

HELD: 1. The Constitution of India envisages a federal feature, which has been held to be a part of the basic structure of the Constitution of India. Article 3 of the Constitution of India confers the power of formation of new states on the Parliament. The issue of bifurcation of States is both sensitive as well as tricky. Adequate care has to be taken by the legislature while drafting legislations such as the Reorganisation Act, 2014 to ensure a smooth division of all assets, liabilities and funds between the states to make sure that the interests of the citizens living in these states are protected adequately. Therefore, care must be taken to ensure that no discrimination is done against either of the successor state. Thus while interpreting statutes of such nature, the courts must ensure that all parts of the statute are given effect to. [Paras 20, 21, 22] [1022-H; 1023-F; 1024-A-B]

S.R. Bommai & Ors. v. Union of India 1994 (2) SCR 644 : (1994) 3 SCC 1; *Raja Ram Pal v. Hon'ble Speaker, Lok Sabha* 2007 (1) SCR 317 : (2007) 3 SCC 184; *H.H. Maharajadhiraja Madhav Rao Jivaji Rao Scindia Bahadur of Gwalior & Ors. v. Union of India* 1971 (3) SCR 9 : (1971) 1 SCC 85; *Prakash Kumar@ Prakash Bhutto v. State of Gujarat* 2005 (1) SCR 408 : (2005) 2 SCC 409 – followed.

2. It is natural that when an existing State is bifurcated to form two new States, there must be an equitable bifurcation of the assets and liabilities of the statutory bodies among the two successor States as well, to ensure welfare of the public at large residing within these territories. In the instant case, the State of Telangana has claimed ownership over the entire funds and assets of the (erstwhile) APSC. This could surely not have been the intention of the legislature while enacting the Reorganisation Act, 2014. The action of the Banks of freezing the bank accounts of APSC is wholly untenable in law, which must be set aside. By no stretch of imagination can it be assumed that the complete takeover of assets of the erstwhile APSC by TSC, on the ground that the State institution happens to be in Hyderabad, which is now a part of Telangana, was what the legislature had in contemplation while enacting the Reorganisation Act, 2014. The common impugned judgment and order passed by the High Court of judicature at Hyderabad for the States of Telangana and Andhra

- A Pradesh upholding the freezing of the bank accounts of APSC being unsustainable in law is liable to be set aside. Accordingly, the appeals filed by the State of Andhra Pradesh and APSC are allowed. Having allowed the appeal filed by APSC, the action of freezing of the bank accounts of APSC is bad in law on account of
- B the fact that what has been frozen is not just the pre bifurcation amount, but also the amounts collected by APSC for the period after the bifurcation in relation to the thirteen districts of the successor State of Andhra Pradesh. Accordingly, APSC must be allowed to operate their bank accounts in respect of the thirteen districts which fall within State of Andhra Pradesh now, in which
- C the amounts collected post the date of bifurcation have been deposited. The assets of APSC of the undivided State of Andhra Pradesh, that is, assets existing up to the date of bifurcation may be divided between the two successor States in the population ratio of 58:42, as provided under Section 2(h) of the Reorganisation Act, 2014, if the two successor States are agreeable to the same.
- D If the two successor States are unable to arrive at an agreement, the Central Government may constitute a committee, which may be directed to arrive at an agreement, in accordance with the provisions of the Reorganisation Act, 2014 within a period of two months from the date such representation is made to the Central
- E Government. [Paras 24 to 28] [1025-F-H; 1026-A-G]

Electricity Employees Union v. Union of India 2000 (3)
Suppl. SCR 1 : (2000) 7 SCC 339 – referred to.

