RAJASTHAN HIGH COURT

REPORTABLE

HIGH COURT OF JUDICATURE FOR RAJASTHAN
BENCH AT JAIPUR

Judgment reserved on : 29/10/2026

Judgment delivered on : 23/11/2026

Judgment (full) uploaded on : 23/11/2026

Rajasthan High Court
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D.B. Special Appeal (Writ) No. 1239/2026

CNR: RJHC020992952026 | URN: SAW / 2459U / 2026

In

S.B. Civil Writ Petition No.9719/2025

1. M/s. Arfat Petrochemicals Private Limited, having Its Registered Office at- B-59, Zainab Park Society, Gorat Road, Rander, Surat, Gujarat and Branch Office at Heavy Industrial Area, D.C.M. Road, District Kota (Rajasthan) through its Authorized Officer Being S.H.A. Rizvi

2. Shri S.H.A. Rizvi S/o S.A.H. Rizvi, aged about 70 Years, R/o Bunglow No. 24, Arfat Nagar Coloy, D.C.M. Road, District Kota, Rajasthan.

----Appellants/Petitioners

Versus

1. State Of Rajasthan, through the Principal Secretary, Department Of Industries, Government Secretariat, Jaipur.

2. State Of Rajasthan, through the Principal Secretary, Cabinet Secretariat, Government Of Rajasthan, Jaipur.

3. State Of Rajasthan, through Cabinet Secretary Department Of Revenue, Secretariat, Jaipur, Rajasthan.

4. The District Collector, Kota.

5. Kota Development Authority, through Commissioner, CAD Circle, Rawatbhata Rd, CAD Colony, Dadabari, Kota, Rajasthan 324009.

----Respondents

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RAJASTHAN HIGH COURT

Connected With

D.B. Special Appeal Writ No. 1240/2026

CNR: RJHC020992942026 | URN: SAW / 2460U / 2026

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1. M/s. Arfat Petrochemicals Private Limited, having its registered Office at B-59, Zainab Park Society, Gorat Road, Rander, Surat, Gujarat and Branch Office at Heavy Industrial Area, D.C.M. Road, District Kota (Rajasthan) Through Its Authorized Officer Being S.H.A. Rizvi.
2. Shri S.H.A. Rizvi S/o S.A.H. Rizvi, Aged About 70 Years, R/o Bunglow No. 24, Arfat Nagar Colony, D.C.M. Road, District Kota, Rajasthan.

----Appellants/Petitioners

Versus

1. State Of Rajasthan, through the Principal Secretary, Department Of Industries, Government Secretariat, Jaipur.
2. State Of Rajasthan, through the Principal Secretary, Cabinet Secretariat, Government Of Rajasthan, Jaipur.
3. State Of Rajasthan, through Principal Secretary, Department Of Revenue, Government Secretariat, Jaipur.
4. The District Collector, Narayanpura, Civil Lines, Kota.
5. Department Of Tourism, through Commissioner, State Of Rajasthan, Police Station, Department Of Tourism, Government Of Rajasthan Paryatan Bhawan, Mirza Ismail Rd, Opposite Vidhayak Puri, Jaipur, Rajasthan 302001

----Respondents

For Appellant(s)	:	Mr. R.N. Mathur, Sr. Advocate assisted by Mr. Gunjan Pathak, Ms. Priyanshi Roongta, Mr. Aditya Bohra, Mr. Kanishk Singhal, Mr. Rishabh Jain Mr. Umang Jain
For Respondent(s)	:	Mr. Rajendra Prasad, Advocate General assisted by Mr. Sheetanshu Sharma, Ms. Dhriti Laddha, Mr. Yogesh Kr. Sharma (Intervenor)

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DIVISION BENCH

HON'BLE THE CHIEF JUSTICE MR. SANJAY K. AGRAWAL
HON'BLE MR. JUSTICE SAMEER JAIN

C.A.V. Judgment

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For sake of exposition, this judgment is divided in the following parts:-

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PART-I:- PREFATORY NOTE :

1. In the present batch of special appeals, the scope of the controversy involved, albeit not limited to but is broadly and predominantly defined by the challenge made to the impugned judgment dated 28.09.2026, whereby the learned Single Judge has upheld the order dated 24.06.2025 by which seven leases granted to the appellant was cancelled. Consequently, considering the fact that the appeals warrant adjudication on common questions of law and fact; with the consent of learned counsel appearing on behalf of all the parties, **DBSAW No. 1239/2026** titled as **M/S. Arfat Petrochemicals Pvt. Ltd. & Anr. Vs. State**

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of Rajasthan & Ors. is being taken up as the lead case. It is cautiously clarified that any discrepancies in the special appeals, pertain purely to the factual narratives contained therein and not vis-a-vis the questions of law to be determined by this Court; the instant judgment shall be applicable on the appeal connected herein/henceforth on *mutatis mutandis* basis.

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PART-II: THE FACTUAL MATRIX AND ANTECEDENT CIRCUMSTANCES GIVING RISE TO THE INSTANT LIS :

2. That Appellant No. 1, M/s Arfat Petrochemicals Pvt. Ltd. (hereinafter referred to as the "Company" or "APPL"), is a company incorporated under the provisions of the Companies Act, 1956, having its registered office at B-59, Zainab Park Society, Gorat Road, Rander, Surat, Gujarat, and a branch office at Heavy Industrial Area, D.C.M. Road, District Kota, Rajasthan. Appellant No. 2, Mr. S.H.A. Rizvi, is the Manager (P & I.R.) and duly authorised signatory of the appellant Company, competent and authorised to institute the present proceedings, represent the Company, sign and verify pleadings and documents on its behalf, swear affidavits and undertake all such acts as may be necessary for the effective prosecution of the present matter. The respondents herein comprise the State of Rajasthan through the Principal Secretary and Cabinet Secretary of the Revenue Department, the Collector, Kota, and other concerned authorities, being instrumentalities of the State within the meaning of Article 12 of the Constitution of India. Respondent No. 4 is the authority who issued the seven orders dated 24.06.2025, whereby the registered lease deeds in favour of the appellant Company were

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cancelled. The said orders constitute the subject matter of challenge in SBCWP No. 9719/2025. Respondent No. 5 is the person in whose favour possession of the disputed land has allegedly been handed over illegally.

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3. The appellant Company, being aggrieved by the aforesaid cancellation orders, invoked the extraordinary writ jurisdiction of this Court under Article 226 of the Constitution of India, inter alia, on the grounds of violation of the principles of natural justice, inherent jurisdictional infirmities, assumption of jurisdiction by Respondent No. 4 without authority of law and absence of an efficacious alternative remedy, particularly in view of the alleged infringement of its fundamental rights. The said writ petition came to be dismissed vide the impugned order dated 28.09.2026, giving rise to the present proceedings.

4. The genesis of the present controversy traces back to the allotment of approximately 271.39 acres (70 acres on 12.09.1958 and 200.87—acres on 21.08.1965) of land by the State Government, through the District Collector, Kota, in the Large Scale Industrial Area, Kota (hereinafter referred to as the "LIA, Kota"), in favour of JK Synthetics Limited (hereinafter referred to as "JKSL") on 12.09.1958. Subsequent to the initial allotment, the State Government, in exercise of its powers under Section 100 of the Rajasthan Land Revenue Act, 1956, framed the Rajasthan Industrial Areas Allotment Rules, 1959 (hereinafter referred to as the "1959 Rules"), governing the allotment of land to entrepreneurs and the development of industrial areas across the State.

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5. The subsequent lease deeds executed between JKSL and the District Collector incorporated certain material terms and conditions governing the utilisation of the leased premises. In pursuance thereof, JKSL continued its industrial operations on the allotted land for several years and emerged as one of the leading industrial establishments in the region. However, during the 1990s, JKSL encountered severe financial difficulties and was eventually declared a sick industrial company by the Board of Industrial and Financial Reconstruction (hereinafter referred to as "BIFR") on 02.04.1998 under the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 (hereinafter referred to as "SICA").

6. Further, during the aforesaid period, JKSL entered into a Memorandum of Understanding with the appellant Company as part of the proposed scheme for the transfer of its Kota unit under Section 18 of SICA, with the underlying objective of facilitating the revival of the industrial undertaking, as well as rehabilitation of the workmen and the industry at large. The appellant Company emerged as the preferred entity for taking over the concerned units of JKSL. In furtherance thereof, the appellant also entered into two tripartite settlements dated 09.10.2002 and 22.10.2002 with the two workers' unions, whereby it undertook to discharge a portion of the outstanding dues of the erstwhile workmen of JKSL and provide them employment.

