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W.A.No.972 of 2022

IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED: 06.02.2026

CORAM:

THE HONOURABLE MR.JUSTICE S.M.SUBRAMANIAM
AND
THE HONOURABLE MR.JUSTICE C.KUMARAPPAN

W.A.No.972 of 2022
and
C.M.P.No.6231 of 2022

1.The Managing Director,
State Industries Promotion Corporation of Tamil Nadu Limited,
(SIPCOT),
No.19-A, Rukmani Lakshmipathy Road,
Post Box No.7223, Egmore,
Chennai.

2.The Project Officer/ Estate Officer,
SIPCOT Industrial Park,
Pillaipakkam/ Irukattukottai,
Kancheepuram – 602 109.

...Appellants

Vs.

M/s.Enco Engineers Combine (Plant-II) Pvt. Ltd.,
Rep. by its Authorised Signatory Vinod Yadav,
G.P.73-75, Maruti Industrial Complex,
Sector – 18,
Gurgaon (Haryana) – 122 015.

...Respondent

PRAYER: The Writ Appeal filed under Clause 15 of the Letters Patent praying to set aside the order dated 24.09.2021 passed in W.P.No.8711 of 2021 and allow the Writ Appeal.



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For Appellants : Mr.Haja Nazirudeen,
Addl. Advocate General,
Assisted by Mr.K.Palaniappan,
Standing Counsel for SIPCOT

For Respondent : Mr.Naveen Kumar Murthi

J U D G M E N T

(Judgment of the Court was delivered by S.M.SUBRAMANIAM, J.)

Under assail is the Writ order dated 24.09.2021 passed in W.P.No.8771 of 2021.

2. The State Industries Promotion Corporation of Tamil Nadu Ltd., [hereinafter referred to as “SIPCOT”] preferred the present intra-Court appeal mainly on the ground that the terms and conditions stipulated in the contract entered into between SIPCOT and the respondent had been violated and therefore, the relief granted by the writ Court would cause prejudice to the appellants.

3. The facts in brief would show that the respondent was allotted an industrial plot No.A-16 at Pillaipakkam, Sriperumbadur on 30.09.2011. The relevant conditions stipulated in the allotment order are as under:-



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Sl. No.	Conditions	Time Limit
viii	Implementation of the project/ commercial production.	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.

6. If, in the opinion of SIPCOT, it is found that the land allotted to the allottee is not put to use for the purpose for which it was allotted or is in excess of the allottee's actual requirements, SIPCOT shall, at any time, have the right to cancel the allotment in respect of such land or excess land, as the case may be, and resume the same under TNPPE Act. In that event, the plot cost paid by the allottee will be suitably adjusted and refund if any, will be made as per condition No.2(d). Interest, enhanced interest, if any already paid, will not be refunded. No compensation will be paid for improvement or for the buildings or other structures etc., erected on the plot.

4. In pursuance to the allotment order, a lease agreement was entered into on 21.12.2011 between SIPCOT and the respondent. Relevant clauses in the lease agreement are extracted hereunder:-

17. The allottee shall commence 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.



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18. 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.

5. Pertinently, the respondent failed to complete the construction as per the timeline agreed in the lease agreement. No manufacturing activity commenced. Thus, action was taken by SIPCOT for cancellation of industrial plot, enabling them to re-allot the same to any other Industry. However, at the request of the respondent, time has been extended for completion of construction and to commence industrial activity. Despite the opportunity provided, respondent has not commenced the industrial activity. Therefore, the allotment came to be cancelled vide proceedings dated 23.03.2021, after a lapse of about 10 years from the date of allotment. The cancellation order reveals that the respondent violated condition No.6 of the allotment order and Clause 14(i) of the lease deed. Clause 14(i) of the lease deed reads as under:-

14.(i) If, in the opinion of the Party of the First Part, it is found that the land allotted to the Party of the Second Part is not put to use for the purpose for which it was allotted or is in excess



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of the actual requirements of the Party of the Second Part for the purpose for which it was allotted, the Party of the First Part shall at any time have the right to cancel the allotment in respect of such land or excess land, as the case may be, and resume the same under the provision of the TNPPE Act. In the vent of resuming excess land by the party of the first part, the plot deposit and development charges and additional development charges collected from the Party of the second Part will be suitably modified and refund of the plot deposit alone if any, due to the Party of the Second Part will be made. Development charges, additional development charges, Lease rent, Interest and enhanced interest, if any already paid or due, will not be subject to any refund or modification in such an event.

6. The Writ Petition came to be instituted by the respondent to set aside the cancellation order dated 23.03.2021. The Writ Petition since allowed, SIPCOT preferred the present Writ Appeal.

7. Mr.Haja Nazirudden, learned Additional Advocate General appearing on behalf of SIPCOT would mainly contend that the conditions agreed between the parties in the lease deed had been violated admittedly. Opportunities were provided extending time limit to complete the building construction and commence production activities. Despite the same, the respondent failed and therefore, the cancellation order was passed by SIPCOT, enabling them to re-allot the plot to any other industry for industrial



development. The request of the respondent to grant extension of time was also considered on several occasions and even as of now the industrial activities have not been commenced and inspection conducted by the Authorities on 15.12.2025 would also show that the respondent constructed a removable industrial shed, but, not commenced any production activities. Thus, the respondent is not entitled for the relief.

8. The writ Court in concluding paragraph granted one year time for completion of building and commencement of industrial activities. Even the said direction issued by the writ Court in the order impugned has not been implemented by the respondent. It is contended that the writ Court ought not to have extended time limit to the respondent, which would fall beyond the realm of the powers of judicial review.

