
(2025) 04 SC CK 0236

In the Supreme Court Of India

Case No : Civil Appeal No. 5436-5437 Of 2025 (Special Leave Petition (Civil)
Nos. 3150 - 3151 Of 2023)

Barla Ram Reddy

APPELLANT

Vs

State Of Telangana

RESPONDENT

Date of Decision : 22-04-2025

Acts Referred:

Land Acquisition Act, 1894 — Section 4, 6, 11, 17(1), 17(2), 17(4), 18, 23(1), 23(1A), 23(2), 24, 34

Citation : (2025) 04 SC CK 0236

Hon'ble Judges : Surya Kant, J;Ujjal Bhuyan, J

Bench : Division Bench

Advocate : E. Ajay Reddy, S. Udaya Kumar Sagar, Bina Madhavan, K. Ravi Kumara Chary, Tushar Singh, M/S. Lawyer S Knit & Co, Tatini Basu, Kumar Shashank, Rajiv Kumar Choudhry , Praseena Elizabeth Joseph, Neeraj Kishan Kaul, E. Ajay Reddy, K. Ravi Kumara Chary, Tushar Singh, Aishwarya Bhati, Sravan Kumar Karanam, Aniket Singh, Shivani, Aniruddh Singh, Praseena Elizabeth Joseph, Aishwarya Bhati, Sravan Kumar Karanam, Tayade Pranali Gowardhan, Aniket Singh, Rajiv Kumar Choudhry

Final Decision : Disposed Of

Judgement

Surya Kant, J

1. Delay condoned. Leave granted.

2. The dispute which falls for consideration in these civil appeals pertains to the assessment of market value of the acquired land situated in Narsingi and Poppalguda villages, Rajendranagar Mandal, Ranga Reddy District for the purpose of awarding compensation under the Land Acquisition Act, 1894 (1894 Act). The High Court for the State of Telangana (High Court), vide the impugned judgements, has enhanced the rate of compensation from the range of INR 9,45,000 and 28,00,000 per acre to INR 1,35,00,000 per acre. The instant cases are cross-appeals preferred by:

- i. the landowners;
- ii. the State of Telangana; and
- iii. the Hyderabad Metropolitan Development Authority (HMDA).

3. While the landowners are seeking further enhancement, the State and the HMDA are aggrieved by the enhancement granted by the High Court.

A. FACTS

4. Although these appeals emanate from a common issue, the disputes flow from three distinct acquisitions made for the common purpose of construction of Outer Ring Road (ORR) in and around Hyderabad, specifically in the Narsingi area. The details of the acquisitions are briefly explained hereinafter.

4.1. Three acquisitions under the 1894 Act were initiated by the State of Telangana for adjoining parcels of land.

4.1.1. Notification dated 13.12.2005 was issued under Section 4 of the 1894 Act for acquisition of a total of 31 acres, 33 guntas of land in Narsingi village, followed by declaration under Section 6 issued on 29.07.2006 for a total land of 23 acres, 33 guntas. (First Acquisition)

4.1.2. Notification dated 13.12.2005 was issued under Section 4 of the 1894 Act for acquisition of 48 acres, 37 guntas of land in Poppalguda village. Subsequently, declaration under Section 6 was issued on 14.08.2006 for the land measuring 44 acres, 4 guntas. (Second Acquisition)

4.1.3. Notification dated 04.04.2006 was issued under Section 4 of the 1894 Act for acquiring 30 acres of land in Narsingi and Poppalguda village. The State also invoked its powers under Section 17 (1) & (2) read with Section 17 (4) of the 1894 Act for urgent acquisition, and soon thereafter, published the declaration under Section 6 on 06.04.2006. (Third Acquisition)

4.2. Each acquisition led to separate proceedings for determining the compensation payable to the expropriated landowners.

4.2.1. In the First Acquisition, the Special Deputy Collector, Land Acquisition (LAC) passed an Award under Section 11 of the 1894 Act on 03.10.2007, setting the compensation at INR 7,56,000 per acre. However, after reference was made under Section 18, the XIII Additional District and Sessions Judge, Ranga Reddy District (Reference Court), vide order dated 27.12.2018, enhanced the rate of compensation to INR 28,00,000 per acre.

