



2026:DHC:3120



\* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

***Reserved on: 16.01.2026***  
***Pronounced on: 16.04.2026***

+ LA.APP. 244/2016 & CM APPL. 33145/2016

VIVEK PVT LTD & ORS .....Appellants

Through: Mr. Gaurav Sarin, Sr. Adv. with  
Ms. Simran Brar, Mr. Vedanta  
Varma, Mr. Shubhankar  
Choudhary, Mr. Harish, Mr.  
Fatehh Singh & Ms. Ruhi  
Ansari, Advs.

versus

UNION OF INDIA & ANR .....Respondents

Through: Mr. Sanjay Kr. Pathak, SC with  
Mrs. K. Kaomudi Kiran Pathak,  
Mr. Sunil Kr. Jha, Mr. M. S.  
Akhtar, Mr. Divakar Kapil &  
Mr. J. Kumari, Advs. for R1  
Mrs. Anubha Bhardwaj, CGSC  
with Mr. Dev P. Bhardwaj, Ms.  
Ananya Shamsbery and Ms.  
Anchal Kashyap & Mr. Vijay  
Misra, Advs. for R-2

**CORAM:**  
**HON'BLE MS. JUSTICE RENU BHATNAGAR**  
**J U D G M E N T**

1. The present appeal has been preferred under Section 54 of the Land Acquisition Act, 1894 (hereinafter “the Act”), challenging the judgment and decree dated 11.07.2016 (hereinafter “the impugned



2026:DHC:3120



judgment”) passed by the learned Additional District Judge-02 (West), Delhi/ Reference Court in LAC No. 11A/2010 (hereinafter “Reference Court”). By the impugned judgment, the learned Reference Court upheld the apportionment of compensation made by the Land Acquisition Collector, whereby 20% of the total compensation assessed in respect of the acquired property commonly known as “Vivek Cinema”, situated at Patel Road, Delhi was awarded to Respondent No. 2 (the Union of India through L&DO Department, in its capacity as lessor), and the claim of the appellants to recover that share was rejected. The appellants, aggrieved by the said determination, have approached this Court contending that the entire compensation, without any deduction in favour of the lessor, ought to have been awarded to them as perpetual lessees and to hold that the respondent no.2 is not entitled to any share in the compensation awarded by Land Acquisition Collector and further to direct that respondent no.2 would be entitled to Rs. 33,68,925/- i.e. the amount of conversion charges, had the said property been converted to freehold in terms of the Scheme for conversion from leasehold to freehold floated by respondent no.2.

2. Before proceeding to an analysis of the legal issues, this Court finds it appropriate to comprehensively set out the factual matrix from which the appeal arises.

3. The subject matter of the present appeal is a parcel of land admeasuring 2325.24 square metres, situated at Patel Road, Delhi,



2026:DHC:3120



which has been used as and is commonly known as “Vivek Cinema.” The property has a long and documented history of government disposal and private holding. In the aftermath of Partition, the Government of India undertook large-scale rehabilitation of displaced persons through the framework of the Displaced Persons (Compensation and Rehabilitation) Act, 1954. It was under this statutory scheme that the subject property was originally leased out by the Government of India through a public auction. Pursuant to a successful bid at the said auction, a sale certificate was issued in favour of the original allottees, and thereafter a formal Perpetual Lease Deed dated 31.03.1960 (hereinafter “the Lease Deed”) was executed, by which the leasehold right in land was granted to the original allottees for 99 years on perpetual leasehold terms. Notably, the grant of a leasehold, rather than an outright conveyance, was a deliberate policy choice, reflecting the intention of the Government to retain ultimate dominion over the land while allowing the allottees to develop and use it on a long-term basis.

4. The Lease Deed, as is characteristic of Government leases of this vintage, imposed several conditions and restrictions upon the lessees, including obligations to pay ground rent at prescribed rates, restrictions on the use to which the land could be put, limitations on the right to transfer or sublet without the prior approval of the Government, and provisions for re-entry by the Government in the event of breach of conditions. Significantly, the Lease Deed contained



2026:DHC:3120



a clause, Clause I sub-clause (xii) which provided for the entitlement of the lessee to compensation in the event of acquisition of the land for a public purpose.

