

D. NAVINACHANDRA & CO., BOMBAY & ANR. ETC.

v.

UNION OF INDIA & ORS.

APRIL 15, 1987

[R.S. PATHAK, CJ, SABYASACHI MUKHARJI AND
RANGANATH MISRA, JJ.]

Import Policy, 1978-79—Diamond Exporters granted Export House Certificates and Additional Licences pursuant to orders of Court dated April 18, 1985—Entitlement for import of items under the Import Policy current at the time of import—Effect of subsequent decisions rendered by the Court.

By a common order dated April 18, 1985 in C.A. No. 1423 of 1984, etc., *Union of India v. Rajnikant Bros.* the Court had directed issue of Export House Certificates and Additional Licences to the petitioners and other diamond exporters under the Import Policy 1978-79 stating: "Save and except items which are specifically banned under the prevalent Import Policy at the time of import, the respondents shall be entitled to import all other items whether canalised or otherwise in accordance with the relevant rules". The petitioners, who were issued Additional Licences pursuant to this order, imported several consignments of items falling under Appendices 2B, 3 and 5 of Import Policy, 1985-88, and, while clearing them, the Customs Authorities imposed a fine of Rs.45,000 in respect of certain items falling in Appendix 2B and issued show cause notices in respect of certain other items falling in Appendices 2B and 5. The petitioners challenge was directed not only against these orders, but extended to certain subsequent decisions of the Court which, according to them, had cut down the effect of the Court's earlier order dated April 18, 1985 in *Union of India v. Rajnikant Bros.*

Dismissing the petitions,

HELD: The decisions rendered subsequent to the decision dated April 18, 1985 in *Union of India v. Rajnikant Bros.* do not take any different or contrary view. Indeed, they give effect to the letter and spirit of that decision. The basic background in which the decision in *Union of India v. Rajnikant Bros.* was rendered was that Export Houses had been refused Export House Certificates on the ground that they had not diversified their exports. It was found that was wrong. The wrong was undone by directing issue of Export House Certificates for

A the year 1978-79 though the order was passed in April, 1985. That was a measure of restitution, but the Court, while doing so, ensured that nothing illegal was done. It is a presumption of law that the courts act lawfully and will not ask any authority to do anything which is illegal. It was directed that except those items which were specifically banned under the prevalent import policy at the time of import, the respondents therein were entitled to import all other items whether canalised or not canalised in accordance with the relevant rules. Analysing the said order, it is apparent: (1) that the importation that was permissible was of goods which were not specifically banned, (2) that such banning must be under the prevalent import policy at the time of import, and (3) whether items which were canalised or uncanalised would be imported in accordance with the relevant rules. These conditions had to be fulfilled. The court never did and could not have said that canalised items could be imported in any manner not permitted nor it could have given a go-bye to the canalisation policy. [1000C-H]

(ii) In *Raj Prakash Chemicals v. Union of India*, it was explained that only such items could be imported by diamond exporters under the Additional Licences granted to them as could have been imported under the Import Policy 1978-79 and were also importable under the Import Policy prevailing at the time of import. These were the items which had not been 'specifically banned' under the prevalent Import Policy. The items had to pass through two tests, firstly, they should have been importable under the Import Policy 1978-79 and, secondly, they should also have been importable under the Import Policy, 1985-88 in terms of the Order dated 18th April, 1985 and if one may add, in such terms 'in accordance with the import rules' whether canalised or not canalised. The Court had no occasion to consider in that case the significance of the words 'whether canalised or otherwise' mentioned in the Order dated 18th April, 1985 in *Union of India v. Rajnikant Bros.*, because that point did not arise there. [1000H; 1001A-D]

(iii) What did the court then intend by the words 'whether canalised or otherwise' used in the order dated 18th April, 1985 in *Union of India v. Rajnikant Bros.*? The diamond exporters could import the items which they were entitled to import under the Import Policy 1978-79 provided they were importable also under the Import Policy ruling at the time of import. These are items which were open to import by Export Houses holding Additional Licences for Sale to the Actual Users (Industrial). These are items which were directly imported, for example, items in Part II List 8 of Appendix 6 of Import Policy 1985-88. These are items which are not canalised. Canalised items are those

items which are ordinarily open to import only through a public sector agency. Although generally these are importable through public sector agencies, it is permissible for any Import Policy to provide an exception to the rule and to declare that an importer might import a canalised item directly. It is in that sense and that sense only that the Court could have intended to define the entitlement of diamond exporters. They would be entitled to import items which were canalised or not if the Import Policy prevailing at the time of import permitted them to import items falling under such category. [1001D-G]