7. The relevant terms and conditions of the agreement dated 09.10.2002 are reproduced hereinbelow in *extenso*:

"IV. TERMS AND CONDITIONS

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2. It is further agreed that while APPL will take over all liabilities pertaining the workmen/employees of Sir Padampat Research Centre, as determined as per Annexure B even though the SPRC unit will not be transferred to APPL and will be retained by JKSL.

3. The APPL will operate the Kota Complex .in the name and style of Arfat petrochemical Pvt. Ltd. (APPL) as a new company and new employer. They will issue their appointment letters as per requirements in a phased manner subject to suitability and covering terms of employment etc. The dues of employment under JKSL would be settled as full and final payment as summarized in Annexure-A."

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8. It is further agreed that while APPL will take over all liabilities pertaining to the workmen/employees of Sir Padampat Research Centre, as determined as per Annexure B, even though the SPRC unit will not be transferred to APPL and will be retained by JKSL. The APPL will operate the Kota Complex in the name and style of Arfat Petrochemicals Pvt. Ltd. (APPL) as a new company and new employer. They will issue their appointment letters as per requirements in a phased manner, subject to suitability and covering terms of employment etc. The dues of employment under JKSL would be settled as full and final payment as summarized **in Annexure-A.**

9. Eventually, the rehabilitation scheme in respect of JKSL was sanctioned by AAIFR on 23.01.2003, thereby recognising and validating the tripartite agreements and settlements entered into amongst the appellant Company, JKSL and the workers' unions. The overarching object of the said scheme was to revive the industrial operations and facilitate the discharge of outstanding liabilities towards the workmen. The scheme was finalised on 07.01.2005. One of its material components envisaged hiving off portions of the land situated in LIA, Kota, from JKSL in favour of

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the appellant Company. A joint venture between the appellant Company and JKSL was also contemplated. In furtherance thereof, the appellant submitted a request for transfer of the leasehold rights in respect of the land situated in LIA, Kota, in its favour under the AAIFR-sanctioned scheme.

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10. Pursuant to the recommendations of AAIFR, the State Government, through the Collector, proceeded to execute seven fresh lease deeds in favour of the appellant Company on 17.03.2007, in respect of the following parcels of land, with the specific object of facilitating the revival of the seven industrial plants and machinery:—

> *"i) 1st Deed: Plot No. 5A of 48.40 acres, meant for setting up a nylon plant and colony;*
> *ii) 2nd Deed: Plot No. 5B of 7.15 acres, for conducting R&D on acrylic fibre;*
> *iii) 3rd Deed: Plot No. 5C of 14.45 acres, for setting up a nylon tyre and cord plant;*
> *iv) 4th Deed: Plot Nos. 16, 17, & D of 30.56 acres, for setting up a polyester staple fibre plant;*
> *v) 5th Deed: Plot Nos. 23-30, A-C, of 70.66 acres, for construction of CDPH roads;*
> *vi) 6th Deed: Plot Nos. 19-21B, 32B, 33, 34 & F of 26,16 acres, for setting up another acrylic/staple fibre plant;*
> *vii) 7th Deed: Plot Nos. 19-21A, 22, 31, 32A & F1 of 29.77 acres, for setting up a synthetic staple fibre plant."*

11. The material terms and conditions incorporated in the aforesaid seven lease deeds were *pari materia* and, inter alia, stipulated as follows:

> *"(iii) That the lessee shall set up, construct, erect and build on the plot only such buildings, sheds and structures as are required by him for setting up the industry aforesaid and also such other residential quarters as are required for those: engaged or to be engaged in the said factory.*
> *(iv) The lessee agrees not to construct or build any structures or buildings on the said plot of land or on a portion of it which may have the object. of using it as a commercial undertaking other than for the industry*

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promotion aforesaid of or which the said plot has been leased to the lessee."

12. The AAIFR-sanctioned rehabilitation scheme cast specific obligations upon Respondent No. 1, inter alia, to revive the industrial units situated at the site, which JKSL, owing to its precarious financial condition, was no longer in a position to operate. Further, in consonance with the mandate of the said scheme, the tripartite settlement agreements executed amongst Respondent No. 1, JKSL and the workers' unions were required to be duly implemented. The said settlements stipulated compensation of Rs. 40.42 Crores towards the outstanding dues of the workmen and further envisaged their absorption in the industrial units which were thereafter to be operated and managed by Respondent No. 1. In this backdrop, the relevant extracts of the AAIFR-sanctioned rehabilitation scheme merit reproduction in *extenso*:

"9. Identification of JV Partner
9.1 The Arfat Group are identified by JKSL after an extensive search undertaken by the Company with the help of M/s Access International (Access) a Boston based consultancy Company...
9.2 Disposal of individual assets of Kota units was not possible or practical without resolution of the on-going labour disputes and settlement of labour liabilities. One the important consideration for revival was assumption of the labour liability by the prospective buyer as workers dues were very high and without settlement of the same revival was not possible. Therefore, in order to evaluate the offers received. It was decided by the Company in consultation with Access to analyse them on the basis of Quantum offer no. of units being restarted total no. of jobs being created and willingness of the higher regarding resolution of labour disputes and assumption of labour liabilities."

13. In purported compliance with the AAIFR-sanctioned rehabilitation scheme, the appellant Company initially

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recommenced operations in one of the units for the manufacture of acrylic fibre. However, the remaining six units continued to remain dormant and were not revived. Even the operational unit allegedly suffered a fire incident in October 2007, after having remained operational for a brief period of approximately six months, resulting in the eventual closure of the factory. Consequently, the larger objective of industrial revival in LIA, Kota, could not be achieved, resulting in prolonged litigation with the workers' unions and the failure to accomplish the objectives underlying the BIFR-sanctioned rehabilitation scheme.

14. In the aftermath of the aforesaid developments, the workmen initiated proceedings before various forums, including the NCLT, BIFR and this Hon'ble Court. Amidst the ongoing disputes between the appellant Company and the various workers' unions, the appellant made an endeavour to develop an affordable housing scheme over the land situated in LIA, Kota, under the Chief Minister's Awas Yojana. However, the said proposal was not considered on the ground of its alleged inconsistency with the provisions of the 1959 Rules.

15. Thereafter, an application seeking change of land use from industrial to commercial was submitted before RIICO, instead of the Collector, notwithstanding the provisions of the 1959 Rules and the appellant’s assertion that RIICO lacked the requisite jurisdiction in the matter. The said proposal was approved by RIICO, pursuant whereto supplementary lease deeds were executed on 22.11.2018, followed by another deed dated 13.12.2018 for merger of the plots. However, consequent upon

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the change in the State Government following the Rajasthan Legislative Assembly elections in 2018, the newly constituted Council of Ministers, vide decision dated 01.01.2019, constituted a Cabinet Committee to review the decisions taken during the last six months of the preceding government. In pursuance thereof, the aforesaid orders relating to conversion of land use and merger of plots were withdrawn.

16. Being aggrieved by the aforesaid action, writ petitions came to be instituted before this Court, assailing the cancellation of the lease deeds and withdrawal of the permissions granted for change of land use. Though the matters were initially placed before a learned Single Judge, the then Chief Justice directed their transfer to a Division Bench presided over by him. The Division Bench allowed the writ petitions, quashed the decision of the Cabinet Committee and upheld the decisions taken by RIICO. The judgment rendered by the Division Bench was thereafter assailed before the Hon'ble Supreme Court, which, upon an examination of the factual and legal controversy, rendered its judgment dated 20.04.2023.

17. The Hon'ble Supreme Court, vide its judgment dated 20.04.2023, set aside the judgment of this Hon'ble Court dated 20.07.2021 and recognised the status of the State Government as the lessor under the 1959 Rules. The liberty extended to the appellant was confined to the extent stipulated in paragraph 106 of the judgment, whereby the appellant was permitted to approach the State Government afresh seeking conversion of the land, with a corresponding liberty to the State Government to

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consider such proposal in public interest and in accordance with the provisions of the 1959 Rules.

18. In purported compliance with and in furtherance of the liberty so granted by the Hon’ble Supreme Court, the appellant submitted fresh proposals before the State Government on 24.05.2023 under the applicable Tourism Policy. Pursuant thereto, the Collector sought reports from the concerned authorities and agencies. However, vide order dated 07.03.2025, the Collector rejected the appellant's proposal for conversion of land use under the Tourism Policy. The said rejection was assailed by the appellant by way of SBCWP No. 6738/2025, wherein interim protection against coercive action was granted in favour of the appellant.

