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W.P.No.3495 of 2026

IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED: 20.07.2026

CORAM :

THE HONOURABLE MR. SUSHRUT ARVIND DHARMADHIKARI,
CHIEF JUSTICE

AND

THE HONOURABLE MR.JUSTICE G.ARUL MURUGAN

W.P.No.3495 of 2026
and WMP Nos.29630 and 3926 of 2026

Edelweiss Asset Reconstruction Company Limited,
(Acting in its capacity as Trustee of EARC Trust SC
52) Having its registered office at
Edelweiss House, Off CST Road, Kalina,
Mumbai-400098.
Branch Office at Sakthi Tower, 1/766,
5th Floor, Anna Salai, Mount Road, Chennai.

Petitioner(s)

Vs

1. The Secretary (Industries and Commerce)
Chief Secretariat, Puducherry - 605001.
2. The Director of Industries and Commerce
Industrial Estate, Thattanchavady,
Puducherry-605009.
3. The Managing Director
Pondicherry Industrial Promotion
Development and Investment Corporation
(PIDIC), No.60, Romain Roland Street,
Puducherry - 605001.



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4. The General Manager (Admin and Development)
Pondicherry Industrial Promotion Development
and Investment Corporation (PIPDIC), No.60,
Romain Roland Street, Puducherry - 605001.
5. Sree Gomathi Steel Pvt. Ltd,
Rep by its Director, A.Shankar Narayanan
Alagappan 28th Cross, PIPDIC Industrial Estate,
Mettupalayam, Puducherry - 605009.
Also, No.1, Aiswaraya Apartments,
Vallalar High Road, Kamaraj Nagar,
Puducherry - 605 011.
6. A.Shankara Narayanan (Director)
S/o K.Alagappan, Sree Gomathi Steel (P) Ltd
No.27, Santhi Nagar, Puducherry - 605 002.
7. S.K.Murugan
Sree Gomathi Steel (P) Ltd
C/o.Shankar Wines, Cholavandan, Madurai.
8. B.Jayanth Kumar
Sree Gomathi Steel (P) Ltd.
No.27, Santhi Nagar, Puducherry - 605002

Respondent(s)

PRAYER: Petition filed under Article 226 of the Constitution of India seeking issuance of a writ of certiorarified mandamus calling for the records in respect of this order No.PIPDIC/DEV/2017/GOMATHI/B.1781/11470, dated 12.01.2026, issued by the fourth respondent to quash the same and to direct the fourth respondent to comply with the representation letter dated 30.08.2023 as recover the dues by the way of Sale auction as under legal proceedings and to pass such further order or other orders as this court deems fit and proper in the circumstances of the case and render justice.



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For Petitioner(s): Mr.T.Gowri Shankar

For Respondent(s): Mr.V.Vasanthakumar
Addl Government Pleader (Puducherry)
for R1 and R2

Mr.AR.L.Sundaresan
Additional Solicitor General of India
Assisted by Mr.D.Ravichander
for R3 and R4

ORDER

(Order of the Court was made by the Hon'ble Chief Justice)

The petitioner, an Asset Reconstruction Company claiming rights as an assignee of a secured creditor, has invoked the extraordinary writ jurisdiction of this court under Article 226 of the Constitution of India seeking issuance of a writ of certiorarified mandamus to call for the records and quash Order No.PIPDIC/DEV/2017/GOMATHI/B.1781/11470, dated 12.01.2026, passed by the fourth respondent/Corporation. By the impugned order, the fourth respondent/Corporation cancelled the allotment and resumed possession of an unutilized extent of 5,270 Sq. Mtrs. out of a total allotted industrial plot measuring 10,000 Sq. Mtrs.



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2. The petitioner seeks a consequential direction commanding the fourth respondent/Corporation to permit recovery of its outstanding financial dues by proceeding with the sale of the leasehold rights and superstructure via public auction under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act).