(iv) In the Order dated 18th April, 1985 in *Union of India v. Rajnikant Bros.*, this Court did not do away with canalisation. That was not the issue before this Court. This expression 'whether canalised or not canalised' was to include both. This Court did not say that canalised items could be imported directly by the importers ignoring the canalisation process. High public policy, it must be emphasised, is involved in the scheme of canalisation. This purpose of canalisation was examined by this Court in *Daruka & Co. v. Union of India & Ors.*, where the Constitution Bench of this Court observed that the policies of imports or exports were fashioned not only with reference to internal or international trade, but also on monetary policy, the development of agriculture and industries and even on the political policies of the country and rival theories and views may be held on such policies. If the Government decided an economic policy that import or export should be by a selected channel or through selected agencies, the court would proceed on the assumption that the decision was in the interest of the general public unless the contrary was shown. Therefore, it could not be collaterally altered in the manner suggested. The policy of canalisation which is a matter of policy of the Government was not given a go-bye by the observations referred to in the Order of 18th April, 1985. Indeed, it is possible to read the Order in a manner consistent with canalisation scheme in the way we have indicated. If that is so, then it should be so read. When this Court observed that the fact whether items were sought to be imported by diamond merchants were canalised, would not be an impediment to the import directly by them, the Court meant to say that this could be imported directly by them through the canalisation organisation. The need for canalisation stands on public policy and that need cannot be lightly or inferentially given a go-bye. It should not be presumed that collaterally the court had done away with the system of canalisation based on sound public policy. We have found nothing in the different authorities on this subject, which militate against the above views. Therefore, the action taken by the Customs Authorities in issuing adjudication notice and proceeding in

- A the manner they did we are of the opinion that they have not acted illegally or without jurisdiction. This must proceed in accordance with law as laid down by this Court which, in our opinion is clear enough. The fact that in subsequent decision, the petitioner is not a party is not relevant. Generally legal positions laid down by the court would be binding on all concerned even though some of them have not been made parties nor
- B were served nor any notice of such proceedings given. [1001H; 1002A-G]

- C *Union of India v. Rajnikant Bros.*, C.A. No. 1423 of 1984 decided on April 18, 1985; *Raj Prakash Chemicals Ltd. & Anr. v. Union of India & Ors.*, [1986] 2 S.C.C. 291; *M/s. Indo Afghan Chambers of Commerce & Anr., etc. v. Union of India & Ors., etc.*, [1986] 3 S.C.C. 352; *Union of India v. Godrej Soaps Pvt. Ltd. & Anr.*, [1986] 4 S.C.C. 260; and *M/s. Star Diamond Co. India v. Union of India & Ors.*, [1986] 4 S.C.C. 246, discussed, explained and reiterated. *Daruka & Co. v. Union of India & Ors.*, [1974] 1 SCR 570, referred to.

- D ORIGINAL JURISDICTION: Writ Petition Nos. 1483, 1494 and 1544 of 1986 etc.

Under Article 32 of the Constitution of India.

- E Dr. Y.S. Chitale, Satish Chandra, P.K. Banerjee, S.N. Kacker, K.C. Agarawal, S.S. Rathore, L.K. Garg, M.K.D. Namboodiyar, P.M. Amin, Ashok Grover, Bulchandani, M.N. Shroff, P.H. Parekh and Sohail Dutt for the Petitioners.

- F K. Parasaran, Attorney General, G. Ramaswamy Additional Solicitor General, G. Subramaniam, A.S. Rao, Ms. Relan and P.P. Parmeshwaran for the Respondents.

R.S. Nariman, (Indo Afghan Chamber of Commerce). Kapil Sibal, (M/s Raj Prakash Chemicals) and Rajiv Dutta for the Interveners.

