



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

CIVIL APPEAL NO(S).7050-7051 OF 2010

**THE STATE OF UTTAR PRADESH THROUGH
PRINCIPAL SECRETARY & ORS. ...APPELLANT(S)**

VERSUS

MILKIYAT SINGH & ORS. ETC. ...RESPONDENT(S)

J U D G M E N T

VIKRAM NATH, J.

TABLE OF CONTENTS

FACTUAL MATRIX:3

ISSUE BEFORE THIS COURT:6

Whether, by virtue of Section 103 of the Multi-State Cooperative Societies Act, 2002, the subject cooperative society, though originally registered under the statute enacted by the appellant-State, stands transformed into a multi-State cooperative society on account of the State reorganization?.....7

SUBMISSIONS ON BEHALF OF APPELLANT-STATE:.....7

SUBMISSIONS ON BEHALF OF RESPONDENTS:.....11

ANALYSIS AND DISCUSSION:13

I. Enactment and Scheme of Central Act: 14

a.) Understanding the term ‘object’	16
b.) Creation of “multi-State” cooperative society under the Central Act	18
c.) Scope of “deemed conversion” under Section 103 of Central Act	19
d.) Difference between “objects” and “area of operation” of the society	21
e.) Principles for application of conversion by operation of law under Section 103 of Central Act	22

II. Whether subject co-operative society in the present case is multi-State cooperative society or not?.....24

a.) Contention of the Parties	24
b.) Decision of High Court	25
c.) Averments of Parties before this Court	25
d.) Subject cooperative society is not multi-State cooperative society	26

CONCLUSION:.....27

1. The present appeals assail the common judgment dated 26th September, 2008, passed by the Division Bench of the High Court of Judicature at Allahabad¹, in Civil Miscellaneous Writ Petition Nos. 61489 of 2007 and 18556 of 2008. By the impugned judgment, the High Court allowed the writ petitions and held that the cooperative societies in question could not be

¹ Hereinafter, referred to as “High Court”.

treated as State cooperative societies so as to attract the legislation enacted by the State, and that consequent to the reorganisation of the erstwhile undivided State, they had attained the character of multi-State cooperative societies.

FACTUAL MATRIX:

2. Brief facts, relevant for the disposal of the present case, are narrated hereinbelow: -

2.1. A cooperative sugar factory, namely Kisan Cooperative Sugar Factory Limited, having its registered office at Majhola, District Pilibhit, Uttar Pradesh (hereinafter referred to as “**the cooperative society**”), was originally registered under the provisions of the erstwhile Cooperative Societies Act, 1912. The private respondents herein, who were the writ-petitioners before the High Court, are shareholders of the said cooperative society.

2.2. In the year 1965, the appellant-State enacted the Uttar Pradesh Cooperative Societies Act (hereinafter, “**State Act**”) whereby the earlier Cooperative Societies Act, 1912 stood repealed and was substituted by the State Act.

2.3. In 2000, the U.P. State Reorganization Act, 2000 (“**Reorganisation Act**”) came into force, by which the erstwhile State of Uttar Pradesh was bifurcated into the present State of Uttar Pradesh and the newly created State of Uttarakhand. At that time, the Multi-State Cooperative Societies Act, 1984

governed cooperative societies. Subsequently, in 2002, the Multi-State Cooperative Societies Act, 2002 (“**Central Act**”) was enacted, repealing the 1984 Act and consolidating the law relating to cooperative societies whose operations extended beyond a single State.

2.4. The Central Act incorporated a deeming clause under Section 103, in terms of which certain cooperative societies, consequent upon the reorganisation of the State, would be treated as multi-State cooperative societies. By virtue of this legal fiction, such societies, though originally registered under the State Act, would fall within the ambit and application of the Central Act.

