allotment which was undoubtedly irregular but whether, in light of the profound and irreversible economic and social consequences that have since crystallised over two decades, the public interest is better served by demolition or by a rigorously supervised regularisation coupled with full financial restitution to the public authority.

(II) <u>FACTUAL BACKGROUND</u>

2. In the late 1960s, the Government of Maharashtra took a policy decision to develop Navi Mumbai as a planned twin city to the metropolis of Mumbai, with the primary objective of decongesting the city and providing a modern, self-sustaining urban centre. The City and Industrial Development Corporation Limited ('CIDCO'), a Government Company incorporated under Section 617 of the Companies Act, 1956, was appointed as the New Town Development Authority for the designated area in exercise of powers conferred under Section 113(3A)(1) of the Maharashtra Regional and Town Planning Act, 1966 ('MRTP Act'). For this purpose, lands across 96 villages in the Thane and Raigad Districts were acquired *en bloc* and placed at the

disposal of CIDCO for the systematic, planned development of the new city.

3. Sector 30A at Vashi, Navi Mumbai, was specifically earmarked for the promotion and development of Information Technology industries and designated as the International Infotech Park ('IT Park'). The total area so earmarked measured 57,180 sq. metres, out of which CIDCO allotted 31,232 sq. metres to the various IT companies. However, by the early 2000s, the global IT sector witnessed a significant and prolonged downturn. Taking cognizance of this changed economic reality, the Board of Directors of CIDCO, by a Resolution dated 30.04.2003, approved the conversion of 22,337 sq. metres within Sector 30A for residential, commercial, and office use.

4. On 20.08.2003, the Developer submitted an application to CIDCO for allotment of land in the aforesaid sector. The Board of Directors of CIDCO, in its meeting held on 17.09.2003, approved the allotment of plots measuring 29,000 sq. metres bearing plot nos. 39/1 and 39/6 to 39/15 including a plot of 3,611 sq. metres ('the subject plot') in Sector 30A, Vashi, Navi Mumbai in favour of the Developer, which had originally been reserved for the IT use. The allotment was made with a Floor

Space Index ('FSI') of 3.0, at the rate of Rs. 10,250/- per sq. metre, in anticipation of formal Government approval, and was conditioned upon the Developer developing a garden at its own cost on the adjoining Plot No. 40.

5. Pursuant to the said Resolution, a formal Letter of Allotment dated 08.10.2003 was issued in respect of the subject plot, and a Lease Agreement was executed between the CIDCO and the Developer on 16.12.2003. The allotment was challenged by way of two Public Interest Litigations, being PIL No. 131 of 2003 and PIL No. 48 of 2004 filed before the High Court, seeking cancellation of the allotment. A Division Bench issued a *status quo* order on 17.12.2003, which was vacated on 23.04.2004 with the clarification that the allotment would be subject to the final outcome of the PILs.

(III) <u>THE SANKARAN COMMITTEE INQUIRY</u>

6. The Chief Secretary, Government of Maharashtra, by a note dated 01.01.2005, directed Dr. D.K. Sankaran, Additional Chief Secretary, to conduct a discreet inquiry into the affairs of CIDCO during the tenure of Mr. V.M. Lal as Vice Chairman and Managing Director from 26.05.2003 to 28.12.2004. The

Sankaran Committee, after examining CIDCO's land pricing and disposal policy alongside the relevant factual record, submitted its report dated 31.03.2005.

7. The Sankaran Committee classified the allotments it reviewed into three categories: (i) cases involving serious irregularities; (ii) doubtful cases of allotment; and (iii) cases that appeared reasonable. With respect to the subject plot, the Committee recorded the following findings:

(a) The subject plot ought to have been disposed of through competitive tender in accordance with CIDCO's prevailing land disposal policy.

(b) Based on the assessment of CIDCO's Chief Economist, the market value of a residential-cum-commercial plot in September 2002 was Rs. 20,791/- per sq. metre, whereas the subject plot was allotted to the Developer at the substantially lower rate of Rs. 10,250/- per sq. metre without any competitive process resulting in a financial loss of approximately Rs. 50 crores to CIDCO.