Case Law Reference

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|---|-----------------------|-------------|---------|
| F | 2000 (3) Suppl. SCR 1 | referred to | Para 14 |
| | 1994 (2) SCR 644 | followed | Para 20 |
| | 2007 (1) SCR 317 | followed | Para 21 |
| | 1971 (3) SCR 9 | followed | Para 22 |
| G | 2005 (1) SCR 408 | followed | Para 23 |

CIVIL APPELLATE JURISDICTION : Civil Appeal No. 3019-3020 of 2016

WITH

Civil Appeal No. 3021 of 2016

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From the Judgment and Order dated 01.05.2015 of the High Court of Judicature at Hyderabad for the State of Telangana and the State of Andhra Pradesh in WP No. 1873 and 2882 of 2015.

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Ranjit Kumar, SG, K. Ramakrishna Reddi, AG for Telangana, P. P. Rao, Basava Prabhu S. Patil and T. R. Andhyarujina, Sr. Advocates, G. Pramod Kumar, Prasanth, Ms. Hemantika Wahi, A. V. Rangam, Buddy A. Ranganandhan, D. V. Raghu Vamsy, Guntur Prabhakar, Ms. Purna Singh, S. Udaya Kumar Sagar, Abhishek Reddy, Krishna Kumar Singh, Ms. Binu Tamta, Tushar Bakshi, Ms. S. Usha Reddy, Rajiv Singh and Ms. Sushma Suri, Advocates for the appearing parties.

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The Judgment of the Court was delivered by

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V. GOPALA GOWDA, J. 1. Leave granted in the Special Leave Petitions.

2. The present appeals arise out of the common impugned judgment and order dated 01.05.2015 passed by the High Court of judicature at Hyderabad for the States of Telangana and Andhra Pradesh in Writ Petition Nos. 1873 and 2882 of 2015, wherein it was held that the assets, properties and funds lying at the present location of the Andhra Pradesh State Education Council of Higher Education now belong exclusively to the Telangana State Education Council for Higher Education.

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3. The relevant facts which are required for us to appreciate the rival legal contentions are stated in brief hereunder:

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The Andhra Pradesh State Council of Higher Education (hereinafter referred to as the "APSC") was constituted under Section 3 of the Andhra Pradesh State Council of Higher Education Act, 1988, to advise the State government in matters relating to Higher Education in the State and to oversee its development with Perspective Planning. The APSC continued carrying out the various functions assigned to it under the Act of 1988, including conducting common entrance examinations for various courses in the State of Andhra Pradesh.

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4. On 02.06.2014, the Andhra Pradesh Reorganisation Act, 2014 (hereinafter referred to as the "Reorganisation Act, 2014") came into force, which bifurcated the existing State of Andhra Pradesh into two separate States, namely, the State of Andhra Pradesh and the State of Telangana. The statement of objects and reasons of the Act provides, inter alia, as under:

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A “a) it provides for the territories of the two successor states of
Andhra Pradesh and Telangana, and necessary provisions relating
to representation in Parliament and State Legislatures, distribution
of revenues, apportionment of assets and liabilities, mechanisms
for the management and development of water resources, power
and natural resources and other matters.

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.....

C c) it provides that Hyderabad in the existing State of Andhra
Pradesh shall be the common capital of both the successor States
from the appointed day for a period not exceeding ten years, and
puts in place legal and administrative measures to ensure that
both the State Governments can function efficiently from the
common capital.....”

Section 75 of the Reorganisation Act, 2014 provides as under:

“75. Continuance of facilities in certain State institutions.

D (1) The Government of the State of Andhra Pradesh or the State
of Telangana, as the case may be, shall, in respect of the institutions
specified in the Tenth Schedule to this Act, located in that State,
continue to provide facilities to the people of the other State which
shall not, in any respect, be less favorable to such people than
what were being provided to them before the appointed day, for
such period and upon such terms and conditions as may be agreed
upon between the two State Governments within a period of one
year from the appointed day or, if no agreement is reached within
the said period, as may be fixed by order of the Central Government.

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F (2) The Central Government may, at any time within one year
from the appointed day, by notification in the Official Gazette,
specify in the Tenth Schedule referred to in subsection (1) any
other institution existing on the appointed day in the States of
Andhra Pradesh and Telangana and, on the issue of such
notification, such Schedule shall be deemed to be amended by the
inclusion of the said institution therein.”

