



2025 INSC 1035

REPORTABLE

**IN THE SUPREME COURT OF INDIA
CIVIL APPELLATE JURISDICTION**

CIVIL APPEAL NO. 2864 OF 2022

M/s C.L. Gupta Export Ltd.

...Appellant

Versus

Adil Ansari & Ors.

...Respondents

J U D G M E N T

K. VINOD CHANDRAN, J.

The respondent no.1, the applicant before the National Green Tribunal (for brevity, 'NGT') alleged that the appellant, the respondent no.1 before the NGT, as an industry was actively perpetrating environmental degradation and pollution as also extracting ground water; thus polluting the surroundings and also releasing effluents into the nearby river which is a tributary of the Ganga. It was also alleged that the other official respondents, the Pollution Control Board of the State &

the Centre, the Central Ground Water Authority and the District Collector were mute spectators to the activities of the appellant and often colluding, in polluting and damaging the environment. The proceedings before the NGT extended over a period of three years in which various reports were called for from a Joint Committee constituted by the NGT and eventually based on the reports, the matter was disposed of with certain directions, with which the appellant is aggrieved.

2. Sh. Vikas Singh, learned Counsel appearing for the appellant would point out that the environmental compensation (for brevity, 'EC') as determined by the statutory bodies were paid up by the appellant. The appellant also had brought about all the mitigating measures, eventually leading to a report of complete compliance of the statutory conditions and the terms imposed by the Pollution Control Board (for brevity, 'PCB'). Despite that last report of 30.07.2021, clearly

recording compliance, the NGT went ahead and imposed a compensation of Rs. 50 crores based on the allegedly admitted turnover of the appellant. There is no rational nexus in thus computing the penalty, which has also been deprecated by this Court in ***Benzo Chem Industrial (P) Ltd. v. Arvind Manohar Mahajan***¹. The NGT also directed the Enforcement Directorate (for brevity, 'ED') to examine the matter in the light of the observations made in the judgment and take appropriate action under the Prevention of Money Laundering Act, 2002² wherein the environmental laws are also included in Part-A of Schedule I. The said measure has also been frowned upon in ***Waris Chemicals (P) Ltd. v. U.P. Pollution Control Board***³. The contours of maintainability of a Public Interest Litigation (for brevity, 'PIL') is explicitly declared in ***Ashok Kumar Pandey v.***

¹ 2024 SCC OnLine SC 3543

² for brevity, "PMLA"

³ 2025 SCC OnLine SC 1261

State of W.B.⁴; within which contours the present litigation does not fall.

3. None appears for respondent no.1 who was the applicant before the NGT. It is to be observed at the outset that we are not inclined to consider the question of maintainability of the PIL, at this stage especially when the initial reports of the Joint Committee constituted by the NGT clearly indicate violations of the environmental laws which led to the penalisation by imposition of EC. The proceedings were commenced by the applicant in the year 2019 and it was only in the year 2021 that a modicum of compliance was reported.

4. Mr. Saurabh Mishra, learned Advocate-on-Record, appearing for the Pollution Control Board submits that as of now there is full compliance of the environmental laws. However, it is urged that the NGT was within its power in enhancing the penalty since it is

⁴ (2004) 3 SCC 349

a deterrent measure. It is also pointed out that the calibration of the quantum of penalty could also be with reference to multipliers under CPCB, 2019 methodology, instead of a flat turnover percentage. It is also sought that structural directions in paragraph 569-571 of the NGT judgment may be upheld.

5. The appellant was earlier engaged in four manufacturing activities when the proceedings commenced, which were Metal Art Ware, Glass Art Ware, Thermocol Blocks which later, were expanded with two additions; Marble Art Ware and Corrugated Boxes. There was also a residential area where 500-600 people, the employees of the appellant, resided. The appellant is said to be an exporter of handicraft items and has employed around 7,000 workers.