2.5. Consequent to the enforcement of the Reorganisation Act, a joint meeting was held on 24th May, 2006 between the officials of the States of Uttar Pradesh and Uttarakhand for determining and finalising the apportionment of assets and liabilities of public sector undertakings and cooperative institutions. Thereafter, the appellant-State undertook a series of measures regarding the restructuring and privatization of cooperative sugar mills which had become financially unviable. In the succeeding year, the appellant-State took a policy decision in principle to proceed with the privatization and sale of several cooperative sugar mills and directed that the said process be carried out through the Department of Disinvestment.

2.6. Thereafter, on 7 August 2007, the appellant-State issued the U.P. Cooperative Societies (Amendment) Ordinance, 2007 (No. 21 of 2007), empowering the State Government to transfer cooperative sugar mills to entities in which the State held the majority shareholding, where such mills were found to be financially unviable.

2.7. Aggrieved thereby, Civil Miscellaneous Writ Petition No. 61489 of 2007 came to be instituted under Article 226 of the Constitution before the High Court by four individuals, (respondent nos. 1 to 4 in Civil Appeal No. 7050 of 2010) one among whom was a member and shareholder of the subject cooperative society. The writ petitioners questioned the action of the appellant-State in proceeding to privatise the cooperative society. It was contended that upon the enactment of the Reorganisation Act, the appellant-State had ceased to possess any authority under the State Act and, consequently, lacked the competence to undertake the impugned measures.

2.8. Subsequently, in the year 2008, one Mumtaz Ali (respondent no. 1 in Civil Appeal No. 6071 of 2010), a shareholder of the second cooperative society, instituted Civil Miscellaneous Writ Petition No. 18556 of 2008 under Article 226 of the Constitution before the High Court, challenging the proposed privatization on identical grounds as those urged in the earlier writ petition.

2.9. By a common judgment dated 26th September, 2008, the High Court allowed the writ petitions. It rejected the objection as to the *locus* of the writ petitioners, who were shareholders of the cooperative society, to maintain the challenge. The High Court held that Section 103 of the Central Act, being a deeming provision, was fully attracted to the facts of the case and, therefore, the cooperative society had acquired the character of a multi-State cooperative society. Consequently, only the Union Government could exercise authority in respect of such society. On this reasoning, the High Court declared all steps taken by the appellant-State in relation to the cooperative society to be without jurisdiction and non est in law, for want of legislative competence and absence of any authority of law.

3. Aggrieved by the said common judgment, the State has approached this Court.

4. We have heard the learned Senior Counsel for the appellant-State. When the matter was taken up for hearing on 12th November, 2025, no one appeared on behalf of the contesting respondents (the writ petitioners before the High Court) in both the connected appeals. As the respondents have already filed their counter-affidavit dated 13 August 2010, we proceed to decide the appeal on merits.

ISSUE BEFORE THIS COURT:

5. The issue involved in the present appeals is:

Whether, by virtue of Section 103 of the Multi-State Cooperative Societies Act, 2002, the subject cooperative society, though originally registered under the statute enacted by the appellant-State, stands transformed into a multi-State cooperative society on account of the State reorganization?

SUBMISSIONS ON BEHALF OF APPELLANT-STATE:

6. Shri Rana Mukherjee, learned senior counsel for the appellant-State, strenuously assailed the judgment of the High Court contenting, *inter alia*: -

6.1. that on 24th May, 2006 a joint meeting was held between the representatives of the Governments of the appellant-State and the State of Uttaranchal (now Uttarakhand) to settle the distribution of assets and liabilities of public sector undertakings and cooperative entities pursuant to the reorganisation. The meeting was also attended by representatives of the cooperative sugar mill associations of both States. It was agreed that no outstanding financial claims would remain between the two States in respect of shares in the cane/sugar mill societies, the book value of such shares having become nil or negative. This decision effectively concluded all inter-State financial issues concerning cooperative sugar mills. Hence, it was implicit that the State of Uttarakhand was exercising no control over the said mills, including the subject

cooperative society. In addition, the appellant-State owned, and still continues to own, 95% of the shares of the subject cooperative society.