(c) The Committee recommended cancellation of the allotment and its disposal by public tender, along

with strong action against the officers responsible for the irregular allotment.

7.1 The Committee found that CIDCO had made 61 allotments in violation of its regulations, causing an aggregate estimated loss of Rs. 347 crores. It recommended either cancellation of all such allotments or, where cancellation was impracticable, recovery of the difference between the allotment price and the prevailing market rate.

IV. SUBSEQUENT DEVELOPMENTS AND THE BANTHIA COMMITTEE

8. The Board of Directors of CIDCO, in its Resolution dated 06.06.2005, resolved upon the implementation of the Sankaran Committee's findings. Given that building permission had already been granted and construction was already underway on the subject plot, the Board resolved to issue a show cause notice to the Developer and to take steps to recover the financial loss. In compliance with a direction issued on 14.08.2008, the Developer furnished a bank guarantee of Rs. 50 crores on 02.09.2008.

9. The Developer completed the development of the subject plot comprising a Shopping Mall and a Hotel with a built-up area of

approximately 10,50,000 sq. feet at an investment of Rs.450 crores (Rupees Four Hundred Fifty Crores only). An Occupancy Certificate was issued by the Navi Mumbai Municipal Corporation on 16.09.2008, and the Mall and Hotel have been in continuous commercial operation since 2009.

10. By its impugned common judgment and order dated 20.11.2014 and 21.11.2014, the High Court held the allotment of the subject plot to be completely illegal and arbitrary, in violation of Article 14 of the Constitution of India, and directed the Developer to restore the subject plot to its original condition and hand over vacant possession to CIDCO within six months. However, recognizing the complexity of the situation, the High Court also kept open the question of regularisation, granting the Developer liberty to make an appropriate application in that regard. The PIL petitioners did not challenge the liberty so granted, and the regularisation policy of CIDCO itself was never called into question.

11. An order dated 01.12.2014 was passed directing the Developer to discontinue the unauthorised use of plot no.39/16 and to hand over the vacant possession of the plot. The Deverloper approached the High Court by filing a writ petition namely W.P.

No. 368 of 2015 in which the High Court by an order dated 16.01.2015 has directed the parties to maintain *status quo.* The said writ petition is still pending.

12. Being aggrieved by the impugned common judgment and order dated 20.11.2014 and 21.11.2014, the Developer, the Employees of the shopping mall and hotel, and the Retailers Association of India comprising 131 retailers approached this Court by filing Special Leave Petitions. This Court, by an order dated 22.01.2015 directed the parties to maintain *status quo*.

13. During the pendency of these appeals, the Developer filed an application for regularisation in April 2015. The Government of Maharashtra, by an order dated 27.07.2015, constituted a one-man committee comprising Mr. J.K. Banthia, former Chief Secretary, Government of Maharashtra ('Banthia Committee'), to examine the feasibility and terms of regularisation of the allotment of the subject plot. The Banthia Committee, in its report dated 20.07.2017, took a pragmatic and governance-oriented approach. It observed that once the allotment had been judicially held to be illegal, the original concessional valuation mechanism became irrelevant and that regularisation, if ordered, must be prospective in nature and based on the

market value as on the date of the High Court's judgment, i.e., November 2014. The Committee identified three alternatives for regularisation:

(a) The Developer pays two-thirds of the fair market value and CIDCO absorbs one-third.

(b) The Developer pays three-fourths of the fair market value and CIDCO absorbs one-fourth.

(c) The Developer pays the full fair market value.

The Banthia Committee ultimately recommended that, given the scale of irreversible investment and the magnitude of public and economic interest involved, the Government consider a heavily penalised regularisation under which the Developer would be required to pay the full fair market value as of approximately 2014.

14. The Government of Maharashtra thereafter sought the opinion of the Advocate General of Maharashtra, who, by his opinion dated 15.03.2019, recommended that the regularisation be decided on terms consistent with the manner in which other similarly situated allottees had been regularised under the

CIDCO policy dated 06.06.2005, with due credit for the bank guarantee of Rs. 50 crores already furnished by the Developer.