4.2.2. In the Second Acquisition, the LAC passed an Award dated 03.10.2007, granting compensation at the rate of INR 5,45,000 per acre, which was enhanced by the Reference Court, vide order dated 17.12.2018, to INR 18,75,000 per acre.

4.2.3. In the Third Acquisition, the LAC, vide Award dated 25.05.2006, granted compensation at the rate of INR 7,56,000 per acre, which was enhanced by the

Reference Court, vide order dated 17.12.2018, to INR 9,45,000 per acre.

4.3. During the pendency of the reference proceedings, the landowners, under protest, accepted payment of the compensation awarded by the LAC.

4.4. All three awards of the Reference Court were then the subject matter of appeals and cross-objections before the High Court.

4.5. The High Court decided the appeals and cross objections in the First and Third Acquisitions through a common judgement dated 28.09.2022 (Lead Impugned Judgement), while the appeal and cross appeal in the Second Acquisition were decided by two separate judgements dated 28.03.2023, which were passed in terms of the Lead Impugned Judgement. As such, the High Court granted uniform compensation at the rate of INR 1,35,00,000 per acre in all three acquisitions, irrespective of the date on which the notification under Section 4 was issued. While making a substantial enhancement, the High Court has held that the Reference Court incorrectly disregarded the sale exemplars of considerably higher rate of sale consideration paid for comparable lands. The High Court based its computation of payable compensation on the sale of plots under the 'Golden Mile' project, developed by the erstwhile Hyderabad Urban Development Authority (HUDA) (which has now merged into HMDA), wherein plots of approximately 3 to 6 acres in a 100-acre development scheme were sold through auction. The plots were promoted as being ideal for the development of large hotels, hospitals, offices for financial institutions and IT companies, and high-rise apartments. The brochure issued by HUDA called the development an "absolute golden mine". The High Court relied on the upset price of the auction – INR 4,50,00,000 per acre – as the base rate. The High Court then applied a cumulative deduction of 70% to account for the smaller size of plots, the development cost, the development waiting period, and de-escalation. The High Court, thus, arrived at a market rate of INR 1,35,00,000 per acre.

4.6. The High Court, thereafter, through a subsequent order dated 25.11.2022 clarified that the landowners are entitled to solatium at the rate of 30% on the enhanced amount, as well as interest at the rate of 12% per annum on the enhanced amount of compensation as well as the solatium.

4.7. As noticed earlier, while the landowners are seeking further enhancement of compensation, primarily contending that the deduction applied by the High Court was on the higher side, the State/HMDA is questioning the enhancement as being excessively high and unrealistic.

B. CONTENTIONS OF THE PARTIES

5. In the course of their respective submissions, learned Senior Counsel/Counsel for the parties have taken us through the voluminous record, which has been minutely perused. The record reveals that various sale instances were exhibited before the Reference Court. These exhibited sale instances, for ready reference, can be categorised into three sets:

A. Golden Mile project sales;

B. Ex.A6 to Ex.A9 in LAOP No. 632/2012 (Set B Exhibits); and

C. Ex.A1 to Ex.A4 & Ex.A6 to Ex.A8 in LAOP No. 56/2014 (Set C Exhibits).

6. Mr. Neeraj Kishan Kaul and Mr. E. Ajay Reddy, learned Senior Counsel and Ms. Tatini Basu, learned Counsel on behalf of the landowners, contended that the market value of the acquired lands was greater than that assessed by the High Court, and the compensation, therefore, deserves to be suitably enhanced. They made the following submissions:

6.1. The auction sale under the Golden Mile project was representative of the true market value of the acquired lands. The entire area of Narsingi, Poppalguda, and Kokapet villages was rapidly developing, with big multinational companies and institutions coming up in that area. In some respects, such as distance to airport and Express-Highway, the acquired lands were better situated than the lands in the Golden Mile project. The acquired lands, thus, had very high potentiality. Accordingly, instead of the upset price of the auction, the average of actual sale price of the plots ought to have been taken by the High Court as the benchmark. Relying on a decision of this Court in *Karnataka Housing Board v. LAO* (2011) 2 SCC 246, it was urged that there is no bar on using auction sale prices.