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APSC figures as item 27 in the Tenth Schedule to the
Reorganisation Act, 2014. Thus, in terms of Section 75, APSC was
required to continue its functions in respect of both the States, i.e. Andhra
Pradesh and Telangana until an agreement was reached between the
two successor States.

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5. Vide G.O.M. No. 5 dated 02.08.2014, the Government of
Telangana adapted the Act of 1988 in the following terms: A

“Whereas by Section 101 of the Andhra Pradesh Re-Organisation
Act, 2014 (Central Act No. 6 of 2014), the appropriate Government
i.e. the State of Telangana is empowered by order, to make such
adaptations and modifications of any law (as defined in section B
2(f) of the Act) made before 02.06.2014, whether by way of repeal
or amendment as may be necessary or expedient, for the purpose
of facilitating the application of such law in the State of Telangana
before expiration of two years from 02.06.2014; and thereupon
every such law shall have effect subject to the adaptations and C
modifications so made until altered, repealed or amended by a
competent Legislature or other Competent Authority;

And whereas, it has become necessary to adapt the Andhra
Pradesh State Council of Higher Education Act, 1988 and the
Rules and Regulations made thereunder for the purpose of
facilitating their application in relation to the State of D
Telangana.....”

Thus, the Telangana State Council of Higher Education (hereinafter
referred to as the “TSC”) came into existence to discharge the same
functions for the State of Telangana as the APSC for the State of Andhra
Pradesh. E

6. Pursuant to the creation of the TSC, the Secretary to the
Government, Higher Education (UE) Department, Telangana, wrote
Letter No.263/UE/2014-2 dated 05.09.2014, to the Principal Secretary
to Government, Higher Education (UE) Department, Andhra Pradesh
outlining a provisional allocation of assets as well as posts between the
two States, in terms of the proposal already submitted by the APSC, to
divide the assets in the ratio of population as 52:48, as provided for under
Section 2(h) of the Reorganisation Act, 2014. These were to include: F

- “
- a) Distribution of posts in the ratio of 58:42
 - b) Allocation of fixed deposits G
 - c) Allocation of bank balances in various accounts
 - d) Number of employees based on nativity
 - e) Number of vehicles
 - f) Number of equipments
 - g) Number of movable assets etc.” H

A The details of the proposed allocation are provided as under:

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Fixed Deposits

S.No	Category	Total Amount in Rs.	58% to APSCHE	42% to TSCHE
1.	General Accounts	607796365	352521892	255274473
2.	College Accounts	61502021	35671172	25830849
3.	CETs Accounts	489531581	283928317	205603264
	Total	115,88,29,967	67,21,21,381	48,67,08,586

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Bank Balances in various accounts

S.No.	Category	Total Amount in Rs.	58% to APSCHE	42% to TSCHE
1.	General Accounts	18405959	10675456	7730503
2.	College Accounts	164524435	95424172	69100263
3.	CETs Accounts	1207229	700193	507036
	Total	18,41,37,623	10,67,99,821	7,73,37,802

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Cadre wise allocation of posts between APSCHE & TSCHE

S.No.	Post/Cadre	Total Sanctioned Posts	Allocation of posts after bifurcation	
			58% to APSCHE	42% to TSCHE
1.	Finance Officer	1	1	0
2.	Deputy Director	1	1	0
3.	Asst. Directors	3	2	1
4.	Lecturers	4	2	2
5.	Asst. Secretary	1	0	1
6.	Consultants	3	2	1
7.	Superintendent	1	1	0
8.	Private Secretary	1	0	1
9.	Senior Accountant	3	2	1

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10	Senior Steno	1	0	1
11	Jr. Stenographer	2	1	1
12	Jr. Assistant	1	0	1
13	Clerk-cum-Typist	1	1	0
14	Typist-cum-Asst.	1	0	1
15	Computer Operator	1	1	0
16	Data Entry Operator	1	1	0
17	Drivers	3	2	1
18	Record Asst.	1	0	1
19	Roneo Operator	1	1	0
20	Office Subordinates	3	2	1
	Total	34	20	14