19. Subsequently, on 16.06.2025 and 17.06.2025, separate show-cause notices in respect of all the seven lease deeds were issued to the appellant, granting a period of seven days to submit its response. The appellant duly submitted a detailed reply to the aforesaid notices within the stipulated period. During the pendency of the said proceedings, the Collector who had issued the show-cause notices came to be transferred and was succeeded by a newly appointed Collector. Upon assuming charge, the successor Collector proceeded to pass detailed orders in respect of all the seven show-cause notices, culminating in the cancellation of the seven registered lease deeds vide orders dated 24.06.2025.

20. Being aggrieved by the aforesaid cancellation orders, the appellant instituted SBCWP No. 9719/2025 before this Hon'ble Court, seeking, inter alia, quashing and setting aside of the seven

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show-cause notices and the consequential cancellation orders, together with restoration of the lawful position and the appellant's leasehold rights in accordance with law. The aforesaid writ petition came to be dismissed vide order dated 28.09.2026, which has occasioned the filing of the present appeal.

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PART-III:-SUBMISSIONS MADE ON BEHALF OF THE APPELLANT :

21. Learned counsel appearing on behalf of the appellants, while assailing the impugned judgment passed by the learned Single Judge as well as the orders passed by the District Collector has submitted that the impugned orders and the judgment under challenge suffer from manifest errors of law, procedural impropriety and misconstruction of the relevant contractual and statutory instruments. It was contended that the learned Single Judge proceeded on an erroneous premise by attributing fraud and mala fides to the appellants on the ground that they had failed to achieve the objectives of industrial rehabilitation and revival despite retaining the leased land for approximately 26 years, allegedly in contravention of Rules 8 and 9 of the 1959 Rules. Such a finding, according to learned counsel, is wholly unsustainable in the absence of any cogent material establishing fraudulent conduct on the part of the appellants.

22. The learned Single Judge failed to take into consideration the binding circulars and governmental instructions governing the exercise of powers by the Collectors. It was submitted that the authorities relied upon certain committee reports and other material documents without furnishing copies thereof to the

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appellants, thereby depriving them of a meaningful opportunity to controvert the allegations levelled against them. The impugned orders, therefore, stand vitiated on account of violation of the principles of natural justice.

23. It was further submitted that the entire proceedings culminating in cancellation of the seven registered lease deeds were conducted in a hurried, arbitrary and predetermined manner. It was contended that although seven separate show-cause notices were issued in relation to the seven lease deeds, the appellants were afforded merely seven days to submit their replies. The relied-upon documents were not furnished, nor was any adequate opportunity of hearing granted before passing the adverse orders. It was further highlighted that the Collector who ultimately passed the impugned orders had assumed charge only shortly before their issuance and proceeded to adjudicate all seven matters within a few hours of joining, thereby demonstrating non-application of mind and a predetermined approach.

24. Further, learned counsel contended that the appellants had substantially discharged their obligations under the AAIFR-sanctioned rehabilitation scheme and had made considerable investments towards revival of the industrial undertaking. Learned counsel submitted that the appellants had invested several crores of rupees, settled substantial outstanding liabilities of the erstwhile workmen and successfully recommenced industrial operations. The industrial unit had achieved a turnover of approximately Rs. 100 crores during its initial years of operation. Thus, the allegation that the appellants had deliberately failed to

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fulfil the objectives of the rehabilitation scheme is contrary to the material available on record. The subsequent inability to revive the remaining industrial units or continue the operations cannot be attributed exclusively to any alleged default on the part of the appellants.

25. It was submitted that the appellants had sought requisite permissions for establishing a denim manufacturing plant and for exploring alternative utilisation of the land under the Jan Awas Yojana and Tourism Scheme. However, the requisite permissions were not granted by the respondent authorities. The appellants were, therefore, constrained by the lack of administrative cooperation, coupled with inconsistent decisions and shifting governmental positions consequent upon changes in the political establishment and concerned officials. Such circumstances, beyond the control of the appellants, could not legitimately be construed as fraudulent conduct or willful breach of the lease conditions.

26. It was vehemently contended that the appellants had acted bona fide and had substantially honoured their commitments towards the workmen, as against the total compensation liability of Rs. 43.69 crores contemplated under the tripartite settlements, an amount of approximately Rs. 37 crores had already been paid to the workers' unions. With respect to the remaining amount of approximately Rs. 6 crores, for which no claimants had come forward, the appellants expressed their readiness and willingness to deposit the same. Such conduct, according to learned counsel, unequivocally demonstrates the bona fides of the appellants and

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their commitment towards implementation of the rehabilitation scheme.

27. It was further contended that the seven lease deeds executed on 17.03.2007 did not prescribe any specific time schedule or outer limit for revival of the seven industrial plants. Thus, the respondent authorities could not retrospectively impose a time-bound obligation upon the appellants or treat the non-revival of the remaining units within an unspecified period as an independent ground for cancellation of the lease deeds. The appellants had acted in furtherance of the rehabilitation scheme and their conduct was required to be examined in the light of the actual terms and conditions of the lease deeds.

28. The conduct of the appellants stood corroborated by the contemporaneous admissions, approvals and decisions of the State Government itself. Learned counsel submitted that various governmental communications, approvals and other material on record acknowledged the steps taken by the appellants towards industrial revival and alternative utilisation of the leased premises. Such material constituted relevant evidence of the bona fide conduct of the appellants, which could not have been disregarded while attributing fraud or deliberate non-compliance to them.

29. Subsequently, learned counsel had averred that the commercial feasibility of revival of the remaining industrial units had been independently examined by recognised experts and financial institutions. It was submitted that the study conducted by Mott MacDonald in January 2008, followed by the assessment undertaken by IDBI Bank, had indicated that commercial restart

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and revival of the remaining units were not viable. The inability to revive the units was, therefore, not a consequence of any deliberate abandonment or mala fide intention on the part of the appellants, but was attributable to the commercial and economic impracticability of restarting the industrial operations.

30. The respondent authorities failed to give effect to the liberty expressly granted by the Hon'ble Supreme Court vide judgment dated 20.04.2023 passed in in ***Bishwambhar Prasad v. M/s. Arafat Petrochemicals Pvt. Ltd. & Ors.*** **and connected appeals**[1]. Learned counsel drew the attention of the Court to paragraph 106 of the said judgment and submitted that the appellants were specifically permitted to approach the State Government seeking conversion of the leased land, with a corresponding liberty to the State Government to consider such proposal in public interest and in accordance with the 1959 Rules. In pursuance thereof, the appellants submitted their proposal dated 24.05.2023 seeking permission to establish a tourism-based undertaking. However, instead of considering the proposal objectively and in accordance with the directions of the Hon'ble Supreme Court, the respondent authorities proceeded to initiate cancellation proceedings against the appellants.

31. The proposed tourism project was capable of serving a substantial public purpose and generating considerable economic benefits. It was contended that the proposed project had the potential to generate revenue to the tune of approximately Rs. 300 crores and provide employment opportunities to hundreds of

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persons. The proposal, therefore, deserved consideration on its own merits, keeping in view the larger public interest, economic development and employment generation, rather than being rejected or rendered infructuous through arbitrary cancellation of the lease deeds.

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32. The cancellation of the registered lease deeds by the District Collector was without jurisdiction and legally unsustainable. Learned counsel submitted that the respondent authorities could not unilaterally cancel the registered lease deeds in the manner adopted, particularly in the absence of a fair and lawful adjudicatory process. It was argued that such cancellation involved determination of substantive civil rights arising out of registered instruments and could not have been undertaken through a summary and predetermined administrative exercise. The impugned action was, therefore, assailed as arbitrary, unfair and violative of the appellants' legal and constitutional rights.

33. It was then contended that the cumulative effect of the aforesaid circumstances establishes that the impugned cancellation orders were passed without due consideration of the appellants' explanations, the rehabilitation scheme, the terms of the registered lease deeds and the subsequent conduct of the respondent authorities themselves. It was, accordingly, submitted that the learned Single Judge failed to appreciate the material factual and legal aspects of the controversy and erroneously upheld the cancellation of the leasehold rights, warranting interference by the appellate Court.

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34. In support of the contentions advanced insofar, learned counsel had placed reliance upon a catena of judgments, inter alia, State of U.P. Vs. Maharaja Dharmander Prasad Singh[2]; Bishan Das Vs. State of Punjab[3]; State of Rajasthan Vs. Parvati Devi[4]; Kranti Associates Pvt. Ltd. Vs. Masood Ahmed Khan[5]; Oryx Fisheries Pvt. Ltd. Vs. Union of India[6]; Siemens Ltd. Vs. State of Maharashtra[7]; Managing Director, ECIL Vs. B. Karunakar[8]; Motilal Padampat Sugar Mills Co. Ltd. Vs. State of U.P.[9]; State of Punjab Vs. Davinder Pal Singh Bhullar[10]; Maneka Gandhi Vs. Union of India[11]; J.K. Lakshmi Cement Ltd. Vs. State of M.P.[12]; State of Punjab Vs. Gurdial Singh[13].

