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W.P. No.4801/2020

IN THE HIGH COURT OF JUDICATURE AT MADRAS

Reserved on	Pronounced on
22.06.2026	25.06.2026

CORAM

THE HONOURABLE MR. JUSTICE M.DHANDAPANI

W.P. NO. 4801 OF 2020

AND

W.M.P. NO.5678 OF 2020

Shyam Trading Corporation
Flat No.3B, Lakshmi Street
Kilpauk, Chennai 600 010
Rep. By its Managing Partner

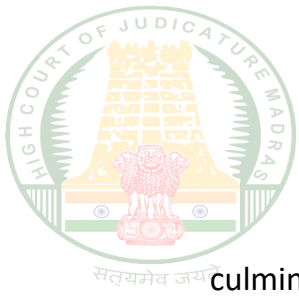
.. Petitioner

- Vs -

1. State Industries Promotion Corporation of Tamil Nadu Ltd.
19-A, Rukmani Lakshmipathy Road
Post Box No.7723, Egmore
Chennai 600 008, rep. By its Chairman & Managing Director
2. The Joint Director
Directorate of Town & Country Planning
Chingleput District
No.13, Varadarajan Street
Vedachalam Nagar, Chingleput – 1.

.. Respondents

Writ Petition filed under Article 226 of the Constitution of India praying this Court to issue a writ of certiorari calling for the records of the 1st respondent



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culminating with its order bearing P-II/SIP/SPR/94/Shyam Trading/2014 dated 6.2.2020 and quash the same.

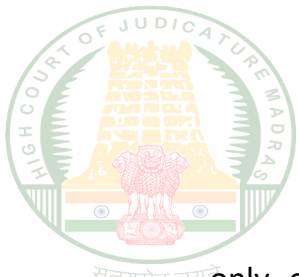
For Petitioner : Mr. M.Vaidhiyanathan

For Respondents : Mr. Abishek Murthy for R-1
Mr. M.Sivavarathanan,
Govt. Counsel for R-2

ORDER

Challenging the impugned communication dated 6.2.2020 in and by which the 1st respondent had directed the petitioner to execute a surrender deed within a particular time frame and the consequences that would follow on non-compliance, the present petition has been filed before this Court.

2. It is the case of the petitioner that it is a partnership firm, which applied for allotment of land in SIPCOT Industrial Park, Sriperumbudur for the purpose of putting up a hotel with a restaurant and a multi-purpose hall and based on the said request, the land to an extent of 2 acres in Plot No.C-1 (Phase III) comprised in S. Nos.1542 Part and 1543 Part of Sriperumbudur 'V' Village was allotted on payment of plot cost of Rs.89,85,000/-, which was paid by the petitioner on 27.12.2007. In spite of the said allotment made, in view of certain disputes between the 1st respondent and the land owner, the lease deed was registered

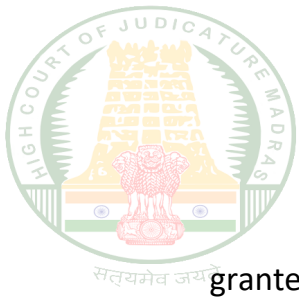


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only on 29.12.2008 whereinafter possession of the land was taken by the petitioner.

3. It is the further averment of the petitioner that Clause 19 of the lease deed obligated the petitioner to commence construction within six months and complete the construction within 24 months from the date of allotment. On 9.6.2011, the 1st respondent issued a show cause notice to the petitioner alleging violation of non-compliance of Clause 19 of the lease deed and calling upon to show cause as to why the allotment should not be cancelled and possession of the plot taken under the Tamil Nadu Public Premises and Establishments Act to which reply was sent by the petitioner on 22.6.2011 requesting the 1st respondent to withdraw the show cause notice. In response to the further notice dated 6.2.2012, explanation was submitted by the petitioner on 20.2.2012 seeking six more months time for completing the project. Further notice was issued by the 1st respondent on 1.8.2012 to which reply dated 3.10.2012 was issued showing the progress in construction. The petitioner, on 27.11.2012, submitted its plan of construction to the 2nd respondent for approval along with the requisite fee. Once again, by letter dated 18.12.2019, the petitioner sought for extension of further six months time to complete the construction, which was



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granted by the 1st respondent and the 1st respondent also issued a No Objection letter permitting the petitioner to mortgage the plot for raising funds from the bank by withdrawing the show cause notice dated 1.8.2012.

