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VAIBHAV RAMESH JADHAV
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IN THE HIGH COURT OF JUDICATURE AT BOMBAY
CIVIL APPELLATE JURISDICTION

WRIT PETITION NO.2065 OF 2025

Anudan Properties Private Ltd.,
A Private Limited Company
registered under Provisions of the
Companies Act, 1956 having its address
at 504, 5th Floor, Peninsula Tower,
Wing-A, Peninsula Corporate Park,
Lower Parel (West), Mumbai:- 400 013 … Petitioner

V/s.

1. **Mumbai Metropolitan Region, Slum Rehabilitation Authority,**
having its office at Thane Municipal
Corporation Market Building, Near
Dr. Kashinath Ghanekar Auditorium,
Khevra Circle, Glady Alvares Road,
Manpada, Thane (West),
Pin Code: 400 610

2. **Chief Executive Officer, MMR, SRA**
Mumbai Metropolitan Region,
Slum Rehabilitation Authority,
having its office at Thane Municipal
Corporation Market Building,
Near Dr. Kashinath Ghanekar Auditorium,
Khevra Circle, Glady Alvares Road,
Manpada, Thane (West),
Pin Code: 400 610

3. **Rajmudra Co-operative Housing Society Limited,** A co-operative housing society
registered under the Provisions of
Maharashtra Co-operative Societies Act,
1960, having its address at Ramchandra

Nagar-3, Vaitikiwadi Kamgaar Hospital
Road, Panchpakadi, Thane (West),
Pin Code:- 400 604

4. **M/s. Siddhivinayak Construction**
   A partnership firm and/or proprietorship firm Through Hemant Dattatray Kattewar
   Having its address at S2, Next to Shiv Sena Shakha, Mental Hospital Road,
   Panchpakhadi, Thane (West),
   Thane (West), Pin Code: 400 604

5. **LICHFL Trustee Company Private Limited**
   Having its registered address at Bombay Life
   Building, 2nd Floor 45/47, Veer Nariman Road, Mumbai – 400 001

6. **Apex Grievance Redressal Committee**
   Having its address at Slum Rehabilitation Authority, Administrative Building,
   5th Floor, Anant Kanekar Marg,
   Bandra (East), Mumbai- 400 051.

… Respondents

WITH
WRIT PETITION (ST.) NO.6431 OF 2025

LICHFL Trustee Co. Private Limited,
having its registered address at
Bombay Life Building, 2nd Floor,
45/47, Veer Nariman Road,
Mumbai – 400 001

AND

Corporate office at 211 & 212, 2nd Floor,
A Wing, The Capital, Bandra Kurla Complex,
Bandra (East), Mumbai 400 051 … Petitioner

V/s.

1. **Mumbai Metropolitan Region,**
   Slum Rehabilitation Authority,

having its office at Thane Municipal Corporation Market Building, Near Dr. Kashinath Ghanekar Auditorium, Khevra Circle, Glady Alvares Road, Manpada, Thane (West), Pin Code: 400 610

2. **Chief Executive Officer, MMR, SRA Mumbai Metropolitan Region, Slum Rehabilitation Authority,** having its office at Thane Municipal Corporation Market Building, Near Dr. Kashinath Ghanekar Auditorium, Khevra Circle, Glady Alvares Road, Manpada, Thane (West), Pin Code: 400 610

3. **Anudan Properties Private Ltd.**, A Private Limited Company registered under Provisions of the Companies Act, 1956 having its address at 504, 5th Floor, Peninsula Tower, Wing-A, Peninsula Corporate Park, Lower Parel (West), Mumbai:- 400 013

4. **Rajmudra Co-operative Housing Society Limited,** A co-operative housing society registered under the Provisions of Maharashtra Co-operative Societies Act, 1960, having its address at Ramchandra Nagar-3, Vaitikiwadi Kamgaar Hospital Road, Panchpakadi, Thane (West), Pin Code:- 400 604

5. **M/s. Siddhivinayak Construction** A partnership firm and/or proprietorship firm Through Hemant Dattatray Kattewar Having its address at S2, Next to Shiv Sena Shakha, Mental Hospital Road, Panchpakhadi, Thane (West), Thane (West), Pin Code: 400 604

6. Apex Grievance Redressal Committee
Having its address at Slum Rehabilitation Authority, Administrative Building, 5th Floor, Anant Kanekar Marg, Bandra (East), Mumbai- 400 051.

... Respondents

Mr. Pravin Samdani, Senior Advocate with Mr. Mayur Khandeparkar and Arun Panickar for the petitioner in WP/2065/2025 & for respondent No.3 in WPST/6431/2025.

Mr. G. S. Godbole, Senior Advocate with Manisha Gawde i/by Uma Palsuledesai for respondent Nos.1 and 2 in both WPs.

Mr. Aspi Chinoy, Senior Advocate with Mr. Chirag Balsara i/by Sagar R. Gharat for respondent No.3 in WP/2065/2025 & respondent No.4 in WPST/6431/2025.

Mr. Abhishek Khare for respondent No.4 WP/2065/2025 & respondent No.5 in WPST/6431/2025.

Ms. Dhruti Kapadia, AGP for the respondent/State.

Mr. Prateek Seksaria, Senior Advocate with Mr. Anuj Desai, Mr. Nishant Chotani, Mr. Siraj Salelkar and Ms. Samiksha Rajput i/by Lexicon Law Partners for respondent No.5 in WP/2065/2025 & for the petitioner in WPST/6431/2025.

Mr. Dinyar Madon, Senior Advocate with Ms. Dhruti Kapadia for respondent No.6-AGRC.

CORAM : AMIT BORKAR, J.

RESERVED ON FEBRUARY 25, 2025

PRONOUNCED ON : MARCH 25, 2025

JUDGMENT:

1. This petition under Article 226 of the Constitution challenges the legality of orders passed by the Slum Rehabilitation Authority (SRA) under Section 13(2) of the Maharashtra Slum Areas (Improvement, Clearance and Redevelopment) Act, 1971 (the *"Slum Act"*). The impugned orders terminate the petitioner's appointment as developer of a slum rehabilitation project and were issued on the ground of the petitioner's failure to pay transit rent arrears and to complete the project within the stipulated time. The petitioner, a real estate developer, underwent insolvency resolution under the Insolvency and Bankruptcy Code, 2016 (*"IBC"*) during the pendency of the project. A resolution plan has been approved under Section 31 of the IBC, which the petitioner contends has extinguished all past dues including the claimed arrears of transit rent. The case thus lies at the intersection of the IBC regime and the slum rehabilitation law, raising important questions about the effect of an insolvency resolution on statutory obligations towards slum dwellers.

2. The facts and circumstances giving rise to the filing of the present writ petition, as narrated by the petitioner, are briefly set out as under:

3. The petitioner is an absolute owner of property bearing F. P. No43, T.P.S. No.1, admeasuring 11,832.17 square metres at Ramchandra Nagar, Village Panchpakhadi, Thane (West). The said property was illegally encroached upon and occupied by members of respondent No.3. The occupants of the said property formed

themselves into respondent No.3-Society for implementation of slum scheme on the said property. The petitioner submitted a slum scheme on the said property whereby the petitioner agreed to handover permanent alternative accommodation to eligible members of respondent No.3 by constructing two rehabilitation buildings R-1 and R-2 on the said property in addition to construction of sale buildings. Thane Municipal Corporation on 7 September 2009 issued Letter of Intent (LoI) in favour of the petitioner for implementation of slum scheme subject to terms and conditions enumerated therein.

4. Respondent No.3 executed development agreement on 5 March 2011 in favour of the petitioner for the implementation of slum scheme on the said property. In furtherance thereof members of respondent No.3 vacated the said property for implementation of slum scheme and accepted rent in lieu transit accommodation. Respondent No.1 on 12 February 2018 issued a revised Letter of Intent in favour of the petitioner for implementation of slum scheme on the said property. The petitioner began work of construction on the said property for implementation of slum scheme consisting of construction of five buildings out of which two buildings are rehabilitation buildings for accommodating eligible members of respondent No.3 and remaining three buildings were for free sale component. According to the petitioner, 75% of the work of rehabilitation building R-1 has been completed and 100% work of rehabilitation building R-2 has been completed, whereas 10% work of all balance sale buildings has been completed. The petitioner completed the construction of

rehabilitation building No.2 and handover possession of permanent alternative accommodation to 135 members of respondent No.3 and completed work of rehab building upto 16th floor.

5. Respondent No.3 on 8 January 2020 executed a supplementary development agreement for implementation of slum scheme on the said property supplementing development agreement dated 5 March 2011 by recording a recital that respondent No.3 and its members had unconditionally consented for two redevelopment plans. According to the petitioner, erstwhile promoter of the petitioner during their role as Director of the petitioner engaged in multiple transactions which were later as being in nature of "avoidance transactions" in terms of provisions of the Insolvency and Bankruptcy Code, 2016 (hereinafter referred to as "the IBC") the erstwhile promoter of the petitioner engaged in transactions which were undervalued without requisite approvals from respondent No.5. Therefore, implementation of slum scheme on the property under the management of erstwhile promoter was failed. Respondent No.5 extended secured financial assistance of Rs.79,90,00,000/- to the petitioner for completion of slum scheme. Despite the financial assistance of respondent No.5, erstwhile promoters of the petitioner failed to implement slum scheme and also defaulted in their obligation under sanctioned letters including defaults in relation to repayment of approximately Rs.158,41,54,115/- being money borrowed from respondent No.5 along with interest.

6. Respondent No.5, therefore, filed Company Petition No.1147 of 2022 before National Company Law Tribunal, Mumbai Bench under Section 7 of the Code since management of erstwhile promoters of the petitioner defaulted in repayment obligations. The National Company Law Tribunal, Mumbai Bench by order dated 15 March 2021 admitted company petition and appointed Insolvency Resolution Professional.

7. Respondent No.3 submitted its claim of Rs.6,95,14,150/- of which only Rs.6,70,85,150/- were admitted by erstwhile Resolution Professional as claims of other creditors. During the CIRP, the erstwhile Resolution Professional had issued Form G and detailed invitation for submission of Expression of Interest, pursuant to which successful resolution applicant submitted its resolution plan. The successful resolution applicant i.e. KGK Realty (India) Limited had submitted its resolution plan on 22 April 2022 and an addendum (at the request of the Committee of Creditors) on 24 April 2022 and was declared as highest bidder. The said resolution plan for the petitioner was approved by Committee of Creditors with 76.35% voting majority.

8. Respondent No.3 filed I. A. No.948 of 2023 in Company Petition No.1147 of 2022 before the NCLT, Mumbai Bench seeking various reliefs, including direction to complete balance construction of rehab tower R-1; direction to issue bank guarantee of Rs.3 crores and 1 crore; and for modification of clause No.5.9 of the resolution plan with a direction to pay an amount of Rs.6,70,85,150/- to be paid to the members of respondent No.3. The NCLT, by an order dated 16 March 2023, dismissed the said

I.A. No.948 of 2023 filed by the respondent No.3. The NCLT, by an order dated 29 March 2023, approved resolution plan of KGK Realty (India) Limited. In terms of resolution plan, the petitioner issued a letter dated 14 June 2023 to respondent No.1 citing its interest to submit proposal for revision to LoI as per regulations of UDCPR 2020. According to the petitioner, he made attempts to resume the construction of rehab building No.1 but could not carry on construction on account of impediment and obstruction created by respondent No.3 and its members.