5. As on the date of acquisition, the appellants held the property as perpetual lessees in defined and established shares. Upon the leasehold land, a substantial cinema hall building was constructed, and the property operated as a cinema hall for several decades.

6. In furtherance of the national priority of developing the Delhi Metro Rail network, the Government initiated acquisition proceedings in respect of the subject land. A notification under Section 4 read with Section 17 of the Act, 1894 was issued on 04.03.2003. This was followed by a declaration under Section 6 of the Act dated 08.05.2003, confirming the intention of the Government to acquire the land for the said public purpose. The issuance of these notifications set in motion the statutory machinery of acquisition and brought the entitlement of the various interested parties to compensation before the Collector for determination.

7. Upon issuance of notices under Sections 9 and 10 of the Act, the appellants appeared before and filed their claims with the Land Acquisition Collector, asserting their entitlement to the entirety of the compensation as perpetual lessees. Respondent No. 2, the Union of India in its capacity as lessor, did not separately file a claim before the Collector at this stage. The Land Acquisition Collector, after considering the material before it and having regard to the nature of



2026:DHC:3120



the interests held by the respective parties, made Award No. 14/DC(W)/04-05 dated 07.03.2005, assessing the total compensation payable in respect of the acquired property at ₹11,53,74,028/-. In making this assessment, the Collector apportioned the compensation between the two interested parties: 80% was awarded to the appellants in recognition of their leasehold possession, improvements, and long-standing interest, while 20% was apportioned in favour of Respondent No. 2 in recognition of its reversionary title as the landowner. The appellants objected to this apportionment and disputed the 20% share awarded to Respondent No. 2.

8. Since the dispute as to apportionment could not be resolved at the stage of the Collector's award, a reference was made under Sections 30 and 31 of the Land Acquisition Act, 1894 to the Reference Court, and the entire disputed 20% sum was deposited before the Reference Court pending adjudication. The Reference Court, after hearing the parties and examining the legal questions involved, passed the impugned judgment dated 11.07.2016 upholding the apportionment as made by the Collector and dismissing the claim of appellant for the disputed share. The Reference Court held that as perpetual lessees, the appellants did not hold absolute ownership of the land, and that the Union of India, as the owner of the reversionary interest, was entitled to a proportionate share of the compensation. Being aggrieved by this determination, the appellants have preferred the present appeal before this Court.



2026:DHC:3120



9. Learned Senior Counsel appearing for the appellants submits that the Reference Court fundamentally erred in its approach by not recognising the controlling effect of Section 3 of the Government Grants Act, 1895 (hereinafter “The Grants Act”) upon the terms of the Lease Deed. Section 3 of the Grants Act mandates that any lease made by or on behalf of the Government shall take effect according to its tenor, and that all provisions, conditions, restrictions, and limitations contained in such a lease shall be valid and enforceable according to their tenor, notwithstanding any decree, order, or direction of a court of law, or any rule of law, statute, or enactment to the contrary.

10. The learned Senior Counsel submits that Clause (xii) of the Lease Deed dated 31.03.1960 is clear, explicit, and unambiguous in allocating the compensation upon acquisition to the lessee. The clause stipulates that in the event of acquisition of the land for a public purpose, the lessee shall be entitled to compensation in respect of the land as well as in respect of any buildings and structures standing thereon. Learned Senior Counsel emphasises that the clause does not carve out any share for the lessor, does not reserve any portion of compensation to the Government, and does not contemplate any apportionment between the lessee and the grantor. Since the clause is unambiguous, there is no scope for the court to import any reservation in favour of the lessor, and the entire compensation must accordingly be paid to the appellants. The failure of the Reference Court to give effect to this clause on its plain terms, Learned Senior Counsel



2026:DHC:3120



submits, constitutes a fundamental error of law. Reliance was placed on *Azim Ahmad Kazmi v. State of Uttar Pradesh*, (2012) 7 SCC 278, for the proposition that all conditions and provisions of a Government grant must take effect according to their tenor notwithstanding any contrary rule of law.