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Cadre wise posts to APSCHE & TSCHE

S. No.	Category	Total Number of posts	58% to APSCHE	42% to TSCHE
1	Gazetted Cadres	10	6	4
2	Other cadres	24	14	10
	Total	34	20	14

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**Number of employees based on nativity
 (only Council employees)**

S.No.	Category	Total Employees Working	Andhra	Telangana
1	Gazetted cadres	4	4	0
2	Other cadres	19	5	14
	Total	23	9	14

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Number of vehicles (working and condemned)

S.No.	Category	Total Vehicles	58% to APSCHE	42% to TSCHE
1	Serviceable	4	2	2
2	Condemned	5	3	2
	Total	9	5	4

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Number of Equipments

S.No.	Category	Total Equipments	58% to APSCHE	42% to TSCHE
1	Computers	37	21	16
2	Printers	18	10	8
3	Others	27	16	11
	Total	82	47	35

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Number of Movable Assets

S.No.	Total Assets	58% to APSCHE	42% to TSCHE
1	676	392	284

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7. On 30.10.2014, the Government of Telangana issued a Circular Memo to the senior management of the banks in which the bank accounts of the government were operating to ensure that the provisions of the Reorganization Act, 2014, especially with respect to the institutions listed in Schedules VII, IX and X were not violated. On 05.01.2015, TSC sent a communication to the Manager, Andhra Bank, Saifabad, Hyderabad Branch, stating that TSC is the successor organization to APSC as per the Reorganisation Act, 2014 and requested the Bank to freeze the operation of Account No. 0533100110978 and all other accounts operating in the name of APSC. The Bank sent a letter dated 07.01.2015 to APSC, informing them about the letter from TSC. In its reply dated 08.01.2015, APSC denied that TSC was its successor and informed the Bank that if

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it were to freeze its accounts, it would be constrained to take the appropriate legal action. Accordingly, the Bank sent a letter dated 14.01.2015 to the TSC declining to freeze the accounts of APSC. On 28.01.2015, the State Bank of Hyderabad, Shantinagar, Hyderabad Branch, without giving prior notice to APSC froze the accounts at the behest of TSC.

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8. Aggrieved of the said action of the Bank in freezing the accounts, APSC filed Writ Petition No. 1873 of 2015 before the High Court of Andhra Pradesh, praying for the action of the State Bank of Hyderabad, Shantinagar, Hyderabad Branch in freezing the accounts of APSC to be declared as illegal, arbitrary and contrary to the principles of natural justice and setting it aside. The State of Telangana also filed Writ Petition No. 2882 of 2015 praying for a declaration that APSC and the State of Andhra Pradesh be not allowed to withdraw money from the bank accounts of APSC. By way of the impugned common judgment and order dated 01.05.2015, the High Court held that TSC would be allowed to operate the concerned bank accounts, and that the claim made by APSC was not sustainable since it was now located in the State of Telangana. The High Court held as under:

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“6. It is the settled position of law that institutions located in the successor States are governed by the law of successor State-laws of the land namely, principle of land, known as *lex situs*.

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7. Under Article 246 (2) & (3) of the Constitution of India, the State Legislatures are competent to make laws in respect of their territory covered by the entries in List-II & III of the 7th schedule of the Constitution. Therefore, in terms of Section 75 of the Act, 2014, the specified institutions under the tenth schedule are governed by the laws of the respective States where they are located. Having regard to the aforesaid legal position, the institutions specified in the tenth schedule located in Telangana are governed by the law of the State of Telangana.

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8..... The office of institution of petitioner No.2 formerly known as APSC, is now situated in the State of Telangana at Hyderabad. Therefore, the law enacted by the State of Telangana alone, necessarily, has application for administration of the institution. Consequently, any action taken or order now passed by the erstwhile body of the institution specified at Item No. 27 of tenth schedule is without jurisdiction and would be ultra vires.