6.2. The Set B Exhibits could also be relied upon, since the land in these sale instances were locationally proximate to the acquired land. Even though the transfers took place after the Section 4 notification was issued, there was no bar on such sale exemplars to be considered. In this regard, reliance was placed on this Court's decision in *Mehta Ravindrarai Ajitrai v. State of Gujarat*. (1989) 4 SCC 250. The High Court also accepted the relevance of these sale instances, but it failed to take them into consideration at the time of assessing computation.

6.3. The Set C Exhibits were also reliable exemplars, as the land is proximate in location and potentiality to the acquired lands. However, since these sale instances were executed more than a year prior to the Section 4 notification in a rapidly developing area, a cumulative escalation of 30% over these exemplars should be granted.

6.4. In the Award, a sale instance for Survey No. 204/E in Narsingi village at the rate of over INR 1,41,00,000 per acre has been recorded. This particular sale instance was wrongly discarded by the LAC on the ground of being at some distance from the acquired lands.

6.5. The deductions made for development, size of the plots, waiting period, and de-escalation were on the higher side. The purchasers of the Golden Mile plots would themselves have had to set aside part of the plot for set-back and similar developmental requirements. The acquired land and the Golden Mile project were, thus, comparable in development. As per the principles laid down in *Avinash Dhavaji Naik v. State of Maharashtra* (2009) 11 SCC 171, since a part of

the acquired land was already abutting the Express-Highway, there was no need for additional deduction for development.

6.6. Even though the Golden Mile auction was notified after the subject acquisition stood initiated, the upset price was set before the initiation of the acquisition. There was, thus, no need for de-escalation on the upset price.

6.7. The High Court has legally erred in granting interest at the rate of 12% per annum. As per Section 34 of the 1894 Act, interest ought to be granted at 9% per annum for the first year after taking of possession and 15% per annum thereafter.

7. Ms. Aishwarya Bhati, Learned Additional Solicitor General of India, representing the State of Telangana and the HMDA, argued that the enhancement of the compensation by the High Court was totally erroneous and that the market value of the acquired land was liable to be reduced. She made the following submissions to substantiate her position:

7.1. The auction sale of plots in the Golden Mile project could not be relied upon to compute the market value of the acquired lands. The existence of and proximity to the ORR was the primary selling factor in the Golden Mile auction, and without the ORR, the land prices would not be so high. Reliance was placed on *Bhule Ram v. Union of India* (2014) 11 SCC 307 to urge that the use for which land has been acquired is immaterial when considering the potentiality of the land.

7.2. The Golden Mile project auction was notified and held only after the acquisition in these cases had commenced. There was substantial difference in the development status of the Golden Mile project and the acquired lands: features like external roads, water supply lines, electricity lines, etc. would have been provided at the Golden Mile project within six months. The auction sale under this project could, therefore, not indicate the market value of the acquired land at the time of the acquisition.

7.3. The best sale exemplar that can be relied upon is the sale deed through which one of the landowners himself purchased a parcel of the acquired land. This was also the approach taken by the LAC and the Reference Court.

7.4. Interest ought not to be granted on the enhanced amount, since the compensation under the original Award was already paid to the landowners. The high rate of interest on the enhanced amount would unreasonably burden the state exchequer.

C. ISSUES

8. Having given our thoughtful consideration to the rival submissions and having gone through the material on record, we find that the following issues arise for consideration of this Court:

I. Whether the High Court was justified to rely on auction sale instances of the

Golden Mile project for the purpose of assessing just and fair market value of the acquired land?

II. (a) If Issue I is answered in the affirmative, whether the landowners are entitled to further enhancement, and to what extent?

(b) If Issue I is answered in the negative, what other evidence on record ought to be relied on to assess the market value of the acquired land?