The Judgment of the Court was delivered by

- G **SABYASACHI MUKHARJI, J.** Writ Petition No. 1483 of 1986 is directed against the Show Cause Notices dated 21st August, 1986, 11th September, 1986 and 26th September, 1986 issued to the petitioners—Messrs. D. Navinchandra & Company, a partnership firm and Dilip Kumar Dalpatlal Mehta, a partner of the said firm. In order to appreciate this challenge, it is necessary to refer to certain facts.
- H This petition raises the question of the rights of the petitioners and

other diamond exporters who were entitled to export house certificates and additional licences under import policy of 1978-79 and who were granted the same pursuant to the judgment and order of this Court dated 18th April, 1985. As we shall explain later, there is no conflict with this decision of a Bench which consisted of a bench of three judges and the subsequent decisions of this Court which we shall presently refer. It is necessary also that in order to make out a case, the petitioners have sought to emphasise on the point that the decision dated 18th April, 1985 was a decision of three learned Judges, in order to spin out a case of some sort of conflict with this decision and certain subsequent decisions of this Court consisting of benches of two learned judges. It appears that the import policy issued by the Government of India for the year 1978-79 by paragraph 176 provided for additional licences. On 29th April, 1979, the first petitioner, a diamond exporter, was refused Export House Certificate. The said petitioner filed a writ petition before the High Court of Bombay being Misc. Petition No. 1293/1979. By his order and judgment, Pendse, J. made the rule absolute holding that canalised items were not banned items and there was no reason why the first petitioner should not be compelled to approach the canalising agency for import of the same. On 7th April, 1983, the Delhi High Court delivered a judgment in Civil Writ Petition No. 1501 of 1981 (which for the sake of convenience, the party has chosen to describe as *Rajnikant Bros. & Ors.* case allowing the diamond exporters the same and holding that merely canalising an item could not be regarded as import of that item being absolutely banned. Against these judgments special leave petitions were filed in this Court.

Appeal was also filed on 27th March, 1984 by the Import Control Authorities and Union of India against the judgment dated 11th November, 1983 mentioned hereinbefore passed by Pendse, J. and the said appeal as dismissed on that date. Against the same, the Export Control authorities and Union of India filed special leave petition No. 7190 of 1984 in this Court. Similar special leave petitions were filed in this Court against similar judgments of the Bombay High Court.

On 18th April, 1985, by a common judgment, the special leave petitions were disposed of. As much has been made out of this judgment and order, it is necessary to refer to the same. The matter was disposed of by the order in Civil Appeal No. 1423 of 1984 by a bench consisting Fazal Ali, J., Varadarajan, J. and one of us (Sabyasachi Mukharji, J.). It was held by the said order that there was no requirement of diversification of exports as a condition for the grant of Export

A House Certificate in the Import Policy for 1978-79. Therefore, while confirming the High Court's judgment, quashing the order impugned in the writ petitions in the High Court, this Court directed the appellants namely Union of India and Import Control authorities to issue necessary Export House Certificates for the year 1978-79. It was further directed that Export House Certificates should be granted

B within three months from that date. The order stated that 'save and except items which are specifically banned under the prevalent import policy at the time of import, the respondents shall be entitled to import all other items whether canalised or otherwise in accordance with the relevant rules'. The appeals were disposed of accordingly with no order as to costs.

C Pursuant to the aforesaid order, on 29th July, 1985, import licence was issued, it is claimed, to the first petitioner of the c.i.f. value of Rs.71,15,900. Pursuant to the said import licence, the first petitioner imported several consignments of items falling either under

D Appendix 3 (List of Limited Permissible Items), Appendix 2B (List of Restricted Items) or Appendix 5 (Canalised Items). According to the petitioner, in the matter of clearance of such consignments different standards were applied by the Custom authorities.

On 18th October, 1985, in special leave petition No. 11843 of 1985—In the case of *Raj Prakash Chemicals Ltd. v. Union of India* this

E Court directed that Acrylic Ester Monomers would not be permitted to be cleared until further orders unless they had already been cleared. Similarly, on 31st January, 1986, interim order was passed in the case of *M/s Indo-Afghan Chambers of Commerce v. Union of India* (Writ Petition No. 199 of 1986) directing that Dry Fruits in respect of which

F Custom clearance had been obtained till 30th January, 1986 would be allowed to be cleared and no clearance of Dry fruits from 31st January, 1986 onwards would be made by the Custom authorities until further orders.