4. By letter dated 11.1.2013, on the basis of the petitioner's application for plan approval, the 2nd respondent directed the petitioner to produce a copy of the sanctioned layout which had been issued in favour of SIPCOT. In spite of the petitioner requesting the 1st respondent to provide the copy of the sanctioned layout, while the same was not given, it was orally informed that no such sanction was necessary. On 29.1.2014, the petitioner was informed by the 1st respondent that action would be taken to cancel the allotment if the petitioner did not fulfil its obligations. On 12.2.2014, the petitioner sent its reply to the 1st respondent that its plan had been rejected by the 2nd respondent since the sanctioned layout was not produced.

5. It is further averred that on 15.12.2015, the project officer of the 1st respondent inspected the site to ascertain the building activity, while the petitioner was continuing with its construction activity and the building has been completed. By communication dated 29.11.2019, the 1st respondent informed



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the petitioner that if commercial production is not commenced, the allotment would be cancelled and the amount paid would be forfeited. Vide communication dated 20.1.2020, the petitioner informed the 1st respondent that construction had been completed and only interior work is pending and also informed that approval of building plan had been obtained from all the statutory authorities except the 2nd respondent.

6. However, inspite of the above, vide communication date 6.2.2020, the impugned order was issued by the 1st respondent directing the petitioner to execute a surrender deed within 15 days of receipt of the order failing which action would be taken to resume the property under the TNPPE Act. Therefore, left with no other alternative and efficacious remedy, the extraordinary jurisdiction of this Court has been invoked by the petitioner through the present petition.

7. Learned counsel appearing for the petitioner submitted that the 1st respondent has failed to provide the sanctioned layout and not giving any Government Order which provides that such a sanction was not necessary and, therefore, the inability of the 1st respondent to provide the same cannot be put



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against the petitioner leading to cancellation of the allotment and surrender of the land.

8. It is the further submission of the learned counsel that the 1st respondent has nowhere stated that approval of the 2nd respondent is not necessary for construction of the building and that being the case, it is incumbent on the part of the 1st respondent to provide the sanctioned layout to enable the petitioner to obtain planning permission for construction.

9. It is the further submission of the learned counsel that the inability of the 1st respondent to provide the sanctioned layout is the only reason for the petitioner not able to complete the construction and the same cannot be put against the petitioner.

10. It is the further submission of the learned counsel that the act of the 1st respondent not providing the sanctioned layout and also cancelling the allotment and seeking for surrender deed has caused severe loss and hardship to the petitioner and the inability of the petitioner to commence the business is solely due to the fault of the 1st respondent.



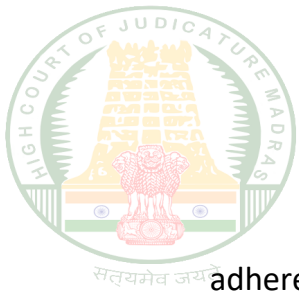
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11. It is further submitted that the 1st respondent having waived its right under the show cause notice and had recalled the show cause notice has no authority to issue the impugned order, which is in violation of principles of natural justice. Therefore, it is prayed that the impugned order is vitiated by illegalities, mala fides, arbitrariness, unreasonableness and deserves to be set aside.

12. Per contra, learned standing counsel appearing for the 1st respondent submitted that though the agreement was entered into in the year 2007 and possession was even taken in the year 2009 with clear stipulations in the agreement that the allottee should commence the commercial production/trial production within 30 months from the date of allotment order, the petitioner, till date has not put up proper and full construction and utilised the land for manufacturing activity.