6.2. that the High Court committed a grave error in rejecting the objection as to *locus standi* of the writ-petitioners/shareholders. The High Court failed to consider that, much like a company limited by shares, the shareholders of a cooperative society may reside beyond the territorial limits of the State in which the society is registered. Owing to the reorganisation of the erstwhile State, some members who originally belonged to undivided Uttar Pradesh had incidentally become residents of Uttaranchal/Uttarakhand. Such persons, even if dissatisfied, could not have questioned the actions taken under the State Act, particularly when the State of Uttarakhand had never asserted any claim or control over the cooperative sugar mills in question, despite the fact that the principal investments had been made by the State of Uttar Pradesh.

6.3. that the High Court erroneously relied on the submissions of the learned ASG that the Central Act was applicable. It failed to appreciate that Section 103 had no application to the subject cooperative society since it continues to function within the territorial limits of the appellant-State and remains registered under the State Act. Any finding to the contrary proceeds on a misreading of the scope and applicability of the Central Act.

6.4. that, even as on date, neither the Registrar of Cooperative Societies under the 1984 Act (now repealed) nor under the Central Act has, for over twenty-five years, issued any notice or taken any step requiring the subject cooperative society to seek registration under, or to comply with the provisions of, the Central Act.

6.5. that another vital aspect which deserves due consideration is that the sugar mills in question have remained non-operational since 2006. This circumstance further reinforces the submission that the value of the shares held by the private contesting respondents has, for all practical purposes, become nil.

6.6. that it is a settled principle that the law must be applied in a manner that avoids absurd results, and that deeming provisions cannot be given an unduly expansive interpretation without considering their nature, scope and legislative intent. The High Court ought to have examined whether the interpretation placed by it on Section 103 of the Central Act would lead to an irrational or untenable outcome, which the law mandates must be avoided. The construction adopted by the High Court, therefore, results in an erroneous application of the deeming clause under Section 103.

6.7. that reliance placed by the private respondents on the judgment of this Court in ***Naresh Shankar Srivastava v.***

State of Uttar Pradesh,² is misconceived. The said decision has no application to the present case, as it is clearly distinguishable on facts. In ***Naresh Shankar Srivastava*** (*supra*), the cooperative societies were found to be operating in both the States of Uttar Pradesh and Uttarakhand. In contrast, in the instant case, the subject cooperative society as well as its operations are confined exclusively to the State of Uttar Pradesh, including the sugar mill in question.

6.8. that the finding of the High Court, in so far as it holds that the writ petitions could be maintained at the behest of certain shareholders who, post-reorganisation, came to reside in the State of Uttaranchal (now Uttarakhand), and further that the provisions of the 2002 Act, particularly Section 103(2), stood attracted so as to divest the State Government of its authority to legislate and amend the governing law in respect of such societies in which the State of Uttar Pradesh continues to hold majority shareholding, is wholly untenable.

Shri Mukherjee, learned Senior Counsel, therefore urged that the present appeal deserves to be allowed and the impugned judgment of the High Court be set aside.

² (2009) 16 SCC 157.

SUBMISSIONS ON BEHALF OF RESPONDENTS:

7. Since none appeared on behalf of the private respondents (writ petitioners before the High Court), we have perused the counter-affidavit dated 13th August, 2010 filed on their behalf, wherein the following submissions have been urged: -

7.1. That after the enactment of the Reorganisation Act, 2000 by Parliament, the appellant-State stood divested of all authority exercisable under the State Act, inasmuch as, post-reorganisation, certain member-shareholders (including some writ petitioners) came to reside in the State of Uttarakhand and sugarcane procurement was being carried out from growers situated in Uttarakhand.

7.2. that under Clause 3 of the bye-laws of the society, its area of operation includes Tehsil Khatima in District Nainital, Uttarakhand as well as Tehsil Pilibhit in Uttar Pradesh. Consequently, since the operations extend beyond one State, the society must be treated as a multi-State cooperative society by operation of Section 103 of the Central Act.