On 5th March, 1986, judgment was delivered in the case of *Raj Prakash Chemicals Ltd. and Another v. Union of India and Others*,

G [1986] 2 SCC 297 by a bench consisting of three learned Judges—Tulzapurkar, J. and two of us (R.S. Pathak, J. as the Chief Justice then was, and Sabyasachi Mukharji, J.). This Court held that additional licence holders were entitled to import items permissible to Export Houses under Import Policy 1978-79 excluding those items which fell in Appendix 3 (List of Banned Items) of the Import Policy 1985-88.

H This Court observed that diamond exporters who were granted Addi-

tional Licences had formed a bona fide belief that they could import all the items accessible to them under Open General Licence under the Import Policy of 1978-79 except those placed in Appendix 2 Part A of the Banned List under the Import Policy 1985-88. This belief was formed on the basis of consistent orders of the High Courts and consistent manner in which Import Control authorities construed those orders. In view of such a belief, it was further held by this Court, in the interest of broad principles of justice, equity and fair play and to avoid undeserved hardship, without going to the legal technicalities that those diamond exporters who were granted Additional Licences under the Import Policy 1978-79 and had opened and established irrevocable letters of credit before 18th October, 1985 i.e. the date on which the interim order was passed by this Court in *Raj Prakash's* case as mentioned hereinbefore, should be permitted, notwithstanding the construction placed by this Court on the order dated 18th April, 1985 of this Court, to clear the goods imported, or to be imported by them pursuant to such irrevocable letters of credit. In other words, all imports effected pursuant to such letters of credit should be deemed to have been legally and properly made, and should entail no adverse consequences whatsoever. This Court further reiterated that the Court must be presumed to have given effect to law—That presumption can be rebutted only upon evidence showing a clear intention to the contrary, either expressly or by necessary implication. This Court noted that the order dated 18th April, 1985 which we have set out hereinbefore used the expression “specifically banned” and the controversy before this Court in *Raj Prakash's* case was on the meaning of the expression ‘specifically banned’ and the controversy between the parties centered round the meaning of the words ‘specifically banned’. It was mentioned that Appendix 3 is the list of items which could not be imported by an Export House on additional licence, it was a ban with reference to the category of importers. Appendix 4 is the list of items which could not be imported by anyone whosoever. This Court, therefore, was of the view that when regard is had to the Import Policy 1984-85, reference must necessarily be made to the corresponding Appendix 3, formerly described as the List of Banned Items and now described as the List of Limited Permissible Items, and Appendix 2 Part A which is now the list of Banned Items replacing Appendix 4 (List of Absolutely Banned Items). In other words, said the Court, the Additional Licences to be issued to diamond exporters entitled them to import items permissible to Export Houses under such licence under the Import Policy 1978-79 excluding those items which fell within Appendices 3 and 4 of the Import Policy 1978-79 and also excluding items which fell in Appendix 3 and Appendix 2 Part A of the Import

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- A Policy 1984-85. This Court was of the view that this is the meaning which must be given to the terms of the order dated 18th April, 1985. This Court noted that when this Court made the previous order on 18th April, 1985 when the Import Policy of 1985-88 was in force, there were only two items which were absolutely banned, and these were animal tallow and animal rannot. That was also substantially the position under the Import Policy 1984-85.

- C This Court was of the view that in the Import Policies of 1984-85 and 1985-88 the items open to import under Open General Licence were then set forth, when *Raj Prakash's* judgment was delivered i.e. in Appendix 6. A perusal of Part II of List 8 in Appendix 6 indicated that it enumerated in fairly long detail the items allowed to be imported by the Export Houses holding Additional Licences for sale of those items to eligible Actual Users (Industrial) subject to Actual User conditions. That was the entitlement of the holder of an Additional Licence under paragraph 265(4) of the Import Policy 1985-88.