15. By communication dated 04.06.2019, the Government of Maharashtra directed the Board of Directors of CIDCO to take an independent decision on regularisation, subject to the outcome of these appeals. This Court, by an interim order dated 27.10.2025, similarly directed CIDCO to consider the Developer's regularisation application on its own merits and to file its decision by way of an affidavit within eight weeks.

16. In compliance with the aforesaid direction, CIDCO filed an affidavit on 09.03.2026 along with a copy of the Resolution dated 04.02.2026 passed by its Board of Directors, approving the regularisation of the subject plot subject to the following conditions:

(i) Payment of Rs. 50 crores towards differential premium as quantified in the Sankaran Committee Report.

(ii) Payment of Rs. 1 crore representing the discount factored in lieu of the development of the Japanese Garden.

(iii) Payment of interest on the aforesaid sum from 16.12.2003 till the date of actual payment at the prevailing CIDCO rate of interest, along with applicable GST.

On the basis of the aforesaid formula, the total amount payable by the Developer was computed at Rs. 257.87 crores (Rupees Two Hundred Fifty-Seven Crores Eighty-Seven Lakhs only).

17. The Developer filed an Interlocutory Application, namely I.A. No. 104795 of 2026 stating that it is ready and willing to make payment of the amount determined by the CIDCO in its Resolution dated 04.02.2026 and the Civil Appeals be disposed of in terms of the aforesaid Resolution approving the regularisation of allotment of the subject plot. The PIL petitioners have filed affidavits on 16.03.2026 and 07.04.2026 opposing the regularisation of the subject plot.

(V) <u>SUBMISSIONS</u>

18. Learned Senior Counsel for the Developer submitted that the Regulation 4 of the New Bombay Disposal of the Lands Regulations, 1975 expressly permits CIDCO to dispose of plots either by public auction, by tender, or by considering individual applications as the Corporation may, from time to time,

determine. It was contended that previous attempts to auction the subject plot had failed and the allotment on an individual application was, therefore, permissible under the extant regulations and could not be characterised as *per se* illegal. It was further urged that neither the regularisation policy of the CIDCO nor the liberty granted by the High Court to the Developer to apply for regularisation has ever been challenged by the PIL petitioners. The Developer expressed its willingness to pay Rs. 257.87 crores in terms of CIDCO's Resolution dated 04.02.2026 and prayed that the appeals be disposed of accordingly.

19. Learned Senior Counsel for the Respondents, on the other hand, contended that the Developer had encroached upon Plot No. 39/16, which was never the subject of any allotment, and is, therefore, not entitled to the benefit of regularisation. It was urged that the Sankaran Committee had positively recommended the cancellation of the allotment. It was also pointed out that the Developer had failed to develop the Japanese Garden on Plot No. 40 as required by the conditions of the allotment. In the alternative, learned senior counsel submitted that the PIL petitioners would be satisfied if the

Developer were directed to pay the amount equivalent to the fair market value prevailing in the year 2014, in accordance with the recommendations of the Banthia Committee.

(VI) ANALYSIS AND FINDINGS

A. The High Court's Order: Scope of Challenge

20. We have carefully considered the rival submissions and perused the entire record. Before embarking upon an analysis of the substantive issues, it is necessary to note the precise scope and effect of the impugned common judgment and order. Even though the High Court found the allotment to be completely illegal and arbitrary, it conspicuously refrained from quashing it. The High Court simultaneously granted the Developer liberty to apply for regularisation and expressly kept open the question of whether CIDCO is entitled to regularise the allotment and whether the Developer is entitled to such regularisation. Crucially, neither the order granting this liberty nor the regularisation policy of the CIDCO has been challenged by the PIL petitioners before this Court. The foundation for the regularisation, therefore, rests on undisturbed legal ground.