3.1. The relevant facts giving rise to the present dispute are summarized as follows: Respondent Nos.3 and 4, the Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC), a Government company established for promoting regional industrialization, provisionally allotted an industrial plot measuring 10,000 Sq. Mtrs. (2.47 Acres) in PIPDIC Industrial Estate, Mettupalayam, Puducherry, to Sree Gomathi Steel (P) Ltd/fifth respondent on 10.12.1986. A formal lease deed was registered on 12.12.1986 (Doc No.2707/1986, SRO Oulgaret) for a period of 99 years to establish a unit for manufacturing "*Steel Ingots*".

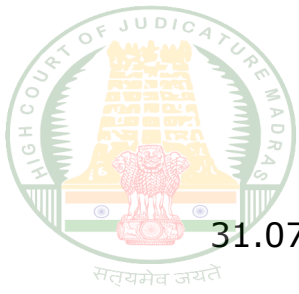


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3.2. It is asserted that upon the lessee's request, PIPDIC issued a No Objection Certificate (NOC) allowing the lessee to mortgage the superstructure to secure credit facilities from Indian Overseas Bank (IOB). Following defaults by the borrower, the loan was classified as an NPA. Subsequently, vide a registered assignment agreement, IOB assigned the debt and underlying security interests to the petitioner.

3.3. The petitioner initiated enforcement measures under Section 13(4) of the SARFAESI Act. However, despite the lapse of nearly a decade following assignment, the petitioner failed to identify a prospective purchaser or successfully liquidate the property vide public auction.

3.4. The fifth respondent/lessee constructed a superstructure over an extent of approximately 4,730 Sq. Mtrs., while keeping a substantial extent of 5,270 Sq. Mtrs. completely unutilized, vacant, and idle for several decades. After issuing successive takeover notices dated 08.06.2018, 20.06.2018, 14.11.2018, 14.06.2019,



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31.07.2024 and a preliminary legal notice dated 26.05.2025, PIPDIC issued the impugned order on 12.01.2026.

3.5. It is further stated that exercising rights under Clauses 6, 7, and 8 of the Lease Deed, PIPDIC resumed possession of only the vacant 5,270 Sq. Mtrs.. Physical possession was duly taken over on 22.01.2026 at 12:30 PM in the presence of the Village Administrative Officer and a Mahazar was formally executed on 23.03.2026.

4.1. Learned counsel for the petitioner submits that as a secured creditor under the SARFAESI Act, its statutory right to enforce its security interest overrides the administrative actions of PIPDIC. It is urged that the cancellation of allotment disrupts recovery proceedings aimed at liquidating public funds.

4.2. Learned counsel for the petitioner further submits that the NOC granted for mortgaging leasehold rights binds PIPDIC, preventing unilateral termination of the lease.



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5.1. Learned Additional Solicitor General appearing on behalf of PIPDIC submitted that the dispute arises out of purely contractual obligations (cancellation of a lease agreement) and a private contract cannot be enforced, nor can contractual disputes be adjudicated under the extraordinary writ jurisdiction of Article 226 of the Constitution of India.

5.2. It is further submitted that Clause 19 of the Lease Deed strictly mandates prior written approval of PIPDIC for any transfer or assignment of leasehold interest. The assignment in favor of the petitioner was undertaken without seeking or obtaining PIPDIC's consent.

5.3. It is also submitted that the SARFAESI Act does not override the primary lessor's contractual right of re-entry and forfeiture for breach of covenants. The petitioner cannot claim rights superior to those of the original lessee.

5.4. It is contended that possession was legally taken over under a Mahazar prior to the grant of any interdict. Leaving



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valuable public industrial land sterile for decades defeats PIPDIC's public purpose of fostering regional employment and economic development.

6. Having heard the learned counsel appearing for the respective parties and evaluated the materials on record, the primary issues for determination are whether the writ petition is maintainable against a contractual termination; and whether the petitioner's rights under the SARFAESI Act override the lessor's re-entry rights under the lease deed.