- D It is necessary to set out in detail the aforesaid judgment and also to refer to the order of 18th April, 1985 to emphasise that whether non-canalised items could be imported directly, and not through canalised agency, was not in issue in either of these two cases, nor decided or adjudicated upon.

- E In the judgment in *Raj Prakash's* case (supra), it was held that Additional Licence holders were entitled to import items permissible to Export Houses under the Import Policy 1978-79 excluding those items which fell in Appendix 3 (List of Banned Items) of the Import Policy 1985-88.

- F On 17th March, 1986, letter was written by the Joint Chief Controller of Imports to Messrs. B. Vijay Kumar and Co. stating that against Additional Licences issued in terms of this Court's Order dated 18th April, 1985, import of items permissible against Additional Licences in terms of Policy for 1978-79 would be allowed even if such items were in the list of canalised items in Policy for 1978-79.

- G On 3rd April, 1986, there was a meeting with Member of C.B.E.C. and Principal Collector where the minutes recorded that items which were under O.G.L. during 1978-79 and subsequently canalised in Policy for 1985-88 would be allowed to be imported. On 23rd April, 1986, a circular was issued from the Under Secretary to the Government of India to port authorities stating that canalised items

were not covered within the purview of this Court's decision in *Raj Prakash's* case and Additional Licence holders would be allowed to import canalised item. By a letter on 14/15th May, 1986 from Principal Collector to Chairman, Western Region, Federation of Indian Export Organisation, the matter had been clarified and clearance of canalised items against Additional Licences was unconditionally allowed.

This Court again dealt with the question in the case of *M/s Indo Afghan Chambers of Commerce and Another etc. v. Union of India and Others etc.*, [1986] 3 SCC 352. In that decision two of us (R.S. Pathak, J. as the learned Chief Justice then was and Sabyasachi Mukharji, J.) were parties. It was held that under the import policy of 1978-79 dry fruits (excluding cashewnuts) could be imported by all persons under the Open General Licence. There was no need to obtain any Additional Licence for importing items in the year 1978-79 and therefore, the wrongful denial of Additional Licences to diamond exporters in the year 1978-79, could not justify any restitution subsequently in regard to the import of dry fruits (other than cashewnuts). It was further observed that under the Import Policy 1985-88, dry fruits (excluding cashewnuts and dates) were no longer open to import under the Open General Licence. The sanction for importing them must be found under some other provision of the Import Policy. The diamond exporters, it was held, could not be regarded as dealers engaged in the trade of stocking and selling dry fruits (excluding cashewnuts and dates). They were, therefore, not entitled to the advantage of paragraph 181 (3) of the Import Policy 1985-88. Dry fruits, it was further held, must be regarded as consumer goods of agricultural origin. The words "agricultural origin" in Item 121 of Appendix 2 Part B are used in the broadest sense. The words 'consumer goods' in item 121 referred to dry fruits imported for supply to Actual Users (Industrial). It was further held that dry fruits do not appear in Appendix 3 Part A and 5 nor can be imported under the Open General Licence under the Import Policy 1985-88. Inasmuch as they fall within Item 121 of Appendix 2 Part B they are excluded from the scope of Item 1 of Appendix 6, and cannot be imported as raw materials and consumables for sale to Actual Users (Industrial). Appendix 2 Part B (List of Restricted Items) was also successor of Appendix 4 (List of Absolutely Banned Items) under the Import Policy 1978-79. This Court reiterated, and it was important to emphasise, that on the reasoning which found favour with this Court in *Raj Prakash's* case, it must be held that diamond exporters holding Additional Licences were not entitled to import goods enumerated in Appendix 2 Part B of the Import Policy 1985-88. As held in that case, holders of Additional Licences were

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A entitled to import only those goods which were included in Appendix 6 Part 2 List 8 of the Import Policy 1985-88. Dry fruits were not included in that list and therefore they could not be imported under Additional Licences.

B It is stated that on 20th May, 1986, there was an order of adjudication in respect of one consignment of the first petitioner in this case i.e. Messrs. D. Navinchandra & Co. of items falling in Appendix 2B (List of Restricted Items) (10 Bills of Entry) imposing fine aggregating to Rs.45,000. Then on 21st August, 1986, a show cause notice was issued to the first petitioner in this petition in respect of consignment falling in Appendix 5 (Canalised Items) of the Policy for 1985-88.

