

Horrmal (Deceased) Through His LRs & Ors.

v.

State of Haryana & Ors.

(Civil Appeal No. 11758 of 2024)

21 October 2024

[Surya Kant* and K.V. Viswanathan, JJ.]

Issue for Consideration

- (1) Whether the appellants are entitled to higher compensation for their acquired lands, and if so, to what extent; and
- (2) Whether the methodology for calculating the quantum of such compensation has been appropriately applied.

Headnotes[†]

Land Acquisition Act, 1894 – ss.4, 6, 23(1) – Assessment of Market Value for Acquired Lands – Comparable Sales Method – Deduction for Developmental Charges:

Held: Compensation for acquired lands must reflect their fair market value as of the date of the Section 4 notification – The "comparable sales method" is the preferred approach, using bona fide sales exemplars of similar land – The 'market value' is to be assessed with reference to factors such as standing crops and trees, the severance of part of the land, damage to movable or immovable property or earnings, the need to relocate one's residence or business, and any loss of profits from the land between the publication of the declaration under Section 6 and the Collector's assumption of possession – Sale deeds of smaller parcels can be considered but must undergo appropriate deductions to account for developmental charges – Deductions may range from 20% to 75%, depending on the nature and location of the land. [Paras 18, 19, 26, 30]

Compensation – Reliance on Best Sale Exemplars – Judicial Guidelines for Determination of Fair Value:

Held: When multiple comparable sale exemplars exist, the highest bona fide exemplar should be preferred, provided it meets legal

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criteria – Even when averaging values, the highest exemplar may be considered to ensure fair compensation – The Reference Court's valuation of ₹92,62,500 per acre aligns with market potential and statutory requirements, and the High Court erred in reducing it. [Paras 28, 35, 37]

Principle of Potentiality – Strategic Location of Acquired Land – Enhancement of Compensation:

Held: The acquired land's strategic location and potential for non-agricultural development must be factored into the compensation. Lands situated near urban areas, major highways, or industrial zones have higher potential value – Deductions should not undermine this potentiality. [Paras 32, 33, 36]

Case Law Cited

Mehrawal Khewaji Trust v. State of Punjab [2012] 4 SCR 24 : (2012) 5 SCC 432; *A. Natesam Pillai v. Tahsildar* [2010] 10 SCR 1 : (2010) 9 SCC 118; *General Manager, Oil and Natural Gas Corporation Ltd. v. Rameshbhai Jivanbhai Patel* [2008] 11 SCR 927 : (2008) 14 SCC 745; *Kanwar Singh v. Union of India* [1998] Supp. 2 SCR 505 : (1998) 8 SCC 136; *Subh Ram v. State of Haryana* [2009] 15 SCR 287 : (2010) 1 SCC 444; *Chimanlal Hargovinddas v. LAO* [1988] Supp. 1 SCR 531 : (1988) 3 SCC 751; *Shaji Kuriakose v. Indian Oil Corporation Ltd.* [2001] Supp. 1 SCR 573 : (2001) 7 SCC 650; *Administrator General of West Bengal v. Collector, Varanasi* [1988] 2 SCR 1025 : (1988) 2 SCC 150; *Atma Singh v. State of Haryana and Others* [2007] 12 SCR 1120 : (2008) 2 SCC 568; *Balwan Singh v. State of Haryana and others*, 2022 SCC Online SC 637; *Karan Singh v. Union of India* [1997] Supp. 4 SCR 237 : (1997) 8 SCC 186; *Rishi Pal Singh v. Meerut Development Authority* [2006] 2 SCR 508 : (2006) 3 SCC 205; *Sh. Himmat Singh v. State of M.P.*, (2013) 16 SCC 392 – relied on.

Dollar Co. v. Collector of Madras, AIR 1975 SC 1670; *Special Land Acquisition Officer v. T. Adinarayan Setty*, AIR 1959 SC 429; *Maya Devi v. State of Haryana* [2018] 1 SCR 225 : (2018) 2 SCC 474 – referred to.

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List of Acts

Land Acquisition Act, 1894; Haryana Urban Development Authority Act, 1977.

List of Keywords

Land Acquisition; Market Value; Comparable Sales Method; Development Charges; Potentiality of Land.