11. The learned Senior Counsel submits that the decision of the learned Reference Court in placing reliance upon *Inder Parshad v. Union of India*, (1994) 5 SCC 239 is challenged on grounds of distinguishability. It is submitted that *Inder Parshad* (Supra) arose in an entirely different context, namely, a lease that did not contain any express provision allocating compensation between the lessor and the lessee. In that case, the court was called upon to apportion compensation in the absence of any contractual mechanism for doing so, and therefore had recourse to general principles. In the present case, by contrast, the parties had expressly contracted as to the allocation of compensation through Clause (xii) of the Lease Deed. Accordingly, the ratio of *Inder Parshad* is not applicable, and the Reference Court erred in applying it without examining whether the terms of the present Lease Deed were materially distinguishable. Reliance was placed on *Gaon Sabha Kakrola v. Sarbati*, ILR (2009) 1 Delhi 695, to submit that even if any amount is payable to Respondent No. 2, it cannot exceed the capitalised value of the ground rent.

12. The learned Senior Counsel further submits that the Union of



2026:DHC:3120



India in its capacity as lessor did not file any claim or objection under Section 9 of the Act before the Land Acquisition Collector at the time the claims were being adjudicated. Nor did Respondent No. 2 lead any evidence before the Reference Court to establish the nature and quantum of its alleged interest or to justify the share awarded to it. Counsel submits that in the absence of a formal claim, and in the absence of any evidentiary material whatsoever, the Reference Court could not have upheld the apportionment in favour of Respondent No. 2 solely on the basis of the legal position that the Union of India retained the reversionary title. It is further contended that the right to compensation, must be actively asserted and supported by evidence, and cannot be sustained on the basis of a legal presumption alone.

13. On the cumulative strength of the above submissions, learned counsel urges that the impugned judgment is legally erroneous, that the appellants as perpetual lessees holding under a Government Grant are entitled to the entire compensation of ₹11,53,74,028/-, and that the 20% apportionment in favour of Respondent No. 2 deserves to be set aside.

14. *Per Contra*, Learned counsel appearing for respondent No. 2 resists the appeal and urges that the impugned judgment has been correctly and carefully reasoned, and does not call for any interference by this Court. It is submitted that the Reference Court correctly appreciated both the factual position and the governing legal principles, and that the arguments made by the appellants are



2026:DHC:3120



fundamentally flawed in its premise that a perpetual lessee is equivalent to an owner.

15. The *learned* counsel for the respondent no.2 submits that the nature of the title of the appellant is that of a lessee and not an owner, regardless of how the lease is described. It is contended that the characterisation of the lease as “perpetual” does not have the legal effect of conferring ownership upon the lessee. The distinction between a long-term or perpetual lease and an outright conveyance of ownership is well-established. Reliance is placed on *Union of India v. Hotel Excelsior Ltd.*, (2013) 1 SCC 157, wherein the Apex Court affirmed that the reversionary interest remains with the lessor-Government even in the case of very long-term leases.

16. *Learned* counsel further submits that the status of the appellants as lessees is conclusively established by the undisputed fact that the subject property was never converted from leasehold to freehold. The Government of India has, over the years, administered a scheme for the conversion of leasehold properties to freehold, and cinema hall properties were, at the relevant point in time, expressly excluded from this conversion scheme. Accordingly, the appellants had no legal avenue to acquire freehold title during the material period, and their continued holding of the property under the terms of the Lease Deed is not disputed. It is also contended that this admitted factual position rejects the claim of the appellants to the entirety of the compensation, since the entire basis of that claim that they hold in the nature of



2026:DHC:3120



owners is unsupportable in law. Reliance is placed on *Mohd. Noor v. Mohd. Ibrahim*, (1994) 5 SCC 562, where the Supreme Court observed that heritability and transferability of a leasehold interest, while hallmarks of a valuable property right, do not by themselves amount to ownership, since ownership requires absolute dominion over the property that a lease by its very nature withholds from the lessee.