35. In view of the aforesaid submissions, learned counsel for the appellants prayed that the impugned judgment dated 28.09.2026, along with the cancellation orders dated 24.06.2025, be quashed and set aside and the appellants' lawful leasehold rights be restored in accordance with law.

PART-IV:-SUBMISSIONS MADE ON BEHALF OF THE RESPONDENTS :

36. *Per contra*, learned Advocate General appearing on behalf of the respondent-State and its instrumentalities, while opposing the appeal and supporting the impugned judgment as well as the cancellation orders passed by the District Collector, contended that the controversy sought to be raised by the appellants is no longer

2 (1989) 2 SCC 505
3 AIR 1961 SC 1570
4 DBSAW No.899/2017 (Raj. HC)
5 (2010) 9 SCC 496
6 (2010) 13 SCC 427
7 (2006) 12 SCC 33
8 (1993) 4 SCC 727
9 (1979) 2 SCC 409
10 (2011) 14 SCC 770
11 (1978) 1 SCC 248
12 WP No.20092/2015 (MP HC)
13 (1980) 2 SCC 471

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res integra and stands conclusively adjudicated by the Hon'ble Supreme Court. Learned Advocate General placed reliance upon the judgment rendered in **Bishwambhar Prasad** (supra), decided on 20.04.2023, along with connected appeals, and submitted that the appellants cannot be permitted to reopen issues which have already attained finality between the parties. It was contended that the principle of finality of litigation precludes repeated adjudication of the same controversy under the guise of subsequent proceedings.

37. It was further submitted that the liberty granted by the Hon'ble Supreme Court under paragraph 106 of its judgment was limited in scope and did not confer any vested right upon the appellants to seek conversion of the leased land. It was submitted that the appellants were merely permitted to approach the State Government with a proposal for conversion, with a corresponding liberty to the State Government to examine and decide such proposal in accordance with the 1959 Rules and in larger public interest. The said liberty was duly considered by the respondent authorities, particularly the Collector, and the decision taken thereupon was strictly in accordance with law. Thus, the appellants cannot claim any entitlement to conversion merely on the strength of the liberty so granted.

38. The very foundation of the allotment and subsequent transfer of the land in favour of the appellants was the revival and rehabilitation of the industrial units of JKSL and the protection of the interests of its erstwhile workmen. Learned Advocate General submitted that the transfer of the industrial undertaking was

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undertaken with the specific object of recommencing industrial operations, rehabilitating the sick industrial units and providing employment to the former employees of JKSL. However, despite the passage of approximately twenty years, the appellants failed to fulfill the fundamental objectives underlying the rehabilitation scheme. Instead of utilising the land for the stipulated industrial purposes, the appellants allegedly diverted their efforts towards securing alternative commercial and residential exploitation of the valuable industrial land.

39. Further, it was contended that the conduct of the appellants amounted to fraud upon the State Government as well as the workers' unions, as the appellants had obtained the benefit of transfer of the land by holding themselves out as an entity committed to revival of the industrial undertaking and rehabilitation of the workmen. However, the subsequent conduct of the appellants demonstrated that the underlying objectives of the rehabilitation scheme were never achieved. The appellants neither fulfilled the commitments undertaken towards the workmen nor revived the industrial units in the manner contemplated under the scheme. Such conduct, according to learned Advocate General, constituted material breach of the terms governing the allotment and disentitled the appellants from claiming equitable or discretionary relief.

40. The allotment and transfer of the land were governed by the mandatory framework of Rules 8 and 9 of the 1959 Rules, read with the specific conditions incorporated in the lease deeds. Particular reliance was placed upon Clause 5(viii) of the lease

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deed, which stipulated that the leased land was to be utilised strictly for the specified purpose for which it had been allotted, without any deviation therefrom. It was submitted that the appellants were bound by the express terms of the lease and could not seek to convert industrial land into commercial or residential property contrary to the conditions of allotment. The legal position governing the rights of the parties stood duly recognised by the Hon'ble Supreme Court in its judgment dated 20.04.2023, which affirmed the status of the State Government as the lessor under the 1959 Rules.

41. It was then submitted that the appellants had materially concealed and suppressed relevant facts while pursuing their proposal for conversion of the leased land. Learned Advocate General submitted that the Memorandum and Articles of Association of the appellant Company did not permit the undertaking of tourism-related activities. Further, the appellants have failed to place on record any concrete or credible material demonstrating the actual steps taken towards establishment of the proposed two five-star hotels. In the absence of the requisite corporate authority and substantive supporting documentation, the proposal for conversion was devoid of the necessary foundation and could not be treated as a bona fide endeavour warranting consideration in public interest.

42. The appellants had failed to honour their commitments towards the erstwhile employees of JKSL. It was contended that, notwithstanding the representations and undertakings made under the Memorandum of Understanding, the appellants had neither

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provided employment to approximately 2,000 former employees as contemplated therein nor discharged the outstanding liabilities towards the workmen in the manner undertaken. The failure to fulfill these commitments struck at the very foundation of the rehabilitation arrangement and demonstrated that the appellants had not adhered to the obligations which had formed the basis of transfer of the industrial undertaking and the consequential grant of leasehold rights.

43. The appellants had failed to revive the seven industrial plants and factories for which the lease deeds were executed. Learned Advocate General submitted that, out of the seven industrial units, only one factory was initially made operational, which too was gutted in a fire incident within approximately six months of commencement of operations. The remaining six units were never revived. Thus, the appellants had failed to achieve the very object for which the land had been transferred in their favour. The mere assertion of having invested substantial amounts or having achieved turnover during the initial period could not, according to the respondents, absolve the appellants of their fundamental contractual and statutory obligations.

44. The subsequent proposals for residential and other commercial projects demonstrated the appellants' intention to divert the leased land from its originally sanctioned industrial purpose. It was submitted that the appellants had attempted to utilise the land for schemes such as the Jan Awas Yojana and other non-industrial activities, notwithstanding the restrictions imposed under the 1959 Rules and the express conditions of the

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lease deeds. Such attempts, when considered in conjunction with the failure to revive the industrial units, established that the appellants were seeking to commercially exploit the land rather than fulfill the objectives of the rehabilitation scheme. The respondents, therefore, contended that the proposed change of land use could not be permitted at the cost of the statutory framework governing industrial land.

45. It was further contended that the respondent authorities have duly adhered to the principles of natural justice before passing the cancellation orders inasmuchas, separate show-cause notices were issued in respect of the seven lease deeds, granting the appellants an opportunity to submit their explanations. The appellants had, in fact, submitted detailed replies to the notices, which were duly considered by the competent authority before passing the impugned orders. Consequently, the allegation of violation of the principles of natural justice was wholly misconceived. Mere dissatisfaction with the outcome of the proceedings could not be equated with denial of a reasonable opportunity of hearing.

46. The District Collector was competent to take appropriate action in respect of the leased land in furtherance of public interest and in discharge of the State’s obligations as lessor. Learned Advocate General submitted that the State Government, being the owner and lessor of the land, was entitled to ensure that the leased premises were utilised strictly in accordance with the statutory rules and the conditions of allotment. The Collector, acting upon the advice of the State Government and the

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concerned instrumentalities, exercised the authority vested in him to protect the public interest and prevent unauthorised diversion of industrial land. The impugned action was, therefore, neither arbitrary nor without jurisdiction.

47. Learned Advocate General had further drawn the attention of the Court towards the fact that the doctrine of public trust obligated the State authorities to safeguard the valuable public land against its unauthorised commercial exploitation. It was argued that the land in question constituted a valuable public resource, which had been allotted for the specific purpose of industrial development, revival of a sick industrial undertaking and generation of employment. The State authorities were duty-bound to ensure that such land was not diverted for private commercial gain in disregard of the statutory conditions governing its allotment. The exercise of power by the Collector was, therefore, justified in furtherance of the doctrine of public trust and the larger public interest.

48. The decision-making process culminating in the cancellation of the seven lease deeds was lawful, justified and within the four corners of the applicable statutory framework. Learned Advocate General submitted that the Collector had acted upon the relevant material, the applicable provisions of the 1959 Rules, the terms of the lease deeds and the advice received from the State Government and its instrumentalities. The impugned orders were passed after due consideration of the appellants' conduct and their failure to fulfill the foundational objectives of the allotment. No illegality, procedural impropriety or jurisdictional infirmity could,

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therefore, be attributed to the respondent authorities so as to warrant interference by the appellate Court.