9. The petitioner on 26 May 2023 addressed a letter to respondent No.3 to provide certain documents, schedule of meeting for conducting KYC of its members so as to enable the petitioner to handover cheques towards their rent. On 29 May 2023, the petitioner issued an email to respondent No.3 showing its willingness to distribute the amounts to the members of respondent No.3. By letter dated 17 April 2023 to respondent No.1, the petitioner requested respondent No.1 to remove erstwhile architect to enable them to start the revised approval process and the process of changing the designated architect of the petitioner consumed more than three months and ultimately respondent No.1 by letter dated 31 July 2023 terminated appointment of erstwhile architect and appointed present architect.

10. According to the petitioner, with a view to adhere directives outlined in resolution plan in a timely manner, established an operational infrastructure including setting up of dedicated office facilities equipped with the necessary technological and

administrative capabilities along with employee working team of more than 25 people on its pay rule. According to the petitioner, only approval of resolution plan on 29 March 2023, the petitioner had already incurred substantial expenses amounting to approximately Rs.123 crores including planning, legal compliance, obtaining necessary approvals and ongoing development work. Post approval of resolution plan and additional amount Rs.50 crores has been invested by the petitioner.

11. According to the petitioner, contrary to the order of NCLT, Mumbai Bench dated 16 March 2023 and 29 March 2023 approving resolution plan, respondent No.3 was trying to exhort from the petitioner exorbitant amount towards settlement of rent arrears. Therefore, various meetings were held between the committee members of respondent No.3 and the petitioner to resolve the issue. According to the petitioner, in the meeting held on 9 October 2023, the petitioner proposed to voluntarily increase amount payable to respondent No.3 from Rs.2,50,00,000/- to Rs.5,00,00,000/- and respondent No.3 asked for few days' time to discuss with members and confirm towards by resolution plan for pass rent dues as per their claim.

12. The petitioner through its architect made an application dated 9 October 2023 for issuance of revised Letter of Intent in favour of the petitioner for implementation of slum scheme under Regulation 14.7 of UDCPR 2020. On 21 November 2023 respondent No.3 filed proceedings under section 13(2) of the Slum Act for allowing respondent No.3 to nominate new developer to take over implementation scheme on the said property. The

Executive Engineer, SRA by order dated 5 December 2023 rejected the application filed by respondent No.3 against which respondent No.3 filed appeal before the Apex Grievance Redressal Committee.

13. On 3 February 2024, the petitioner attended the Special General Body Meeting of respondent No.3 to resolve issue of outstanding arrears of rent to seek their co-operation in the implementation of the said resolution plan and implementation of slum scheme on the said property. The petitioner voluntarily agreed to increase outstanding arrears of rent payable to respondent No.3 under resolution plan from Rs.2,50,00,000/- to Rs.7,51,00,000/- subject to co-operation with petitioner for implementation of slum scheme on the same property and consent from all members for rehabilitation scheme under Regulation 14.7 subject to permitting the petitioner to undertake additional internal work. According to the petitioner, the petitioner agreed to pay Rs.7,51,00,000/- to respondent No.3 in staggered manner for paying Rs.1 crore on commencement of work; Rs.2 crore after 1 year from commencement of work; Rs.2 crore after two yeas of commencement of work; and Rs.2.5 crore after three years from commencement of work. Respondent No.3 circulated draft minutes of meeting dated 3 February 2024 to the petitioner. However, never circulated final minutes of meeting dated 3 February 2024 to the petitioner.

14. The petitioner vide letter dated 16 April 2024 informed respondent No.1 that it had deposited amount of Rs.2,31,00,000/- in its separate bank account towards advance eleven months' rent payable to eligible units as per Circular No.41 issued by

respondent No.1 and deposited additional amount of Rs.74,80,000/- to make provision for rent payable in the event of inclusion of further eligible units by respondent No.1, which signifies and notifies petitioner's commitment, willingness and preparedness to fulfil its obligations.

15. On 25 April 2024, respondent No.3 called a Special General Body Meeting to terminate appointment of petitioner as its developer and to appoint another developer to undertake the work under the slum scheme on the said property.

16. The petitioner on 30 May 2024 requested respondent No.2 to issue revised Letter of Intent in its favour for implementation of slum rehabilitation scheme and on 5 June 2024 respondent No.2 issued revised Letter of Intent in favour of the petitioner for implementation of slum rehabilitation scheme on the same property. The Executive Engineer, SRA, by letter dated 2 July 2024, after period of six months issued a corrigendum to letter dated 5 December 2023 to read date as 3 January 2023 in place of 21 November 2023. The competent authority on 3 July 2024 issued a notice to the petitioner pursuant to application filed under Section 13(2) of the Slum Act by respondent No.3.

17. The petitioner, by its letter dated 6 July 2024, apprised respondent No.2 about deposit of rent to the tune of Rs.2,52,00,000/- towards rent payable to eligible members of respondent No.3 for period from April 2023 to March 2024 and Rs.2,31,00,000/- for April 2024 to March 2025.

18. The petitioner, by its letters dated 8 April 2024 and 11 July 2024, submitted its detailed response to notice dated 3 July 2024 issued by competent authority which was heard on 11 July 2024 and closed for orders.

19. Respondent No.2 on 16 July 2024 issued revised Letter of Intent in favour of the petitioner for implementation of slum rehabilitation scheme on the said property. On 19 July 2024 petitioner filed additional written statements before respondent No.2 for dropping proceeding under Section 13(2) of the Slum Act. However, respondent No.2 passed an order dated 13 August 2024 purportedly in exercise of power under Section 13(2) of Slum Act terminating appointment of the petitioner as developer for implementation of slum rehabilitation scheme and appointment of respondent No.4 as developer of respondent No.3.

20. The petitioner, therefore, filed appeal before respondent No.6 under Section 35 of the Slum Act and since no interim relief was granted, petitioner filed Writ Petition No. 7274 of 2024 before this Court, wherein this Court by order dated 29 October 2024 suspended the order of termination of the petitioner as developer and directed respondent No.2 to decide appeal before 31 January 2025. The petitioner filed written submissions in addition to oral submissions before respondent No.6. Despite no oral arguments were made in the said appeal on 12 December 2024, respondent Nos.1 and 2 relied upon report dated 26 December 2024 prepared by Assistant Registrar, SRA. Therefore, the petitioner filed additional written statements before respondent No.6 and requested for opportunity of oral hearing along with written

statements showing its readiness to pay arrears of rent as determined by the Assistant Registrar, SRA in its report dated 26 December 2024. The petitioner, by its advocate letter dated 20 January 2025, attempted to circulate application for hearing before respondent No.6 by serving copy of it on respondent Nos.1 to 5. However, respondent No.6 refused to receive letter dated 20 January 2025. Therefore, copy of letter was sent to respondent No.6 on its official email address. Respondent No.6, by relying on report dated 26 December 2024, though hearing was closed for order on 13 December 2024, dismissed the petitioner's appeal. Therefore, the petitioner has filed present writ petition under Articles 226 and 227 of the Constitution of India.

21. The operational creditor at whose instance proceedings before NCLT were initiated filed Civil Writ Petition (St.) No.6431 of 2025 contending that it is entitled to reduce amount of Rs.50 crore as against scheme of entitlement of Rs.158,41,54,115/-. It is contended that petitioner's rights crystallized under resolution plan having been affected by order dated 13 August 2024, it was not made party to the proceedings of appeal. Moreover, findings in paragraph No.230 of the impugned order attributing motives to the petitioner required to be set aside.

22. Mr. Samdani, learned Senior Advocate on behalf of the petitioner submitted that the impugned orders under Section 13(2) of the Slum Act have been passed on the ground of—(i) delay in implementation of slum rehabilitation scheme; and (ii) on alleged non-payment of arrears of transit rent. He submitted that the delay in implementation of slum rehabilitation scheme is not

attributable to the petitioner. He submitted that the respondent No.3-Society had executed the development agreement supplementing earlier development agreement of 2011 on 8 January 2003 in favour of the petitioner. Moreover, the Letter of Intent was issued by respondent Nos.1 and 2 in favour of the petitioner on 5 June 2024 for implementation of slum rehabilitation scheme on the said property and clause 20 of the said Letter of Intent expressly stipulated time period of 72 months from implementation of the scheme recognizing petitioner's entitlement to undertake development within the said period. Despite such binding Letter of Intent, the action under Section 13(2) of the Slum Act could not have been taken against the petitioner on the ground of delay. He further submitted that NCLT on 29 March 2023 had approved the resolution plan wherein the claim of respondent No.3-Society was taken into consideration and respondent No.3-Society was entitled for amount of Rs.2,50,00,000/- towards arrears of transit rent. He submitted that the resolution plan approved by the NCLT is binding on all stakeholders under Section 31 of the IBC, which includes respondent No.3 and SRA. He submitted that the petitioner had already deposited Rs.2,31,00,000/- for transit rent for period April 2024 to February 2025 and Rs.2,52,00,000/- from April 2023 till March 2024. Furthermore, he submitted that respondent Nos.1 and 2 were well aware of change in management and shareholding pattern of petitioner which is evident from legal opinion dated 10 July 2023 issued by the Chief Legal Consultant endorsed by respondent No.1. He submitted that amount of

Rs.4,83,00,000/- was deposited by the petitioner with respondent No.1 towards transit rent payable to each eligible member of respondent No3-Society quantified at Rs.10,000/- per month. He submitted that the report furnished by the Assistant Registrar, SRA dated 26 December 2024 which is the date after the proceedings were reserved for orders and hearing before it was concluded on 13 December 2024. The petitioner therefore filed an application with respondent No.6 for granting opportunity of hearing to show petitioner's bona fide intention to pay arrears of rent of Rs.18,80,29,882/- as determined by the Assistant Registrar in its report dated 26 December 2024. He submitted that the authorities under the Act failed to consider the fact that rehab building R-2 was completed and 135 members of respondent No.3-Society have been accommodated and construction work of rehab building R-2 has been completed upto 16th floor. He submitted that total combined expenditure of Rs.173 crore (Rs.123 crore pre-approval and Rs.50 crore post approval) demonstrates the petitioner's financial commitment to the successful completion of slum rehabilitation scheme. Likewise, he submitted that in the Special General Body meeting held on 3 February 2024 to resolve issue of outstanding arrears, the petitioner agreed to increase outstanding arrears under resolution plan from Rs.2,50,00,000/- to Rs.7,51,00,000/- subject to cooperation from respondent No.3 for implementation of scheme and execution of consents from all members for rehabilitation scheme under Regulation 14.7 of UDCPR 2020. He submitted that the petitioner has complied with Circular No.41 issued by respondent No.1 by depositing

Rs.1,56,20,000/- and additional amount of Rs.74,80,000/- towards transit rent for eligible members. Inviting my attention to the correction corrected in the impugned order dated 31 January 2025 at the instance of respondent No.3, he submitted that the order was corrected without affording opportunity of hearing to the petitioner and the order was not signed by all members. Therefore, the corrected order is also bad in law. He submitted that the request for change of architect was approved after period of three months which further delayed the start of work. He submitted that the petitioner was always ready and willing to pay amount as per agreement to eligible members, however, the members never submitted their KYC and, therefore, the amount could not be deposited in their account.

23. In support of his submissions, he relied on judgment in the case of *Ghanashyam Mishra and Sons Private Limited Through The Authorised Signatory vs. Edelweiss Asset Reconstruction Company Limited Through The Director and Others,* (2021) 9 SCC 657, to contend that once the resolution plan is duly approved by adjudicating authority under Sub-section (1) of Section 31 of the IBC, the claims as provided in the resolution plan shall stand frozen and will be binding on all the stakeholders and on the date of approval of resolution plan, all claims which are not part of resolution plan stand extinguished and no proceedings in respect of such dues for period prior to the date of which adjudicating authority grants its approval under Section 31 could be continued. He, therefore, submitted that the impugned orders deserves to be quashed and set aside.