17. It is *submitted* that the principle of apportionment between lessor and lessee in cases of compulsory acquisition of leasehold land stands authoritatively and bindingly settled by the Supreme Court, the decision in *Inder Parshad v. Union of India*, (1994) 5 SCC 239 having been expressly affirmed and applied by a Division Bench of the Supreme Court in *Brij Behari Sahai v. State of U.P.*, 2004 (1) SCC 641, wherein the Court held that apportionment in the ratio of 75% to the lessee and 25% to the State is just and reasonable on the facts of such cases, and that once the interest of the Government is fixed at 25%, there is no further need to direct capitalisation of ground rent as a separate deduction thereby conclusively establishing that the lessor-Government is entitled to a share in the compensation.

18. On the procedural objection relating to the non-filing of a claim by *Respondent No. 2*, learned Counsel submits that this argument fundamentally misunderstands the nature of proceedings under Sections 30 and 31 of the Act. The entitlement of *Respondent No. 2* flows not from any act of participation in the proceedings of Land



2026:DHC:3120



Acquisition Collector, but from its legal title as the superior landowner. To hold otherwise would be to allow a procedural irregularity to defeat a substantive property right, which the courts have consistently refused to do. Reliance is placed on *Paru Kutty Amma v. Velu Nair*, 1987 SCC OnLine Ker 202, wherein the Coordinate Bench of Kerala High Court held that even a party who has not filed a claim before the Collector is entitled to establish its right to compensation before the Reference Court.

19. On the basis of the foregoing submissions, learned counsel contends that the impugned judgment correctly upheld the apportionment and that the present appeal lacks merit and is liable to be dismissed.

20. This Court has heard learned counsel for the parties, perused the record, and considered the judgments relied upon. The issue for determination is whether the appellants, who are perpetual lessees under a *Government* grant, are entitled to the entire compensation upon acquisition of the land, or whether Respondent No. 2, as the lessor, is also entitled to a share. The answer to this question depends upon the terms of the lease deed dated 31.03.1960, the relevant statutory provisions, and the settled legal principles governing apportionment of compensation in cases of leasehold property.

21. The foundational premise of the arguments of appellants that as perpetual lessees, they are in the position of virtual owners and therefore entitled to the entirety of the compensation requires careful



scrutiny. It is well-settled that a lease and a sale operate very differently in law. A sale or absolute conveyance transfers ownership from the vendor to the purchaser, vesting in the purchaser all the rights of dominion, enjoyment, and disposition that the vendor possessed. A lease, by contrast, transfers only the right to enjoy the property for a defined period (or in perpetuity), subject to conditions on payment of rent, and the ownership, or the “absolute title” in Indian parlance remains with the lessor.

22. In *Kiran Tandon v. Allahabad Development Authority*, (2004) 10 SCC 745, the Supreme Court the Court held that a lessee cannot be treated as the owner of acquired land, as a lease under Transfer of Property Act, 1882 confers only a limited right to enjoy the property for a specified period, which determines by efflux of time. The relevant para is extracted below :

*“22. The Reference Court taking into consideration the fact that the Government had passed an order for renewal of the lease has held that Ravindra Kumar Tandon was the owner of the property even after 7-7-1987 and he was entitled to receive the entire amount of compensation. The learned Additional District Judge, it seems, lost sight of Chapter V of the Transfer of Property Act which deals with leases of immovable property. In view of Section 105 of the said Act the lease of immovable property is a transfer of right to enjoy such property, made for a certain time, in consideration of price paid or promised. The rights and liabilities of lessor and lessee are given in Section 108. Section 111(a) clearly lays down that a lease of immovable*



2026:DHC:3120



*property shall determine by efflux of the time limited thereby. Therefore, the claimant can in no circumstances be treated to be the owner of the land and his right to receive compensation has to be determined treating him to be the lessee of the property.”*

*Emphasis supplied*

23. It is also important to note the specific context in which the subject lease was granted. As revealed from the documents relied upon by the appellant, the disposal of property was under the Displaced Persons (Compensation and Rehabilitation) Act, 1954, through a public auction, culminating in a leasehold grant for a period of 99 years rather than an outright sale. It was a deliberate policy of the Government of India to retain the underlying title to such land, for reasons of public interest, while allowing allottees to enjoy and develop the property over the long term. The perpetual lease was the instrument chosen to effectuate this policy: it gave the allottees a secure and inheritable interest in the land, while preserving the ownership of the Government. Any interpretation of the Lease Deed that would have the effect of converting the leasehold into an ownership interest without the formal steps of freehold conversion having been taken, would frustrate this deliberate policy choice and cannot be accepted.