7.3. that a cooperative society can be deemed to be registered as a multi-State cooperative society only when, pursuant to reorganisation, its area of operation falls in more than one State. The expression 'objects' in Section 103 of the Central Act must therefore be read as referring to the territorial area of operation. Otherwise, despite reorganisation resulting in the society

operating across two States, it would continue to be governed by the State Act, thereby conferring extra-territorial application upon a State enactment, which is neither permissible nor workable.

7.4. That the Central Act does not repeal the State Act. The State Act continues to govern cooperative societies operating exclusively within Uttar Pradesh. The Central Act, by virtue of its deeming clause, applies only to those societies whose area of operation extends to both Uttar Pradesh and Uttarakhand, and to such societies alone the State Act ceases to apply.

7.5. that the legal position regarding the status of cooperative societies after the reorganisation of a State is no longer open to doubt. This Court in ***Naresh Shankar Srivastava*** (*supra*) has categorically held that Section 103 of the Central Act (corresponding to Section 95 of the repealed Act) addresses the situation where, due to reorganisation, a cooperative society whose activities were earlier confined to the undivided State thereafter extends its objects to more than one State. In such circumstances, the society shall, by virtue of the deeming provision, be treated as a multi-State cooperative society registered under the provisions of the Central Act.

On the aforesaid premises, the private respondents, in their counter-affidavit, have urged that the present appeals preferred by the appellant-State be dismissed.

ANALYSIS AND DISCUSSION:

8. We have given thoughtful consideration advanced at bar, and have gone through the material placed on record.

9. The present appeals present an unusual situation concerning the interpretation of a law enacted by Parliament and whether its ambit extends to a corporate body originally registered under a State legislation. While there is no dispute as to legislative competency, the narrow issue that falls for our consideration is whether, on the reorganisation of the erstwhile unified State of Uttar Pradesh, the subject cooperative society has assumed the character of a multi-State cooperative society. If the answer is in the affirmative, no interference with the judgment of the High Court would be warranted. Conversely, if the question is answered in the negative, it would then be necessary to examine the legal position in the context of the facts of the present case.

10. According to the private respondents (the writ petitioners before the High Court), upon the reorganisation and division of the erstwhile State of Uttar Pradesh by virtue of the Reorganisation Act, 2000 into the present States of Uttar Pradesh and Uttarakhand, the subject cooperative society, by operation of Section 103 of the Central Act, acquired the deemed status of a multi-State cooperative society, and consequently, the provisions of the State Act ceased to apply to it.

11. On the other hand, the appellant-State contends that Section 103 of the Central Act has no application to the subject cooperative society, as all its principal activities, including the operation of the sugar mill and the source of its business, continued to remain within the territorial limits of the State of Uttar Pradesh, even after the reorganisation. Consequently, the deeming provision under Section 103 would not be attracted, and the society would continue to be governed by the State Act under which it was originally registered.

12. Since the controversy before us turns entirely on the construction of Section 103 of Central Act (corresponding to Section 95 of the repealed 1984 Act), it becomes necessary to extract the relevant part of the provision, which reads thus: -

“103. Cooperative societies functioning immediately before reorganisation of states- (1) Where, by virtue of the provisions of Part II of the State Reorganisation Act, 1956 (37 of 1956) or any other enactment relating to reorganisation of states, any cooperative society which immediately before the day on which the reorganisation takes place, had its objects confined to one state becomes, as from that day, a multi-state cooperative society, it shall be deemed to be a multi-state cooperative society registered under the corresponding provisions of this Act and the bye-laws of such society shall, in so far as they are not inconsistent with the provisions of this Act, continue to be in force until altered or rescinded.

...”