24. Per contra, Mr. Godbole, learned Senior Advocate on behalf of respondent Nos.1 and 2 submitted that the judgment in the case of *Ghanashyam Mishra and Sons Private Limited Through The Authorised Signatory (supra)*, does not help the petitioner as powers of SRA under Slum Act, 1971 cannot be curtailed by mere NCLT and/or because of approval of resolution plan. He submitted that SRA was not even party before NCLT. He submitted that Section 238 of the IBC will not affect the provisions and powers of the Slum Act as both acts are different in their objective and implementation and nature. Even bar under Section 231 will not applicable to SRA. He submitted that the petitioner is under obligation to pay rent to slum dwellers which is a contractual obligation and based on such terms the petitioner was granted permission for development and for completion of rehabilitation scheme. The indemnity and affidavits submitted by the petitioner are towards future liability out of default on the part of the petitioner.

25. He submitted that delay in payment of transit rent is evident. He submitted that resolution plan is approved on 29 March 2023 and even from the date of approval of plan, the petitioner has not paid the amount nor deposited it with respondent No.2. Except requesting for account details insisting on Clause No.5.9 of the plan by letter dated 10 and 20 May 2023, nothing further was done by the petitioner and only on 16 April 2024 Rs.2,31,00,000/- was deposited in its own account and not with SRA and, therefore, non-payment of arrears of transit rent was sufficient to remove the petitioner as developer. He's relying on affidavit filed by one

Rajkumar Pawar, Executive Engineer, MMR/SRA stated that the application dated 21 November 2023 under Section 13(2) was not heard and decided by him and his letter dated 5th December 2023 is not an order deciding application under Section 13(2). He stated on oath that though slum rehabilitation authority or Chief Executive Officer, SRA has power to delegate power under Section 35 of the Slum Act, the power to decide application under Section 13(2) has not been delegated to the said officer by Chief Executive Officer.

26. Per contra, Mr. Chinoy, learned Senior Advocate appearing for Respondent No.3-Society, opposed the writ petition, contending that the petitioner had been in continuous default of payment of transit rent since 2019 and had consistently failed to discharge its obligations towards the members of Respondent No.3-Society. He submitted that the obligation to pay transit rent is statutory in nature and cannot be circumvented or deferred under the garb of financial distress or insolvency proceedings. The Slum Act, 1971, is a welfare legislation, intended to safeguard the rights of slum dwellers, and the petitioner, having failed to honor its commitments, cannot seek protection under the Insolvency and Bankruptcy Code ("IBC"). Relying on the judgment of the Division Bench of this Court in *Rajan Garg, Resolution Professional of Truly Creative Developers Pvt. Ltd. v. Chief Executive Officer, Slum Rehabilitation Authority & Ors.,* 2024 SCC OnLine Bom 1060, he contended that: The provisions of the IBC cannot be interpreted in a manner that defeats the objective of slum redevelopment and allied welfare statutes; A corporate debtor that has failed to

comply with the terms of the Letter of Intent cannot seek to shield itself behind the IBC to avoid its obligations towards slum dwellers; The Section 14 moratorium under the IBC applies only to transactions and contractual enforcement, but statutory obligations such as payment of transit rent cannot be overridden by insolvency proceedings.

27. He further submitted that for a prolonged period of 406 days, slum dwellers were deprived of their rightful transit rent during the entire CIRP process, thereby violating their fundamental right to a dignified life and adequate shelter under Article 21 of the Constitution of India. He emphasized that the effective date under the resolution plan was 29 May 2022, i.e., 30 days from the CoC's approval. However, the petitioner did not pay any transit rent to Respondent No.3 or deposit it with Respondent No.1 from 29 May 2022 onwards. It was only after Respondent No.3 passed a General Body Resolution on 25 April 2024 terminating the petitioner's appointment that the petitioner belatedly deposited the rent with Respondent No.1. Such belated compliance demonstrates mala fide intent and a clear breach of fiduciary and contractual obligations owed to slum dwellers.

28. Mr. Chinoy further submitted that the petitioner had caused an inordinate and unexplained delay of nearly 15 years in the implementation of the slum rehabilitation project, thereby frustrating the fundamental purpose of the scheme. He pointed out the following key delays attributable to the petitioner: Delay of 11 months from 24 April 2022 to 29 March 2023 after approval of the Committee of Creditors ("CoC"); Delay of 7 months from 29 March

2023 to 9 October 2023 in applying for the revised Letter of Intent ("LoI"). Delay of more than 8 months from 9 October 2023 to 30 May 2024 in complying with the principal LoI conditions and submitting Annexure-3, which was ultimately furnished only on 30 May 2024. Despite these prolonged delays, the revised LoI was issued on 5 June 2024, despite prior issuance of the pre-approved LoI dated 17 January 2024.

29. The petitioner also failed to comply with Circular No.15 issued by Respondent No.1, which mandated certain regulatory requirements for developers under slum rehabilitation projects. The amended LoI was finally granted on 16 July 2024, and a re-endorsed commencement certificate was issued on 19 July 2024. However, these approvals were obtained only after Respondent No.3 had already initiated proceedings under Section 13(2) of the Slum Act seeking termination of the petitioner's appointment.

30. The learned Senior Advocate concluded that in light of these continuous defaults, non-payment of transit rent, and delays spanning over a decade, the action taken by the Slum Rehabilitation Authority under Section 13(2) was lawful, justified, and in the larger interest of the slum dwellers. He, therefore, prayed for dismissal of the writ petition, arguing that the petitioner's removal as a developer was necessary to ensure the effective completion of the slum rehabilitation project and to prevent further hardships to the slum dwellers.

31. Mr. Seksaria, learned Senior Advocate appearing for Respondent No.5 and the petitioner in Writ Petition (L.) No.6431 of 2025, assailed the impugned orders on the ground that they adversely affect the rights arising under Section 31 of the Insolvency and Bankruptcy Code, 2016 ("IBC"), which confers statutory finality upon a resolution plan approved by the National Company Law Tribunal ("NCLT"). He submitted that Section 31 of the IBC operates in rem and binds the entire world, including all stakeholders, creditors, State authorities, and regulatory bodies. Once a resolution plan is approved by the NCLT, it attains statutory finality and becomes binding on all concerned, including the petitioner, creditors, and any local authority such as the Slum Rehabilitation Authority ("SRA"), to whom a debt or obligation arising under any law is due. In the present case, since the payment to slum dwellers was duly incorporated as part of the resolution plan, any claims raised prior to the approval of the resolution plan stand extinguished and cannot be enforced subsequently. Respondent No.6 (Apex Grievance Redressal Committee) does not have the jurisdiction to sit in appeal over an approved resolution plan nor can it render any finding in contravention thereof. He contended that the finding recorded in paragraph No.223 of the impugned order—that the NCLT does not have the power to reduce the rent payable to slum dwellers—is wholly without jurisdiction. The NCLT, as the adjudicating authority under the IBC, has exclusive jurisdiction to approve a resolution plan, and once such a plan is approved, all past claims stand settled. He further argued that the finding in paragraph

No.229 of the impugned order—that the petitioner holds no further rights except recovery of balance compensation from Respondent No.3—is legally perverse and unsustainable. The petitioner, being a secured financial creditor, has its rights protected under the resolution plan, and repayment of its debt is secured by a charge created on identified units. Such rights cannot be nullified or diminished by an order of Respondent No.6, which lacks jurisdiction to interfere with the resolution process.

32. In support of his contentions, he relied on the following authoritative pronouncements of the Supreme Court: *Ghanashyam Mishra* holding that upon approval of a resolution plan under Section 31 of the IBC, all pre-CIRP claims stand extinguished, and no creditor, authority, or stakeholder can initiate or continue any proceedings in respect of such claims. The resolution plan becomes binding on all, including the State and statutory bodies. *Ebix Singapore Pte Ltd. v. Committee of Creditors of Educomp Solutions Ltd. & Another* (2022) 2 SCC 401 holding that once a resolution plan is approved, all stakeholders are bound by its terms. The plan cannot be reopened or challenged, except under the limited grounds specified in the IBC. *Noida Special Economic Zone Authority v. Manish Agarwal & Ors.*, 2024 SCC OnLine SC 3123 holding that any claim not included in the approved resolution plan stands extinguished and cannot be enforced against the corporate debtor or its assets. *Vishal Chelani v. Debashish Nanda* (2023) 10 SCC 395 holding that the IBC is a complete code, and statutory authorities cannot override the finality of an NCLT-approved resolution plan by enforcing past liabilities.

33. Mr. Seksaria further relied upon the judgment of this Court in *Kamla Industrial Park Limited & Anr. v. Municipal Corporation of Greater Mumbai & Ors.,* 2023 SCC OnLine Bom. 2275. In the said judgment, the Division Bench of this Court held that: Section 31 of the IBC creates a binding obligation on all authorities, including municipal and local bodies, to adhere to the terms of the resolution plan; Any claims, taxes, or levies that are not specifically provided for in the resolution plan stand extinguished; Statutory authorities cannot raise additional demands against the corporate debtor once the resolution plan has been approved. Applying the ratio of this judgment to the present case, he submitted that: The transit rent obligations of the petitioner, having been accounted for in the resolution plan, cannot be reopened by the SRA or Respondent No.3; The resolution plan, once approved, discharges all past liabilities, and no subsequent claim for arrears of transit rent can be enforced outside the framework of the IBC; He lastly submitted that the impugned order passed under Section 13(2) of the Slum Act is in direct contravention of the binding effect of the resolution plan and is liable to be quashed.

34. Per contra, Mr. Madon, learned Senior Advocate appearing for Respondent No.6 (Apex Grievance Redressal Committee), supported the impugned order, contending that the decision rendered by Respondent No.6 is well-reasoned, fully justified, and does not warrant any interference by this Court in the exercise of its writ jurisdiction under Articles 226 and 227 of the Constitution of India. He submitted that each and every contention raised by the petitioner was duly considered by the statutory authorities,

and the impugned orders were passed after recording findings on all relevant issues. According to him, the judgment delivered by Respondent No.6 is self-explanatory and speaks for itself, demonstrating due application of mind, adherence to principles of natural justice, and compliance with statutory provisions. He further submitted that interference by this Court in the present case is neither warranted nor justified, as the impugned order does not suffer from any jurisdictional error, procedural irregularity, or violation of fundamental rights that would justify invocation of writ jurisdiction. He further contended that the findings of Respondent No.6 were based on an objective assessment of the materials on record, including documentary evidence, correspondence, and compliance reports submitted by the petitioner. He emphasized that the authorities had exercised sound discretion while arriving at the impugned decision and that mere disagreement with the findings recorded does not constitute a ground for judicial review. Accordingly, he submitted that the present writ petition lacks merit and deserves to be dismissed.

35. Upon considering the rival submissions and the record, the following principal legal issues arise for determination:

(i) Does the approval of the petitioner's resolution plan by the NCLT under Section 31 of the IBC override or nullify the petitioner's obligations and liabilities arising under the Slum Act and the Slum Rehabilitation Scheme? In particular, is the SRA barred or restricted by the IBC from taking action under Section 13(2) of the Slum Act due to the resolution plan's binding

effect?