24. The Land Acquisition Act, 1894 proceeds on the premise that when land is compulsorily acquired, all interests subsisting therein at the date of acquisition are extinguished and converted into a monetary equivalent in the form of compensation. Section 3(x)(i) of the Act



defines “person interested” to include all persons claiming an interest in compensation to be made on account of the acquisition, which embraces both the owner and other persons holding lesser interests, such as lessees, mortgagees, and encumbrances. The relevant Section of the act is extracted below:-

“Section 3 (x)(i) –

(x) “person interested” means—

(i) *all persons claiming an interest in compensation to be made on account of the acquisition of land under this Act:”*

25. The governing principle in cases of acquisition of leasehold land is that the compensation must reflect the value of each interest in the land, and the total compensation is to be divided among the persons interested in proportion to the value of their respective interests. This principle was authoritatively stated by the Supreme Court in *Inder Parshad v. Union of India*, (1994) 5 SCC 239. In that case, the Supreme Court held that in the case of acquisition of leasehold property, the compensation is required to be apportioned between the lessor and the lessee, having regard to the nature of the interest held by each. The court emphasised that the total compensation represents the full market value of the land in absolute ownership, and since the leasehold and the reversion together constitute that absolute ownership, neither party alone can claim the entirety.

26. The attempt of the appellants to distinguish *Inder Parshad* on



the ground that it was decided in the context of a lease without an express compensation clause deserves careful consideration. It is true that the presence of a specific contractual clause addressing compensation is a relevant factor. However, the question is not merely whether such a clause exists, but what the clause, properly and contextually interpreted, actually provides. The Reference Court holds that Clause I sub clause (xii) of the present Lease Deed, when properly construed, does not have the effect of allocating the reversionary share of the lessor to the lessee, and therefore the ratio of *Inder Parshad* continues to apply. The distinction of the appellant, does not withstand scrutiny.

27. In *Kiran Tandon* (Supra), it was further held by the Supreme Court that a lessee is not entitled to the entire compensation upon acquisition; rather, compensation must be apportioned between the lessee and the lessor depending on the nature and duration of the lease. Upholding this principle, the Court affirmed that leasehold rights, being distinct from ownership, warrant only a proportionate share in compensation, as consistently recognised in prior precedents. The relevant paragraph is extracted below : -

*“23. The question which, therefore, arises is having regard to the fact that as the claimant was only a lessee of the acquired land, whether he would be entitled to entire amount of compensation. Leasehold rights being limited in nature and entirely different from ownership right, a lessee is not entitled to the entire amount of compensation for the acquired land. The High Court has held that*



*the claimant would be entitled to 50 per cent of the amount and balance would be payable to the State Government.*

*24. Radha Charan v. Secy. of State [AIR 1943 All 238 : 1943 All LJ 87] is a case from Allahabad city itself where a considerable area on Bank Road was acquired by the Government for Allahabad University in the year 1930. The Division Bench held that it is a full owner of land who normally gets the entire amount of compensation and there is no reason why a person who holds a lease should get compensation as an owner. It was further held that the amount of compensation he would get would depend upon the terms of the lease and the length of time that he might be expected to remain in possession of the property. In Inder Parshad v. Union of India [(1994) 5 SCC 239] the appellant had obtained a perpetual lease of nazul land from the Government. The High Court had apportioned the compensation as 75 per cent for the lessee and 25 per cent for the Government. In appeal to this Court it was contended that the Government being the owner of the land, it could not acquire its own interest therein and it was only the appellant's right and interest in the perpetual lease that was acquired, therefore, he was entitled to the entire amount of compensation. It was held that where the Government leases its land and in terms of the covenants cannot unilaterally determine the lease and take back possession and the land is required for a public purpose, it has to exercise the power of eminent domain by invoking the provisions under the Act for getting such land. It was further held that where the land is granted on lease the Government's power to resume the land is subject to non-fulfilment of the terms and conditions of the lease by the lessee and so long as the lessee acts and complies with the covenants contained in the lease or grant, the*