I. Enactment and Scheme of Central Act:

12.1. The Multi-State Cooperative Societies Act, 2002 was enacted by the Parliament with the following long title: -

“An Act to consolidate and amend the law relating to cooperative societies, with objects not confined to one State and serving the interests of members in more than one State, to facilitate the voluntary formation and democratic functioning of cooperatives as people’s institutions based on self-help and mutual aid and to enable them to promote their economic and social betterment and to provide functional autonomy and for matters connected therewith or incidental thereto.”

Therefore, the Central Act came to be enacted by the Parliament to address the requirements of India’s federal structure, where it was considered necessary to make a special provision governing cooperative societies whose activities were not confined to a single State and which catered to members spread across more than one State.

12.2. Section 5 deals with the circumstances in which a multi-State cooperative society may be registered. It reads as follows:

-

“5. Multi-state cooperative societies which may be registered- (1) No multi-state cooperative society shall be registered under this Act, unless,

(a) its main objects are to serve the interests of members in more than one state; and

(b) its bye-laws provide for social and economic betterment of its members through self-help and mutual aid in accordance with the cooperative principles.

. . .”

Section 5 is couched in negative terms and sets out two pre-conditions for registration as a multi-State cooperative society. First, the primary object of the society must be to serve the interests of its members in more than one State. Second, its bye-laws must provide for the social and economic advancement of its members through self-help and mutual aid in accordance with cooperative principles.

12.3. The expression “multi-State cooperative society” in Section 3(p) means a society that has been registered or is deemed to be registered under the Act, and includes a national cooperative society as well as a federal cooperative. Likewise, the term “member” under Section 3(n) refers to a person who joins in the application seeking registration of a multi-State cooperative society and also includes anyone admitted to membership thereafter in accordance with the provisions of the Act, the Rules, and the bye-laws.

a.) Understanding the term ‘object’

12.4. Section 9 declares that registration of a multi-State cooperative society confers upon it the status of a body corporate. As the expression “object” is not defined under either the Central Act or the State Act, its meaning must be gathered from a holistic reading of the enactments.

12.5. Section 10 stipulates the requirements relating to the bye-laws of a multi-State cooperative society and reads as follows: -

“10. Bye-laws of multi-state cooperative societies- (1)
Every multi-state cooperative society may make its bye-laws consistent with the provisions of this act and the rules made thereunder.

(2) In particular, and without prejudice to the generality of the foregoing power, such bye-laws may provide for all or any of the following matters, namely:

(a) the name, address and area of operation of the society;

(b) the objects of the society;

(c) the services to be provided to its members;

(d) the eligibility for obtaining membership;

...”

(emphasis supplied)

Section 10 makes it clear that a multi-State cooperative society has the discretion to frame its bye-laws covering any of the matters specified in sub-section (2) of that provision. In particular, Section 10(2)(b) enables such societies to incorporate, in their bye-laws, provisions relating to their objects.

12.6. Thus, a conjoint reading of Section 5(1)(a) and Section 10(2)(b) makes it evident that once a society seeks registration as a multi-State cooperative society and prescribes its objects in the bye-laws, such objects must necessarily satisfy the mandate of Section 5(1)(a), namely, that its main objective should be to serve the interests of members in more than one State.

b.) Creation of “multi-State” cooperative society under the Central Act

12.7. The issue that next falls for determination is the true import of Section 5(1)(a) of the Central Act, which stipulates that the principal object of the society must be to serve the interests of its members in more than one State. The question is whether the provision is satisfied merely because the members are drawn from two different States, **or** whether it contemplates that the society must, in substance, serve the interests of its members in more than one State, irrespective of their place of residence. If the former construction is adopted, the judgment of the High Court may not warrant scrutiny. However, if the latter construction is to be preferred, it will have to be examined whether the subject cooperative society satisfies the conditions necessary to be treated as a multi-State cooperative society.