(ii) Is the obligation to pay transit rent to slum dwellers a statutory obligation imposed by the Slum Act/regulations (and thus part of the public law framework), or merely a contractual term of the development agreement between the petitioner and the slum society?

(iii) Was the SRA justified in law in invoking Section 13(2) and issuing the impugned order terminating the petitioner's appointment as developer?

(iv) Was the decision-making process of Respondent No.6 (CEO, SRA) in issuing the impugned order fair and in accordance with law?

36. I will address each of these issues in turn, though they are interrelated.

Issue (i): Does the approval of the petitioner's resolution plan by the NCLT under Section 31 of the IBC override or nullify the petitioner's obligations and liabilities arising under the Slum Act and the Slum Rehabilitation Scheme? In particular, is the SRA barred or restricted by the IBC from taking action under Section 13(2) of the Slum Act due to the resolution plan's binding effect?

37. At the outset, it is necessary to recognize that the IBC and the Slum Act are legislations enacted with distinct purposes. The IBC is an economic and fiscal legislation. Its object is to facilitate timely resolution of corporate insolvency in a manner that

maximizes the value of assets, balances the interests of all stakeholders, and allows for the revival of a failing company. On the other hand, the Slum Act is a social welfare legislation. It is intended to rehabilitate slum dwellers, promote improvement and redevelopment of slum areas, and secure basic housing and dignity for those who live in slums. Although these two statutes operate in separate fields, in certain cases, their objectives may intersect. In fact, in the present case, the two objectives are not in conflict, but rather aligned. The revival of the corporate debtor would necessarily involve the successful implementation of the slum redevelopment scheme undertaken by it. The company, being a developer under the slum scheme, is expected to complete the rehabilitation component, and only then can it access the free-sale portion of the land, which is likely its sole source of revenue. Therefore, completion of the project is not only in the interest of the slum dwellers but also crucial for the financial revival of the corporate debtor. The IBC does not provide that once a resolution plan is approved, the corporate debtor becomes immune from all statutory or regulatory obligations. What the IBC prohibits is the institution or continuation of proceedings for recovery of past dues after the resolution plan is approved. It does not extinguish statutory duties, especially where public interest or regulatory compliance is involved.

38. In light of this, the key question that arises is whether the SRA's action of invoking Section 13(2) of the Slum Act after the approval of the resolution plan amounts to enforcing a claim that stands extinguished under the IBC, or whether it is an independent

regulatory action which survives the insolvency process. Section 238 of the IBC provides a non-obstante clause, stating that "the provisions of this Code shall have effect, notwithstanding anything inconsistent therewith contained in any other law for the time being in force." However, this clause comes into play only if there is an actual inconsistency between the two statutes. It is well-settled that courts must first examine whether a conflict truly exists, and whether it is impossible to give effect to both laws simultaneously. Not every action under the Slum Act that impacts a company undergoing resolution under IBC can be said to be inconsistent with the Code. If both laws can be applied harmoniously, such an interpretation must be preferred. The non-obstante clause under Section 238 does not operate in a vacuum. It only overrides those provisions of other laws which are irreconcilably inconsistent with the IBC. Therefore, the Court must interpret both the IBC and the Slum Act in a manner that gives effect to their respective objects, unless such an interpretation is legally untenable.

39. It is crucial to understand the nature and consequence of a Section 13(2) action. Under this provision, if a developer fails to carry out the redevelopment project within the prescribed time, the SRA is empowered to remove the said developer and appoint another competent developer to complete the project. This is an administrative and regulatory measure, not a recovery proceeding. It is not akin to a financial or operational creditor demanding payment of dues or enforcing security. Instead, it is a form of public interest intervention to ensure completion of an essential

housing project. In the present case, the slum dwellers are not seeking monetary compensation for themselves in the form of arrears or damages. Their primary grievance is the failure of the developer to honour the performance obligation of constructing and handing over the rehabilitation units in time, and of paying subsistence rent during the transition. The relief they seek is not money, but action – replacement of the defaulting developer with another capable of completing the project. This is in the nature of specific performance or substitution, not a debt claim. It is well recognized that certain consequences of a debtor's default – especially those involving statutory penalties, criminal liability, or regulatory enforcement – are not discharged merely by approval of a resolution plan. The IBC is not equipped to adjudicate upon or enforce such obligations, as it is primarily designed to deal with insolvency resolution and restructuring of debts. Therefore, such obligations and remedies fall outside the IBC process and continue to subsist.

40. Undoubtedly, Section 238 of the IBC gives it overriding effect over inconsistent provisions of other laws. But in the present scenario, the Slum Act's mandate of ensuring timely rehabilitation of slum dwellers is not inconsistent with the objectives of the IBC. Rather, it furthers the very aim of keeping the corporate debtor as a going concern by facilitating the completion of the project that forms the basis of the company's revival. It must be noted that the IBC is not merely a tool for liquidation or asset-stripping, but a mechanism for holistic revival of viable companies. In a slum redevelopment project, the success and viability of the corporate

debtor hinges on cooperation from slum dwellers and compliance with SRA guidelines. If the developer fails to honour its obligations – such as payment of transit rent or timely completion of rehabilitation buildings – the project collapses not only financially but also socially. In such a situation, the SRA stepping in to rescue the project is a necessary regulatory response and a sovereign function exercised in public interest. The principle of public interest penetrates insolvency law. Certain actions, even if taken post-approval of the resolution plan, may be allowed if they serve broader public purposes – such as environmental protection, safety norms, or statutory compliance. Similarly, the SRA's action in replacing a defaulting developer to protect the interests of slum dwellers is not a private remedy for monetary loss, but a regulatory measure in the public interest. Therefore, such an action cannot be said to violate or be inconsistent with the IBC. It operates in a separate domain, and both legislations can be applied in a manner that furthers their respective objectives without conflict.

41. It is important to note that even in a case where the developer is not facing insolvency, the Supreme Court in *Yash Developers v. Harihar Krupa Coop. Housing Society Ltd.,* (2024) 9 SCC 606 has clearly held that if there is undue delay in implementing a slum rehabilitation scheme, such delay cannot be permitted to continue indefinitely. In such cases, the removal of the developer is justified. This ruling highlights a very important principle: that the rights of the slum dwellers and their society to seek replacement of the developer are not merely contractual in

nature but are statutory safeguards rooted in public interest. The statutory framework governing slum redevelopment is designed not merely to protect private rights but to ensure that the larger public purpose — namely, the rehabilitation of slum dwellers — is not frustrated due to inefficiency or inaction of the developer. Therefore, the power of the Slum Rehabilitation Authority (SRA) under Section 13(2) to remove a non-performing developer is a critical tool to prevent development projects from getting stuck indefinitely.

42. When a developer under an SRA scheme enters insolvency proceedings, the question that arises is whether the statutory right to seek a change of developer should be restricted or diluted. In my view, the need to exercise this right becomes even more compelling in such a scenario. Entry into insolvency usually indicates financial distress. If the developer, even prior to insolvency, had failed to pay transit rent or failed to make progress on construction, the slum dwellers' mistrust is not only understandable but also reasonable. Insolvency cannot be used as a shield to erase the developer's past non-performance. It would be illogical to suggest that a developer who could have been removed for delay while financially solvent must now be protected merely because insolvency proceedings have commenced. The Insolvency and Bankruptcy Code (IBC) cannot become a safe harbour for developers who have failed in their public obligations.

43. The petitioner has argued that the action of the SRA in removing it as developer is nothing but a penalty for non-payment of transit rent, which they say is indirectly trying to enforce a

financial liability despite the moratorium under the IBC. However, the SRA and the slum society have contended — and in my view, correctly so — that the action is not punitive but remedial and prospective in nature. It is aimed at ensuring that the project is completed by a party who is capable and committed, especially in view of the petitioner's past record. The core of a Section 13(2) action is not recovery of dues but replacement of the developer. It does not create any new debt obligation upon the petitioner; rather, it results in the petitioner being divested of the right to continue as the project developer. This right is not absolute but conditional — it exists only so long as the developer performs its obligations. If those obligations are breached, especially in a manner that jeopardizes the welfare of slum dwellers, the statutory right to continue as developer stands on shaky ground. In essence, the petitioner was never granted a permanent or unqualified right to develop the land; such right was always subject to adherence to conditions under the Slum Act and the development agreement.

44. It is true that by being removed from the project, the petitioner loses its chance to complete the redevelopment and earn the anticipated profits. But this is not a punishment — it is a consequence of the petitioner's own insolvency and past defaults. This consequence does not contradict or undermine the IBC. The IBC does not guarantee that every corporate debtor who comes out of resolution will retain all contracts or development rights, particularly where such rights were already weakened by non-performance. The IBC addresses the financial distress and debt resolution of a company; the Slum Act, on the other hand, deals

with the social and physical rehabilitation of vulnerable citizens. If a developer's inability to pay rent or deliver flats is a symptom of its financial failure, the IBC may resolve the debt, but the fallout on slum dwellers still needs a solution under the Slum Act. In other words, insolvency resolution cannot cure social consequences by itself.

45. The Slum Act, especially Section 13(2), provides a mechanism for replacing a developer. This mechanism can be invoked based on facts such as lack of progress or a valid resolution by a majority of slum dwellers. The Act also requires that the concerned developer be given an opportunity to show cause before any action is taken. Therefore, procedural fairness is built into the statute. Merely because a developer has undergone Corporate Insolvency Resolution Process (CIRP) does not mean that it is exempt from the consequences under the Slum Act. A conflict between the two statutes would arise only if exercising powers under the Slum Act results in undoing or frustrating the resolution plan approved under the IBC. The petitioner argues that the resolution plan assumed that the project rights would remain with it, and thus, removal under Section 13(2) affects the viability of the plan. This contention has some weight, but it does not lead to the conclusion that the SRA's statutory powers are extinguished.

46. In most resolution plans, the continuation of business operations is made subject to legal compliances and necessary approvals. The petitioner and its resolution applicant ought to have proactively addressed the slum project during CIRP. They could have approached the slum society and SRA, proposed

payment arrangements for arrears, and secured credible commitments backed by financial guarantees. If they failed to do so, they cannot now claim immunity from consequences under the Slum Act. Although the resolution plan did not abandon the slum project, and may have intended to continue it, that alone does not fetter the independent authority of the SRA. The SRA was not a party to the Committee of Creditors' (CoC) process and is not bound by its outcome. What emerges is a lack of alignment: the IBC process focuses inward, on debt restructuring, while the Slum Act focuses outward, on safeguarding social interests. These two can be reconciled if care is taken — for example, the resolution plan could include specific proposals to resolve issues under the Slum Act, or the SRA could consider a waiver if convinced that the new management is genuinely committed. But in the absence of such harmonisation, a clash is inevitable — and in such a case, statutory obligations to slum dwellers must take precedence.

47. It is, therefore, clear that certain non-monetary consequences which arise under welfare legislations like the Slum Act cannot be lightly brushed aside merely because insolvency proceedings under the IBC have commenced or concluded. The removal of a developer under Section 13(2) of the Slum Act is one such consequence. Another example arising in the present case is the proposed acquisition of the project land by the SRA. As per the Slum Act, once a developer is removed due to non-performance, the SRA has the power to acquire the land belonging to the outgoing developer, so that the same land can be handed over to the incoming developer for completing the rehabilitation scheme.