*right to resumption in terms of the lease or grant would not arise. But when the land is required for public purpose, the Government should get absolute title thereof free from all encumbrances and compensation becomes payable for the leasehold right or interest held by the lessee or grantee. Having regard to the fact that the appellant had perpetual lease the order made by the High Court awarding 75 per cent of the compensation amount to the appellant was affirmed. ...*

*Emphasis supplied*

28. The most forceful legal argument of the appellants rests upon the combined operation of Section 3 of the Grants Act, and Clause I sub clause (xii) of the Lease Deed. Section 3 of the Government Grants Act provides that all grants and other assurances of any property made or purporting to be made by or on behalf of the Government shall be construed and take effect as provided by their tenor, and shall be valid and effectual according to the tenor of such grants, notwithstanding the provisions of any law, or any rule of equity to the contrary. The appellants contend that this provision mandates strict adherence to the terms of the Lease Deed, and that Clause (xii) — which they read as awarding the entirety of compensation to the lessee — must accordingly be given full effect.

29. It is relevant to give a read to the Sections 2 and 3 of the Government Grants Act, 1854 which are reproduced below :-

*“Sec 2. Transfer of Property Act, 1882, not to apply to Government grants .-Nothing in the Transfer of Property Act, 1882 (4 of 1882), contained shall apply or be deemed ever to*



*have applied to any grants or other transfer of land or of any interest therein heretofore made or hereafter to be made [by or on behalf of the [Government] to, or in favour of any person whomsoever; but every such grant and transfer shall be construed and take effect as if the said Act had not been passed.*

*Sec 3. - Government grants to take effect according to their tenor .-All provisions, restrictions, conditions and limitations over contained in any such grant or transfer as aforesaid shall be valid and take effect according to their tenor, any rule of law, statute or enactment of the Legislature to the contrary notwithstanding.”*

30. In order to understand the tenor of the Lease Deed dated 31.03.1960, specifically Sub-Clause (XII) of Clause I, it is pertinent to extract some clauses of the same. The Relevant clauses of the Lease deed is extracted below : -

*“TO HOLD THE said land upto the Lessee for the term of 99 (Ninety-nine) years commencing from 25.6.59 yielding and paying therefore the yearly ground rent of Rs. 27/- (Twenty Seven) at the rate of Rs.1 per annum per hundred square yards or fraction thereof at the Imperial Bank of India New Delhi or at such other place as may be notified by the Lessor for this purpose from time to time.*

*(a) Rent will not be subject to revision except as provided for in (d) thereof.*

*(b) The Lessee shall before any assignment or transfer of said premises hereby demised or any part thereof obtain from the Lessor approval in writing of the said*



*assignment of Transfer and any such assignees and transferees and the heirs of the Lessee shall be bound by all the covenants and conditions here in contained and be answerable in all respects therefor.*

*(c) The Lessee can transfer the land after obtaining the permission of the Lessor aforesaid and the Lessor will not share any unearned increment on the value of the land (being the difference in the premium paid by him to the Lessor and the market value of the land then prevailing for permitting such transfer. The Lessor will, however, be entitled to claim and recover the unearned increment in the value of the land in the event of any subsequent transfer of the land by a transferee the amount so to be recovered being 50% of the unearned increment in the value of the land. In the case of any subsequent transfers the Lessor shall have the preemptive right to purchase the premises as hereby demised and all the building and structures standing thereof, after deducting 50% of the unearned increment as aforesaid.*

*(d) The Lessor shall also have the right to revise the annual ground rent at the time any assignment to transfer of the premises hereby demised subsequent to the first transfer or assignment as aforesaid. The revised ground rent payable in such case shall be at the rate of @ 2 1/2% of the value of the land at the time of such transfer.*

*Provided further that in the case of any transfer or assignment subsequent to the first transfer or assignment the Lessor*