C Reply was duly given on 9th September, 1986 and a show cause notice was issued on 11th September, 1986 to the first petitioner in respect of one consignment falling in Appendix 2B (List of Restricted Items) of Policy for 1985-88. In the meantime, this Court had occasion to examine some passage of this decision. This question was examined and it is necessary to refer to the said two subsequent decisions of this Court.

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The first one is the decision in *Union of India v. Godrej Soaps Pvt. Ltd. and Another*, [1986] 4 SCC. 260 and the second one is the decision in *M/s Star Diamond Co. India v. Union of India and Others*, [1986] 4 SCC 246. It is necessary first to refer to *Godrej Soaps'* case. It was held that a diamond exporter could import the items he was entitled to import under the Import Policy 1978-79 provided they were importable also under the Import Policy ruling at the time of import. These are items which are open to import by an Export House holding an Additional Licence for sale to eligible Actual Users (Industrial). These are items which could be directly imported, for example, the items enumerated in Part 2 of List 8 of Appendix VI of the Import Policy 1985-88. These are items which are not 'canalised'. 'Canalised' items are those items which are ordinarily open to import only through a public sector agency. There is, however, nothing to prevent an Import Policy from providing in the future that an Export House holding an Additional Licence can directly import certain canalised items also. In that event, an Export House holding an Additional Licence would be entitled to import items "whether canalised or otherwise", meaning thereby items open ordinarily to direct import (non-canalised items) as well as items directly importable although on the canalised list. It is in that sense that the Court had intended to define the entitlement of a diamond exporter by using the words "whether canalised or otherwise" in its order dated 18th April, 1985.

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In that case this Court found that in respect of Palm Kernel Fatty Acid which was a canalised item listed as Item 9(v) in Appendix V Part B of the Import Policy 1985-88, there is no provision in that policy which permitted the import of such item by an Export House holding an Additional Licence. Therefore, both on grounds of equity and construction the claim of the diamond exporters, or, as in that case, a purchaser from the diamond exporter, was held to be not maintainable. As importation of canalised items, this Court reiterated, directly by holders of additional licences was banned, it should not be construed to have been permitted by virtue of the order of this Court and the items sought to be imported do not come within List 8 of Part 2 of Appendix 6 of the Import Policy of 1985-88 against additional licences. It was found that the goods were purchased by the respondents in that case after they were aware of the position of law as enunciated in *Raj Prakash's* case as well as *Indo Afghan Chambers of Commerce's* case. No question of any restitution of rights, therefore, arose. Goods in question being specially banned goods, these could not be imported under Item I of Appendix 6 (Import of items under Open General Licence) of Import Policy, 1985-88, more so the import being not by the Actual User (Industrial) but by somebody else from whom the respondent purchased the goods. This position was reiterated in the case of *M/s Star Diamond Co. India v. Union of India and others* (supra).

This Court further reiterated that a decision of this Court is binding on all.

To complete the narration of events, reply was given by the first petitioner to the show cause notice dated 11th September, 1986 on 18th September, 1986.

On 26th September, 1986, another show cause notice was issued to the Petitioner in respect of another consignment falling in Appendix 2B (List of Restricted Items) of Policy for 1985-88. Personal hearing was given to the first petitioner thereafter. The petitioner moved this Court under Article 32 of the Constitution, for quashing the show cause notices dated 21st August, 1986, 11th September, 1986 and 26th September, 1986 and the order of adjudication dated 20th May, 1986 and for consequential relief.

We are, however, unable to find any merit in this application either in law or in equity.