12.8. Section 22 acknowledges the authority of a cooperative society to transform itself into a multi-State cooperative society. The material portion of the provision is extracted below: -

“22. Conversion of a cooperative society into a multi-state cooperative society- (1) A cooperative society may, by an amendment of its bye-laws, **extend its jurisdiction and convert itself into a multi-state cooperative society:**

Provided that no such amendment of bye-laws of a cooperative society shall be valid unless it has been registered by the Central Registrar.

...”

(emphasis supplied)

Section 22, therefore, confers the power upon a cooperative society originally registered under a State enactment to transform itself into a multi-State cooperative society. The provision recognizes and enables such conversion from a State cooperative society to a multi-State cooperative society.

12.9. Accordingly, a multi-State cooperative society may come into existence in **three distinct ways**. **First**, a society may seek registration directly under Section 5 of the Central Act. **Second**, a cooperative society constituted under a State Cooperative Societies Act, as in the present case, may seek conversion into a multi-State cooperative society under Section 22 of the Central Act. The **third** mode, which forms the fulcrum of the present controversy, is the statutory deeming mechanism under Section 103. This mode of deemed conversion will be examined in detail in the succeeding portion of this judgment.

c.) Scope of “deemed conversion” under Section 103 of Central Act

12.10. Section 103(1) of the Central Act (extracted *supra*) provides for the conversion of a cooperative society registered under a State Cooperative Societies Act into a multi-State cooperative society. The provision is attracted when Parliament enacts a law for the reorganisation of a State. The second requirement is that the cooperative society must have had its objects confined to ‘one State’. The expression “one State” refers

to the erstwhile undivided State which stands bifurcated into two or more States upon such reorganisation.

12.11. The understanding urged on behalf of the private-respondents, which found favour with the High Court, is that the enactment of a statute reorganising a State *ipso jure* converts a cooperative society with objects confined to the erstwhile State into a multi-State cooperative society.

12.12. We are not persuaded by the interpretation of Section 103 as propounded by the private-respondents and accepted by the High Court. It is a settled principle of statutory construction that a provision cannot be construed in isolation to fit a particular factual situation. As held by a three-Judge Bench of this Court in ***Southern Electricity Supply Co. of Orissa Ltd. v. Sri Seetaram Rice Mill***,³ the words in a statute must necessarily draw their meaning from the context and the scheme of the enactment and cannot be interpreted in isolation.

12.13. Section 103 of the Central Act, therefore, cannot be construed in isolation. Section 5(1) makes it explicit that no multi-State cooperative society can be registered unless its primary objects are to serve the interests of members in more than one State. The expression “more than one State” does not qualify or relate to the residence or domicile of the members, as defined under Section 3(n). In other words, the geographical

³ (2012) 2 SCC 108.

location or residence of the members is wholly irrelevant for determining whether a cooperative society attains the status of a multi-State cooperative society.

12.14. The expression “more than one State” in Section 5 pertains to the principal objects of the cooperative society. Thus, unless the primary objects of the society operate in, and extend to, more than one State, registration as a multi-State cooperative society under the Central Act is impermissible. Consequently, the society is required to frame its bye-laws in terms of Section 10(2)(b) so as to reflect such objects.

12.15. The scheme of the Central Act, as analysed above, expressly contemplates that a cooperative society may amend its bye-laws and extend its area of operation, thereby converting itself into a multi-State cooperative society in terms of Section 22(1). The extension of jurisdiction in this manner necessarily postulates amendment of the bye-laws relating to the objects of the society framed under Section 10(2), pursuant to which such conversion may be effected.

d.) Difference between “objects” and “area of operation” of the society

12.16. Section 103 uses the expression “object of the society” being confined to one State. The provision does not advert to the “area of operation”. Significantly, Section 10(2) of the Central Act draws a clear distinction between the two by separately referring to each for the purposes of framing bye-

laws. Therefore, when Section 103 specifically employs the expression “object of the society”, the plain and natural meaning of that expression must be given effect to, and it would not be permissible, by interpretative process, to substitute or read into it the concept of “area of operation.”