49. It was then contended that the appellants were not entitled to invoke the discretionary and equitable jurisdiction of the Court in order to perpetuate the alleged breach of the conditions of allotment. It was submitted that the appellants, having failed to fulfil the very purpose for which the industrial land was transferred in their favour, could not claim restoration of leasehold rights or seek permission for its alternative utilisation contrary to the statutory scheme. The impugned judgment and the consequential orders of cancellation, therefore, called for no interference.

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50. In support of the contentions advanced learned Advocate General had placed reliance on a catena of judgments, inter alia, **Bishambhar Prasad** (supra); **Dr. A. Lakshmanaswami Mudaliar & Ors. Vs. LIC & Anr.[14]; Tata Steel Ltd. Vs. State of Jharkhand & Ors.[15]; Union of India Vs. Sir Sobha Singh & Sons Pvt. Ltd.[16]; M/S. Hajee S.V.M. Mohammed Jamaludeen Vs. The Government of Tamil Nadu[17]; State of UP Vs. Sudhir Kumar Singh & Ors.[18]; S.L. Kapoor Vs. Jagmohan & Ors.[19]; P.D. Agarwal Vs. State Bank of India & Ors.[20]; M/S A.S. Motors Pvt. Ltd. Vs. Union of India[21]; Radhakrishna Agarwal & Ors. State of Bihar & Ors.[22]; Shreeji Industries Vs. State of Rajasthan[23]; Pimpri Chinchwad Municipal Corp. & Ors. Vs.**

14 AIR 1963 SC 1185
15 (2015) 15 SCC 55
16 2026 INSC 406
17 1997 (3) SCC 466
18 (2021) 19 SCC 706
19 (1980) 4 SCC 379
20 (2006) 8 SCC 776
21 2013 AIR SCW 3830
22 1977 (3) SCC 457
23 1982 Supreme (Raj) 455

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Gayatri Construction Co. & Anr.[24]; K.D. Sharma Vs. Steel Authority of India Ltd. & Ors.[25]; Ramjas Foundation & Anr. Vs. Union of India & Ors.[26]; Bhaskar Laxman Jadhav & Ors. Karamveer Kakasaheb Wagh Education Society & Ors.[27]; S. Chattanathakarayalar Vs. The Central Bank of India & Ors.[28]; M/s Piaggio Vehicles Pvt. Ltd. Vs. State of UP & Ors.[29]; Dalip Singh & Ors. Vs. State of Haryana & Ors.[30]; KNMT & Anr. Vs. U.P. State Industrial Development Corp. Ltd.[31]; Province of Bombay Vs. Khushaldas S. Advani[32]; Jayantilal Amratlal Shodhan Vs. F.N. Rana & Ors.[33]; Alok Kothawala & Ors. Vs. Jaipur Metro Rail Corp. Ltd. & Ors.[34]; S.P. Chengalvaraya Naidu Vs. Jagannath & Ors.[35]; Meghmala & Ors. Vs. G. Narasimha Reddy & Ors.[36]; Hamza Haji Vs. State of Kerala & Anr.[37]; Raj Kumar Soni & Anr. Vs. State of UP & Anr.[38]; M.S. Sanjay Vs. Indian Bank & Ors.[39]; Authorised Officer, Indian Overseas Bank & Anr. Vs. Ashok Saw Mill[40]; RIICO Vs. Diamond & Gem Development Corporation Ltd. & Anr.[41]; Bihar Industrial Area Development Authority & Ors. Vs. M/S Scope Sales Pvt.

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24 (2008) 8 SCC 457
25 (2008) 12 SCC 481
26 (2010) 14 SC 38
27 (2013) 11 SCC 531
28 1965 AIR 1856
29 2026 LiveLaw (SC) 332
30 AIR Online (2018) SC 679
31 2025 INSC 791
32 AIR 1950 SC 222
33 AIR 1964 SC 648
34 2026 INSC 682
35 (1994) 1 SCC 1
36 (2010) 8 SCC 383
37 (2006) 7 SCC 416
38 (2007) 10 SCC 635
39 2025 INSC 177
40 (2009) 8 SCC 366
41 (2013) 5 SCC 470

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Ltd.& Anr.[42]; R. Saravanan Vs. Periyar University Rep by its Registrar & Ors.[43].

51. In view of the aforesaid submissions, learned Advocate General prayed for dismissal of the appeal and for affirmance of the impugned judgment passed by the learned Single Judge, as well as the cancellation orders dated 24.06.2025 passed by the District Collector.

PART-V:-DISCUSSION AND FINDINGS :

52. Having considered the submissions advanced by learned counsel for the parties, perused the material available on record and examined the nature of the relief sought, this Court is of the considered opinion that prior to adverting with adjudication of merits of the case it is vital to jot down the list of dates and events. The same is delineated ad infra:

The chronology of events :

(a). **12.09.1958 – 21.08.1965 :** Approximately 271.39 acres of land situated at Kota was allotted by the respondents for establishment of an industrial undertaking on a leasehold basis for 99 years under the 1959 Rules, through seven lease deeds.

(b). **18.09.1979 :** The State Government took a general decision to transfer industrial areas across Rajasthan, being administered by the Department of Industries, to RIICO.

(c). **Financial Year 1996–1997 :** In view of the continuous losses suffered by JKSL, which exceeded its net worth, a reference was made under Section 15 of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA).

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(d). **02.04.1998 :** BIFR declared JKSL a sick industrial company and appointed IDBI as the operating agency for formulation of a rehabilitation scheme.

(e). **19.10.2001 :** Pursuant to the proposed rehabilitation scheme, a Memorandum of Understanding was executed between JKSL and the appellant, APPL, for transfer of the Kota industrial unit for a cash consideration of Rs. 15 crores, coupled with the assumption of labour liabilities and revival of all seven plants, with a commitment to provide 2,000 jobs.

(f). **07.11.2001 :** The labour unions intervened to safeguard their interests, highlighting that approximately Rs. 260 crores were outstanding towards 4,197 workers and asserting that the industrial land and assets could not be transferred arbitrarily.

(g). **09.10.2002 & 20.10.2002 :** Two tripartite labour settlements were executed amongst JKSL, APPL and the labour unions before the Joint Labour Commissioner, quantifying the labour dues at Rs. 40.42 crores. APPL was permitted to operate the Kota Complex as a new employer, undertaking to commence all seven plants within one year and reinstate the employees.

(h). **13.05.2003 :** A joint venture was entered into between the parties.

(i). **07.01.2005 :** AAIFR approved and sanctioned the rehabilitation scheme prepared by IDBI, envisaging the revival of all seven plants during 2004–2005, payment of Rs. 15 crores towards labour liabilities and infusion of requisite funds for revival of the plants.

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(j). **19.02.2007 :** The District Collector, Kota, passed an order for transfer of 227.15 acres of land to APPL under Rule 9 of the 1959 Rules.

(k). **17.03.2007 :** The District Collector, Kota, sanctioned the execution of seven lease deeds in respect of 271.40 acres of land. Clause 5(viii) thereof stipulated that, in the event of default in compliance with any term or condition, the land would be liable to revert to the lessor.

(l). **October 2007** : A fire broke out in the recommenced acrylic plant, resulting in its closure, while the remaining six industrial units continued to remain dormant.

(m). **05.05.2008 & 11.12.2008 :** BIFR and AAIFR passed orders against APPL, treating it as a sick industrial company.

(n). **27.12.2017 :** APPL sought permission for establishment of a denim unit at Kota through the Bureau of Investment Promotion. The proposal was kept in abeyance. Subsequently, APPL submitted a proposal for an affordable housing scheme under the Chief Minister's Jan Awas Yojana, which did not materialize.

(o). **2018–2019 :** APPL submitted a proposal seeking conversion of a portion of the land from industrial to commercial and institutional use, which was approved by RIICO's Land Planning Committee. However, following the change in government and Cabinet decisions dated 03.08.2019 and 10.10.2019, the permissions granted by RIICO for subdivision and conversion of land were cancelled on 11.10.2019.

(p). **2020** : The cancellation was challenged by way of SBCWP No. 3410/2020. The Division Bench, vide judgment dated

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20.07.2021, set aside the State Government's cancellation orders while upholding the decisions taken by RIICO.