The Resolution Professional (RP) has contended that such acquisition would adversely affect the corporate debtor and its creditors, as it would transfer a valuable asset out of the company. However, this argument fails to take into account a crucial fact — that the said land was already encumbered. It was never an unburdened or free asset in the hands of the corporate debtor. The land was subject to slum dwellers' occupation, and its value was inherently tied to the successful execution of the rehabilitation scheme. If the scheme itself is terminated due to the developer's failure, then the land — in its encumbered condition — holds little standalone market value. Its true worth arises only if the development scheme is implemented. Therefore, if the project is taken away due to breach, the associated land no longer holds the same developmental value for the corporate debtor. Moreover, the acquisition of land in this context is for a public purpose — namely, to ensure that the slum rehabilitation project is completed and the rights of slum dwellers are protected. As per law, compensation would be payable to the outgoing developer, and such compensation would become part of the insolvency estate. Thus, the corporate debtor is not being dispossessed without remedy; rather, it is being divested of an asset which it was unable to utilise for the public good, and that too, in accordance with legal process.

48. The legal consequence of the developer's removal — which is a non-monetary regulatory action — is that the corporate debtor loses its role in the project and the chance to earn profits from the free-sale component. However, this consequence flows directly

from the breach of obligations by the developer. This is not in the nature of a "claim" or "debt" as contemplated under the IBC. Instead, it is a regulatory forfeiture, which arises when a statutory authority determines that the developer has failed to fulfil its public obligations. The IBC does not grant immunity to a corporate debtor from such regulatory actions unless they are shown to be mala fide or merely intended to recover money — which is clearly not the case here. To allow a defaulting developer to benefit from insolvency proceedings by continuing with the project despite having failed to discharge its duties would be to permit a party to take advantage of its own wrong. This would defeat not only the object of the Slum Act but also broader principles of fairness and public interest. A party cannot walk away from its promises to slum dwellers, undergo resolution under the IBC to restructure its finances, and then return to claim the project or the land which it failed to develop. Such an approach would undermine the integrity of both statutory frameworks.

49. The respondents have rightly relied on the decision of this Court in *Rajan Garg (RP) vs. SRA (Supra)*, which reflects a judicial view that the provisions of the IBC cannot be allowed to frustrate slum rehabilitation schemes. Though that judgment pertained to the moratorium period under Section 14 of the IBC, the reasoning applies equally post-resolution. In that case, the Court categorically held that insolvency proceedings cannot be used as a shield by a defaulting developer to delay or derail a slum project. In strong words, the Court observed that permitting such a defence would be equivalent to putting a premium on corporate

wrongdoing. The Court further held that the slum dwellers' rights to be rehabilitated cannot be put in abeyance indefinitely on the ground that the developer's assets are under preservation. At some stage, the larger public interest — the right of slum dwellers to safe and habitable housing — must override the private interest of the corporate debtor in holding on to the project. I find myself in complete agreement with the principle emerging from that decision. The intent of the legislature in enacting the IBC was not to override legitimate exercises of statutory power by public authorities, especially in welfare matters. By way of analogy, if an industrial unit violates environmental norms and the Pollution Control Board cancels its licence, the company cannot claim automatic revival of its licence merely because it later undergoes insolvency and comes out of it with a resolution plan. Unless the resolution plan specifically addresses the cancelled licence and the law permits such revival, the cancellation stands.

50. Similarly, in the present case, the SRA's action of removing the petitioner as developer is a regulatory decision made in furtherance of the statutory scheme under the Slum Act. This decision is not rendered invalid merely because the developer has undergone insolvency or that a resolution plan has been approved. The two statutes operate in distinct spheres — the IBC deals with debt resolution and revival of the corporate debtor, while the Slum Act is aimed at protecting the interests of slum dwellers and ensuring timely completion of rehabilitation projects. The observations in *Rajan Garg (Supra)* and the Supreme Court's refusal to interfere with that judgment (by dismissing the Special

Leave Petition) underline a legal position — a developer cannot use the IBC as a tool to escape the consequences of failure in executing a slum redevelopment scheme. The IBC is not a refuge for those who have failed in their public responsibilities. The approval of a resolution plan does not and cannot bind independent statutory authorities like the SRA from discharging their duties under law. The welfare of slum dwellers, the progress of redevelopment schemes, and the broader public interest cannot be made subservient to the financial restructuring of one defaulting entity. In conclusion, therefore, it must be held that the removal of the petitioner as developer and the consequent acquisition of the land by the SRA are lawful, justified, and not inconsistent with the IBC.

Does Slum Act Obligation Override the Plan's Finality?

51. Framed in this manner, the issue is not about whether the Slum Act overrides the Insolvency and Bankruptcy Code (IBC). Rather, it is about the Slum Act operating independently within its own legislative domain — a domain which the IBC does not intend to govern. The IBC primarily deals with insolvency resolution and restructuring of debts; it does not aim to control or displace regulatory functions of welfare-oriented authorities like the Slum Rehabilitation Authority (SRA). That said, I am conscious of the counter-argument which the petitioner raises — namely, that the SRA's decision to remove the developer is inconsistent with the resolution plan approved under the IBC, because the plan was predicated on the assumption that the petitioner would continue and complete the slum redevelopment project. Therefore,

according to the petitioner, the removal undermines the plan's viability and execution. However, it must be clearly understood that a resolution plan is not a statute. It is, in essence, a commercial contract approved by the Adjudicating Authority (NCLT) under the statutory framework of the IBC. Like any contract, a resolution plan can fail to account for certain contingencies — such as the possibility that a statutory authority may, in exercise of its independent powers, cancel or terminate a contract. If such an event occurs, the remedy available to the aggrieved party lies within the IBC framework itself — for instance, through modification of the plan or by claiming damages or adjustments before the NCLT.

52. But what is impermissible in law is asking a Constitutional Court to invalidate the statutory action of a regulator (like the SRA) merely because it conflicts with an expectation embedded in the resolution plan. Unless the action of the regulator is shown to be ultra vires — that is, outside the powers granted by its governing statute — such action cannot be nullified simply because it disturbs the commercial equilibrium of the resolution plan. In fact, Section 31(1) of the IBC makes it clear that once a resolution plan is approved by the NCLT, it becomes binding on all stakeholders, including the corporate debtor, its creditors, employees, shareholders, and even governmental and statutory authorities. This ensures that all claims and interests which are part of the insolvency process are finally resolved. Section 238 of the IBC further contains a non-obstante clause, giving the Code overriding effect in case of inconsistency with any other law.

53. However, and this is crucial, the real question is whether the obligations of a slum scheme developer — such as building tenements or providing transit accommodation — are in the nature of "claims" or "debts" which are discharged or compromised under a resolution plan. In my view, they are not. The obligations imposed on a developer under the Slum Act are of a special nature. They are not merely financial obligations owed to a creditor, but statutory duties owed to third-party beneficiaries — the slum dwellers — who have no role in the insolvency process but whose rights arise from a legislative welfare framework. These duties are to be performed in specie, meaning through actual delivery of services or construction — such as handing over of flats and ensuring transit rent. They are not reducible to a mere monetary claim for which compensation can be claimed or waived. They are performance-based obligations grounded in public welfare. This distinction is of vital importance. A regulatory authority such as the SRA does not seek to recover money from the corporate debtor, but rather to ensure specific performance of obligations which are statutorily imposed. The IBC may discharge a corporate debtor from its monetary liabilities, but it cannot substitute bricks and mortar — i.e., it cannot build the tenements or physically relocate displaced slum dwellers. That responsibility persists despite insolvency. To say that a resolution plan, by not addressing these duties, automatically relieves the developer from fulfilling them, would effectively amount to cancellation of the slum rehabilitation project — something which lies outside the jurisdiction of the NCLT and beyond the commercial wisdom of the

Committee of Creditors (CoC). The CoC is not empowered to override public welfare obligations created by separate legislation.

54. It is true that certain dues such as past unpaid transit rent owed by the petitioner before the commencement of insolvency proceedings would qualify as "claims" under Section 3(6) of the IBC. These claims, being in the nature of liabilities that arose prior to the insolvency commencement date, would ordinarily be subject to discharge upon approval of the resolution plan under Section 31. Therefore, to the extent that the slum dwellers or the SRA sought to recover arrears of transit rent as a monetary claim, that remedy is foreclosed by the IBC. However, the key point is this: while the monetary remedy is barred, the public interest remedy — that is, removal of a non-performing developer and ensuring the continuation of the project through a more competent party — is not barred. That remedy falls outside the scope of "claims" as contemplated under the IBC, and survives as a regulatory measure under the Slum Act.

55. In conclusion, the statutory action taken by the SRA to remove the petitioner as developer and consider acquisition of the project land is not in derogation of the IBC, but in faithful implementation of its own statutory duties. The IBC and the Slum Act can co-exist in harmony, provided the role and limits of each statute are respected. The IBC may restructure the financial balance sheet of a corporate debtor, but it cannot erase its statutory duties under welfare legislation, unless specifically and lawfully provided.

56. The petitioner has relied on the judgment of the Supreme Court in *Ghanshyam Mishra (Supra)* to argue that the slum dwellers can no longer raise any claim for unpaid transit rent, which is a pre-CIRP (Corporate Insolvency Resolution Process) liability. According to the petitioner, since the resolution plan has been approved by the NCLT and is binding on all stakeholders, any such demand stands extinguished. Further, the petitioner submits that the approval of the resolution plan "cures" all past defaults, and therefore, the very basis for invoking Section 13(2) of the Slum Act – i.e., default by the developer – no longer survives. This contention, in my considered view, is legally flawed and based on an incorrect understanding of the law. It conflates two distinct legal consequences: (i) the extinguishment of monetary claims or dues, and (ii) the factual occurrence and consequences of a default. The judgment in *Ghanshyam Mishra* does not say that past events, such as defaults or breaches, are erased from legal history. What it says is that any monetary claims arising from such defaults, if not dealt with in the resolution plan, cannot be enforced later. Thus, slum dwellers may be barred from initiating proceedings to recover unpaid transit rent — that remedy may be extinguished. However, the fact that such default occurred remains relevant, especially when the SRA is considering whether the developer has lost the confidence of the beneficiaries and whether the scheme has suffered due to such default. Section 13(2) of the Slum Act empowers the SRA to act on those facts, not for recovery of money, but for regulatory correction — i.e., to change the developer in public interest.

57. It is true that the Supreme Court in *Ghanshyam Mishra* emphasised that statutory dues and liabilities which are not included in the resolution plan cannot be later enforced against the corporate debtor. The objective behind this was to ensure that a resolution applicant is not burdened with past liabilities and can operate the revived business with a "clean slate". The petitioner is correct in pointing out that, generally, once a resolution plan is approved, the corporate debtor gets freedom from prior debts and monetary claims, including claims from government authorities, as long as such claims were not preserved in the plan. However, the slum dwellers' action under Section 13(2) of the Slum Act was not aimed at recovering money. Their grievance was that the developer had failed in its core obligations under the scheme — namely, timely payment of transit rent and completion of construction. Their demand was not for compensation, but for replacement of the developer so that their long-pending rehabilitation could finally be secured. This kind of relief is not something that the resolution plan could have nullified, unless it explicitly contained an arrangement with the SRA regarding continuation or revival of the scheme. In the present case, the resolution plan does not include any binding commitment with the SRA. There is no provision for immediate clearance of transit rent arrears, nor any firm assurance of timely project execution. In the absence of such concrete and enforceable terms, the mere approval of the resolution plan does not automatically negate the slum dwellers' or the SRA's powers under the Slum Act. Their rights to act under Section 13(2), especially to safeguard the public interest

and ensure that the scheme moves forward, cannot be extinguished merely because the debtor has exited CIRP.