III. What would be the just and fair market value of the acquired land?

IV. Whether the High Court has correctly granted statutory benefits like solatium and interest on the enhanced amount in accordance with provisions of the 1894 Act?

D. ANALYSIS

9. It may be seen at the outset that these appeals arise from three different acquisitions, which were initiated through three separate preliminary notifications issued under Section 4 of the 1894 Act. The lands acquired through these notifications are adjoining each other and have been acquired to construct successive sections of the ORR. The Section 4 notifications were also issued within four months. This time gap or the distance between the land parcels is not so large that it would have any significant impact on the value of the land under different acquisition processes. We are, thus, of the considered opinion that the question of quantum of compensation in all the instant appeals deserves to be considered together.

D.1 Issue I: Reliability of the Golden Mile Sale Instances

10. The High Court has chosen to rely on exemplars from the auction sale of land plots in the Golden Mile project to compute market value of the acquired lands. The landowners have also sought to rely on this auction sale while seeking further enhancement.

D.1.1 General Principles

11. Before endeavouring to determine whether this sale exemplar would be the right fit, we must recapitulate the general principles which would steer this adjudication.

12. It is a settled position that computation of compensation for acquisition must be guided by the "market value of the land as on the date of publication of the Section 4 notification". This principle is mandated by Section 23(1) of the 1894 Act. This court has, time and again, interpreted 'market value' to represent 'the price that a willing buyer would pay to a willing seller in light of the land's condition and potentiality'. [State of Gujarat v. Vakhatsinghji Vajesinghji Vaghela, (1968) 3 SCR 692; Kapil Mehra v. Union of India, (2015) 2 SCC 262.]

13. Of course, in ordinary circumstances, the best way to identify this price is by considering instances of sale of similar or comparable lands. Such exemplars can

serve as a foundation for determining compensation, so long as they fulfil the following requirements:

- i. The sale exemplar depicts a genuine, open-market transaction;
- ii. The land covered by the sale deed is in the vicinity of the acquired land;
- iii. The land covered by the sale deed is similar in nature to the acquired land; and
- iv. The sale was executed at a time proximate to the date of the notification issued under Section 4 of the 1894 Act. [Shaji Kuriakose v. Indian Oil Corpn. Ltd., (2001) 7 SCC 650]

14. Any sale exemplar which is presented to the Court ought to be considered on the touchstone of these requirements, so that the most representative sale instance can be determined.

15. Sale instances, however, cannot guide us to the market value of the land with exactitude. In some cases, direct examples of sale of comparable land may not be available, while in other cases, there may be relevant distinguishing features between the sale exemplar and the acquired land. In such cases, Courts adopt the process of guesstimation to apply the evidence and arrive at an equitable price for the acquired land. [New Okhla Industrial Development Authority v. Harnand Singh, 2024 SCC OnLine SC 1691]

16. In this legal backdrop, let us consider the correctness of using the Golden Mile auction as the foundation for determining market value.

D.1.2 Analysis

17. The Golden Mile project was promoted as directly abutting the ORR. The brochure for the Golden Mile project reveals that external trunk infrastructure like roads, water supply, and electricity would be provided by HUDA. Through an auction process, the plots were to be sold as unencumbered parcels of land. The auction upset price was set by HUDA at INR 4,50,00,000 per acre, and the plots were finally purchased at rates ranging from INR 6,10,00,000 to INR 14,45,00,000 per acre. There is, admittedly, no averment which would indicate that the auction sale was not bona fide.

18. To accept this sale exemplar as reliable for the purpose of calculation of market value, its comparability with the acquired lands is crucial.

19. What ought to be noticed at the first instance is that the Golden Mile plots are not of a similar nature or development-status as the acquired lands. The project was being developed on land already owned by the State, and the plots were sold on unencumbered, free-hold basis. Further, the plots are connected to the road, with water and electricity connections, disclosing the development being done to increase their potentiality. These qualities make the Golden Mile plots especially potent for large commercial and residential projects.