6. On the allegation raised, the NGT had first constituted a Joint Committee comprising of the Central Pollution Control Board (for brevity, 'CPCB'), the

respondent no.3 and the Uttar Pradesh Pollution Control Board (for brevity, 'UPPCB'), the respondent no.2. A report dated 07.05.2019 was filed which noticed ineffective effluent treatment, storage of hazardous wastes and the Thermocol manufacturing unit having not been granted the consent to establish/operate, among other defects. The report proposed a show cause notice under the Water Act, 1974, the closure of the unit and imposition of EC of Rs.10 lakhs. This was followed up with a notice dated 30.03.2019 by the UPPCB to which objections were filed.

7. Further reports dated 16.07.2019 and 03.12.2019 were placed before the NGT in which EC was computed based on the "Assessment of Environmental Compensation in Case of Illegal Extraction of Groundwater" dated 26.06.2019 brought out by the CPCB in compliance with the orders of the NGT. A total EC of Rs.2,49,71,157/- was imposed. The appellant is said

to have deposited an EC of Rs.1,16,39,727/-; after the waiver effected on representations made.

8. Subsequently, yet another report dated 30.07.2021 was submitted before the NGT which even according to the NGT as is seen from page 145 of the order confirms full compliance with all prior recommendations/suggestions. This report was also partly accepted by the NGT in paragraph 466. The reservation expressed by the NGT seems to be of the amount of compensation determined/recommended by the Committee being not consistent with the directions of the NGT, issued in various other matters. Finding that the appellant had violated environmental laws including the provisions relating to extraction of groundwater, the NGT went ahead to discuss the provisions of the PMLA, various decisions with respect to that statute and also those decisions of the NGT, imposing compensation with reference to the turnover of the polluter on the principle:

“polluter pays”. The NGT thus imposed the compensation, issued directions including that with reference to PMLA as also made a sweeping direction for the closure of the divisions of the appellant, in which requisite steps are not taken to comply with the prescribed standards.

9. As has been correctly pointed out by the CPCB, the order of the Tribunal relating to fresh water audit, monitoring and restoration has to be retained. Insofar as, the compliance is concerned we refer to the following in the written submissions made :

“5. Pursuant to the above directions, a joint inspection was undertaken between 23-25.08.2022 and a report dated 24.12.2022 was filed before this Hon’ble Court. The said report records inter alia that soil parameters were normal; yellowing of stored groundwater was attributable to oxidation of iron and manganese; there was no crop damage within a 2.5 km radius as per the District Horticulture Officer, Amroha; OPD records from the Chief Medical Officer, Amroha did not show any air-borne disease burden requiring oxygen or ventilator support; and that other industries in the vicinity also

contributed to environmental load. The report further records that the Appellant has installed extensive flow-meters and piezometers, that reconciliation between fresh water abstraction and consumption shows negligible variance (approximately 0.39% over a five-month period), and that a common STP/ETP with advanced treatment systems has been put in place.”

The directions in the impugned judgment relating to audit, monitoring and restoration are necessarily within the powers of the NGT and is a continuing process. We also notice the submissions of CPCB that restoration measures should focus on aquifer recharge, continuous water balance monitoring and area wide environmental load management. Recycling of treated water, reduced usage of ground water withdrawal, continuous and robust monitoring would definitely guide the design of a prospective compliance regime.

10. We cannot for a moment dispute that if there is non-compliance of any of the statutory conditions or that imposed by the PCBs in mitigation of the unit specific

pollution, then such action sanctioned by the statute could be taken, including notice for closure by the jurisdictional PCB. We are also convinced that there could be constant monitoring of the unit especially looking at the past violations. But, we are not convinced that having accepted the report of compliance, there was any warrant for a sweeping direction to close such of the divisions of the appellant which are falling short of the compliance. Reserving the right of the jurisdictional PCBs to proceed against any violation of statutory or other conditions imposed, the direction issued by the NGT has to be set aside and we do so.