21. It is further relevant to note that the Regulation 4 of the New Bombay Disposal of Lands Regulations, 1975 permits disposal

of the CIDCO plots not only by auction or tender, but also by considering the individual applications, as the CIDCO may from time to time determine. In circumstances where earlier tender attempts had failed, the allotment on an individual application was not *per se* illegal. The infirmity lay in the pricing mechanism and the absence of transparent competitive process, not in the mode of the allotment itself.

(B) <u>Why Demolition Cannot Be the Answer: The Doctrine of Proportionality and Irreversibility</u>

22. The primary question before this Court is whether the direction of the High Court to restore the subject plot to its original condition which would necessarily entail the demolition of a fully operational shopping mall and a hotel can be sustained. In our considered opinion, it cannot, and we record our detailed reasons therefor.

23. A Court must weigh not only the wrong that has been committed but also the reality as it now stands. The doctrine of proportionality, deeply embedded in constitutional jurisprudence, demands that the severity of a remedial measure must bear a rational and proportionate relationship to the nature and magnitude of the wrong sought to be remedied. A

remedy that causes public harm disproportionate to the public benefit it achieves is not a remedy that law ought to countenance.

24. The passage of time and the accretion of economic and social reality have rendered demolition not merely impractical but demonstrably contrary to the public interest that the PIL petitioners themselves invoke which is evident from the following:-

(a) An investment of Rs. 450 crores was made by the Developer in the construction of the mall and hotel, a sum that cannot, under any legal order, be recovered or restored.

(b) The occupancy certificate was issued by the Navi Mumbai Municipal Corporation on 16.09.2008 and the complex has been in continuous commercial operation for over seventeen years, since 2009.

(c) Approximately 150 retailers operate within the shopping mall, and around 8,000 individuals draw their livelihood directly from the employment generated by the complex.

(d) Irreversible third-party rights of retailers, hotel operators, employees, and consumers have crystallised over the course of seventeen years of commercial operation.

25. The Banthia Committee, constituted by the State Government itself, captured the essential dilemma with clarity and candour: the need to enforce the rule of law and penalise unlawful conduct must be balanced against the imperative of avoiding disproportionate and destructive economic consequences. The Committee rightly emphasised that the test, in a case such as this, is not whether the original conduct was blameworthy but whether the public interest is best served by a remedy that erases the past or one that exacts a full price for the wrong while preserving the economic and social good that has accrued in the interregnum.

26. The answer to that question is, in our view, unambiguous. Demolition of a fully operational commercial complex after seventeen years, Rs. 450 crores of investment, 8,000 livelihoods, and Rs. 100 crores of annual tax revenue would not vindicate the public interest. The financial prejudice caused to CIDCO by the irregularity of the original allotment is entirely

capable of being remedied through a rigorous financial recovery mechanism. The social and economic harm caused by demolition, by contrast, would be catastrophic and irreparable. Public law must be sensitive to the distinction between remedies that restore public welfare and remedies that merely punish, when punishment comes at the cost of the very public the law seeks to protect.

27. An adjudication, as we have observed, cannot occur in a vacuum divorced from subsequent reality. This case requires that CIDCO be fully and fairly compensated for the financial loss it suffered, that the Developer be penalised in proportion to its wrongdoing, and that the livelihoods and economic activity of thousands of innocent third parties be protected. A regularisation conditioned upon payment of full market value as of 2014 achieves all three objectives. Demolition achieves none.

28. We are, accordingly, unable to concur with the direction of the High Court to restore the subject plot to its original condition and hand over vacant possession to the CIDCO.

(C) <u>The Question of Regularisation and the Quantum Payable</u>

29. Having concluded that the regularisation is the appropriate remedy, we now address the terms upon which such regularisation shall be granted, and specifically the question of the quantum of the amount payable by the Developer.

30. The Developer has urged that it should be treated at parity with other allottees whose cases were covered by the Sankaran Committee Report and who were regularised under the CIDCO policy dated 06.06.2005. We are unable to accept this contention. The Developer is a large commercial enterprise of considerable financial capacity that developed a major commercial complex of 10,50,000 sq. feet. The other allottees with whom parity is sought principally Multi Co-operative Housing Societies and individual allottees occupy an entirely different position in terms of scale, commercial purpose, and financial capacity. The principle of equality under Article 14 of the Constitution does not require that unequals be treated as equals. The parity of treatment is warranted only among those who are similarly situated in all material respects. The Developer plainly is not.