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above) deals only with the continuance of facilities in respect of the Institutions specified in the Tenth Schedule. It can, by no means, be stretched to deal with either '*apportionment of assets and liabilities*' of the Institutions specified in Tenth Schedule of the Reorganisation Act, 2014 or allocation of the Institutions to one State or the other. A

10. The learned senior counsel contends that the assets and liabilities of the existing State are dealt with in Part-VI, consisting Sections 47-67 of the Reorganisation Act, 2014, under heading '*apportionment of assets and liabilities*'. B

Section 47 of the Reorganisation Act, 2014 reads as under:

"47. (1) The provisions of this Part shall apply in relation to the apportionment of the assets and liabilities of the existing State of Andhra Pradesh immediately before the appointed day. C

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(3) The apportionment of assets and liabilities shall be subject to such financial adjustment as may be necessary to secure just, reasonable and equitable apportionment of the assets and liabilities amongst the successor States. D

(4) Any dispute regarding the amount of financial assets and liabilities shall be settled through mutual agreement, failing which by order by the Central Government on the advice of the Comptroller and Auditor-General of India." E

(emphasis laid by this Court)

Further, Section 49, which deals with Treasury and Bank Balances, reads as under: F

"49. The total of the cash balances in all treasuries of the existing State of Andhra Pradesh and the credit balances of the existing State of Andhra Pradesh with the Reserve Bank of India, the State Bank of India or any other bank immediately before the appointed day shall be divided between the States of Andhra Pradesh and Telangana on the basis of population ratio....." G

Population ratio has been defined in Section 2(h) as under:

"2.

(h) "population ratio", in relation to the States of Andhra Pradesh and Telangana, means the ratio of 58.32 : 41.68 as per 2011 H

A Census”

The learned senior counsel contends that the assets of APSC need to be divided in the population ratio between the successor States of Andhra Pradesh and Telangana in a fair and equitable manner.

B 11. Mr. Basava Prabhu S. Patil, the learned senior counsel appearing on behalf of the State of Andhra Pradesh contends that the impugned judgment and order passed by the High Court is erroneous in law. The learned senior counsel contends that the funds collected by APSC post the creation of Telangana, i.e., post 02.06.2014 cannot be appropriated by the State of Telangana simply by way of the order of the High Court, on the basis of faulty interpretation of the provisions of the Reorganisation Act, 2014. It is submitted that this has effectively resulted in the State of Telangana stopping the State of Andhra Pradesh from utilising the funds it had collected even post the bifurcation, in respect of the thirteen districts which formed part of its territory. The learned senior counsel further draws our attention to Section 64 of the Reorganisation Act, 2014, which reads as under:

C **“64. Residuary Provision:** The benefit or burden of any asset or liability of the existing State of Andhra Pradesh not dealt with in the foregoing provisions of this Part shall pass to the State of Andhra Pradesh in the first instance, subject to such financial adjustment as may be agreed upon between the States of Andhra Pradesh and Telangana or, in default of such agreement, as the Central Government may, by order, direct.”

(emphasis laid by this Court)

F 12. The learned senior counsel further contends that the impugned judgment and order has been passed on a faulty consideration of the provisions of Sections 5, 75 and 101 of the Reorganisation Act, 2014, and in ignorance and non consideration of the provisions of Part VI of the Act, which deal with apportionment of assets and liabilities. The learned senior counsel contends that the overarching principle of the Reorganisation Act, 2014 is a twofold basis of bifurcation, namely reasonableness and equity, and population ratio, and the same must be implemented in its true spirit.