20. This is in stark contrast to the acquired lands. Although they had the potentiality for an urban project being developed, the land was actually lying barren without any developmental infrastructure. The argument that the potentiality of the entire area is high does nothing to dispel the substantial difference between the empty, undeveloped acquired land and the construction-ready plots sold under the Golden Mile project.

21. Another factor that must be kept in mind while considering comparability of potentiality is the capacity of the landowner to utilise the acquired land. It is noteworthy that the plots in the Golden Mile project were in the form of chunks of land. Most of the acquired lands were, on the other hand, shaped as relatively narrow strips. Even though they were abutting a road, such a physical characteristic of the land parcels would considerably reduce the capacity for them to be utilised.

This Court has previously recognised that land being in the form of a strip accounts for a negative impact on its market value [Viluben Jhalejar Contractor v. State of Gujarat, (2005) 4 SCC 789], and this difference adds to the distinction between the acquired land and the Golden Mile plots.

22. Apart from these distinctions in the qualities of the land, the details of the sale exemplar, too, do not strike any confidence in our minds. This is primarily because being an auction sale reduces the exemplar's reliability to indicate the true market value. An auction inevitably motivates buyers to purchase at higher prices than the prevailing market rate. The process incorporates extraneous factors, like competition, ego, and speculation, into setting of sale price. This unreliability of auction sale has been aptly acknowledged in some decisions of this Court, such as in Raj Kumar v. Haryana State (2007) 7 SCC 609:

"16. ... An argument was raised that the prices of lands fetched in auction had been ignored on the basis that prices fetched in auction-sales cannot form the basis. It was submitted that there was no general rule that such prices cannot be adopted. On considering the relevant facts disclosed, it cannot be said that the High Court has committed any error in discarding those auction-sales while determining the compensation payable. The element of competition in auction-sales does not make them safeguards. ..."

[Emphasis supplied]

23. While the landowners have relied on the decision in Karnataka Housing Board (supra), this Court has expressly accepted the principle laid down in Raj Kumar (supra) in that case and clarified that such auction exemplars can only be used when no other comparable sale instances are available.

24. The reliability takes a further dip when it is observed that the Golden Mile auction took place after the notifications under Section 4 were issued. The brochure announcing the project and inviting bids was issued in July 2006, and the open auction took place in the same month, on 20.07.2006.

25. As a rule of thumb, sale instances which take place after the initiation of the acquisition are not reliable sources to compute land acquisition compensation. This position arises from the tendency of land value in the area to appreciate upon acquisition, expecting benefits from the public purpose of the acquisition. For example, the acquisition of land for development of commercial hubs, residential projects, and arterial roads would inevitably shoot up the price of the other nearby land. As such, post-Section 4 sale instances are bound to be skewed. The Legislature has also recognised and provided for this trend. The 'fifthly' clause of Section 24 of the 1894 Act mandates that the price increase due to purpose of the acquisition must be disregarded, which was also applied by this Court in *Bhule Ram* (supra).

26. In the circumstances of the instant appeals, we find strength in the submission of learned ASG that the acquisition for constructing ORR could have had a drastic impact on the potentiality of adjoining lands. The publication of the Section 4 notifications put important information regarding the ORR and its benefit to the Golden Mile project in the public domain. It is, thus, very likely that the auction price of the Golden Mile plots saw a precipitous rise on account of the subject acquisitions, and its purpose undoubtably had a lasting impact on the auction price of these plots. This undeniable cause-and-effect relationship between the acquisition and the subsequent auction taints these sale instances.

27. In this respect, the landowners have argued that there is no bar on taking post-notification sale instances into consideration. We are, however, not inclined to entertain this argument as a general principle, since there are other, more reliable pre-Section 4 notification sale exemplars available to be used. We find that the auction sale is also unreliable due to having taken place after the acquisition.