13. It is the submission of the learned standing counsel for the 1st respondent that clause 17 of the agreement provides that in case of failure to



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adhere to the commitments, the respondents are vested with power to cancel the allotment and forfeit the total amount paid towards the allotted land.

14. It is further submitted by the learned standing counsel that since 2011 the respondents have been continually following up with the petitioner as regards putting up construction, however, the petitioner has not complied with the terms of the agreement. It is the further submission of the learned counsel that though through their various letters the petitioner gave undertaking for completion of the construction and starting the production activity, however, it has not kept up its promise and complied with the clauses in the lease deed. dated 17.2.2011 the petitioner gave an assurance that the construction would be commenced immediately, however, till date full construction has not been put up.

15. It is further submitted that though the petitioner was provided with sufficient opportunities and even extension of time till the year 2019, for almost a decade, the petitioner has not kept up its word and put up the construction as undertaken in the lease deed.



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16. It is the further submission of the learned counsel for the 1st respondent that even in the lease agreement, it has been clearly agreed between the parties that the petitioner will take steps to get plan approval for their project on their own for the reason that the plot area is having a narrow footage. It is only on account of the petitioner firm agreeing to obtain plan approval on their own, decision was taken to allot the above plot to the petitioner, with clear stipulation that the petitioner will obtain the building plan approval from the competent authority.

17. It is the further submission that the petitioner having undertaken to obtain the plan approval of their own, now the petitioner is estopped from turning back and claim that the failure on the part of the 1st respondent to provide the layout approval has disabled the petitioner from obtaining the plan approval from the 2nd respondent. It is further submitted that even to ease the difficulties of the petitioner, the 1st respondent had granted No Objection Certificate to enable the petitioner to mortgage the leasehold rights of the plot to avail financial assistance of Rs.150 Lakhs from Vijaya Bank, Egmore. However, the failure of the petitioner to obtain plan approval and failure to comply with the conditions in the lease deed, as per clauses 18 and 19 of the lease deed, the



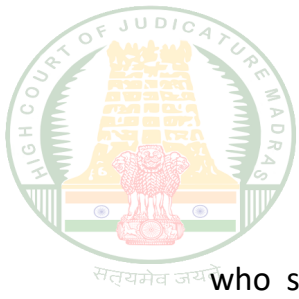
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1st respondent is vested with power to cancel the allotment and seek for execution of surrender deed. Only on the basis of the aforesaid power, the present impugned order has been passed and the same does not suffer the vice of any illegality or arbitrariness and, therefore, the same does not require any interference at the hands of this Court.

18. Learned counsel appearing for the 2nd respondent, pursuant to the directions issued by this Court with regard to the status of layout approval, has filed a counter in which it is submitted that no layout approval has been obtained by the 1st respondent from the 2nd respondent as the land parcel is not situated in a layout and the 1st respondent has allotted the stand alone site to the petitioner.

19. In this regard, an additional affidavit has been filed by the 1st respondent in which the 1st respondent has submitted that the 1st respondent develops industrial park by preparing layout for lands which are contiguous covering various sizes of plots and get approval from DTCP for the layout. In certain cases, where the lands are acquired which has direct access from NH/SH/ODR with minimum extent, it will be considered for allotment as a standalone site and while making allotment of the said site, it is for the allottee



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who submits application to obtain layout approval by themselves and in the present case, two adjacent plots have been allotted as a standalone site to the petitioner and the petitioner, in the lease deed, has also undertaken to obtain approval from the authority for construction.

20. It is further submitted that the 1st respondent has no role in obtaining approval from the 2nd respondent and for the standalone site, such as the one allotted to the petitioner, it is for the allottee to submit application with the 2nd respondent and obtain necessary approval of building plan. Therefore, the petitioner cannot claim that layout approval has not been provided by the 1st respondent.

21. This Court gave its careful consideration to the submissions advanced by the learned counsel appearing on either side and perused the materials available on record.