G 13. On the other hand, Mr. T.R. Andhyarujina, the learned senior counsel appearing on behalf of the State of Telangana contends that the term '*facilities*' used in Section 75 of the Reorganisation Act, 2014 should

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also be understood to include assets and liabilities of those respective institutions. If an institution falls within the territory of Telangana, then it cannot be disturbed, and the new State of Andhra Pradesh cannot stake any claim in it whatsoever. A

14. Mr. K. Ramakrishna Reddi, learned Advocate General for the State of Telangana contends that the specified institutions in the tenth Schedule of the Reorganisation Act, 2014 are partly corporate personalities, in the nature of state owned institutions, without any commercial element and are non-profit in nature. The learned Advocate General places reliance on the decision of this Court in the case of *Electricity Employees Union v. Union of India*¹, wherein this Court, while interpreting the provisions of the Punjab Reorganisation Act held as under: B C

“11. Part VI of the Act as stated above deals with apportionment of assets and liabilities of the erstwhile State of Punjab. This Part is not applicable for apportionment of assets and liabilities of the existing Punjab State Electricity Board, as there is specific provision for this purpose viz., Section 67 and moreover the Board has a separate legal entity.” D

15. Further, the learned Advocate General contends that the apportionment of assets and liabilities as per the Reorganisation Act, 2014 has been made on the basis of territory and location. The Tenth Schedule state institutions have to be maintained as per the location of the respective States. Thus, purely on the basis of the principle of territoriality also, the funds and assets of the erstwhile APSC now belong to the TSC. E

16. Mr. Ranjit Kumar, the learned Solicitor General appearing on behalf of Union of India, submits that APSC is a statutory body constituted under the Andhra Pradesh State Council for Higher Education Act, 1988. Since the Council has to discharge statutory responsibilities under the relevant Act, both the States should adopt the Act of 1988 under Section 101 of the Reorganisation Act, 2014, in the interest of students, till such time as they enact their own laws. While the government of Telangana has already adopted this, the Government of Andhra Pradesh is still to do so. The learned Solicitor General further submits that the ownership and division of the assets of the erstwhile APSC would be governed by Section 47 of the Reorganisation Act, 2014. F G

¹(2000) 7 SCC 339

A 17. The learned Solicitor General draws our attention to a crucial provision which governs the assets and liabilities of the institutions incorporated under Central or State Act, i.e. Section 52(4), which reads as under:

B “52(4) Where anybody corporate constituted under a Central Act, State Act or Provincial Act for the existing State of Andhra Pradesh or any part thereof has, by virtue of the provisions of Part II, become an inter-State body corporate, the investments in, or loans or advances to, any such body corporate by the existing State of Andhra Pradesh made before the appointed day shall, save as otherwise expressly provided by or under this Act, be divided
C between the States of Andhra Pradesh and Telangana in the same proportion in which the assets of the body corporate are divided under the provisions of this Part.”

(emphasis laid by this Court)

D The learned Solicitor General further submits that since all statutory corporations and Public Sector Undertakings are the instrumentalities created by the existing State of Andhra Pradesh in the context of reorganization of the existing State, their assets and liabilities are liable to be apportioned between the two States as per the population ratio stipulated under the provisions of Section 2(h) of the Reorganisation Act, 2014. The APSC, being an asset of the existing State, created by
E the Act of 1988, it became necessary to provide for bifurcation of APSC and allocation of fixed deposits, Bank balances, cadre strength, vehicles, equipment, movable assets etc. The learned senior counsel submits that subsequent to the impugned judgment and order passed by the High Court, TSC has been operating the bank accounts of APSC, which
F includes the money collected from the thirteen districts of the successor State of Andhra Pradesh.

G 18. We have heard the learned senior counsel appearing on behalf of the parties. The short point which arises for our consideration is whether the High Court was right in upholding the action of the Banks in freezing the accounts of APSC.

19. We are unable to agree with the contentions advanced by the learned senior counsel appearing for the State of Telangana.