11. ***Benzo Chem Industrial (P) Ltd.***¹ was a case in which one of us (B. R. Gavai, J, as he then was) considered the question of imposition of penalties on a reference to the annual turnover wherein the NGT having noticed the revenue range of the polluter to be between 100-500 crores imposed a penalty of Rs.500 crores. This Court

first noticed the huge disparity in the range noticed by the NGT, also taken from the public domain which would have clearly indicated the exact figure. It was categorically held that generation of revenue, or its quantum, would have no nexus with the amount of penalty to be ascertained for environmental damages. The methodology adopted by the NGT for imposition of penalty was held to be totally unknown to any principle of law. We fully agree with the observation and add that rule of law does not permit State or its agencies to extract a 'pound of flesh', even in environmental matters. Though in the present case there is an observation made that there was admitted turnover of Rs.550 crores; we still notice the absence of nexus between the turnover and the pollution alleged. In fact the penalty imposed on the appellant, by the statutory body was on the basis of a methodology framed by the CPCB, on the directions of the NGT. If at all the NGT was of the opinion that the EC

imposed was minimal or low, it could have referred to the methodology framed by the CPCB and not merely looked at the revenue generation of the alleged polluter. We hence strike out the imposition of compensation of Rs.50 Crores by the NGT. However, we make it clear that we have not considered the maintainability of the EC imposed by the PCBs and the statement regarding the penalty paid by the appellant, has not been verified. If the appellant has avenues to challenge the same, they would be left liberty, subject to the laws of limitation. The PCB would also be entitled to recover any shortfall or impose any further EC on non-compliance being detected.

12. ***Waris Chemicals (P) Ltd.***³ dealt with a similar direction to invoke the provisions of the PMLA as in this case. It was held, following ***Vijay Madanlal Choudhary v. Union of India***⁵ that Section 3 of the PMLA is dependent

⁵ (2023) 12 SCC 1

on illegal gain of property as a result of the criminal activity relating to a scheduled offence. As in the facts of the cited case, here, neither is there registration of FIR for any scheduled offence nor any complaint is filed alleging such offences under the various environmental protection statutes scheduled under the PMLA and coming within its ambit. This Court had also raised serious doubts about the jurisdiction of the NGT to direct the prosecution of individuals under the PMLA; which we fully subscribe to. The NGT should act within the contours of the powers conferred on it which is Section 15 of the NGT Act of 2010. Though such power would be available to a Court constituted under the PMLA or to constitutional courts, it would not be available for exercise by the NGT, constituted to ensure effective and expeditious consideration of cases relating to environmental protection and conservation of forests and other natural resources including enforcement of any legal right and

giving relief and compensation for damages to persons and properties. We hence set aside the direction issued to the Enforcement Directorate; but say nothing on whether there is an offence made out or not, which at this stage is not within our ken.

13. We have to necessarily set aside the directions issued other than that which permits a continuous monitoring and audit of the pollution control measures to ensure a pollution free, compliance regime. Before we leave the matter, with some anguish, we cannot but indicate that application of mind is not proportionate to the number of pages. The impugned judgment deals elaborately with the environmental law, the numerous pollution prevention measures, the guidelines and publications issued by various States as also decisions in that regard. It also extracts the various reports filed by the Joint Committee, the interim orders of the NGT and the objections raised by the industry; which would

anyway be available in the records of the case. In the context of the last of the reports having found complete compliance, we cannot but observe that unfortunately this was an exercise in futility. Judicious consideration is the sum and substance of adjudication and the Courts/Tribunals should restrain themselves from engaging in mere rhetoric by stating the law in general without particular reference to the facts. We say nothing more and allow the appeal setting aside the order of the NGT to the extent noticed above.

14. Pending applications, if any, shall stand disposed of.

..... **CJI.**
(B. R. GAVAI)

..... **J.**
(K. VINOD CHANDRAN)

NEW DELHI;
AUGUST 22, 2025.