*shall also have the right to revise the ground rent hereby reserved on the first day of January of the year following of the year in which thirty years from the date of such subsequent transfer or assignment shall be completed and thereafter at the end of each - successive period of not less than thirty years; provided that the increase in the rent fixed at each enhancement shall not at such time exceed one half of the increased in the letting value of the site without buildings at the date on which the enhancement is made and such letting value shall be assessed by the Collector or Deputy Commissioner of Delhi: PROVIDED always that any such assessment of letting value for the purposes of this provision shall be subject to the same right on the part of the Lessee of appeal from the orders of the said Collector or Deputy Commissioner and within such time as if the same were assessment by a Revenue Officer within the meaning of Section 50 of the Punjab Land Revenue Act, 1887 (Act XVII of 1887) and the proceedings for or in relation to any such appeal shall be in all respected governed by the provisions of the said Act in the same manner as if the same had been thereunder.*

*(e) The ground rent will be payable in advance in half yearly installments on the 15<sup>th</sup> January and 15<sup>th</sup> July each year. The ground rent shall be payable for the full half-year for the period from the date of purchase of the grant of a lease of the site on the 15<sup>th</sup> January or 15<sup>th</sup> July next following as the case may be, and shall be paid by the purchaser, at once at the time*



*of such purchase;*

*(I) The lessor doth to the extent that the burden of the covenants may run with the said land and may bind any permitted assignee thereof hereby covenant with the lessor as follows: -*

*(i) to (x)..... not relevant*

*(xi) the lessee and his successors and assignees shall on the determination of the lease on the expiry of the period of 99 years yield up the demised premises with all buildings erected thereon and landlord's fixtures thereto provided that the Lessor shall pay to the Lessee the value of the said buildings and fixtures at the date of determination of the tenancy such value to be determined in the absence of agreement by a sole Arbitrator agreed upon by both the parties or in the absence of such agreement by two arbitrators one to be appointed by each party. The provisions of the Arbitration Act, 1940 and any statutory notification thereof shall apply to any such arbitration. The Lessor may, however, renew the lease of the land after the expiry of 99 years on such terms and conditions as considered necessary by the Lessor;*

*(xii) if during the period of the*



*lease the premises are required for a public purpose or for any administrative purpose by the Lessor, the Lessor shall at the expiry of a notice of fifteen days to the effect that the said premises are required for such purpose to be served upon the Lessee by an officer appointed by the Lessor in this behalf be at liberty to take possession of the land together with all buildings, structures and appurtenance. The Lessee shall be entitled to compensation in respect of the land, buildings and structures. The compensation payable under this clause shall in case of dispute, be determined by the Lessor or such officer as he may appoint for the purpose, as nearly as may be in accordance with the provisions of Land Acquisition Act or regulations for the time being in force relating to the same and the decision of the lessor or such officer shall be final and conclusive;"*

31. This Court has carefully considered the argument of the appellants and is unable to accept it for the following reasons. The word "tenor" in Section 3 refers to the overall import, purport, and effect of the grant, not to any isolated clause extracted from its context. A perusal of the clauses of the Lease Deed along with section



2026:DHC:3120



3 of the Grants Act makes it abundantly clear that the lessee was never intended to be the absolute owner of the property, but was merely conferred a limited right of enjoyment subject to stringent conditions imposed by the lessor, respondent No.2. The clauses of the lease deed reveal that every aspect of the rights of the lessee, be it construction, user, transfer, or possession is subject to prior approval and continuous supervision of the lessor. The lease was liable to be determined after a period of 99 years. Clause I (XII) confers upon the lessor the right to acquire the leased property, including the land, buildings, and appurtenances, for any public or administrative purpose, upon giving notice to the lessee. In such an event, the clause recognises the lessee's right to receive compensation. It further provides that the amount of compensation shall be determined by the lessor, through its designated officer, in accordance with the provisions of the Land Acquisition Act or any regulations in force at the relevant time, and accords finality to the decision of the lessor in this regard. The said clause does not, at any stage, contemplate payment of the entire compensation to the lessee. Rather, it vests the authority in the lessor to determine the compensation payable in accordance with the applicable law. A reading of Clause XII in the context of the entire lease deed makes it clear that the appellant has not established any entitlement to 100% of the compensation on the basis of ownership of the land and building. An isolated clause cannot be given an interpretation that conflicts with the dominant character of the instrument.