22. There is no dispute with regard to the agreement entered into between the parties, which, as admitted was entered into in 2007 and possession was taken in the year 2009. Since, 2009, the petitioner is in possession and



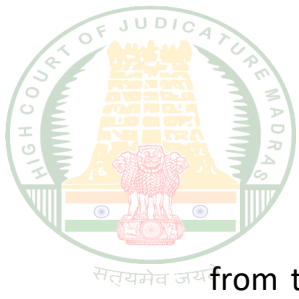
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occupation of the said land, to the extent of 2 acres. Towards leasehold charges, the petitioner, during the year 2009, had paid a sum of Rs.89,85,000/- which is admitted by the respondents. The reason for the cancellation of the allotment and execution of surrender deed stems from the fact that inspite of the clauses in the lease deed providing for commencement of construction of buildings within six monhs from the date of allotment and completion of construction within a period of 24 months from the date of allotment, construction had not been put up.

23. It is to be pointed out that the allotment was made in the year 2009 and condition No.3 (viii) of the allotment dated 19.12.2008 reads as under :-

S. No.	Conditions	Time Limit
(viii)	<i>Implementation of the project/commercial production</i>	<i>Within 30 months from the date of this order. Failure will entail cancellation of allotment and forfeiture of initial deposit and development charges paid towards the extent allotted.</i>

24. There is no quarrel with the fact that the petitioner has accepted the condition stipulated in Condition No.3 (viii) of the lease deed, wherein there is a clear prescription that failure to start commercial production within 30 months



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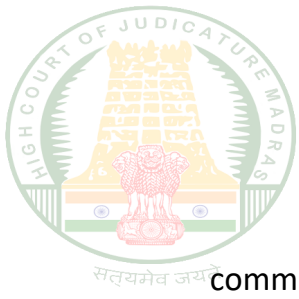
from the date of the order of allotment will result in cancellation of allotment and forfeiture of initial deposit and development charges paid by the petitioner.

25. It is to be pointed out that the allotment was made in the year 2007 and lease deed was entered into in the year 2009 and clauses 18 and 19 of the lease deed, which are relied on, on behalf of the 1st respondent for cancellation of the allotment, reads as under :-

“18. The allottee shall commence the commercial production/trial production within 30 months from the date of allotment order. Failure will entail cancellation of the allotment and forfeiture of total amount paid towards the extent allotted.

19. The party of the second part shall have to commence construction of buildings within six months from the date of allotment order and be completed within 24 months from the date of allotment order. Before commencing such construction of works on the allotted plot, the allottee should strictly follow the following building regulations prescribed among others.”

26. Therefore, it is very clear from the aforesaid clauses in the lease deed that there is a clear stipulation that construction has to be completed within 24 months from the date of allotment order as provided in clause 19 and failure to



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commence commercial production/trial production within 30 months from the date of the order of allotment, will result in cancellation of allotment and forfeiture of the amount paid towards the extent allotted.

27. It is not the case of the petitioner that within the period prescribed, the petitioner has started commercial/trial production, though it is claimed by the petitioner that it has put up construction, but the interiors have not been completed, as it is to be pointed out that the petitioner had proposed to put up a hotel with a restaurant and a multi-purpose hall for which interior are most required. There is no whisper in the petition as well as any merited document submitted by the petitioner to canvass the said contention that there is full compliance of clauses 18 and 19. Therefore, there is clear infraction of the condition stipulated in the lease deed.

28. The whole case of the petitioner is predicated upon the non-furnishing of the layout approval by the 1st respondent as sought for by the 2nd respondent, which was the main reason the planning permission was not granted by the 2nd respondent and, therefore, the same cannot be put against the petitioner.



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29. However, it is the case of the 1st respondent that the piece of land, which has been allotted to the petitioner is a standalone plot for which the petitioner has to obtain necessary approvals and clearances and to this end, reliance has been placed on Clauses 13 and 22 of the lease deed and for better appreciation, the said clauses are quoted hereunder :-

“13. The allottee should obtain clearances from Public Health Authorities, Inspectorate of Factories, Pollution Control Board and such other agencies whose clearances may be required under any law or procedure in force from time to time.