A One of the points on which an argument was sought to be built up was that the Bench of two judges of this Court in the subsequent decisions had cut down the effect of the decision of this Court dated 18th April, 1985 in the case of *Union of India v. Rajnikant Bros.* It has been stated that in subsequent decisions referred to hereinbefore, this Court had deviated and indeed differed from the view expressed in

B that case. It was urged that in *Rajnikant Bros.* case a bench of three judges categorically stated that the respondents would be entitled "to import all other items whether canalised or otherwise" except those which were specifically banned under the prevalent import policy at the time of import, with the relevant rules. In our opinion, the subsequent decisions referred to hereinbefore do not take any different or

C contrary view. Indeed it gives effect to the letter and spirit of the said decision. It has to be borne in mind that the basic background under which the *Rajnikant's* decision was rendered, the Export Houses had been refused Export House Certificates because it was insisted that they should have diversified their export and that was a condition for the grant or entitlement of an export house certificate. It was found

D and it is common ground now that that was wrong. Therefore, the wrong was undone. Those who had been denied Export House Certificates on that wrong ground were put back to the position as far as it could be if that wrong had not been done. To do so, the Custom authorities and Govt. authorities were directed to issue necessary

E Export House certificates for the year 1978-79 though the order was passed in April, 1985. This was a measure of restitution, but the Court, while doing so, ensured that nothing illegal was done. It is a presumption of law that the courts act lawfully and will not ask any authority to do anything which is illegal. Therefore, the court directed that except

F those which were specifically banned under the prevalent import policy at the time of import, the respondents shall be entitled to import all other items whether canalised or not canalised in accordance with

G the relevant rules. Analysing the said order, it is apparent, (1) that the importation that was permissible was of goods which were not specifically banned, (2) such banning must be under the prevalent import policy at the time of import, and (3) whether items which were canalised or un-canalised would be imported in accordance with the relevant rules. These conditions had to be fulfilled. The court never did and could not have said that canalised items could be imported in any manner not permitted nor it could have given a go-bye to canalisation policy.

H It must be emphasised that in the case of *Raj Prakash* (supra), this position has been explained by saying that only such items could

be imported by diamond exporters under the Additional Licences granted to them as could have been imported under the Import Policy of 1978-79, the period during which the diamond exporters had applied for Export House Certificates and had been wrongly refused and were also importable under the import policy prevailing at the time of import which in the present case would be during the import policy of 1985-88. These were the items which had not been 'specifically banned' under the prevalent import policy. The items had to pass to two tests, firstly, they should have been importable under the import policy 1978-79 and secondly they should also have been importable under the import policy 1985-88 in terms of the Order dated 18th April, 1985 and if one may add, in such terms 'in accordance with the import rules' whether canalised or not canalised. It must be emphasised that in this case also, the Court had no occasion to consider the significance of the words 'whether canalised or otherwise' mentioned in the Order dated 18th April, 1985 because that point did not arise in the case before it. What did the court then intend by these words used by the court? We have seen that diamond exporters could import the items which they were entitled to import under the Import Policy 1978-79 provided they were importable also under the import policy ruling at the time of import. These are items which were open to import by Export Houses holding Additional Licences for sale to the Actual Users (Industrial). These are items which were directly imported, for example, items in Part 2 List 8 of Appendix 6 of Import Policy 1985-88. These are items which are not canalised. Canalised items are those items which are ordinarily open to import only through a public sector agency. Although generally these are importable through public sector agencies, it is permissible for any import policy to provide an exception to the rule and to declare that an importer might import a canalised item directly. It is in that sense and that sense only that the Court could have intended to define the entitlement of diamond exporters. They would be entitled to import items which were canalised or not if the import policy prevailing at the time of import permitted them to import items falling under such category. This was also viewed in that light in the case of *Indo Afghan Chambers of Commerce* (supra).

It must be emphasised that in the Order dated 18th April, 1985, this Court did not do away with canalisation. That was not the issue before this Court. The expression 'whether canalised or not canalised' was to include both. This Court did not say that canalised items could be imported directly by the importers ignoring the canalisation process. We are of the opinion that this Court did not say that canalisation

A could be ignored. That was not the issue. High public policy, it must be emphasised, is involved in the scheme of canalisation. This purpose of canalisation was examined by this Court in *Daruka & Co. v. Union of India & Ors.*, [1974] 1 SCR 570 where the Constitution Bench of this Court observed that the policies of imports or exports were fashioned not only with reference to internal or international trade, but also on

B monetary policy, the development of agriculture and industries and even on the political policies of the country and rival theories and views may be held on such policies. If the Government decided an economic policy that import or export should be by a selected channel or through selected agencies the court would proceed on the assumption that the decision was in the interest of the general public unless

C the contrary was shown. Therefore it could not be collaterally altered in the manner suggested. The policy of canalisation which is a matter of policy of the Government was not given a go-bye by the observations referred to in the Order of 18th April, 1985. Indeed it is possible to read the Order in a manner consistent with canalisation scheme in the way we have indicated. If that is so, then it should be so read.