12.17. This position stands reinforced by Section 5(1)(a), which mandates that a society seeking registration as a multi-State cooperative society must have its objects located in more than one State. Section 5 does not refer to the “area of operation”. Consequently, for the purposes of invoking Section 103, it is wholly irrelevant whether the area of operation of the subject society spans more than one State. The enquiry contemplated under Section 103 is limited to the objects of the society. If, after reorganisation, the objects are traceable to more than one State, Section 103 would apply; if they are confined to one State, it would not.

e.) Principles for application of conversion by operation of law under Section 103 of Central Act

12.18. Conversion by operation of law under Section 103 of the Central Act must, therefore, be understood in the overall framework of the Act. Upon reorganisation of a State by Parliamentary enactment, not every cooperative society functioning in the erstwhile undivided State would automatically stand converted into a multi-State cooperative society. For determining whether the conversion under Section

103 has taken place, the bye-laws of such society, particularly those dealing with its objects, would have to be examined. This inquiry necessarily becomes fact-specific and would vary from case to case. If the bye-laws reveal that the objects of a cooperative society extend to districts which now fall in two different States after reorganisation, Section 103 would apply and such a society would, by legal fiction, stand converted into a multi-State cooperative society.

12.19. However, where the objects of the cooperative society stand confined to only one State after reorganisation, irrespective of which of the bifurcated States it falls in, Section 103 of the Central Act would have no application. In such a case, the society would continue to be regulated by the State Cooperative Societies Act under which it was originally registered.

12.20. Accordingly, Section 103 of the Central Act would operate only where the objects of the society extend to more than one State. A conjoint reading of Section 103 and Section 5 of the Central Act makes it abundantly clear that the domicile or residence of the members is irrelevant for determining whether a society attains the status of a multi-State cooperative society. Further, by expressly enabling conversion under Section 22 through amendment of bye-laws and enlargement of jurisdiction, the Central Act itself recognises that a cooperative

society whose objects are confined to a single State cannot be treated as a multi-State cooperative society.

II. Whether subject co-operative society in the present case is multi-State cooperative society or not?

13. From the foregoing discussion, the statutory scheme under the Central Act stands clarified. What now remains is the task of applying this legal position to the facts of the present case.

a.) Contention of the Parties

13.1. This matter stems from two writ petitions filed before the High Court challenging the actions of the appellant-State pertaining to the acquisition/ privatisation of the subject cooperative society. The writ petitioners (now private-respondents) had contended that upon reorganisation of the erstwhile State, the subject cooperative society automatically acquired the status of a multi-State cooperative society by operation of Section 103 of the Central Act. In their rejoinder filed before the High Court, the private-respondents specifically asserted that the activities of the subject cooperative society extended across two States, namely the appellant-State and the State of Uttarakhand, thereby bringing it within the sweep of Section 103 of the Central Act.

13.2. These writ petitions were resisted by the appellant-State (respondent before the High Court) on several grounds. First, it

was contended that the writ petitioners lacked *locus standi* to maintain the petitions. Second, it was urged that the provisions of the Central Act were inapplicable to the facts of the present case.

b.) Decision of High Court

13.3. The Division Bench of the High Court mainly allowed the writ petitions after declining to accept the contention of the appellant-State (respondent therein) regarding the *locus standi* of the writ petitioners to question the actions of the State. Further, the impugned judgment does not advert to the merits of the matter, particularly the bye-laws of the cooperative society insofar as they relate to the objects of the society.