Case Arising From

CIVIL APPELLATE JURISDICTION: Civil Appeal No. 11758 of 2024

From the Judgment and Order dated 23.08.2022 of the High Court of Punjab & Haryana at Chandigarh in RFA No. 13554 of 2018

With

Civil Appeal Nos. 11759-11760, 11761, 11762-11766, 11767-11770, 11771-11772, 11773-11779, 11780-11786, 11787-11796, 11797, 11798, 11799, 11800-11806, 11807, 11808, 11809, 11810, 11811-11812, 11813, 11814, 11815, 11816, 11817, 11818-11819, 11820, 11821, 11822, 11823, 11824, 11825-11828, 11829-11830, 11831-11832, 11833, 11834, 11835, 11836-11838, 11839-11840, 11841, 11842, 11843, 11844, 11845-11846, 11847-11848, 11849-11850, 11851-11852, 11853-11854, 11855-11856, 11857, 11858, 11859-11860, 11861-11862, 11863-11869, 11870-11871, 11872, 11873-11874, 11875-11876, 11877-11878, 11879, 11880-11881, 11882-11883, 11884-11890, 11891-11894, 11895-11917, 11918-11947, 11948-11951, 11952-11953, 11954-11955, 11956-11959, 11960-11961, 11962, 11963-11964, 11965-11966, 11967-11968, 11969, 11970-11971, 11972-11973, 11974-11975, 11976-11977, 11978, 11979-11980, 11981-11987, 11988-11989, 11990-11991, 11992-11993, 11994-11995, 11996-11997, 11998-11999 and 12000 of 2024

Appearances for Parties

Narender Hooda, Rameshwar Singh Malik, Gagan Gupta, Sunil Dalal, Sr. Advs., Tishampati Sen, Ms. Riddhi Sancheti, Anurag Anand, Mukul Kulhari, Pardeep Dahiya, Ms. Mahima Benipuri, Deepak Goel, Ms. Harshita Maheshwari, Ms. Urvashi Sharma, Ms. Alka Goyal, Ms. Archana Preeti Gupta, Jitesh Malik, Gaurav Pratap Singh, Arjun Singh, Mrs. Leelawati Suman, Satish Kumar, Ajay Gupta, Ashok Anand, Ms. Manisha Saroha, Nikhil Beniwal,

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Navish Bhati, Vikram Singh Dalal, Ms. Rakhi Ray, Deepkaran Dalal, Raunaq Dalal, Karan Singh Dalal, A. Venayagam Balan, Gaurav Pal, R.V.Kameshwaran, C. M. Sundaram, Kiritkumar Govindlal Sheth, Ashray Behura, Deepak Parashar, Prakhar Singh, Dipak Kumar Jena, Prasanna Kumar Parhi, R.K. Poswal, Ranjita Dhal, Pradeep Kumar Verma, Parmod Kumar, Sunil Kumar Mund, Raj Sekhar Jena, Ms. Sandhya Mishra, Siddharth Mittal, Abhijeet Varshney, Deepak Agarwal, Darshan, Prabhat Kumar, Mrs. Shilpa G Mittal, Devesh Pratap Singh, N S Dalal, Anshuman Nayak, Rahul Kulhare, Ms. Rachana Dalal, Krishan Mourya, Abhishek Kumar, Ms. Sweta Kadyan, Sharad Mrinal, Tanishq Tyagi, Ms. Ankita Pandey, Sanjay Tyagi, Ms. Disha Singh, S.K. Pabbi, Shivendu Gaur, Ms. Nidhi Sharma, Ms. Nisha Sharma, Ajay Kumar Singh, Somvir Singh Deswal, Manoj Kumar, Neeraj Singh, Diwan Singh Chauhan, Ms. Amit Kumari Saroha, Nischal Kumar Neeraj, Davesh Bhatia, Ms. Chaya, Rakesh Dahiya, Aditya Dahiya, Akaash Dahiya, Aditya Singh, Gagan Gupta, Ananta Prasad Mishra, Saurabh Gupta, Advs. for the Appellants.

Vikramjit Banerjee, A.S.G., Samar Vijay Singh, Keshav Mittal, Ms. Sabarni Som, Fateh Singh, R.K. Singh, Rajeev Kumar Gupta, Parminder Singh Bhullar, Advs. for the Respondents.