28. At this stage, we may also deal with the matter of using the upset price for the auction instead of the actual sale rates. While the High Court has relied on the upset price of the auction, there is nothing on record to indicate how the upset price was arrived at, what considerations were taken into account while deciding it, and on what date the final decision on the price was taken. It is not unreasonable to expect that market value of the land is only a part of the consideration at the time of deciding the upset price of the auction. HUDA would, likely, have also taken into account the expected increase in value of the land till the date of the auction; the perceived value to the buyer of being part of a larger project; and the ORR passing right next to the project. As such, HUDA's upset price for the auction is also unreliable for the purpose of determining market value.

29. Considering the above stated factors and the settled position of law, the auction sale of plots in a developed area on a date after the Section 4 notification ought to be disregarded at the outset. As such, we hold that the High Court erred in founding its determination on the Golden Mile project rates.

D.2 Issue II: Identifying the Most Appropriate Sale Instances

30. Now that we have disregarded the sale exemplars from the Golden Mile auction, let us consider which of the other sale instances can be used to compute the market value of the acquired lands.

D.2.1 Set B Exhibits

31. The Set B Exhibits comprise four sale deeds, which were executed between 22.08.2007 and 12.09.2007. A total of 26 acres of land in Survey Nos. 217-225 of Narsingi village and Survey Nos. 263-270 of Poppalguda village was purchased for a residential project, at a rate of INR 12,50,00,000 per acre.

32. It is apparent from a bare perusal that these sale deeds were executed over sixteen months after the Section 4 notifications were issued. Such a time gap should prompt any court to disregard the sale deeds right at the outset. This is more so because these lands are a direct beneficiary of the ORR, and the deeds were executed even after the declarations under Section 6 of the 1894 Act were published. This set of sale exhibits can in no way be reliable a basis to determine the market value of the acquired lands. Therefore, just for the temporal incompatibility, these exhibits ought to be discarded altogether.

33. Having held so, we now proceed to address the landowners' submissions regarding the comparability of the exemplar and acquired lands. Merely being at a short distance of 270 metres from the acquired land does not make the exemplar land comparable. It emerges from the record that the land in these exhibits is on the east side of the Gachibowli-Shamshabad Express Highway, i.e., towards the airport and Hyderabad city. On the other hand, the acquired lands are to the west of the said highway. Notwithstanding the short distance between the lands, in metropolitan and metropolitan-adjacent areas, such locational differences have a substantial impact on land value. Being on the city side of the highway, the exemplar lands are bound to be of a higher value, adding to the unreliability of these exhibits.

D.2.2 Set C Exhibits

34. The Set C Exhibits comprise seven sale deeds, which were executed between 11.02.2004 and 04.02.2005. Parcels of land in Survey Nos. 187-202 in Narsingi village were purchased by M/s Jayabheri Properties Pvt. Ltd., at rates ranging from INR 20,00,000 to 31,00,000 per acre.

35. These seven sale deeds can be presented through the following table:

Sr.

No.

Exhibit No. in LAOP No.

56/2014

Survey No.(s)

Date of Execution

Sale Rate of the Land

(in INR per acre)

1.

A1

187, 189, and 193

11.02.2004

31,00,000

2.

A2

187, 189, and 193

11.02.2004

31,00,000

3.

A3

189, 190, 200, 201, and 202

06.10.2004

30,00,000

4.

A4

192

04.02.2005

30,00,000

5.

A6

194, 196, 197, 200, 201, and 202

25.02.2004

20,00,000

6.

A7

197, 198, and 199

08.10.2004

30,00,000

7.

A8

199/A

08.10.2004

30,00,000

36. The lands sold in these exhibits are adjoining the acquired lands. In fact, parts of these Survey Nos. were also acquired through the same Section 4 notifications. Unlike the Set B Exhibits, these lands are on the same side of the Express Highway. Most importantly, these sale deeds are the only exhibited sale instances which took place prior to the publication of the Section 4 notifications, with a time gap of not more than 26 months. Keeping in view the above considerations, we are of the opinion that these sale exhibits would be the only reliable foundation to determine the market value of the acquired lands.

37. Before dealing with the rest of the sale deeds, it is clear that Ex.A6 depicts a substantially lower sale price for lands at effectively the same time as Ex.A1 and Ex.A2. It, therefore, follows that Ex.A6 must have been a distress sale, motivated by some extraneous factors, and it is, thus, liable to be discarded.