31. Turning to the methodology for computing the amount payable, two committee reports are before us: the Sankaran Committee Report and the Banthia Committee Report. The CIDCO Resolution dated 04.02.2026 adopts the Sankaran Committee's methodology, computing the recoverable amount as interest on Rs. 50 crores differential loss quantified in 2005, accrued from 16.12.2003 to the date of payment. This produces a total liability of Rs. 262.87 Crores. The Developer has expressed its willingness to pay the aforesaid amount as quantified in the resolution dated 04.02.2026 passed by the Board of Directors of CIDCO.

32. The Banthia Committee examined the matter from the perspective of practical governance and overarching public interest. From the opinion rendered by the Advocate General, it is evident that the principle of parity was invoked to recommend acceptance of the Sankaran Committee Report. However, as already observed hereinabove, the principle of parity has no application in the peculiar factual matrix of the present case. A careful scrutiny of the Resolution dated 04.02.2026 passed by the CIDCO reveals that no cogent reasons have been assigned for discarding the methodology for recovery of loss adopted by

the Banthia Committee. The CIDCO has also failed to justify as to why the recommendations of the Sankaran Committee were accepted in preference to those of the Banthia Committee.

33. We, therefore, are not persuaded that the Sankaran Committee methodology is the appropriate basis for computing the regularisation amount in the present circumstances. The Sankaran Committee conducted its inquiry in 2005 and quantified the loss based on then-prevailing market conditions. It did not, and could not, account for the dramatic appreciation in land values that occurred over the subsequent decade. More fundamentally, the Sankaran Committee's mandate was to assess and recommend cancellation or recovery, it was not designed to determine the regularisation price of an already developed and fully operational commercial complex nearly two decades later. To apply its 2005 valuation as the baseline for a subsequent regularisation is to allow the Developer to benefit from a valuation frozen at a point when land values were far lower, thereby substantially understating the true cost of regularisation. The CIDCO Resolution does not assign any cogent reason for rejecting the Banthia Committee's methodology, and we are unable to discern one.

34. The Banthia Committee, on the other hand, approached the question while taking into account both the legal and economic dimensions. Its central insight was as follows: once the allotment has been judicially declared illegal, the original concessional price paid by the Developer becomes entirely irrelevant as a baseline. Regularisation is not a continuation of the original transaction; it is a fresh grant of legal legitimacy, prospective in nature, for which the Developer must pay what the land was actually worth at the time of the court's judgment. The Committee correctly identified November 2014, the date of the High Court's judgment as the appropriate reference date for market valuation. This approach is sound both in principle and in policy:

(a) It prevents the Developer from benefiting from a valuation frozen at the point of its irregular allotment over two decades ago.

(b) It ensures that CIDCO receives the full economic value of what it is effectively re-granting through regularisation.

(c) It imposes a genuinely punitive financial consequence on the Developer, proportionate to the

scale of its commercial enterprise and the degree of its irregular conduct.

(d) It is consistent with the principle, well-established in public law, that an entity seeking to regularise an illegal act must bear the full cost of legality, not a discounted historical price.

35. However, upon perusal of the Banthia Committee Report, we find that the market value of the subject plot as on the year 2014 has not been specifically disclosed. We, accordingly, queried learned senior counsel appearing for the Developer regarding the ready reckoner rates applicable to Sector 30A, Vashi, Navi Mumbai. Pursuant thereto, the ready reckoner rates applicable at the relevant time were placed before us, which disclose that the prevailing rate was Rs.54,400/- per square metre. This figure represents the objective, State-published benchmark of market value and constitutes the appropriate basis for computing the regularisation amount.