(q). **20.04.2023 :** In the appeal arising out of the SLP preferred by Bishwambhar Prasad in **Bishwambhar Prasad** (supra), the Hon'ble Supreme Court allowed the State's appeal, holding that the State Government alone was competent to grant permissions under the 1959 Rules and that RIICO lacked the requisite jurisdiction. The doctrines of legitimate expectation and promissory estoppel were held inapplicable in favour of APPL. The cancellation of the supplementary lease deeds was upheld, taking into consideration that the rehabilitation scheme had remained dormant for approximately 21 years, with adverse socio-economic consequences for the State. However, liberty was granted to the appellant to submit a fresh application for conversion, to be considered by the State Government in accordance with the 1959 Rules and in the larger public interest.

b. <u>Subsequent developments and relevance of the earlier adjudication</u>

53. In the aforesaid backdrop, the appellant submitted an application seeking conversion of the leased land for establishment of a tourism project. Subsequently, the said proposal came to be rejected, and the seven lease deeds were also cancelled on the ground, inter alia, of failure to revive the industrial undertaking and rehabilitate the erstwhile workmen over a period of approximately 26 years.

54. In these circumstances, the judgment rendered by the Hon'ble Supreme Court dated 20.04.2023, governing the rights

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and obligations of the parties *inter se*, and the findings and observations recorded therein assume considerable significance and merit consideration.

c. <u>Analysis and Findings of the Court:-</u>

55. Having heard the facts and circumstances of the case, the relevant statutory provisions, the terms and conditions of the lease deeds (including those executed under the 1959 Rules), the Memorandum of Understanding, the orders of the AAIFR, the joint venture agreements, the prior proceedings, and the judgment of the Hon'ble Supreme Court dated 20.04.2023 inter se the parties, this Court observes as follows:

55.1 Before proceeding to further adjudication, it is apposite to take a cursory view of the relevant extracts from the judgment of the Hon'ble Supreme Court and the statutory provisions. Accordingly, the relevant extract from the ratio encapsulated in **Bishwambhar Prasad** (supra), is reproduced hereinbelow:

> *"100. We note that despite the passage of 21 years since the tripartite agreements were signed between JKSL, Respondent No. 1 and the workers unions in 2002, and 16 years since the transfer lease deeds were signed in 2007, the LIA, Kota has remained dormant. The objective of restarting industrial production in the area, as envisaged by the AAIFR rehabilitation plan and required by virtue of the settlements of 2002, remains out of reach. The damage this causes to the former employees of JKSL, as well as the industrial and economic growth of the State, cannot be underestimated. While we are not in a position to direct or order the implementation of the AAIFR plan, we recall the earlier orders of this Court which had dismissed the workers unions' SLP, and the subsequent Review Petitions on 17.08.2017 and 06.03.2018, but with a note that the rehabilitation plan should be implemented.*
> *101. Given that the earlier orders of the Supreme Court have already held that Respondent No. 1 is*

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not a sick industrial company and that judgment has become final with the dismissal of the Review Petitions, there is no point reverting to SICA any longer. However, we re-emphasize the importance of finding a viable solution to this complex issue.

102. We reiterate the earlier observations made by this Court regarding implementation of the AAIFR scheme. The objective of the original transfer lease deeds of 2007 that were signed for the purpose of using the land for industrial development should be carried out, subject to altering the usage of the land under the 1959 Rules.

103. However, at the same time, our sympathy for the Appellant Unions cannot translate into any concrete relief in the context of the dues they seek. We are not appropriately positioned to consider their prayers in this context. Instead, we grant liberty to the Appellant Unions to approach the appropriate government and other forums as permitted by law, to seek their respective dues. We clarify once again that we have expressed no opinion on the merits of this segment of the controversy.

D. CONCLUSION

104. Our final analysis is that the supplementary leases signed between Respondent No. 1 and RIICO are unsustainable. RIICO did not possess the authority to enter into these agreements, as the land in LIA, Kota remained under the ownership and control of the State Government uninterruptedly from the first lease signed with JKSL, till the present date. Respondent No. 1 was also cognizant of this fact as evinced by it entering into the 7 transfer lease deeds with the Collector, Kota, in 2007, after it stepped into the shoes of JKSL.

105. The leases with JKSL were executed under the 1959 Rules which remained applicable and there was no authority ever vested in RIICO to have issued the permissions for conversion and sub-division of plots in the LIA, Kota, and for signing the supplementary lease deeds with Respondent No. 1. There is no legal infirmity in the action of the Appellants in setting aside the decisions taken by RIICO or in directing to cancel the supplementary leases of 2018. Hence, we uphold the cancellation of the supplementary deeds and quashing of the approvals for conversion of land and sub-division of plots.

106. This shall, however, not preclude Respondent No. 1 from reapproaching the State Government and seeking conversion of the usage of land and attendant approvals under the 1959 Rules. The

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State Government shall be at liberty to consider such a proposal in public interest and in accordance with the 1959 Rules.
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XXXXX
109. The Appeals by the State of Rajasthan and RIICO are accordingly allowed; the impugned judgment dated 20.07.2021 passed by the High Court of Judicature for Rajasthan at Jaipur, is set aside. Consequently, the Writ Petition filed by Respondent No.1 before the High Court is dismissed save and except the liberty granted in Para 106 of this judgment."

55.2 For the sake of reference, Section 100 of the RLR Act is reproduced as under*:-*

"100. Sale of land in Industrial and Commercial Areas- The State Government may make rules regulating sales of lands in industrial and commercial areas and may also impose an annual assessment of such lands, wherever necessary."

55.3 Similarly Rules 8 and 9 of the 1959 Rules are also reproduced below:-

"8. ***Land not to be used for other purpose.*** *-*
(1) The land given for industrial purposes shall not be used for any other purpose except constructing factory premises and such other residential quarters as are required for those engaged in that industry. No constructions shall be permitted which may have the object of using it as a commercial undertaking other than the industry permitted to be established.
Provided that the State Government, on the application of the lessee for establishment of industry other than the industry for which the was given, may grant permission for establishment of such industry. But in case of government land allotted under these rules, such permission shall not be granted for establishment of tourism units.
(2) The permission for construction of the labour/colony shall be given if required at the time of the establishment of an industry.
(3) The industrialist shall be free to use an area upto 200 sq. meter for his own residential purpose on first floor of the factory premises.

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> *9. **Lessee debarred from sale of land etc**. - The lessee shall have the limited ownership on the land leased till the lease subsists and shall have the right of assignment only for the purpose of taking a loan for the development of the industry or for pledging as collateral security for a loan taken by the lessee or some other industry owned by the same management. The lessee shall have no right to sell the land:*
> *(i) Provided that the land can be pledged as collateral security only in favour of Industrial Financial Corporation of India, Rajasthan Finance Corporation, IDBI, ICICI, LIC, IRBI, HDFC, SIDBI, EXIM Bank, Co-operative Banks and any Public Financial Institution as defined in the Public Financial Institute Act or Scheduled Banks or private lending agencies subject to ensuring that the lessee has cleared all the outstanding dues of the lessor and the lessee creates first charge in favour of the State Government and second to the financing body or bodies.*

55.4 Consequent thereto, the first lease deed dated 11.08.1967, governing the terms and conditions of the allotment of land to JKSL, came to be executed. The relevant terms and conditions thereof are reproduced hereinbelow:-

> *"(iv) The lessee shall set up on the said plot of land Nylon industry for which land has been leased to him by the lessor within a period of two years from the date of talking over the possession of the land as above mentioned and in case of his failure to do so the said plot shall revert to the lessor unless the period of two years is extended by the lessor on valid grounds.*
> *(v) The lessee shall set up, construct, erect and build on the said plot of land, only such buildings, sheds, and structures as are required by him for setting up the industry aforesaid and also such other residential quarters e.g. watch & ward quarters as are required for those engaged or to be engaged in the said factor.*
> *(vi) The lessee agrees not to construct or build any structures or building on the said plot of land or on a portion of it which may have the object of using it as a commercial undertaking other than for the industries aforesaid for which the said plot has been leased to the lessee."*

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56. The learned Single Judge in its judgment has categorically enumerated that the dispute concerns about 271.40 acres of Government land originally allotted for industrial purposes under the Rajasthan Industrial Areas Allotment Rules, 1959. The Kota undertaking of JK Synthetics Ltd. was transferred to Petitioner No. 1 in the course of BIFR/AAIFR rehabilitation proceedings, with seven lease deeds executed on 17.03.2007. The District Collector cancelled these leases on 24.06.2025 for breach of their conditions.