58. Secondly, even the so-called "clean slate" principle has its boundaries. The judgment in *Ghanshyam Mishra* was primarily concerned with legal claims — that is, rights to demand payment or other reliefs that are admissible in insolvency proceedings. However, the slum dwellers' plea for removing the developer is not a claim in that sense. It is not a demand for money or enforcement of a contractual debt. It is the exercise of a statutory right under a welfare law, which seeks to ensure better implementation of a government-backed rehabilitation scheme. Such a right cannot be brushed aside under the guise of insolvency discharge.

59. Thirdly, even if we assume that the resolution applicant who took over the corporate debtor intended to continue the slum project, such intention cannot override the SRA's discretion under law. The SRA is not a stakeholder in the resolution plan approval process in the same way as financial creditors. It does not vote on the plan. Its consent is not a prerequisite for the NCLT to approve a resolution plan. Therefore, any resolution plan which seeks to continue with a public project such as slum redevelopment must independently obtain the SRA's approval based on performance assurances. This is where coordination between the two statutory regimes — the IBC and the Slum Act — becomes essential. A prudent resolution applicant could approach the SRA and the concerned slum society with a concrete proposal to revive the scheme. Such a proposal could include firm timelines for construction, immediate payment of rent arrears (or an agreed

mechanism for the same), and other safeguards. Based on this, the SRA — in consultation with the slum dwellers — could then decide whether the developer deserves a second chance or whether it is in public interest to hand over the scheme to another developer already approved by the slum dwellers. This discretion clearly lies with the SRA under the Slum Act. The approval of a resolution plan under the IBC does not take away the SRA's powers under Section 13(2). At best, it changes the factual circumstances — for instance, availability of fresh funds or change in management — which the SRA may consider while taking its decision. However, the statutory authority of the SRA and the statutory rights of the slum dwellers cannot be overridden by the mere fact of resolution plan approval. The two legal frameworks — the IBC and the Slum Act — must be interpreted harmoniously, giving due weight to the public welfare objectives embedded in slum rehabilitation law.

60. The principle of a "clean slate", as laid down in *Essar Steel and Ghanshyam Mishra*, is undoubtedly a cornerstone of the IBC framework. Its main objective is to protect the resolution applicant from being burdened by unknown or unresolved financial liabilities of the past. This ensures that once a resolution plan is approved, creditors who did not raise their claims during the CIRP cannot later resurface with fresh demands. In other words, the resolution applicant is granted a fresh start, free from old debts, to revive the corporate debtor's business. However, it must be emphasised that this "clean slate" does not wipe away the history of the corporate debtor's conduct, particularly when that conduct

has implications for public interest or the rights of third parties such as slum dwellers. The IBC is not a magic wand that automatically cures every legal or moral consequence of a debtor's past non-performance. Its reach is primarily in the field of debt resolution — it does not and cannot override welfare obligations or statutory responsibilities imposed by other laws.

61. In this case, the SRA is not trying to recover money from the petitioner. If it had attempted to do so — for example, by initiating recovery proceedings for unpaid transit rent — such action would indeed be barred after approval of the resolution plan. But that is not the purpose of the SRA's action. The SRA is instead focused on ensuring that the slum rehabilitation project moves forward and that the slum dwellers are not left in a state of limbo. If, based on the petitioner's past default and poor track record, the SRA forms an honest and reasonable opinion that the petitioner can no longer be trusted to deliver on its obligations, the SRA is fully entitled to initiate steps to replace the petitioner and bring in another developer. This is not an act of punishment — it is a regulatory and welfare-driven step to achieve the core purpose of the Slum Act: ensuring proper and timely rehabilitation of slum dwellers.

62. I accordingly hold that the mere approval of a resolution plan under the IBC does not automatically prevent the SRA from invoking its powers under Section 13(2) of the Slum Act. So long as the SRA's action is not a disguised attempt to recover money, but is instead a genuine exercise of its duty to safeguard public interest and ensure project completion, such action is valid in law. It is true that the claims for arrears of transit rent – being pre-CIRP

liabilities – stand extinguished to the extent they exceed ₹2.50 crores, as recognised under the approved resolution plan. Therefore, neither the slum dwellers nor the SRA can now initiate any independent suit or coercive action to recover such amounts from the petitioner. But the broader statutory obligation of the petitioner – to rehabilitate the slum dwellers – continues. This obligation is not merely a financial one, but a performance-based duty that remains attached to the project. If the petitioner is no longer in a position to fulfill that duty — whether due to loss of financial capacity or credibility — then the SRA has the legal authority and duty to take corrective steps, including changing the developer. This is not a case of one law overriding another. Rather, this is a case where the Slum Act continues to operate in an area that the IBC resolution plan did not and could not fully address. Public interest requires that such powers remain available to the SRA, especially in situations where the welfare of hundreds of families is at stake.

Conclusion on Issue (i):

63. In view of the above discussion, the Court holds that the resolution plan approved by the NCLT under the IBC does not override the petitioner's obligations under the Slum Act — except to the limited extent that financial claims arising before the insolvency commencement date and duly dealt with in the plan cannot be enforced separately.

Issue (ii): Is the transit rent obligation statutory or contractual in nature?

64. The nature and character of the obligation to pay transit rent has been debated before this Court. The petitioner suggests that this obligation is rooted in private agreements, and therefore, like any other contractual obligation, may be modified, waived, or extinguished through insolvency proceedings. On the other hand, the respondents have taken a firm stand that this is not a matter of private negotiation but a statutory duty arising from the scheme sanctioned under the Slum Act. Having considered the rival contentions, I find merit in the respondents' submissions, for the reasons discussed below:

Source of the Obligation:

65. When a slum rehabilitation scheme is sanctioned under the Slum Act, it is not a mere private arrangement between a builder and slum dwellers. It is a public welfare scheme governed by statutory provisions, detailed guidelines of the Slum Rehabilitation Authority (SRA), and formal conditions set out in the Letter of Intent (LoI) and other regulatory documents such as Annexure II and Regulation 33(10) of the Development Control Regulations (DCR) applicable in Maharashtra. A critical condition of such schemes is that the developer must provide either alternate transit accommodation or monthly transit rent to every eligible slum dweller from the date of vacating their hutments until permanent rehabilitation units are handed over. This is not an optional or negotiable term that can be bargained away. It is a mandatory requirement, forming part of the very structure of the slum redevelopment scheme, and is intended to ensure that slum dwellers are not left without shelter during the construction phase.

Therefore, even if the actual payment mechanism flows from individual agreements, the source and nature of the obligation is statutory. It has the force of law because it is embedded in the sanctioned scheme and enforced by the SRA. This position was clearly explained by this Court in *Rajan Garg* (Supra), where it was held that once a developer applies for and receives the LoI, they automatically assume the obligation to provide both rehabilitation housing and transit accommodation or rent. Importantly, this obligation is a pre-condition to the developer's right to enjoy commercial benefits, such as constructing and selling the free-sale component of the project. The developer cannot seek the benefits of the scheme without first fulfilling its duties under it.

Implication under IBC:

66. If the obligation to pay transit rent were viewed as a purely private or contractual liability, it would open the door for each slum dweller to individually file a claim in the corporate insolvency process as an operational creditor. However, this is both impractical and unfair, considering the socio-economic background of the slum dwellers. The insolvency framework was not designed to handle such public welfare claims in this fragmented manner. More importantly, transit rent is not a one-time debt. It is a continuing performance obligation, which accrues monthly until the permanent housing is delivered. Even if unpaid transit rent for the pre-CIRP period is extinguished by the resolution plan, the developer's statutory obligation to continue paying rent post-CIRP remains intact. This is because resolution plans under the IBC only deal with liabilities that existed before the insolvency

commencement date. They do not and cannot relieve the corporate debtor from ongoing duties imposed by other statutes. Therefore, if the petitioner chooses to continue as developer after resolution, it must honour the post-CIRP transit rent obligations in full. This is not a mere matter of financial accounting — it is a legal requirement flowing directly from the Slum Act and the conditions of scheme approval. Non-compliance would once again trigger the SRA's jurisdiction under Section 13(2).

Statutory vs. Contractual Nature:

67. It is true that the petitioner entered into formal agreements with individual slum dwellers or the co-operative housing society to implement the project. These are usually in the form of tri-partite agreements involving the developer, the slum dweller, and the SRA or society. These contracts do include a promise to pay transit rent. However, these agreements are not ordinary commercial contracts freely negotiated between equal parties. Rather, they merely formalise a statutory obligation. In administrative law, it is well-recognised that some obligations, although implemented contractually, are statutory in origin. Transit rent is one such obligation. Even if a slum dweller were to sue the developer for breach of contract in a civil court, the Court would ultimately be enforcing a duty that arises from public law. The developer cannot ignore or belittle this obligation merely because it appears in a contract. It is a duty owed not just to an individual, but to a class of beneficiaries protected by a welfare law. Accordingly, even if unpaid transit rent qualifies as an "operational debt" under the IBC for accounting purposes, this

classification does not dilute the developer's continuing obligation to ensure that transit rent is regularly paid going forward. Breach of this obligation is not merely a civil wrong — it is a breach of the statutory framework, attracting regulatory consequences including removal from the project.

Conclusion on Issue (ii):

68. I therefore hold that the obligation to pay transit rent is essentially a statutory obligation, even though it is implemented through formal agreements.

Issue (iii): Was the action under Section 13(2) of the Slum Act legally justified?

69. Section 13(2) of the Maharashtra Slum Areas (Improvement, Clearance and Redevelopment) Act, 1971, as amended from time to time, is an important tool available to the Slum Rehabilitation Authority (SRA) for ensuring that approved redevelopment schemes do not remain incomplete or indefinitely stalled. This provision empowers the Chief Executive Officer (CEO) of the SRA, or the designated Competent Authority, to intervene and take appropriate action if a developer fails to implement the approved rehabilitation scheme within a reasonable or stipulated time. Ordinarily, where such failure is established, the SRA is legally empowered to terminate the appointment of the developer, and thereafter, either undertake the work through public resources or allow the concerned slum society to select a new developer. In many such cases, the SRA also initiates proceedings under Section 14 of the Act for acquisition of the subject land, so that the land

may be handed over to the incoming developer free from encumbrances or claims by the outgoing developer.

70. Over time, various judgments of this Court, as well as those of the Supreme Court, have reaffirmed that timely execution is a core element of any slum rehabilitation project. Judicial precedents such as *Susme Builders (P) Ltd. v. Slum Rehabilitation Authority,* (2018) 2 SCC 230 and *New Janta SRA CHS Ltd. v. State of Maharashtra,* 2019 SCC OnLine Bom 3896 have categorically upheld the principle that delays in implementation of slum schemes affect a vulnerable population that depends on the successful and timely completion of such projects for basic housing. Therefore, SRA's intervention to replace a defaulting or inefficient developer is legally justified and necessary. The power conferred by Section 13(2) is not discretionary in the abstract — it is a statutory mechanism meant to hold developers accountable and to avoid indefinite stagnation of rehabilitation schemes. While Section 13(2) of the Slum Act does not set out an elaborate procedure to be followed while exercising this power, it is a settled principle of administrative law that when any authority exercises a power that affects legal rights or vested interests, it must follow the principles of natural justice. This includes at minimum: (i) issuance of a notice to the concerned party, (ii) clear intimation of the allegations or grounds for proposed action, and (iii) an opportunity to be heard before any final decision is taken. The overall scheme of the Slum Act, when read along with the SRA's internal guidelines, clearly contemplates that a developer facing proposed removal must be given a fair and meaningful opportunity

to respond. These safeguards are in place to ensure that the power under Section 13(2) is not exercised arbitrarily or unfairly.