Judgment / Order of the Supreme Court**Judgment**

Surya Kant, J.

Delay condoned.

Leave granted.

2. These appeals are preferred by the expropriated landowners (hereinafter '**Appellants**'), impugning the judgement dated 23.08.2022 passed by the Punjab and Haryana High Court at Chandigarh (hereinafter, '**High Court**'), whereby their appeals seeking further enhancement in compensation for their acquired lands, have been dismissed. As a necessary corollary, the High Court has allowed the cross appeals filed by the Respondent State, challenging the enhancement in compensation made by the Reference Court. Consequently, the Awards passed by the

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Reference Court have been set aside and the compensation as was granted by the Land Acquisition Collector (hereinafter, 'LAC') has been restored.

A. Facts

3. The instant dispute regarding the grant of just and fair compensation originated with the issuance of a notification under Section 4 of the Land Acquisition Act, 1894 (hereinafter, '**1894 Act**') on 11.02.2011, for the acquisition of approximately 302.75 acres of land by the Respondent State. This land, including the Appellants' lands, is situated in the revenue estate of Tauru village in Mewat District. The acquisition process was initiated for the development and utilisation of land for public purposes, specifically for carving out Residential and Utility Areas in Sectors 7, 8 and 11 in Mewat District under the Haryana Urban Development Authority Act, 1977. A notification under Section 6 of the 1894 Act was thereafter issued on 10.02.2012.
4. The LAC passed the award on 22.10.2013 in respect of the land admeasuring 302.75 acres and estimated the compensation at Rupees 45,00,000/- per acre, along with 30% solatium and an additional amount of 12% per annum for the acquired land. Further, compensation for the lands abutting the Mohammadpur—Sohna—Tauru bypass road were enhanced by 20% and 25%, respectively, over the already fixed rate. The LAC assessed the compensation primarily based on the rates fixed by the Divisional Level Rate Fixation Committee in the following manner: (a) 2057 Kanal at Rupees 45,00,000/- per acre; (b) 113 Kanals and 9 Marlas at Rupees 54,00,000/- per acre; and (c) 251 Kanals and 11 Marlas at Rupees 56,25,000/- per acre. In addition to this, the LAC also affixed compensation for building structures and trees wherever subsisting on the acquired lands.
5. Aggrieved by the award dated 22.10.2013, the Appellants filed Reference(s) under Section 18 of the 1894 Act before the Additional District Judge, Mewat (hereinafter, '**Reference Court**'). The Reference Court, *vide* separate awards, enhanced the market value of the acquired land to Rupees 92,62,500/- per acre, in addition to granting other statutory benefits. The Reference Court, in this

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instance, relied upon a sale exemplar, Ex. P76, to assess the market value of the acquired land as on the date of the issuance of Section 4 notification, and subsequently increased the compensation amount. Both the Appellants and the Respondent, being dissatisfied with the decision of the Reference Court, preferred appeals before the High Court.

6. In this vein, the High Court allowed the appeals preferred by the Respondent State while dismissing those filed by the Appellants. The High Court held that the Reference Court had incorrectly estimated the market value and enhanced the compensation as it ignored various sale instances of comparable parcels of land that had been produced by the Respondents. Additionally, the High Court also doubted the reliability of Ex. P76, which was the basis of the Reference Court's decision, on the ground that this sale deed belonged to a commercial plot of land and was post the notification issued under Section 4 of the 1894 Act. Accordingly, the High Court set aside the award(s) of the Reference Court and reverted the compensation amount to that initially granted by the LAC. Hence, these appeals.

B. CONTENTIONS OF THE PARTIES

7. We have heard Learned Senior Counsel for the parties at a considerable length and meticulously perused the documents submitted on record.
8. S/Shri Narender Hooda, Sunil Dalal and Gagan Gupta, Learned Senior Counsel appearing on behalf of the Appellants, first demonstrated the potentiality of the acquired land. They contended that the High Court had overlooked the fact that the acquired lands fell squarely within the municipal limits of Tauru city and were surrounded by civic amenities such as a Bus Stand, Hospital, School, College, a Power Station and Industrial as well as Residential establishments. They further asserted that the acquired land was located on the Sohna-Tauru bypass and was in close proximity to the Gurgaon-National Capital Region, as also the Industrial Township established at Bhiwadi, Rajasthan. Additionally, the land is situated between the Sohna—Rewari metal road on one side and the KMP Highway on the other. This strategic location, they argued, indicated that the

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market value of the acquired land, having immense potential at the time of acquisition, could not have been valued at less than Rupees 5,00,00,000/- per acre.