H 20. The Constitution of India envisages a federal feature, which has been held to be a part of the basic structure of the Constitution of India, as has been held by the seven Judge Bench of this Court in the

case of *S.R. Bommai & Ors. v. Union of India*², wherein Justice K. A
Ramaswamy in his concurring opinion elaborated as under:

“247. Federalism envisaged in the Constitution of India is a basic feature in which the Union of India is permanent within the territorial limits set in Article 1 of the Constitution and is indestructible. The State is the creature of the Constitution and the law made by Articles 2 to 4 with no territorial integrity, but a permanent entity with its boundaries alterable by a law made by Parliament. Neither the relative importance of the legislative entries in Schedule VII, Lists I and II of the Constitution, nor the fiscal control by the Union per se are decisive to conclude that the Constitution is unitary. The respective legislative powers are traceable to Articles 245 to 254 of the Constitution. The State qua the Constitution is federal in structure and independent in its exercise of legislative and executive power. However, being the creature of the Constitution the State has no right to secede or claim sovereignty. Qua the Union, State is quasi-federal. Both are coordinating institutions and ought to exercise their respective powers with adjustment, understanding and accommodation to render socio-economic and political justice to the people, to preserve and elongate the constitutional goals including secularism. B
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248. The preamble of the Constitution is an integral part of the Constitution. Democratic form of Government, federal structure, unity and integrity of the nation, secularism, socialism, social justice and judicial review are basic features of the Constitution.” E

(emphasis laid by this Court)

21. Article 3 of the Constitution of India confers the power of formation of new states on the Parliament. The scope of Article 3 was elaborated upon by a five judge bench of this Court in the case of *Raja Ram Pal v. Hon’ble Speaker, Lok Sabha*³ as under: F

“India is an indestructible Union of destructible units. Article 3 and Article 4 of the Constitution together empower Parliament to make laws to form a new State by separation of the territory from any State or by uniting two or more States or parts of States or by uniting any territory to a part of any State, and in so doing to increase or diminish the area of any State and to alter its boundaries.....” G

² (1994) 3 SCC 1

³ (2007) 3 SCC 184

A 22. The issue of bifurcation of states is both sensitive as well as
 B tricky. Adequate care has to be taken by the legislature while drafting
 C legislations such as the Reorganisation Act, 2014 to ensure a smooth
 D division of all assets, liabilities and funds between the states to make
 E sure that the interests of the citizens living in these states are protected
 F adequately. Therefore, care must be taken to ensure that no discrimination
 G is done against either of the successor state. Thus while interpreting
 H statutes of such nature, the courts must ensure that all parts of the statute
 are given effect to. An eleven Judge Bench of this Court in the case of
*H.H. Maharajadhiraja Madhav Rao Jivaji Rao Scindia Bahadur
 of Gwalior & Ors. v. Union of India*⁴ has held as under:

C “The Court will interpret a statute as far as possible, agreeably to
 D justice and reason and that in case of two or more interpretations,
 E one which is more reasonable and just will be adopted, for there is
 F always a presumption against the law maker intending injustice
 G and unreason. The Court will avoid imputing to the Legislature an
 H intention to enact a provision which flouts notions of justice and
norms of fairplay, unless a contrary intention is manifest from
words plain and unambiguous. A provision in a statute will not be
 construed to defeat its manifest purpose and general values which
 animate its structure. In an avowedly democratic polity, statutory
 provisions ensuring the security of fundamental human rights
 including the right to property will, unless the contrary mandate
 be precise and unqualified, be construed liberally so as to uphold
 the right. These rules apply to the interpretation of Constitutional
 and statutory provisions alike.”

(emphasis laid by this Court)

F 23. In the case of *Prakash Kumar@ Prakash Bhutto v. State of*
 G *Gujarat*⁵, a constitution bench of this Court held as under:

G “By now it is well settled Principle of Law that no part of a statute
 H and no word of a statute can be construed in isolation. Statutes
have to be construed so that every word has a place and everything
is in its place. It is also trite that the statute or rules made thereunder
 should be read as a whole and one provision should be construed
 with reference to the other provision to make the provision
 consistent with the object sought to be achieved.