38. This Court has, on various occasions, held that among multiple reliable sale instances, the exemplar which depicts the highest market value ought to be used. The exception to this general rule is that an average of the rates can be taken when they are within a narrow margin.[Kapil Mehra (supra) [18-20]; Mehrawal Khewaji Trust v. State of Punjab, (2012) 5 SCC 432; Himmat Singh v. State of M.P., (2013) 16 SCC 392]

39. In the present appeals, the six remaining sale exemplars depict rates within the range of INR 30,00,000 - 31,00,000 per acre. This may preliminarily appear to be narrow enough to invoke the exception to the 'highest sale exemplar' rule. However, this perspective fails when we take into account the details of these sale instances. Ex.A3, Ex.A4, Ex.A7, and Ex.A8, which are at the lower end of the range, were executed a considerable amount of time after Ex.A1 and Ex.A2, which are at the high end of the range. To counter this anomaly and after accounting for rise in value due to efflux of time, Ex.A1 and Ex.A2 depict a substantially higher value compared to the other exhibits. We are, accordingly, satisfied that these two instances should be the foundation for computation of market value of the acquired lands.

D.2.3 Non-Exhibited Sale Instances

40. Before we proceed to compute the true market value, we must also consider the submission of Ms. Basu that there is one sale instance of 2003, wherein comparable land was sold at a rate of over INR 1,41,00,000 per acre. She refers to Document No. 2913/2003, which finds mention in the Award passed by the LAC. The exemplar was disregarded by the LAC due to its marginal distance to the acquired lands. Importantly, this sale deed was not exhibited before the Reference Court. Ordinarily, without a sale instance being produced and proven in evidence before the Reference Court, the Court ought not to rely on such averred sale exemplars.

41. However, the State has, through an interlocutory application, sought to place Document No. 2913/2003 on record for the first time before this Court. The document is only a registered agreement of sale-cum-General Power of Attorney dated 30.04.2003, depicting a sale of lands in Survey Nos. 204/E and 203/E at a rate of INR 3,75,000 per acre. The process of clearing any doubt regarding this sale instance has, thus, revealed a factual error in the Award. As such, it would not be safe or prudent to rely upon this purported sale instance when there are already other exhibited sale exemplars of a higher rate on record.

D.3 Issue III: Computing the Market Value

42. As has already been held, the market value of the acquired lands at the time of the acquisition would be based on the sale instances in Ex.A1 and Ex.A2. It has not missed our attention that these sale deeds were executed in early 2004, almost two years before the publication of the Section 4 notifications. Due to passage of time, the value of the land would have increased during this period. So, we would also need to escalate the rates in the exemplars to meet the rise in prices over time. The escalation, of course, cannot be decided with exactitude, and some level of guesstimation has to be incorporated within our reasoning. [New Okhla Industrial Development Authority v. Harnand Singh (supra)]

43. Ordinarily, this Court has applied an escalation of 10-12% per year to account for the time gap.[Himmat Singh v. State of M.P., (2014) 14 SCC 466; Ashok Kumar v. State of Haryana, (2015) 15 SCC 200.] At this stage, we must take note of the submission on behalf of the landowners that there was rapid development in the area during this period. Concomitantly, there must have also been a steep rise in the price of land. We find force in this argument of the learned Counsel. The area in acquisition is close to the municipal limits of Hyderabad city and witnessed setting up offices of major multinational IT and financial sector organisations, even prior to the acquisition. The acquired lands are also admittedly close to the Hyderabad Airport. As such, even if the land may not be within the municipal limits of Hyderabad city, the area must be treated as an extension of the metropolitan area. It follows, then, that the escalation for each year must also be higher. The concept of higher escalation in metropolitan areas was also accepted by this Court in ONGC Ltd. v. Rameshbhai Jivanbhai

Patel (2008) 14 SCC 745 [13]. Considering all circumstances, we are of the opinion that a compounding escalation at the rate of 20% for each year would be just and equitable to account for the rise in prices over time.