7. It is a fundamental principle of public law that the extraordinary remedy under Article 226 of the Constitution cannot be turned into a forum for resolving pure contractual disputes. The relationship between PIPDIC and the original lessee is governed purely by the terms of the registered lease deed dated 12.12.1986. The cancellation of allotment and resumption of land are actions rooted directly in contractual terms. The petitioner cannot invoke writ jurisdiction to enforce contractual rights or seek immunity from contractual default liabilities.



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8. Under Clause 19 of the lease deed, any transfer, assignment, or creation of encumbrance over the leasehold interest requires the mandatory prior written approval of PIPDIC. The record reveals that no such approval was ever sought or granted for the assignment of debt and security in favor of the petitioner.

9. Furthermore, an assignee steps precisely into the shoes of the original assignor and can claim no higher or better title than what the assignor possessed (*Nemo dat quod non habet*). The original lessee was bound by Clauses 6, 7, and 8 of the Lease Deed. Clause 8(i) expressly empowers PIPDIC to terminate the lease forthwith and resume possession if any portion of the land is kept unutilized. For ease of reference, the said clause is reproduced hereunder:

"8 (i). If during the lease period the whole or any portion of the allotted land is kept unutilized by the party of the SECOND PART, the party of the FIRST PART shall have the right to terminate the lease forthwith in respect of the whole or the portion, as



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the case may be and resume possession with all the consequences, mentioned in clause 6..."

10. The petitioner cannot claim immunity from the aforesaid binding clauses in the lease deed.

11. The petitioner's reliance on Section 13(4) of the SARFAESI Act is fundamentally misplaced. The enforcement powers of a secured creditor under the SARFAESI Act are exercisable only against the security interest created by the borrower. Where the security interest is merely a mortgage of leasehold rights, such mortgage remains intrinsically subject to the underlying terms, conditions and forfeiture clauses of the primary lease deed. Statutory enforcement measures under the SARFAESI Act do not override the primary lessor's contractual right of re-entry for gross breach of lease terms.

12. In fact, the respondent/Corporation did not cancel the lease in its entirety. It restricted its resumption strictly to the 5,270 Sq. Mtrs. of vacant land that remained unutilized and sterile for



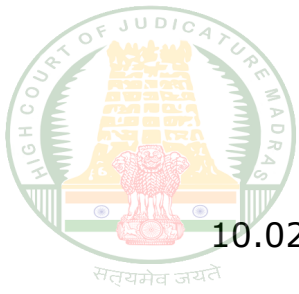
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over a decade, leaving intact the 4,730 Sq. Mtrs. containing the superstructure to enable the petitioner to realize its dues.

13. Furthermore, physical possession of the unutilized 5,270 Sq. Mtrs. was formally taken over by PIPDIC on 22.01.2026 in the presence of the Village Administrative Officer (VAO), and an official Mahazar was drawn up on 23.01.2026. The resumption was, thus, a completed factual act.

14. Industrial plots allotted by State developmental agencies like PIPDIC are public resources meant to generate employment, foster industrialization and boost regional economy. Allowing a commercial lender or asset reconstruction company to lock up prime public industrial land indefinitely, while failing to find a buyer for nearly a decade, grossly subverts public interest. PIPDIC cannot be restrained from re-allotting unutilized public land to genuine entrepreneurs.

15. For the foregoing reasons, the writ petition is dismissed. There shall be no order as to costs. The interim stay granted on



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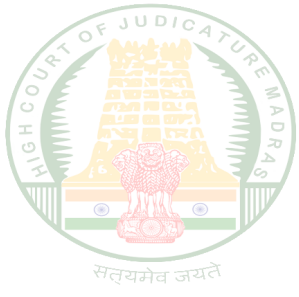
10.02.2026 in W.M.P.No.3926 of 2026 is vacated and the said application is dismissed. W.M.P.No.29630 of 2026 filed by PIPDIC to vacate the stay is allowed.

(SUSHRUT ARVIND DHARMADHIKARI,CJ) (G.ARUL MURUGAN,J)
20.07.2026

Index : Yes/No
Neutral Citation : Yes/No
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THE HON'BLE CHIEF JUSTICE
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