2026:DHC:3120



32. The dominant character of the 1960 Lease Deed is that of a leasehold — the grant creates a leasehold interest and retains ownership in the Government. Clause I Sub-Clause (xii), read in that context, is a provision that protects the lessee from being left without compensation upon acquisition; it ensures that the lessee is not deprived of the value of its leasehold interest and the improvements made by it. It does not, and cannot, by implication, strip the Government of its reversionary ownership interest.

33. This interpretation is reinforced by the settled canon of construction that specific clauses in a document must be read harmoniously with its general scheme, and that a specific clause cannot be given a meaning that would contradict or override the dominant intent of the instrument as a whole. So far as the arguments of counsel for the appellant regarding the property being freehold and reference to the notification of the Court regarding the conversion of cinema hall properties into freehold is concerned, it is not the case of the appellant that the property is freehold nor he could show their right beyond being owners of leasehold rights.

34. The submission of the appellants that Respondent No. 2 did not file any claim before the Land Acquisition Collector and is therefore disentitled from claiming a share in the compensation cannot be sustained. The proceedings under Sections 30 and 31 of The Act have a specific and well-defined character. Section 30 provides that when the amount of compensation has been settled by award, the Collector



2026:DHC:3120



is required, if he is of opinion that it is proper to make a payment under Section 31 before satisfying all the persons interested, to refer the whole matter for determination by the court. Section 31 provides that the court, on a reference under Section 30, shall apportion the compensation as it deems proper. These provisions establish a machinery for distribution of compensation among all persons interested, based on their legal rights in the property, and not merely among those who participated in the earlier stages of the proceedings.

35. A Division Bench of Kerala High Court in ***Paru Kutty Amma v. Velu Nair***, 1987 SCC OnLine Ker 202 , expressly held that a party who has not filed a claim before the Collector is not thereby precluded from establishing its right to compensation before the Reference Court. The relevant para of the judgment is extracted below :-

*“15. The above provisions would indicate that there are only two restrictions in regard to power of the Land Acquisition Court, namely, those contained in S. 23 and in S. 27. The scope of enquiry shall be restricted to consideration of the interests of persons affected by the objection. In regard to claim of enhancement of compensation on a reference under S. 20 court cannot award to the claimant any amount in excess of the amount claimed by him before the Land Acquisition Officer, or where he has omitted to make such a claim in excess of the amount awarded by the Collector. In the latter case, of course, he has a right to satisfy the court that his omission to make claim was for sufficient reason and it is for the court to allow or*



disallow the same. The scheme of the Act does not show that it was the legislative intention to shut out the claim of a person claiming to be interested in the matter from putting forward his title to the compensation, or share on apportionment merely because of his failure to put forward such a claim before the Collector prior to the award. Whether or not he has put forward a claim to title to the land or to the compensation amount in full or in part, before the Collector prior to the passing of the award, he can under S. 20 apply to the Collector raising an objection as to the persons to whom the compensation is payable or apportionment of the compensation among the persons interested and seek a reference of the matter to the Land Acquisition Court. ...”

*Emphasis supplied*

36. In the proceedings under Sections 30 and 31, the entitlement of each party must be determined on the basis of its legal interest in the property, regardless of procedural participation. The reference proceedings are not adversarial in the traditional sense; they are investigative and inquisitorial in character, with the court tasked with allocating compensation in accordance with the true legal rights of the parties. To deprive Respondent No. 2 of its share on purely procedural grounds, when its substantive property right as the reversionary landowner is beyond dispute, would be to permit form to triumph over substance, which is a result that the law does not countenance.

37. In view of the above discussion, the appeal is dismissed. The



2026:DHC:3120



impugned judgment and decree dated 11.07.2016 passed by the learned Additional District Judge-02 (West), Delhi/Reference Court in LAC No. 11A/2010 qua the apportionment of the shares between the appellant and respondent no.2 is affirmed.

38. Pending applications, if any, also stand disposed of.

**RENU BHATNAGAR, J.**

**APRIL 16, 2026/neha/my**