57. Thereafter, issues were framed by para 85 qua Jurisdiction; natural justice; breach of lease, TLSAs, MoU and AAIFR directions; attempted change of land use; fraud and suppression; effect of para 106 of **Bishambhar Prasad** (supra) judgment date 20.04.2023; legitimate expectation; and arbitrariness or non-application of mind; and has thereafter opined that the judgment rendered in **Bishambhar Prasad** (supra), does not conclusively decide the validity of the 2007 leases or their cancellation, so *res judicata* is not accepted in its broad form. It does, however, conclusively settle certain matters: the industrial character of the land, the continuing lessor-lessee relationship with the State, RIICO's limited authority, the absence of any vested right to change the industrial user, and the public interest attached to the land. Para 106 only allowed the petitioners to re-approach the State for conversion; it conferred no right to conversion, and a liberty to apply is not a mandate to allow the application. The State's rejection on 07.03.2025 was therefore not contrary to the Supreme Court's liberty.

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58. Further, it was opined that the leases are statutory Government grants (executed under the 1959 Rules), governed by the tenor of the grant. Clause 5(viii) provides for reversion of the land on default, so the grantor may resume possession in accordance with the grant. The petitioners derived their rights from leases executed by the District Collector and submitted to the proceedings, so they cannot now question his authority (the principle against approbating and reprobating, citing Diamond & Gem Development Corporation). Withal, it was also opined that a reversion clause does not permit a unilateral finding of breach without hearing the lessee. Here, however, no denial of opportunity was shown, as show-cause notices were issued on 16.06.2025, with a reply due by 23.06.2025, as the appellants filed a detailed reply with voluminous documents on 23.06.2025. thereafter, the successor Collector took charge on 24.06.2025 and passed 20-page reasoned orders the same day.

59. It was also opined that the transfer of the Collector does not vitiate the proceedings, and the short interval does not by itself make the hearing illusory. The test is whether the opportunity was meaningful and the material was actually considered. Subsequently, the plea qua legitimate expectation and promissory estoppel, were also considered as these are answered by the ratio encapsulated in **Bishambhar Prasad** (supra) and cannot compel the State to continue an arrangement contrary to the Rules or public interest. Expenditure incurred or an initial attempt to revive a unit gives no indefeasible right, and commercial unviability does not release the petitioners from the industrial purpose of the

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grant. They may seek a lawful change of use, but have no right to use the land for another commercial purpose of their choice. The Court also relied on **M/S. Piaggio Vehicles Pvt. Ltd. v. State of U.P. & Ors.**[44], which holds that allottees of concessional industrial land are bound by the lease covenants and that the State's commercial discretion should not be substituted by the Court.

60. Subsequently, the Court rejected the argument that fraud was not specifically pleaded. It found fraud in the cumulative course of conduct, as the 19.10.2001 MoU contemplated acquisition of the Kota assets for Rs. 15 crores, with re-employment of 2,000 employees described only as a "legitimate expectancy". The AAIFR and the workmen settlements proceeded on the representation that the units would be revived and workmen re-employed, and these were relied upon to obtain the land and leases. Soon afterwards, the revived unit was closed under cover of a fire incident, six of the seven units were never revived, and the appellants pursued impermissible uses (Jan Avas Yojna, a Denim Unit, a tourism unit and supplementary leases). The fraud thus lies in the representation and undertaking of revival and re-employment, followed by conduct showing abandonment of that purpose. The Court also noted the violation of public trust in diverting land entrusted for a defined public purpose.

61. The land is valuable Government land granted for a specific public and economic purpose, and the State must administer it consistently with the statutory framework. While concluded the

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judgment, learned Single Judge articulated that the appellants herein, failed to establish any jurisdictional infirmity, prejudice, denial of meaningful opportunity, perversity or non-application of mind warranting interference under Article 226. Their challenge in substance seeks a reappraisal of factual findings, which is beyond the scope of judicial review.

62. Upon a cumulative reading of the ratio encapsulated in **Bishambhar Prasad** (supra), and the judgment passed by the learned Single Judge, we are of the following considered view:

62.1 **Nature of the grant and applicability of the 1959 Rules :** Rule 8 prohibits use of the land for purposes other than those authorised under the grant, and the leases to the appellant were granted under Rule 9 to facilitate revival of the existing industry and re-employment of its workmen. The lease deeds substantially incorporate the conditions of the 1959 Rules and were executed in the prescribed form. They are therefore statutory Government grants, not ordinary leases governed merely by the general law of transfer of property. The rights and obligations of the parties must be determined within the four corners of the grant, the tenor of which prevails over inconsistent general law.

62.1.1 Clause 5(viii) provides that on default in any of the terms and conditions, the land shall revert to the lessor, and the lessee shall remove the buildings and structures at his own cost, failing which the lessor may dispose of them. Reversion thus follows upon breach by the terms of the instrument read with the 1959 Rules. The obligation to surrender possession rests on the

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grantee, and where voluntary surrender is not forthcoming, the grantor may resume possession in accordance with the grant.

62.2 **Binding effect of the judgment dated 20.04.2023:** The issues framed and adjudicated by the Hon'ble Supreme Court in Bishambhar Prasad bind the parties inter se. The Apex Court held that:

a. the land was allotted for a specific industrial purpose and could not be used otherwise than in accordance with the 1959 Rules;

b. the State Government, as lessor and competent authority, alone could permit change of land use and sub-division, and RIICO had no such authority;

c. the industrial purpose and the AAIFR obligations, including revival of the units, were integral to the transaction; and

d. no legitimate expectation or promissory estoppel could arise from permissions granted without authority of law.

62.2.1 These findings cannot be reopened. The judgment did not, however, conclusively adjudicate the validity of the 2007 leases or their cancellation, and the plea of *res judicata* is not accepted in its broad form. Paragraph 106 of that judgment merely permitted the appellant to re-approach the State Government for conversion in accordance with the Rules. It conferred no vested right to conversion and no immunity to the existing leases against action for breach of their conditions. A liberty to apply is not a mandate to allow the application. The State Government, having considered the proposal and rejected it on 07.03.2025, acted within the liberty granted.

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62.3 **Competence of the District Collector :** The contention that only the District Collector is competent to pass such orders is sound in law, and the impugned orders were passed by that very authority. The Collector executed the lease deeds on behalf of the Government. It is settled that the authority which grants also possesses the power to withdraw or resume the grant upon breach of its conditions. Reliance on Tata Steel Ltd. v. State of Jharkhand and Union of India v. Sir Sobha Singh is apposite.

62.3.1 Having derived its rights under leases executed by the District Collector, and having submitted to and participated in the proceedings initiated by him, the appellant cannot question that authority now. The principle of *qui approbat non reprobat,* meaning one cannot approbate and reprobate, is squarely applicable in such circumstance. Moreover, the act of the Collector herein is administrative and not judicial, thus being squarely protected under the ratio encapsulated in **Jayantilal Amaratlal Shodhan v. F.N. Rana and ors.**[45]

62.4 **Breach of the conditions of the grant :** At the outset, from the ratios encapsulated in **Tata Steel Ltd. v. State of Jharkhand an ors.**[46]**,** and **Union of India v. Sir Sobha Singh & Sons Pvt. Ltd.**[47], it is settled that the allotment and lease deed by the Government of a land falls under the ambit of "grant", as categorically delineated in the ratio encapsulated under **M/S Hajee S.V.M. Mohamed Jamaludeen v. the Governemnt of Tamil Nadu**[48] (more specifically paragraph nos. 3, 7 and 8).

45AIR 1964 SC 648
46(2015) 15 SCC 55
472026 INSC 406
48(1997) 3 SCC 466

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62.4.1 Despite a lapse of 26 years, the plants and machinery were not operated as undertaken and the dues of the labour unions were not settled in *toto*. The units were revived only nominally. The purportedly revived unit was closed under the cover of a fire incident, followed by reports of non-viability. No meaningful attempt was made to revive six of the seven plants, although their viability had been assessed in the rehabilitation scheme, and the requisite funds were not invested.

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62.4.2 The appellant instead sought to deviate from the permitted purpose. It proposed the Jan Awas Yojana and a Denim Unit, transferred land for residential and commercial purposes, obtained supplementary lease deeds despite the statutory restrictions, and later proposed a tourism unit over the entire leased area. <u>These were objects never encompassed within its Memorandum of Association. The tourism conversion applications lacked requisite details and supporting documentation, and failed for want of material before the Tourism Department</u>. They were duly considered and found wanting under the MOA, the 1959 Rules and the larger public interest, in accordance with the liberty granted under Para 106.

62.4.3 The commercial unviability of the original undertaking does not extinguish the industrial character of the land or the purpose of its allotment. The appellant may seek a lawful change of user within the Rules, but its inability or unwillingness to continue industrial activity gives it no right to use the land for a commercial purpose of its choice. An allottee of concessional industrial land is bound by the covenants of the lease, and

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prolonged non-compliance disentitles it to equitable relief. Reliance in this regard can be placed upon the ratio encapsulated in **M/S Piaggio Vehicles Private Limited** (supra).