36. We are, accordingly, of the opinion that the Banthia Committee's recommendation requiring the Developer to pay the fair market value of the subject plot as of approximately 2014 represents the correct, just, and proportionate basis for

regularisation. The Developer must make payment at the ready reckoner rate of Rs. 54,400/- per sq. metre applicable to Sector 30A, Vashi, Navi Mumbai, as the consideration for regularisation of the subject plot.

37. The Developer was allotted the subject plot measuring 30,582 sq. metres. As per the ready reckoner rate of Rs.54,400/- per sq. metre applicable to Sector 30A, Vashi, Navi Mumbai, the market value of the subject plot for the year 2014 works out to Rs.1,66,36,60,800/- (Rupees One Hundred Sixty-Six Crores Thirty-Six Lakhs and Sixty Thousand Eight Hundred only). On the aforesaid amount, the Developer is liable to pay interest at the rate of 8% (eight per cent) from 01.12.2014 till 30.04.2026. The amount of interest is quantified at Rs.1,51,94,76,864/- (Rupees One Hundred Fifty-One Crores Ninety-Four Lakhs and Seventy-Six Thousand Eight Hundred Sixty-Four only). Thus, in terms of the ready reckoner rate for the year, 2014, the Developer is liable to pay an aggregate amount of Rs.3,18,31,37,664/- (Rupees Three Hundred Eighteen Crores Thirty-One Lakhs and Thirty-Seven Thousand Six Hundred Sixty-Four only) inclusive of the principal amount interest thereon. It is pertinent to note that the Developer has already

expressed willingness to pay the amount in terms of the Resolution dated 04.02.2026 passed by the Board of Directors of CIDCO, which is based on the recommendations of the Sankaran Committee. The amount indicated in the aforesaid Resolution is Rs.262.87/- crores (Rupees Two Hundred Sixty-Two Crores and Eighty-Seven Lakhs only), which the Developer is ready and willing to pay. The Developer had paid the amount towards market value of the subject plot at the rate of Rs.10,250 per sq. metre. In view of our conclusion that the Developer is liable to pay the market value of the subject plot for the year, 2014 as recommended by the Banthia Committee, that is at the rate of Rs.54,400 per sq. metre. Thus, the Developer is further liable to pay an additional sum of Rs.55,44,37,664/- (Rupees Fifty-Five Crores Forty-Four Lakhs Thirty-Seven Thousand Six Hundred Sixty-Four only), which is in public interest.

VII. OPERATIVE DIRECTIONS

38. In view of the foregoing analysis, we issue the following directions:

(i) The Developer shall pay a sum of Rs.3,18,31,37,664/- (Rupees Three Hundred

Eighteen Crores and Thirty-One Lakhs Thirty-Seven Thousand Six Hundred Sixty-Four only) for the entire area of the subject plot, being the fair market value as established by the ready reckoner rates applicable to Sector 30A, Vashi, Navi Mumbai, as of November 2014.

(ii) The amount already paid by the Developer towards the purchase price of the subject plot at the rate of Rs.10,250/- per sq. metre shall be duly adjusted and deducted from the total amount payable.

(iii) The Developer shall additionally pay a sum of Rs. 1 crore in lieu of the obligation to develop a garden on Plot No. 40, which remained unfulfilled.

(iv) Subject to the payment of the aforesaid amount within a period of four months from the date of this judgment, the allotment of the subject plot in favour of the Developer shall stand regularised.

(v) Needless to state that the dispute with regard to plot No. 39/16 which is the subject matter of W.P. No. 368 of 2015 shall be decided by the High Court on its own merits.

(VIII) CONCLUSION

39. For the reasons set out above, the impugned common judgment and order dated 20.11.2014 and 21.11.2014 passed by the High Court in PIL No. 131 of 2003 and PIL No. 48 of 2004 in so far as it pertains to restoration of the subject plot to its original condition and delivery of vacant possession to CIDCO, is hereby quashed and set aside. To the aforesaid extent, the impugned common judgment and order is modified.

40. The Civil Appeals are accordingly disposed of. There shall be no order as to costs.

.....J.
[PAMIDIGHANTAM SRI NARASIMHA]

.....J.
[ALOK ARADHE]

NEW DELHI
MAY 26, 2026