D When this Court observed that the fact whether items were sought to be imported by diamond merchants were canalised, would not be an impediment to the import directly by them, the Court meant to say that this could be imported directly by them through the canalisation organisation. The need for canalisation stands on public policy and that need cannot be lightly or inferentially given a go-bye. It should not be presumed that collaterally the court had done away with the system of canalisation based on sound public policy. We have found nothing in the different authorities on this subject, which militate against the above views. Therefore, the action taken by the Custom authorities in issuing adjudication notice and proceeding in the manner they did, we are of the opinion that they have not acted illegally or

F without jurisdiction. This must proceed in accordance with law as laid down by this Court which, in our opinion, is clear enough. The fact that in subsequent decision, the petitioner is not a party is not relevant. Generally legal positions laid down by the court would be binding on all concerned even though some of them have not been made parties nor were served nor any notice of such proceedings given.

G

As held in *Star Diamond's* case (supra), the meaning of the expression "whether canalised or otherwise" used by this Court in *Rajnikant Bros'* case as explained in *Godrej Soaps Pvt. Ltd.* case and reiterated and followed in the present case is applicable to the present

H petitioner.

We see no substance in the submission made in the petition and reiterated before us in this Court for a reconsideration of this question by a larger Bench. In the aforesaid view of the matter, we are unable to sustain the grounds urged in support of this petition. We are, therefore, of the opinion that proceedings must go in accordance with law. The government's understanding of the matter at one point of time is irrelevant.

There are several applications for impleadment. These are allowed, and they are impleaded. Their statements are taken on record.

Before parting with this case, certain factors must be noted. The diamond exporters and dry fruit exporters have their full round in this Court. Speaking entirely for myself, my conscience protests to me that when thousands remediless wrongs await in the queue for this Court's intervention and solution for justice, the petitions at the behest of diamond exporters and dry fruit exporters where large sums are involved should be admitted and disposed of by this Court at such a quick speed. Neither justice nor equity nor good conscience deserves these applications to be filed or entertained. There is no equity of restitution against the law declared categorically and repeatedly by this Court and no principle of estoppel involved in these applications.

The Writ petition is dismissed and in the facts and circumstances of this case, we direct that the petitioner must pay cost of this application.

It has been prayed that clear-cut date must be fixed where contracts had been entered into and in which letters of credit prior to 15th April, 1986 have been entered into, there should be no prosecution. It has been further prayed that where however contracts have been entered into but no letters of credit have been opened, such parties should not be penalised in the facts and circumstances of the case. No direction is necessary by this Court on this aspect. The authorities concerned will decide the same in taking into consideration all the facts and circumstances and taking into consideration the case of the petitioners and the alleged claim of bona fide on their part.

A submission was made on the principle of promissory estoppel and reliance was placed on the several observations of several cases including the case in *Union of India and Others etc. v. Godfrey Philips India Ltd. etc.*, AIR 1986 S.C. 806. It is true that the doctrine of

- A** promissory estoppel is applicable against the Government in the exercise of its government, public or executive functions and the doctrine of executive necessity or freedom of future executive action cannot be invoked to defeat the applicability of the doctrine of promissory estoppel. But in this case no such case of promissory estoppel has been made out. The intervention applications filed in this connection are
- B** allowed and the submissions contrary to what we had stated hereinbefore are rejected.

As the points involved in Writ Petition No. 1494 of 1986 are same, this is also dismissed with costs. Interim orders, if any, are vacated forthwith. The proceedings will proceed as expeditiously as

C possible in accordance with law. For the same reasons, Writ Petition No. 1544 of 1986 is also dismissed with costs with the same observations.

H.L.C.

Petition dismissed.