9. It was contended that the sale exemplars, particularly Ex. RW1/D and RW1/F, which have been relied upon by the LAC and the High Court while assessing the rate of compensation at Rupees 45,00,000/- per acre, appertained to the smaller pieces of land and were inferior in nature, as the sale consideration mentioned therein was lower than the rate estimated by the LAC itself. Instead, they urged that Ex. P76 and Ex. P3 ought to have been relied upon, owing to their similarity and proximity to the acquired land, as well as their temporal proximity to the date of issuance of the Section 4 notification. They further emphasised that these sale exemplars are the best sale instances to be considered since Ex. P76 was registered only a few months after the Section 4 notification, whereas Ex. P3 was executed prior to the said notification.
10. Given what had been adduced, Learned Senior Counsels relied on a plethora of decisions in support of their arguments, including the judgment of this Court in *Dollar Co. v. Collector of Madras*,¹ wherein it was held that a sale deed of a recent date could be considered the best evidence. Additionally, they placed reliance on the decision in *Special Land Acquisition Officer and another v. M.K. Rafiq Saheb*,² where this Court held that sale deeds pertaining to smaller areas could be taken into consideration by applying a cut.
11. Conversely, Mr. Vikramjit Bannerjee, learned Additional Solicitor General of India, representing the Respondents, contended that the sale deeds produced by the Appellants could not be relied upon as they pertained to sale instances of tiny plots of land constituting only a few Marlas. More specifically, he argued that Ex. P3 was not reliable since it measured only 1 Kanal and 10.5 Marlas, making it significantly smaller in comparison to the acquired land. Similarly, with respect to Ex. P76, which was also heavily relied upon by the Appellants, he asserted that it ought to be discarded, not only

¹ [1975] Supp. 1 SCR 403 : AIR 1975 SC 1670

² [2011] 8 SCR 1088 : (2011) 7 SCC 714

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because it was subsequent to the Section 4 notification but also since the land therein was purchased for a commercial purpose by a private company for warehousing, and thus would not accurately reflect the market value of the acquired land.

12. Instead, Mr. Bannerjee urged that the sale instances placed on record by the Respondents should be relied upon despite having been recorded post the Section 4 notification, as they lend proper guidance for estimating the market value of the acquired land on the crucial date of 11.02.2021. Lastly, he asserted that even if the Court were to consider the sale instance of a smaller parcel of land, only those sale exemplars where the land has been used towards developmental purposes should be relied upon, and after applying the appropriate deduction towards development charges.

C. ISSUES

13. Having considered the factual background out of which the dispute has arisen and the contentions put forth, the questions that fall for our deliberation are set out as follows:
 - i. Whether the Appellants are entitled to higher rate of compensation and if so, to what extent; and
 - ii. How should the quantum of such compensation be calculated?

D. ANALYSIS

14. As already elucidated in the facts of this case, there has been a significant difference in the evaluations conducted by the Reference Court and, subsequently, the High Court. The High Court has reduced the valuation affixed by the Reference Court by half and, instead, restored the compensation amount granted by the LAC. Given the differences in the approaches adopted by these courts and the variation in outcomes faced by the Appellants, it becomes imperative for us to assess the evidence placed on record by both parties and determine whether sufficient grounds subsist for us to enhance the compensation so awarded.
15. In this regard, it would be appropriate to refer to the table prepared by the High Court, which, in its decision, has aptly summarised the different evidence produced by the parties as follows:

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Sr. No.	Ex. No	Vasika No.	Dated	Sale Consideration (In Rs.)	Area of Land Sold (K.M.S)	Rate Per acre	Village
Sale Deeds Produced by the respective parties in the Award dated: 06.01.2017, 01.03.2017, 19.07.2017, 20.07.2017, 03.10.2017, 01.08.2017							
Sale Deeds Produced by the Landowners							
1.	P2	1539	2.2.2010	1,75,000	50 Sq. Yds.	1,69,40,000	Tauru
2.	P3	960	27.8.2010	32,27,000	922 Sq. Yds.	1,69,40,000	Tauru
3.	P4	387	31.5.2010	3,36,000	96 Sq. Yds.	1,69,40,000	Tauru
4.	P5	1725	17.12.2010	2,81,000	75 Sq. Yds.	1,81,33,867	Tauru
5.	P6	1707	9.3.2010	2,62,500	75 Sq. Yds	1,69,40,000	Tauru
6.	P7	2076	24.1.2011	5,25,000	150 Sq. Yds.	1,69,40,000	Tauru
7.	P8	2187	7.2.2011	3,50,000	100 Sq. Yds.	1,69,40,000	Tauru
8.	P9	4633	18.1.2012	7,50,000	140 Sq. Yds.	2,59,28,571	Tauru
9.	P10	2186	7.2.2011	2,10,000	30 Sq. Yds.	16,94,000	Tauru
10	P76	1220	4.7.2011	10,18,87,500	66k (1320 M)	1,23,50,000	Tauru
Sale Deeds Produced by the State							
11	RW1/C	2481	29.8.2011	3,25,000	12.5 M	41,60,000	Tauru
12	RW1/D	1220	21.06.2012	60,00,000	1 Acre 4 K (240 M)	40,00,000	Tauru
13	RW1/E	1802	6.8.2012	17,25,000	3K-9M (69M)	40,00,000	Tauru
14	RW1/F	3798	25.11.2011	60,00,000	1 Acre 4k (240 M)	40,00,000	Tauru
15	RW1/G	1779	3.8.2012	18,25,000	3K-13M (73 M)	40,00,000	Tauru

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16	RW1/H	4339	13.03.2013	8,32,500	225 Sq. Yds.	1,79,08,000	Tauru
17	R8	1724	17.12.10	2,00,000	10 M	32,00,000	Gvarka
18	R9	1591	01.12.10	4,80,000	17 M	45,17,648	Gvarka
19	R10	1304	20.10.2010	10,23,750	4K-11M (91M)	18,00,000	Gvarka
20	R11	1396	3.11.2010	1,05,000	5M	33,60,000	Gvarka
21	R12	2116	31.1.2011	2,31,000	330 Sq. Yds.	33,88,000	Gvarka
22	R13	1851	29.12.2010	1,05,000	5M	33,60,000	Gvarka
23.	R14	2124	1.2.2011	53,000	2.5M	33,92,000	Gvarka
24.	R15	2243	14.2.2011	1,63,350	9M	29,04,000	Gvarka
25	R16	1404	8.11.2010	75000	6M	20,00,000	Gvarka
26	R18	2211	9.2.2011	36,300	2M	29,04,000	Gvarka

16. Upon further examination of the details of this table, it seems to us that these exemplars can be classified in the following manner: (a) sale instances executed prior to the issuance of Section 4 notification; and (b) sales instances executed after the issuance of the Section 4 notification. Thereupon, we have taken the liberty of further representing this recalibrated categorisation in a tabular form as follows:

	Pre-Section 4 notification	Post Section-4 notification
Appellants	P2-P8, P10	P9 and P76
Respondents	R8-14, R16, R18	R15, RW1/C-H

17. Having distinguished between the two sets of sale instances executed before and after the issuance of the Section 4 notification, we would now proceed to determine whether the Appellants are entitled to compensation at a rate higher than the one determined by the High Court.
18. The process of assessing or affixing compensation is not tethered to precision but is rather aimed at a nuanced estimation of pertinent factors. This task is governed by Section 23(1) of the Land Acquisition Act of 1894, which mandates that, in determining compensation for

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acquired land, the Court must consider the ‘*market value*’ of the land as of the ‘*date of publication of the notification under Section 4*’. The ‘*market value*’ is to be assessed with reference to factors such as standing crops and trees, the severance of part of the land, damage to movable or immovable property or earnings, the need to relocate one’s residence or business, and any loss of profits from the land between the publication of the declaration under Section 6 and the Collector’s assumption of possession.