Factual basis for invoking Section 13(2):

71. In the present case, the SRA has invoked this power citing two main grounds – (a) extraordinary delay in execution of the project, and (b) failure to pay transit rent, causing hardship to slum dwellers. I will examine if these grounds are factually and legally substantiated:

Delay:

72. The material placed on record clearly shows that the Slum Rehabilitation Scheme which forms the subject matter of this litigation has unfortunately remained stalled or delayed for a significant period, despite repeated attempts at revival and the initial objective of speedy implementation. A chronological examination of the facts reveals that the initial Letter of Intent (LoI) was issued by the Thane Municipal Corporation on 7th November 2009, with a clear expectation that the entire project would be completed within 24 months from the date of issuance. However, the Development Agreement between the petitioner and respondent No.3 – the slum society – came to be executed much later, on 5th March 2011. It was only after this agreement that the formal relationship between the developer and the slum dwellers began, thus setting in motion the obligations under the scheme. Thereafter, a revised LoI was issued by the Slum Rehabilitation Authority (SRA) on 24th October 2017, this time confining the scope of development to only rehabilitation buildings R-1 and R-2,

once again setting a deadline of 24 months for completion. It is a matter of record that rehabilitation building R-2 was completed in 2019, and a full Occupation Certificate was granted on 25th April 2019. Additionally, a full Commencement Certificate had been issued for R-1 up to the 24th floor on 13th January 2016. However, as of December 2024, only RCC work up to the 16th floor of R-1 has been completed, which clearly shows significant delay in completing the construction as per the earlier timeline. At the same time, the record also indicates that 245 eligible slum dwellers have already been permanently accommodated by the petitioner as early as 2019, while 210 slum dwellers remain in transit accommodation. This shows that while the overall pace of construction may have been slow, partial compliance with the rehabilitation obligations has indeed been achieved by the petitioner.

73. A further important legal development occurred when respondent No.3-society executed a Supplementary Development Agreement on 8th January 2020, reaffirming the petitioner's role as the developer. Subsequently, a change in management of the petitioner took place pursuant to an order dated 29th March 2023 of the NCLT. Following this change, the new management applied for a revised LoI on 9th October 2023, which resulted in the issuance of fresh Letters of Intent on 5th June 2024 and 16th July 2024. These revised LoIs grant the petitioner a fresh timeline of 72 months (6 years) to complete the project. It is important to note that this new period has not yet expired and the time for performance, under the latest approvals, is still running. Despite

these developments, the respondent authorities have sought to invoke Section 13(2) of the Slum Act to propose substitution of the petitioner as developer, primarily citing historical delays. Their justification is that the scheme was initially approved in 2009, but even by 2019, only partial progress had been achieved. They further point out that while half of the eligible members have been accommodated in R-2, the remaining beneficiaries are still in transit accommodation.

74. However, this Court is of the considered view that the invocation of Section 13(2) solely on the basis of delays, without accounting for the revised agreements and extended timelines, is legally unsustainable in the facts of the present case. It is important to highlight that the Supplementary Development Agreement of 2020 and the fresh LoIs of June and July 2024 have redefined the legal and contractual obligations of the parties. A new 72-month timeline has now come into play. This period is still ongoing and has not yet lapsed. Therefore, any assessment of delay or default must be made with reference to the revised timeline, and not on the basis of delays that occurred prior to the new arrangement.

75. It is a settled principle of administrative law that any statutory power must be exercised reasonably. The doctrine of reasonableness mandates that the action of a public authority must have a rational nexus with the object sought to be achieved. The mere reliance on historic delays, without evaluating the present scenario and fresh timelines granted through official LoIs, cannot be a legitimate or fair ground to replace the developer —

especially when such substitution has serious implications for the progress of the project and the interests of slum dwellers. It must be remembered that removal of a developer mid-way is a drastic measure that should be resorted to only when there is clear material showing abandonment, incapacity, or persistent failure under subsisting obligations. It cannot be based merely on past lapses which have, in the meantime, been overtaken by fresh approvals. In the absence of any such finding, the invocation of Section 13(2) on the ground of "delay" that predates the fresh contractual and regulatory framework is, in the respectful view of this Court, misplaced and unjustified.

Non-payment of transit rent:

76. One of the most serious and troubling aspects emerging from the present case is the non-payment of transit rent by the petitioner from 2019 onwards. As is well recognised under the slum rehabilitation framework, transit rent is not a gratuity or a private arrangement. It is a statutory obligation, aimed at providing temporary financial support to each displaced slum family so that they can secure alternate accommodation until the permanent rehabilitation units are handed over. By failing to pay transit rent midway during the scheme, the developer effectively left several families shelterless or forced them to fend for themselves, even though it was the project itself that had displaced them. This state of affairs goes against both the letter and spirit of slum rehabilitation policies. The Slum Rehabilitation Authority (SRA), being a statutory body entrusted with protecting the rights of vulnerable slum dwellers, could not be expected to tolerate such

a situation indefinitely.

77. The data placed on record by the respondents shows that the arrears of transit rent ran into several crores of rupees and affected more than 200 slum families. While it may be true that, in legal terms, those arrears exceeding ₹2.50 crores stood extinguished under the resolution plan approved under the Insolvency and Bankruptcy Code (IBC), the human impact of such a prolonged default has not been addressed or remedied. The legal discharge of financial claims does not erase the fact that these families lived without rent support for several months, if not years, due to the petitioner's default.

78. What further compounds the issue is that even after the petitioner's revival through the resolution plan, there was no concrete or meaningful step taken by the new management to clear the arrears of transit rent or demonstrate any sincere commitment to restore the trust of the slum dwellers. The only steps pointed out are certain communications calling upon slum dwellers to submit their KYC documents. However, no actual evidence of disbursal of dues has been produced. In fact, the record reflects that even after revival, grievances from slum dwellers regarding non-receipt of rent continued to be filed before the authorities. This sustained neglect supports the conclusion that handing the project back to the petitioner is unlikely to result in better outcomes.

79. It is also important to appreciate that the delay in completing the project naturally resulted in slum dwellers remaining in transit

accommodation for a longer period than anticipated. The obligation to pay them monthly transit rent during this extended period is not an ancillary condition — it is a core and central duty of the developer. Once slum dwellers vacate their huts and the land is cleared for redevelopment, the duty to ensure they are provided for in the interim becomes the foundation of the scheme's fairness.

80. The SRA's findings, based on materials gathered, clearly indicate that since mid-2019, the petitioner defaulted in paying transit rent to a substantial number of eligible slum families. While it is understandable that the initial default may have coincided with the petitioner's financial difficulties and the commencement of insolvency proceedings, what is critically important is that even after the resolution plan was approved, there is no clear record that these dues were paid or regularised. The petitioner has argued that some amounts have been paid and blamed the slum dwellers for failing to provide KYC documents. However, this argument is unconvincing. The petitioner has not produced credible proof of substantial payment, nor has it offered a timeline or plan for clearing the arrears. During the hearing, the petitioner did not deny that certain amounts remain unpaid, and merely offered vague assurances about making future payments. This attitude reflects a lack of seriousness in discharging a core obligation that affects the very shelter and sustenance of the project's intended beneficiaries.

81. This Court views such continued non-payment of transit rent with utmost seriousness. Under the SRA's own circulars and policy

guidelines, consistent failure to pay transit rent is a well-recognised ground for removing a developer under Section 13(2) of the Slum Act. This is not a punitive measure but a corrective action to ensure that the project does not remain in limbo and that slum dwellers are not made to suffer unnecessarily. Transit rent is not a mere contractual commitment — it is an integral part of the developer's public duty under a welfare-driven statutory framework. When a developer enters into a slum rehabilitation scheme and takes over the responsibility of displacing and relocating vulnerable families, it also assumes a binding legal and moral duty to ensure that those families are adequately supported during the transition period. This duty cannot be taken lightly or reduced to a question of administrative formality. In the present case, the petitioner's failure to fulfil this obligation, even after corporate revival, has undermined the confidence of the SRA and the beneficiaries. The persistent default, coupled with an absence of credible corrective action, justifies the SRA's view that the petitioner cannot be relied upon to carry forward the scheme in a manner consistent with public interest.

Opportunity and procedure:

82. Upon a careful perusal of the record, this Court finds that the Slum Rehabilitation Authority (SRA) has followed due process and complied with the requirements of natural justice prior to passing the impugned order under Section 13(2) of the Maharashtra Slum Areas (Improvement, Clearance and Redevelopment) Act, 1971. A notice under Section 13(2) was duly served upon the petitioner, in which the allegations of delay and non-payment of transit rent

were clearly set out. The notice also called upon the petitioner to submit its written explanation and show cause as to why action should not be taken. The petitioner availed of this opportunity and filed a detailed written response. Additionally, personal hearings were conducted on multiple dates, and this is specifically recorded in the body of the impugned order. The petitioner's authorised representatives were present and were heard in detail during these hearings. Simultaneously, the representatives of the slum dwellers' society — respondent No.3 — were also given an opportunity to be heard. They reiterated their grievance that the project had suffered long delays, that transit rent had remained unpaid for many members, and that they had lost confidence in the petitioner's ability to complete the scheme.

83. After considering all the material and rival submissions, the Chief Executive Officer (CEO) of the SRA passed a reasoned and speaking order, dealing with each of the contentions raised. The order records specific findings that the petitioner failed to clear arrears of transit rent and had not shown convincing progress in respect of the pending rehabilitation building (R-1). The CEO further concluded that continuing with the petitioner would not be in the interest of the remaining slum dwellers, who have already been waiting for several years without permanent housing. On this basis, the CEO of the SRA exercised powers under Section 13(2) and decided to rescind the petitioner's development rights, while granting permission to respondent No.3-society to appoint a new developer to take the project forward.

84. In the opinion of this Court, the impugned decision is founded on material evidence, is based on relevant considerations, and is within the bounds of reasonableness. The principles of judicial review, as settled by a long line of precedents, dictate that in matters involving statutory discretion — particularly where public interest and technical expertise are involved — the Court must confine itself to examining whether:

(a) relevant material was considered,

(b) irrelevant material was excluded, and

(c) the decision was not arbitrary, perverse, or tainted by mala fides.

85. In the present case, it is evident that the SRA considered all relevant factors. Notably, the authority took into account the petitioner's defence, including the approval of the resolution plan under IBC, the alleged improvement in financial capacity, and the fresh LoIs issued in 2024. However, the SRA ultimately found that on-ground progress remained unsatisfactory, and more importantly, that transit rent dues remained unpaid, thereby causing hardship to slum dwellers. 103. In such a situation, the authority was justified in taking a pragmatic decision to protect the welfare of slum dwellers, which is the central objective of the Slum Act. The decision to allow the society to appoint a new developer is not punitive, but rather remedial, to break the stagnation and ensure that the scheme is taken to its logical conclusion. This Court finds no perversity, irrationality, or illegality in the impugned order. It cannot be said that the action of the SRA was arbitrary or in breach of procedural fairness. On the contrary, the process

followed appears fair, thorough, and in alignment with the statutory scheme's objective of timely and effective rehabilitation of slum dwellers.

Conclusion on Issue (iii):

86. In view of the above discussion, this Court holds that the action initiated by the SRA under Section 13(2) of the Slum Act is lawful, reasonable, and justified, having regard to the petitioner's long-standing failure to pay transit rent, the resulting hardship to slum dwellers.

Issue (iv): Was Respondent No.6's decision (impugned order) justified in law – Procedural fairness and other considerations?