In *Reserve Bank of India v. Peerless General Finance and*

⁴ (1971) 1 SCC 85

H ⁵ (2005) 2 SCC 409

Investment Co. Ltd. this Court said:

“33. Interpretation must depend on the text and the context. They are the basis of interpretation. One may well say if the text is the texture, context is what gives the colour. Neither can be ignored. Both are important. That interpretation is best which makes the textual interpretation match the contextual. A statute is best interpreted when we know why it was enacted. With this knowledge, the statute must be read, first as a whole and then section by section, clause by clause, phrase by phrase and word by word. If a statute is looked at, in the context of its enactment, with the glasses of the statute- maker, provided by such context, its scheme, the sections, clauses, phrases and words may take colour and appear different than when the statute is looked at without the glasses provided by the context. With these glasses we must look at the Act as a whole and discover what each section, each clause, each phrase and each word is meant and designed to say as to fit into the scheme of the entire Act. No part of a statute and no word of a statute can be construed in isolation. Statutes have to be construed so that every word has a place and everything is in its place.”

(emphasis laid by this Court)

24. It is natural that when an existing State is bifurcated to form two new States, there must be an equitable bifurcation of the assets and liabilities of the statutory bodies among the two successor States as well, to ensure welfare of the public at large residing within these territories.

25. In the instant case, the State of Telangana has claimed ownership over the entire funds and assets of the (erstwhile) APSC. This could surely not have been the intention of the legislature while enacting the Reorganisation Act, 2014. The main thrust of the argument of both the learned senior counsel appearing on behalf of State of Telangana, as well as the impugned judgment and order passed by the High Court is that the successor State of Andhra Pradesh has absolutely no right over the institutions in the city of Hyderabad, by virtue of the fact that Hyderabad falls in the successor State of Telangana. Heavy reliance has also been placed on Section 75 of the Reorganisation Act, 2014, on the ground that the assets belonging to the specified institutions of the Tenth Schedule exclusively belong to the State institutions, since the Act does not provide any apportionment to them. We are wholly

A unable to agree with this contention advanced on behalf of the State of Telangana. If this contention is accepted, it would render Section 47 of the Act, which provides for the apportionment of assets and liabilities among the successor States, useless and nugatory.

B 26. The action of the Banks of freezing the bank accounts of APSC is wholly untenable in law, which must be set aside. By no stretch of imagination can it be assumed that the complete takeover of assets of the erstwhile APSC by TSC, on the ground that the State institution happens to be in Hyderabad, which is now a part of Telangana, was what the legislature had in contemplation while enacting the Reorganisation Act, 2014.

C 27. For the reasons stated supra, the common impugned judgment and order passed by the High Court of judicature at Hyderabad for the States of Telangana and Andhra Pradesh in Writ Petition Nos. 1873 and 2882 of 2015, upholding the freezing of the bank accounts of APSC being unsustainable in law is liable to be set aside and set aside.
D Accordingly, the appeals filed by the State of Andhra Pradesh and APSC are allowed.

E 28. Having allowed the appeal filed by APSC, we also hold that the action of freezing of the bank accounts of APSC is bad in law on account of the fact that what has been frozen is not just the pre bifurcation amount, but also the amounts collected by APSC for the period after the bifurcation in relation to the thirteen districts of the successor State of Andhra Pradesh. Accordingly, APSC must be allowed to operate their bank accounts in respect of the thirteen districts which fall within State of Andhra Pradesh now, in which the amounts collected post the date of bifurcation have been deposited. The assets of APSC of the undivided
F State of Andhra Pradesh, that is, assets existing up to the date of bifurcation may be divided between the two successor States in the population ratio of 58:42, as provided under Section 2(h) of the Reorganisation Act, 2014, if the two successor States are agreeable to the same. If the two successor States are unable to arrive at an agreement, the Central Government may constitute a committee, which may be
G directed to arrive at an agreement, in accordance with the provisions of the Reorganisation Act, 2014 within a period of two months from the date such representation is made to the Central Government.

29. All pending applications are disposed of. No costs.

H Devika Gujral

Appeals allowed.