19. This Court has through various judicial precedents, including a three-judge bench decision in *Special Land Acquisition Officer v. T. Adinarayan Setty*,³ held that the ‘*market value*’ connotes the price that a willing buyer would pay to a willing seller, taking into account the land’s current conditions and its advantages and potentialities. For this, typically, the best approach is the comparable sales method, under which the *bona fide* sale exemplars of similar lands are relied upon to ascertain the market value of the land under acquisition. However, to ensure that the valuation is just and proper, this Court has explained that such sale exemplars must satisfy certain criteria, including that: (a) the sale must be a genuine transaction; (b) the sale deed must have been executed around the time of the Section 4 notification; (c) the land must be situated near the acquired land; (d) the nature of the land covered in the sale instance must be similar to the acquired land; and (e) the size of the plot covered by the sale instance should be comparable to the land acquired.⁴
20. Apart from satisfying these factors, it is also imperative that the sale exemplars reflect the price of the land on the ‘*date of publication of the notification under Section 4*’. On account of this express condition, there are numerous instances where this Court has laid down that the sale exemplars executed after the Section 4 notification should not ordinarily be relied upon.⁵ This is grounded in the reasoning that once the acquisition process begins, it can impact the valuation of the land, rendering subsequent sale exemplars to be potentially inaccurate reflections of the true valuation of the acquired land. This

3 [1959] Supp. 1 SCR 404 : AIR 1959 SC 429

4 *Shaji Kuriakose v. Indian Oil Corporation Ltd.* (2001) 7 SCC 650.

5 *General Manager, Oil and Natural Gas Corporation Ltd. v. Rameshbhai Jivanbhai Patel*, 2008 (14) SCC 745; *Maya Devi v. State of Haryana* (2018) 2 SCC 474.

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principle was cogently addressed by this Court in *A. Natesam Pillai v. Tahsildar*,⁶ which held that the commencement of acquisition often leads to an increase in the market values of adjacent lands, thereby discrediting post-notification transactions as reliable indicators of the acquired land's value.

21. Having been equipped with the factors to be considered while selecting a comparable sale instance to draw an estimate from, it is perhaps suitable to tackle the core issue and ascertain which of the sale exemplars produced before us may be most appropriate to be utilised in this exercise.
22. In the case at hand, the High Court and the Reference Court have disagreed on what sale exemplars could be used to determine fair compensation. While the Reference Court relied on Ex P76, the High Court has rejected the same because it was executed after the issuance of the Section 4 notification. Nevertheless, the High Court has fallen prey to the same error and has relied upon the Respondents' sale exemplars, which were also executed after the acquisition had already begun.
23. As discussed above, post-notification sales can only be considered when better evidence is not available on record and when the party relying on it can convincingly demonstrate that there has been no upward trend in market prices due to the acquisition.⁷ Consequently, in light of this analysis, the sale deeds numbered P9, P76, R15 and RW1/C-H, which were executed after the date of the issuance of the Section 4 notification, will invariably have to be excluded from any further consideration, save and except for exceptional and compelling circumstances.
24. Apart from these sale deeds that were not proximate temporally, we also deem it appropriate to exclude the sale deeds that are not comparable geographically. It is now a firmly entrenched principle of law that, in the ordinary course, sale exemplars of lands located in the surrounding villages should generally not be relied upon, as land valuation may vary significantly by locality. In the landmark decision of

6 [2010] 10 SCR 1 : (2010) 9 SCC 118

7 *Karan Singh v. Union of India* (1997) 8 SCC 186; *Rishi Pal Singh v. Meerut Development Authority* (2006) 3 SCC 205

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Kanwar Singh v. Union of India,⁸ this Court held that sale exemplars of lands situated in an adjacent village cannot be used to determine the market value of the acquired land since such lands may differ in terms of quality and other attributes. On this ground, the sale deeds enumerated Ex. R8 to Ex. R16 and Ex. R18 shall also have to be excluded from consideration, as they pertain to a different village, namely Gwarka, whereas the acquired land is situated in village Tauru.