62.5 **The principle of Natural justice :** The learned Single Judge rightly rejected the plea of violation of natural justice. A reversion clause prescribes only the consequence of an established breach. It does not authorise a unilateral finding of breach without hearing the lessee, and audi alteram partem applies where reversion entails serious civil consequences. That requirement was met here, as separate show-cause notices dated 16.06.2025 were issued, specifying the alleged violations and granting seven days to reply, i.e., up to 23.06.2025. The appellant availed the opportunity and filed a detailed reply with voluminous documents on 23.06.2025.

62.5.1 The Collector who issued the notices was transferred on 22.06.2025, and his successor assumed charge at about 10:00 a.m. on 24.06.2025 and passed the impugned orders at about 11:00 a.m. the same day. The change of incumbent was merely administrative, as the successor was competent and had the entire record before him. The brief interval between the reply and the orders does not by itself render the hearing illusory.

62.5.2 Natural justice prescribes no inflexible period for considering a reply. The test is whether the opportunity was meaningful and whether the material placed was actually considered. The impugned orders run to 20 pages, deal with the appellant’s core contentions and record reasons for finding breach. In support of the said opinion this Court has drawn strength from

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the dictums enunciated in **State of UP v. Sudhir Kumar Singh and ors.[49], M/S A.S. Motors Pvt. Ltd. v. Union of India[50]** and **Pimpri Chinchwad Municipal Corporation and ors. V. Gaytari Construction Co. and Anr.[51]**

62.6 **Legitimate expectation and promissory estoppel:** The appellant cannot invoke legitimate expectation or promissory estoppel to compel the State to continue an arrangement contrary to statutory provisions or public interest. The appellant's reliance on its efforts to revive the plants, the earlier RIICO permission, the supplementary leases and the expenditure incurred is misplaced. Expenditure does not override an express condition of the grant, nor does financial loss convert a conditional Government lease into an absolute proprietary right. Moreover, as per the ratio enunciated in **M.S. Sanjay V. Indian Bank and Ors.[52]** (paragraph no. 9) illegality should not be perpetuated.

62.7 **Fraud :** The plea that fraud was not specifically pleaded cannot be accepted. Fraud is inferred not from a solitary circumstance but from the cumulative course of dealings. The MoU of 19.10.2001, incapable of transferring the land contrary to Rule 8, could not have been acted upon during the pending rehabilitation proceedings without requisite settlements and approvals. Settlements were then entered into with the workmen, and the matter was placed before the AAIFR on the representation that the units would be revived and the workmen re-employed. The AAIFR's orders and the settlements were relied upon to secure

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49(2021) 19 SCC 706
502013 AIR SCW 3830
51(2008) 8 SCC 172
522025 INSC 177

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transfer of the Government land and execution of the lease deeds, with an undertaking by the appellant to fulfil their conditions.

62.7.1 Immediately thereafter came the closure of the revived unit, the non-revival of six units, and the repeated attempts to secure impermissible uses. These circumstances are wholly inconsistent with the foundational representation on which the land was obtained. They show that, from day one, the object was to siphon away the land rather than utilise it for industrial rehabilitation and reinstatement of workmen.

62.7.2 This Court places its stout reliance upon the principle of *fraus omnia corrumpit,* meaning fraud vitiates the most solemn of acts. The Hon'ble Supreme Court held in **S.P. Chengalvaraya Naidu v. Jagannath**[53], that a judgment or order obtained by fraud is a nullity, and in **A.V. Papayya Sastry v. Government of A.P.**[54], **Meghmala and ors. v. G. Narsimha Reddy and ors.**[55] that fraud vitiates every solemn proceeding.

62.8 **Doctrine of public trust :** The learned Single Judge correctly invoked the doctrine of public trust. The land is valuable Government land, entrusted for a defined public purpose: revival of the Kota Units, re-employment of the existing workmen and promotion of industrial activity. The State holds such land as a trustee for the public, not as a proprietor free to dispose of it at will. The doctrine finds expression in the maxim *salus populi suprema lex esto*, and property held for public use cannot be diverted to private ends. The said rule is affirmed by the Hon'ble Supreme Court in a catena of judgments, inter alia, **M.C. Mehta**

53(1994) 1 SCC 1
54(2007) 4 SCC 221
55(2010) 8 SCC 383

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v. Kamal Nath[56], Intellectual Forum, Tirupathi v. State of A.P.[57], and **for Public Interest Litigation v. Union of India[58].**

Thus, it can be opined that the appellant's actions aimed solely at private enrichment, contrary to the public purpose of the grant.

62.9 **Scope of judicial review :** The challenge, in substance, seeks a reappraisal of factual conclusions reached by the competent authority and affirmed by the learned Single Judge. Judicial review is concerned with the decision-making process and not with the merits of the decision. No jurisdictional infirmity, prejudice, denial of meaningful opportunity, perversity or non-application of mind is established, at the matter at hand.

63. Thus, in view of the above and before concluding the instant opinion, we deem it apposite to finally address the two primary issues:

Issue No. 1

64. Whether paragraph 106 of the judgment dated 20.04.2023 passed by the Hon'ble Supreme Court in **Bishambhar Prasad** (supra) conferred upon the appellant any vested or enforceable right to seek conversion of the subject land, or merely granted liberty to re-approach the State Government, leaving it to the competent authority to consider the proposal in accordance with the Rajasthan Industrial Area Allotment Rules, 1959 and the larger public interest?

65. The liberty granted by the Hon'ble Supreme Court in paragraph 106 of **Bishambhar Prasad** (Supra) was limited to permitting the appellant to re-approach the State Government for

56(1997) 1 SCC 388
57(2006) 3 SCC 549
58(2012) 3 SCC 1

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seeking conversion of the land under the Rajasthan Industrial Area Allotment Rules, 1959. The said liberty did not create any vested or enforceable right to obtain conversion, nor did it oblige the State Government to accept the proposal. The Supreme Court expressly left the matter to the discretion of the State Government, subject to the applicable Rules and considerations of public interest. Therefore, the liberty to submit a proposal cannot be construed as a direction to grant the same. Equally, it did not confer immunity upon the appellant from action for any independent breach of the conditions governing the existing lease deeds. Consequently, consideration and rejection of the conversion proposal by the competent authority, in accordance with law, would not amount to violation of paragraph 106.

Issue 2:

66. Whether the appellant's application seeking conversion of the subject land for establishment of a tourism project was legally permissible and merited consideration under the Rules of 1959; and whether, independently of the rejection of the said proposal, the subsequent cancellation of the seven lease deeds was justified in view of the alleged failure to revive the seven industrial units, fulfill the rehabilitation obligations towards the workmen and comply with the conditions of the lease deeds?

67. The cancellation of the seven lease deeds, however, rests on a separate and substantive consideration: the failure to fulfill the very purpose for which the Government land had been transferred. The land was granted to facilitate revival of the seven industrial units and rehabilitation of the existing workmen, in the

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backdrop of the AAIFR rehabilitation scheme and tripartite settlements. Despite the passage of a considerable period, six of the seven units remained non-operational, the revival obligations were not fulfilled, and the labour liabilities remained unsettled in toto. Clause 5(viii) of the lease deeds expressly provided for reversion of the land to the lessor upon breach of the stipulated conditions. The subsequent attempts to secure alternative uses of the land, including tourism, further demonstrated the departure from the original industrial purpose.

68. Accordingly, the rejection of the tourism proposal was consistent with the statutory framework, while the cancellation of the lease deeds was founded upon the alleged breach of their conditions and failure to achieve the underlying rehabilitation objective. The two actions are legally distinct, though arising from the same factual background. Subject to the findings regarding the competent authority and compliance with the principles of natural justice, the cancellation cannot be held unsustainable merely because liberty to seek conversion had been preserved by the Supreme Court.

PART-VI:-CONCLUSION

69. In view of the foregoing, this Court finds that the leases, being statutory Government grants under Rules 8 and 9 of the 1959 Rules, were validly cancelled by the District Collector for breach of their conditions, and the land stands reverted to the lessor in terms of Clause 5(viii). The principles of natural justice were duly complied with, the plea of fraud stands established, and the appellant has no enforceable right, legitimate expectation or

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promissory estoppel to retain the land contrary to its sanctioned industrial purpose and the public trust reposed in the State.

70. No manifest error, illegality or perversity having been shown in the order of the learned Single Judge, the appeals are devoid of merit and are accordingly **dismissed**. Pending applications, if any, stand disposed of.

71. A copy of this order be placed in the connected petition.

(SAMEER JAIN),J (SANJAY K. AGRAWAL),CJ

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