87. The petitioner's grievance is that after the final order was issued, Respondent No.6 made certain corrections or changes unilaterally. The SRA characterized these changes as minor clerical corrections. I have perused the original order and the corrected order side by side. I find that the differences are minimal. Primarily, the corrected order rectified a misstatement of dates and deposit of transit rent without consent of members of respondent no. 3. No new reasoning or finding was introduced that alters the substance of the decision. It appears to be a case of exercising the inherent power to correct an accidental omission or clerical error, which is generally recognized in administrative law (akin to the slip rule). Natural justice does require that an affected party be heard before an adverse decision is taken, but once a decision has been taken after hearing, every slight modification to correctly reflect that decision does not invariably mandate a fresh hearing.

In the present case, since the core decision – to terminate the petitioner's appointment – remained unchanged, and only ancillary details were corrected, I do not find that the petitioner's rights were prejudiced by the lack of an additional hearing on the corrections. the order does caution that the petitioner should not be considered for future projects given its track record, but that was implicit in the very fact of termination for default. Even if that remark was made explicit upon correction, it is a natural collateral consequence of the main decision. Therefore, I hold that no violation of natural justice occurred in the issuance of the corrected order. The petitioner had full opportunity to contest the grounds for action, and it availed the same before the initial decision was made.

88. The petitioner faintly suggested that the SRA was unduly influenced by the slum society and was predisposed to remove the petitioner in favour of a new developer who had lobbied for the project. I find no tangible evidence of mala fides or extraneous consideration. The slum society's impatience and desire for a new developer is understandable given the long delay – that by itself does not make the SRA's action malafide; if anything, it reinforces that the beneficiaries were aggrieved and seeking redress. SRA as a public authority is expected to listen to the beneficiaries. There is nothing to suggest any collusion or corrupt motive in choosing the new developer (which, as per the policy, was nominated by the society and scrutinized by SRA). Absent any cogent proof of bad faith, the Court must proceed on the presumption that the authority acted bona fide. The impugned decision appears solely

guided by the interests of completing the scheme, and not by any irrelevant factor.

89. The petitioner has also raised an additional objection regarding the maintainability of the impugned order, contending that the Executive Engineer, SRA had earlier rejected the application of respondent No.3-society by way of a communication dated 5th December 2023, and therefore, respondent No.2 (the Chief Executive Officer of SRA) could not have passed the subsequent impugned order allowing the society to replace the petitioner as the developer. This argument, in the opinion of this Court, does not merit acceptance, for more than one reason. First, the Executive Engineer, SRA has filed an affidavit dated 22nd February 2025, in which he has clarified that the letter dated 5th December 2023 was only a communication issued inadvertently, and that it was not intended to be an order disposing of the application under Section 13(2) of the Slum Act. He has further explained that upon realising the error, a corrigendum dated 2nd July 2024 was issued to correct the record. This explanation has been placed on affidavit and remains unchallenged. Second, and more importantly, the Executive Engineer has categorically stated in his affidavit that the power to adjudicate and pass orders under Section 13(2) of the Maharashtra Slum Areas (Improvement, Clearance and Redevelopment) Act, 1971 has not been delegated to him by the Chief Executive Officer, MMR SRA. Therefore, he was neither authorised nor competent to pass any conclusive order in relation to the application of the society seeking removal of the developer. In view of this clarification, the earlier communication

dated 5th December 2023 must be seen as having no legal effect, and cannot be treated as an adjudicatory order under Section 13(2). Since the Executive Engineer himself has acknowledged the inadvertent nature of the letter and has issued a formal corrigendum, there remains no ambiguity in the matter. What follows is that the impugned order passed by the competent authority — namely, the Chief Executive Officer of SRA — was made in accordance with the statutory power vested in him, and not in contradiction of any valid or binding decision by a subordinate officer. Accordingly, this technical objection raised by the petitioner does not assist its case, and cannot be a ground to set aside or invalidate the impugned order passed under Section 13(2) of the Act. The contention is devoid of substance and deserves to be rejected.

Balancing Objectives of IBC and Slum Act:

90. This Court is conscious of the fact that the petitioner-company has undergone revival under the Insolvency and Bankruptcy Code, 2016 (IBC), through an approved resolution plan. Ordinarily, such revival — backed by judicial approval of the resolution plan by the National Company Law Tribunal (NCLT) — carries with it a legitimate expectation that the corporate debtor, under its new management, shall be given a fair opportunity to resume operations and rebuild business with a “clean slate”. However, the facts of the present case are not limited to a standard commercial transaction. The project in question is a Slum Rehabilitation Scheme, where the stakes involve not only contractual obligations but also vital public interest, particularly

the housing rights, shelter security, and socio-economic well-being of slum dwellers. These beneficiaries are among the most vulnerable sections of society. Their rights, under a welfare statute like the Slum Act, must be treated with the highest regard in any balancing exercise between commercial interests and public duties.

91. In this context, it must be acknowledged that the cost of failure in implementation of the project has been disproportionately borne by the slum dwellers. These families have remained in transit accommodations for extended periods, facing both physical and financial hardship. In many cases, they have not received the transit rent which they were entitled to under the scheme. At the same time, the resolution applicant, while stepping into the shoes of the management of the petitioner, was expected to have carried out adequate due diligence. It must be presumed that the possibility of ongoing issues with the slum project — including delays, liabilities, and the risk of termination under Section 13(2) — were considered while structuring the plan. Indeed, the amount offered to creditors under the resolution plan may have reflected the petitioner's poor track record on this project. Thus, the commercial haircut taken by creditors mirrors the human cost endured by the slum dwellers.

92. Therefore, it is clear that both sets of stakeholders — financial creditors and slum dwellers — have suffered significant losses: the former in the form of compromised recoveries, and the latter in the form of delayed possession of homes and unpaid transit rent. Allowing the revived petitioner to retain the project land, now a valuable and regularised asset under the Slum Act,

without corresponding obligations, would amount to handing over a sanitized asset free from responsibility. That would not only be inequitable, but legally impermissible in the context of a public welfare scheme. In this backdrop, the intervention of the Slum Rehabilitation Authority (SRA) under its statutory powers must be seen as an effort to restore fairness and uphold public interest. The imposition of conditionalities, such as repayment of arrears and priority allocation of tenements, is not punitive — it is a necessary balancing measure. The SRA has acted within its mandate to ensure that the project proceeds, and that displaced slum dwellers are not further prejudiced.

93. That said, in the considered opinion of this Court, the SRA, in its role as a statutory body and in compliance with the principles of natural justice, ought to have granted the petitioner a final and formal opportunity — post approval of the resolution plan — to demonstrate readiness and capability to discharge its duties and complete the remaining work of the project. Notably, the petitioner had, in its written submissions before the Appellate Grievance Redressal Committee (AGRC), expressed willingness to deposit arrears of ₹18,80,29,882/- as determined by the Assistant Registrar, SRA, in the report dated 26th December 2024. The petitioner has also deposited partial sums, including ₹2,31,00,000/- towards rent for April 2024 to February 2025, and ₹2,52,00,000/- for April 2023 to March 2024. However, the failure to deposit ₹2.50 crores as initially demanded by the SRA remains a material lapse, which undermines the petitioner's credibility. While some steps have been taken, they fall short of full

compliance.

94. It must be reiterated that the petitioner is not merely an implementing agency or contractor, but also the owner of the land on which the slum rehabilitation scheme is being implemented. This dual role brings with it a greater degree of responsibility and accountability. The burden of compliance is higher, especially when the land has been granted for a public welfare scheme under beneficial terms. In such a situation, the SRA was duty-bound to afford the petitioner a conclusive and time-bound opportunity to clear the dues — particularly after revival under the IBC — before proceeding to cancel development rights. The record indicates that the AGRC did not extend such a final opportunity to the petitioner before concurring with the CEO's decision to terminate the petitioner's rights. In the respectful view of this Court, this constitutes a procedural lapse — not one that invalidates the SRA's substantive powers or its overall assessment, but a deficiency in natural justice that warrants correction.

95. Accordingly, this Court finds no infirmity in the SRA's decision to invoke Section 13(2) of the Slum Act. The decision is well-reasoned, supported by facts, and aligned with the objectives of the Act. However, the limited procedural deficiency, namely the failure to grant a final opportunity to the revived petitioner to clear its dues and demonstrate intent, is one that must be remedied to uphold fairness.

96. For the reasons discussed above, I conclude that **(a)** the approval of the petitioner's resolution plan under the IBC does not

per se insulate the petitioner from action under Section 13(2) of the Slum Act, except that any such action cannot be for recovery of prior debts; **(b)** the claims for arrears of transit rent, being pre-resolution debts, are indeed extinguished against the petitioner to the extent it exceeds 2.50 crores – the slum dwellers can not enforce those as monetary claims post the IBC approval but the SRA can take into account the fact of non-payment as evidence of the petitioner's non-performance; **(c)** statutory obligations under the Slum Act and the powers of SRA thereunder hold good and can be exercised in the interest of slum rehabilitation – the binding effect of the resolution plan does not override or nullify such exercise, especially where it is aimed at protecting welfare of slum dwellers and not at debt recovery; **(d)** in the circumstances of this case, the petitioner was afforded sufficient opportunity to be heard, and there is no fatal violation of natural justice, though some more proactivity from SRA post-resolution would have been desirable; and **(e)** on merits, the SRA's decision to invoke Section 13(2) and remove the petitioner as developer was justified and lawful given the petitioner's prolonged failure pay transit rent and the resultant prejudice to the slum dwellers subject to final opportunity as provided hereinafter.

97. In view of the above findings, the writ petition stands disposed of with the following directions:

(i) The impugned order dated 13 August 2024 issued by the CEO, SRA under Section 13(2) of the Slum Act dated 13.08.2024, as well as the AGRC order dated 31.01.2024, are sustained, subject to the modifications and observations

below.

(ii) It is directed that before finalizing the appointment of any new developer and vesting development rights, the SRA shall give the petitioner one final opportunity of hearing (within 4 weeks) strictly for the limited purpose of considering any proposal the petitioner may submit within in two weeks to substantially address the grievances of the slum dwellers (such as a concrete timeline for completion, payment of arrears of transit rent as per calculation of SRA, and any ex gratia mechanism to mitigate past rent losses). If the petitioner makes a proposal that, in SRA's opinion, adequately secures the interests of the slum dwellers, the SRA may consider whether it is still necessary to replace the petitioner. However this shall not be taken as an indefinite reinstatement of the petitioner's rights – it is merely an opportunity to present a plan of action.

(iii) If no such proposal is received from the petitioner within two weeks or if upon consideration the SRA finds the proposal unsatisfactory, the SRA is at liberty to proceed with induction of the new developer and all ancillary steps (including transfer of the project land, issuance of fresh LoI, etc.), in accordance with law. All interim orders/ statement made by SRA in this petition shall stand vacated at that stage.

(iv) In the event the new developer is brought in, the SRA shall also consider imposing appropriate conditions on the

new developer to compensate, to the extent feasible, the hardship caused to slum dwellers by the past delay (for example, requiring the new developer to pay a signing amount that could be distributed as part of past transit rent or giving rental units until construction is complete).

98. Accordingly, both the writ petitions stand disposed of on above terms. All interim applications, if any, are also disposed of. No costs.

99. At this stage, Mr. Chirag Balsara, learned Advocate for respondent No.4 (Rajmudra CHS Ltd.) seeks stay of the Judgment. However, considering the reasons assigned in the Judgment, request for stay is rejected.

(AMIT BORKAR, J.)