22. The firm has to get building plan approval from the competent authority before commencement of construction.”

30. A careful reading of the above clauses reveal that the allottee, viz., the petitioner herein, is imposed with the task of obtaining all the necessary statutory approvals, including building plan approval from the competent authorities before commencement of construction. In fact, clause 23 also provides for the allottee to get consent of the Pollution Control Board as well. Therefore, the clauses in the lease deed are clear that the allottee is mulcted with the responsibility of obtaining the necessary clearances and approvals, including building plan approval of the concerned authority. Such being the case, the petitioner cannot shift the burden on the 1st respondent and claim that the

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petitioner could not obtain the building plan approval on account of the 1st respondent not providing the layout approval. When the clauses in the lease deed mandate that it is the duty of the petitioner to obtain all the necessary clearances and approvals, including the building plan, it does not lie in the mouth of the petitioner to claim that it is the duty of the 1st respondent to provide the layout approval, moreso, when the petitioner is a party to the lease deed.

31. Further it is to be noted that not once, but more than three times, the petitioner has been granted extension of time to complete the construction and start the production, as sought for by the petitioner, but the petitioner miserably failed to complete the construction and start production. Further, even it is the admitted case of the petitioner that interiors are not yet complete and construction has been complete. However, when the building plan has not been approved, how the construction has been put up is a question that looms large, but this Court is not entering into the same. When the petitioner has not adhered to the clauses in the lease deed and completed the construction and commenced production, there is clear infraction of the provisions of the lease deed and in such a scenario, the 1st respondent is vested with the right to cancel the allotment and also seek for execution of surrender deed.

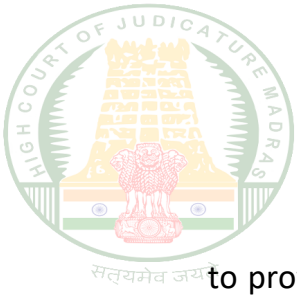


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32. When the petitioner has not fulfilled its terms of the contract by putting up construction and starting up the manufacturing activity, the enforcement of the clauses in the lease deed by the respondents leading to the cancellation of the allotment of the land to the petitioner cannot be found fault with. It is to be pointed out that for more than a decade and a half the petitioner has been enjoying the lands on mere payment of the lease cost. Further, on the basis of the terms in the lease deed, the petitioner has even been granted No Objection Certificate by the 1st respondent so as to enable it to obtain bank loan and the petitioner has also obtained bank loan to the tune of Rs.1.5 Crores, which letter was given even in the year 2013. Therefore, from the year 2013, the petitioner is enjoying the benefit of the said letter and has obtained the loan by mortgaging the lease deed, but has not complied with the terms of the lease deed.

33. Further, it is to be pointed out that it is the specific stand of the 1st respondent that the plot which has been allotted to the petitioner is a standalone plot and not one coming within the layout, which is not disputed by the petitioner. Knowing very well the nature of the plot and having entered into the lease with the 1st respondent, the petitioner cannot call upon the 1st respondent



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to provide it with the layout approval for the purpose of obtaining building plan approval. The petitioner has been enjoying the extent of 2 acres at a paltry sum for more than a decade and a half and the lands having not been put to use for which it was allotted, if the respondents had cancelled the allotment and sought for surrender deed, the said act cannot be said to be arbitrary, impermissible or perverse and the same does not warrant interference at the hands of this Court.

34. For the reasons aforesaid, there are no merits in the present petition and accordingly the same fails and the writ petition stands dismissed. Consequently, connected miscellaneous petition is closed. There shall be no order as to costs.

25.06.2026

Index : Yes / No

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To

1. The Chairman & Managing Director
State Industries Promotion
Corporation of Tamil Nadu Ltd.
19-A, Rukmani Lakshmipathy Road
Post Box No.7723, Egmore
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2. The Joint Director
Directorate of Town & Country Planning
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M.DHANDAPANI, J.

GLN

**PRE-DELIVERY ORDER IN
W.P. NO.4801 OF 2020**

**Pronounced on
25.06.2026**