44. Applying 20% compounding escalation for 2004 and 2005 to the base rate of INR 31,00,000 per acre, we find that the market value of the acquired lands at the time of the publication of the notification under Section 4 of the 1894 Act would be INR 44,64,000 per acre.

45. After careful consideration of the evidence produced by the parties, we, thus, find that the High Court has erred in increasing the compensation in an exponential manner to the rate of INR 1,35,00,000 per acre. As demonstrated by our analysis above, the market value of the subject land could not be derived from auction sale instances of plots in a developed area or from post-Section 4 notification sale instances. Instead, it ought to be arrived at by considering appropriate pre-notification sale deeds and applying proper price escalation.

D.4 Issue IV: Interest and Solatium

46. Both, the landowners as well as the State, have also challenged the clarification by the High Court on the grant of interest and solatium on the enhanced amount to the landowners.

47. Section 34 of the 1894 Act is fairly clear in its mandate that interest is payable on the "amount awarded". The provision stipulates that interest is payable at the rate of 9% per annum, from the date of taking of possession till deposit or payment of the amount. In case this period extends beyond one year, the interest payable for the additional period is set at the rate of 15% per annum.

48. As such, the High Court has erred in stipulating that the interest is payable on the enhanced amount at the rate of 12% per annum. The High Court cannot deviate from the explicit mandate under Section 34, and interest has to be awarded strictly in accordance with the statutory provision. In this respect, we accept the plea taken on behalf of the landowners for correcting the interest rate.

49. We find that the grounds raised by the State to challenge the interest on the enhanced amount, i.e., the acceptance of the compensation in protest and burden on the exchequer, are wholly untenable. The clear stipulation under Section 34 is in consonance with equitable principles, and it vests an indefeasible right in favour of a landowner. After market value has been originally determined by the Reference Court, enhancement in appeal is a reflection of the true value which ought to have been granted at the threshold.

50. There can, thus, be no dispute that all statutory benefits, including additional amount under Section 23(1A), additional consideration (solatium) under Section 23(2), and interest on the entire compensation under Section 34, would be due on the enhanced amount of compensation.

51. We, thus, hold that the High Court has rightly granted interest and solatium,

as well as interest on the solatium, on the enhanced market value, but it has erred in granting interest at the rate of 12% per annum. Interest ought to be granted at the rate of 9% per annum for the first year after taking of possession, and 15% per annum thereafter, till deposit of the amount, in accordance with Section 34 of the 1894 Act.

E. CONCLUSION AND DIRECTIONS

52. For the reasons stated above:

i. The appeals filed by the landowners are dismissed, except to the extent of grant of interest as clarified in Paragraph 51 above.

ii. The appeals filed by the State and HMDA are allowed in part.

iii. The following judgements and orders of the High Court are hereby set aside:

a. Common Judgement dated 28.09.2022 in LAAS No. 73/2019; LAAS No. 78/2020 with Cross Objections No. 14/2022; and LAAS No. 58/2020 with Cross Objections No. 6/2022 (being Lead Impugned Judgement);

b. Order dated 25.11.2022 in IA No. 1/2022 in LAAS No. 73/2019;

c. Judgement dated 28.03.2023 in LAAS No. 114/2022; and

d. Judgement dated 28.03.2023 in LAAS No. 7/2023.

iv. The market value of the acquired lands is reduced from the rate of INR 1,35,00,000 per acre granted by the High Court to the rate of INR 44,64,000 per acre.

v. In addition to the reduced market value, the landowners are held entitled to additional amount at the rate of 12% per annum and solatium at the rate of 30% as part of the compensation, as well as interest on the entire compensation, at the rate of 9% per annum, for the first year after taking over of possession, and 15% per annum, for the period thereafter, till the amount is paid to the landowners or deposited with the Court.

vi. The compensation amount, if not already paid, shall be paid to the landowners, along with all statutory entitlements and interest, within eight weeks.

53. All the matters stand disposed of in the aforementioned terms and directions.