13.4. The High Court, upon a plain reading of Section 103 of the Central Act, rejected the contention that the subject cooperative society could continue to retain the character of a State cooperative society after reorganisation. It proceeded on the premise that, by operation of law, the society acquired the status of a multi-State cooperative society and its earlier status stood displaced.

c.) Averments of Parties before this Court

13.5. The interpretation accorded to the Central Act by the High Court does not align with the construction placed by us in the preceding paragraphs. Ordinarily, having clarified the correct legal position, we would proceed to apply it to the factual matrix

and conclude whether interference with the High Court's judgment is warranted. However, the matter assumes a distinct complexion as the impugned judgment does not adequately advert to the merits concerning the bye-laws or the objects of the cooperative society. It therefore becomes necessary for us to independently examine the submissions canvassed in the present appeals.

13.6. The writ petitioners (now the private-respondents) urged before the High Court that the territorial operation of the subject cooperative society extends to both States. According to them, a cooperative society whose field of operation spans more than one State would, by virtue of Section 103 of the Central Act, necessarily acquire the status of a multi-State cooperative society. It was further asserted that during the crushing season 2005-06, nearly half of the sugarcane supplied to the mill was procured from cultivators located in the newly created State of Uttarakhand.

d.) Subject cooperative society is not multi-State cooperative society

13.7. The appellant-State has consistently refuted this assertion. It is specifically urged in the grounds of appeal that the subject cooperative society was engaged in the manufacture of sugar entirely within the territorial limits of the appellant-State. The appellant-State has further submitted that the High

Court has erroneously conflated the expressions “area of operation” and “objects of the society”.

13.8. As regards the interpretation advanced by the appellant-State, it is noteworthy that the private-respondents, in their counter-affidavit, have not disputed the distinction between the “area of operation” and the “objects” of a society. Their stand is only that the area of operation extends to two States and hence Section 103 applies. The counter-affidavit is completely silent on the crucial aspect of the society’s objects and does not deny the appellant-State’s assertion that the objects were confined to a single State. Since the High Court has also not dealt with this issue, we proceed on the footing that the appellant-State’s position, being that the objects were limited to one State, stands admitted.

14. As we have already clarified, Section 103 of the Central Act is attracted only where the objects of the cooperative society extend to more than one State. Consequently, we are unable to accept the submission of the private-respondents that merely because the area of operation of the society spans across two States, the same would render it a multi-State cooperative society.

CONCLUSION:

15. In light of our discussion, in the foregoing paragraphs, we summarise our conclusions as under:

- A. Section 103 of the Multi-State Cooperative Societies Act, 2002 does not, by itself, confer an automatic or deemed status of a multi-State cooperative society upon every society registered under a State Cooperative Societies Act merely because the parent State has undergone reorganisation.
- B. The applicability of Section 103 requires a factual enquiry in each case as to whether the objects of the society extend to more than one State. If the objects are found to span more than one State, the deeming fiction under Section 103 will operate and the society would be treated as a multi-State cooperative society. If the objects remain confined to only one State, the status of the society will remain unchanged.
- C. It would be erroneous to undertake an enquiry into the area of operation of a society for the purposes of Section 103, when the provision itself mandates an examination only of the objects of the society. Read with Section 5, it becomes evident that Section 103 is attracted only where the objects of the society extend to more than one State. It is only in such situation that the society would, by operation of law, be treated as a multi-State cooperative society.

D. The residence or domicile of the members of the cooperative society has no bearing on determining whether the society is a multi-State cooperative society.

E. Section 5 of the Multi-State Cooperative Societies Act, 2002 mandates that a society may be registered as a multi-State cooperative society only when its principal objects, as reflected in its bye-laws, serve the interests of members in more than one State. It is, therefore, a pre-condition that the objects span more than one State.

16. Accordingly, the judgment dated 26th September, 2008, passed by the Division Bench of the High Court of Judicature at Allahabad in Civil Miscellaneous Writ Petitions Nos. 61489 of 2007 and 18556 of 2008 is hereby set aside.

17. Consequently, the present appeals stand allowed, and both the writ petitions are dismissed.

18. Pending application(s), if any, are disposed of.

.....J.
[VIKRAM NATH]

.....J.
[SANDEEP MEHTA]

NEW DELHI
DECEMBER 15, 2025