25. In light of the exclusions made thus far, we are presently left with sale deeds numbered Ex. P2 to Ex. P8 and Ex. P10. In this context, the Respondents have sought to argue that considering the total area of the land in these sale deeds being very small in size, they are also liable to be discarded. True it is, that such sale deeds ought not to directly form the basis for determining the rate at which compensation is to be awarded. Indeed, a thorough review of relevant precedents in this backdrop does reveal that smaller parcels of land conventionally command higher prices. Relying on such sale exemplars also, especially when only single solitary such instances are presented, may thus not be appropriate.⁹
26. However, there is no bar in law against considering sale exemplars of smaller plots, provided they are subjected to adequate developmental charges. The rationale behind applying such cuts lies in the fact that smaller plots often command higher prices due to their developed nature, whereas a larger tract of land which is acquired for development may require significant allocation for creating roads, parks, essential services, etc.¹⁰ Accordingly, these sale exemplars can be relied upon only after applying appropriate cuts. This Court in ***Chimanlal Hargovinddas v. LAO***,¹¹ authoritatively ruled that when valuing a large block of land, appropriate deduction must be made for setting aside areas for roads, open spaces and dividing the land into smaller plots suitable for the construction of buildings.
27. In the instant case, there are multiple sale deeds of smaller plots, and these represent the best available evidence for estimating compensation. Since there is no legal impediment to considering such

8 [1998] Supp. 2 SCR 505 : (1998) 8 SCC 136

9 *Administrator General of West Bengal v. Collector, Varanasi* (1988) 2 SCC 150

10 *Ibid; Atma Singh v. State of Haryana and Others* (2008) 2 SCC 568

11 [1988] Supp. 1 SCR 531 : (1988) 3 SCC 751

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sale deeds, the logical progression in the compensation estimation process would be to identify the most suitable sale deed(s) for determining the market value and subsequently, to apply adequate deductions on the same. The solution to this state of flux may thus be found in the case of *Mehrawal Khewaji Trust v. State of Punjab*,¹² where this Court laid down as follows:

....It is clear that when there are several exemplars with reference to similar lands, it is the general rule that the highest of the exemplars, if it is satisfied that it is a bona fide transaction, has to be considered and accepted. When the land is being compulsorily taken away from a person, he is entitled to the highest value which similar land in the locality is shown to have fetched in a bona fide transaction entered into between a willing purchaser and a willing seller near about the time of the acquisition."

[Emphasis supplied]

28. This view has been reiterated in *Sh. Himmat Singh v. State of M.P.*,¹³ where a three-judge bench of this Court consolidated various precedents to affirm that in circumstances where there are multiple sale deeds available for consideration, the Court shall rely on the highest valued exemplars unless the prices fall within a narrow range, in which case calculating an average of the values therein may be more congruous.
29. In these extenuating circumstances, there exists significant disparity among the sale exemplars presently under consideration. Amongst these sale exemplars, being Ex. P2-P8 and Ex. P10, the highest sale instance values the land at Rupees 1,81,33,867 per acre, whereas the lowest values it at Rupees 16,94,000 per acre. Given this wide range and in light of the judicial precedents cited above, we are of the opinion that we should rely upon the highest sale exemplar, which is Ex. P5, rather than solely depending upon an average of the multiple sale deeds produced before us. Despite the Respondents' vehement contention that Ex. P5 should not be relied upon owing to it being a significantly smaller parcel of land—the detailed analysis

12 [2012] 4 SCR 24 : (2012) 5 SCC 432

13 (2013) 16 SCC 392

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conducted above indicates no reason why Ex. P5 cannot be utilised to determine the amount of compensation to be awarded to the Appellants for the acquired land.

30. Thus, having established the sale exemplar being relied upon and consequentially the base price to be Rupees 1,81,33,867 per acre, we now proceed to the aspect of deductions to be applied to the amount so determined. In this regard, there is no hard and fast rule on the amount of deduction to be applied towards development charges. Instead, such deductions may, for the purpose of making a small area of land comparable to larger tracts, range from a minimum of 20% to a maximum of 75%.¹⁴
31. Since the degree of application of cuts is essentially a question of fact dependent on the unique circumstances of each case, the particulars to be reckoned with in determining the extent of such deduction often include a myriad of factors, such as the relative difference in the size of the land in the sale exemplar *vis a vis* the acquired land, proximity to a road, nearness to developed areas, etc.¹⁵ Additionally, several decisions have also taken into account the nature of the lands because of the stark difference that may exist between the valuation of an agricultural or undeveloped land and the sale price of a small developed plot in a private layout.¹⁶
32. Circling back to the facts of the present case, it is evident that the land in Ex. P5 is similar in nature to the acquired land, both being agricultural land. Its proximity to the acquired land and the fact that it is situated in the same village of Tauru, are relevant when determining the extent of deductions to be applied in calculating the compensation to be granted to the Appellants. Additionally, what is also of utmost importance is that the value of the land is corroborated by surrounding circumstances, which point towards its potentiality. Although Ex. P76 cannot be relied upon since it was executed after the Section 4 notification, it nonetheless reflects the land's potential for being used other than for agricultural purposes. Moreover, the acquired land's strategic location near the Bus Stand, Grain Market

¹⁴ [Balwan Singh v. State of Haryana and others, 2022 SCC Online SC 637; Chandrashekhar v. LAO \(2012\) 1 SCC 390](#)

¹⁵ [Subh Ram v. State of Haryana](#) (2010) 1 SCC 444

¹⁶ *Ibid.*

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and Main Bazaar, besides being located near Palwal-Sohna-Rewari State Highway, as well as its proximity to the Industrial Township at Bhiwadi, and nearby schools and colleges, further supports the assertion that the land possesses immense potentiality.

33. On the face of these distinctive factors lies the challenge of ascertaining the appropriate extent of deduction to be made. As already established, judicial precedents dictate that the amount of deduction to be applied towards developmental charges can range from anywhere between 20% to 75%. On the one hand, we must acknowledge and recognise the stark disparity between the size of the land covered by the sale exemplar and the acquired land. On the other hand, it is incumbent that we take note of the various advantageous factors associated with the acquired land at the time of issuance of the Section 4 notification. A balanced approach in adjudicating this particular issue is therefore necessary. Considering these militating aspects, we cannot justify applying deduction at either extreme end of the spectrum. A prudent course of action might be to steer a middle path, aiming for a range approximately between 46% to 50%.
34. Having said that, even if we were to apply the higher end of deductions from this middle course, at 50%, the compensation to be granted to the Appellants would still surpass the amount initially determined by the LAC and would in fact, be closer in range to the rate granted by the Reference Court.
35. Alternatively, and only to bolster our above arrived conclusion, even if the principle of averaging were applied, the most suitable sale instances for this purpose, as discussed earlier, would be Ex. P2 to Ex. P8 and Ex. P10, which are noted to be in close proximity to the acquired land. Upon evaluation, the average price of these lands is Rupees 1,49,71,733 per acre, which exceeds the sale consideration shown in most comparable sale examples. This leaves no room for doubt that the compensation awarded by the Reference Court, at the rate of Rupees 92,62,500 per acre, was neither excessive nor beyond the fair and just value of the acquired land.
36. However, considering the totality of the circumstances and recognizing that the subject land has not been acquired for profiteering or commercial purposes, but primarily for the development of a residential area, we find it appropriate to rely on the valuation

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reflected in the best exemplar, Ex. P/5, as a fair and reasonable basis for compensation.

37. Thus, upon careful consideration, we are of the considered opinion that the High Court erred in reducing the valuation of the land and affirming the figures granted by the LAC. As demonstrated by our analysis above, the evaluation conducted by the Reference Court was nearly accurate and aligned with the evidence of the sale deeds and potentiality, despite the fact that the sale exemplar Ex. P76, on which it relied upon, may not have been ideal, given the circumstances and its commercial nature.

E. CONCLUSION

38. For the reasons stated above, these appeals are allowed, the impugned leading judgment dated 23.08.2022 of the High Court, as well as all other judgments following the said leading judgment which are under challenge in this batch of appeals, are hereby set aside, and the compensation amount granted by the Reference Court is hereby restored.
39. The compensation amount, if already not paid, wholly or partly, as per the award of the Reference Court, shall be paid to the Appellants and other land-owners along with all the statutory benefits including interest, within eight weeks.
40. All the matters stand disposed of in the aforementioned terms.

Result of the case: Appeals allowed.

[†]*Headnotes prepared by:* Harshit Anand, Hon. Associate Editor
(Verified by: Kanu Agrawal, Adv.)