9. The learned Additional Advocate General drew the attention of this Court to the report of the Project Officer dated 15.12.2025, which would show that the respondent constructed a factory building through removable industrial shed, but, no industrial activities are found, the gate is locked, and only a Security guard is available. The photographs to establish the same has also been produced. For all these reasons, the Writ order is to be assailed.



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10. Mr.Naveen Kumar Murthi, learned counsel appearing on behalf of the respondent would strenuously oppose by stating that the industrial activities have commenced. The bills, tax invoice etc., are produced before SIPCOT for consideration. The respondent is running four industrial units at different places across the country. Therefore, they have no intention to keep the plot vacant without any use and in fact they have constructed industrial shed and commenced industrial activities. Thus the Writ Appeal is to be rejected. He drew the attention of this Court with reference to tax invoice, bills and EB receipts etc., He would further contend that the writ Court also granted one year time considering various mitigating factors and non-commencement of industrial activities during the relevant point of time due to COVID-19 pandemic. The writ Court extended one year time for commencement of industrial activities and the respondent accordingly commenced the activities. It is further contended that the writ Court has granted one year time based on the Office Order, dated 04.09.2020 issued by SIPCOT. Therefore, the contention of the appellant that the writ Court has exercised excess power is incorrect.

11. This Court has considered the rival submissions made between the parties to the lis on hand.



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12. As far as the Office Order dated 04.09.2020 relied upon by the respondent is concerned, extension of duration for implementation was granted. The said letter would show that a twelve months extension of time for implementation of project by paying a penalty of 5% of the prevailing plot cost was provided, if there is a delay between 5 years to 7 year. If there is a delay of more than 7 years then, the allotment is to be cancelled by issuing the resumption proceedings as per the lease condition. Therefore, the letter would be of some assistance to the respondent only if the delay is between 5 years to 7 years. However, in the present case, even after 8 years of delay, the industrial activities have not commenced. Pertinently the report of the Project Officer dated 15.12.2025 produced before this Court by SIPCOT would also show that no industrial activity has commenced and the gate is locked and only a Security guard is available. The photographs to establish the same also have been produced before this Court.

13. Importantly the conditions of the lease are binding on the parties. Violation of conditions would entail the SIPCOT to cancel the allotment and to resume the industrial plot. Clause 17 of the lease deed agreed between the parties would show that the allottee shall commence 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. The commencement of construction of building must be

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undertaken within six months from the date of allotment order and be completed within 24 months from the date of allotment order.

14. Admittedly, the allotment was made in the year 2011. No industrial activities were carried on by the respondent. Even as of now, as per the Project Officer's report, dated 15.12.2025, only a removable industrial shed has been constructed and a watchman has been deployed. Mere submission of representation by the respondent would be insufficient. The SIPCOT extended time vide Office Order dated 04.09.2020, but, such time was not extended in respect of allottees, who have not commenced industrial activities for more than 7 years. In the present case, the industrial activities had not commenced even after a lapse of 8 years. Therefore, the Office Order dated 04.09.2020 is of no avail to the respondent for retaining the industrial allotment made on 30.09.2011.

15. The purpose of allotting industrial plot by SIPCOT is to develop industrial activities in the State. Therefore, conditions are imposed to the allottees to construct building within the time limit agreed in the lease deed and commence industrial activities. Undoubtedly, the jurisdiction of the Court on contractual obligations between the parties are limited. Only if the conditions imposed is running counter to any of the statute or found to be *ultra vires*, then the alone the Court will exercise the power of judicial review to

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intervene with the conditions of lease. In all the other circumstances, the conditions of lease agreed between the parties are binding and violation by any one of the parties will entail the other party to act in accordance with the clauses agreed between the parties. In the present case, the building was not constructed within time limit and industrial activities was not commenced for several years. Therefore, the order of cancellation came to be issued vide proceedings dated 23.03.2021 after a lapse of 10 years from date of allotment of an industrial plot. That being the factum, granting any discretionary relief would cause prejudice to SIPCOT and to the industrial activities to be developed in industrial plots.

16. In the matter of contractual obligations, the Hon'ble Supreme Court of India in the case of ***Sterling Computers Limited Vs. M/s.M & N Publications Limited and others***¹ held as follows:-

18. While exercising the power of judicial review, in respect of contracts entered into on behalf of the State, the Court is concerned primarily as to whether there has been any infirmity in the "decision making process". In this connection reference may be made to the case of Chief Constable of the North Wales Police v. Evans (1982) 3 All ER 141, where it was said that:

"The purpose of judicial review is to ensure that the individual receives fair treatment, an not to ensure that the authority, after according fair treatment,

¹1993 (1) SCC 445



reaches on a matter which it is authorised or enjoined by law to decide for itself a conclusion which is correct in the eyes of the court. ”

By way of judicial review the court cannot examine the details of the terms of the contract which have been entered into by the public bodies or the State. Courts have inherent limitations on the scope of any such enquiry. But at the same time as was said by the House of Lords in the aforesaid case, Chief Constable of the North Wales Police v. Evans (1982) 3 All ER 141 the courts can certainly examine whether “decision-making process” was reasonable, rational, not arbitrary and violative of Article 14 of the Constitution.

19. If the contract has been entered into without ignoring the procedure which can be said to be basic in nature and after an objective consideration of different options available taking into account the interest of the State and the public, then Court cannot act as an appellate authority by substituting its opinion in respect of selection made for entering into such contract. But, once the procedure adopted by an authority for purpose of entering into a contract is held to be against the mandate of Article 14 of the Constitution, the courts cannot ignore such actions saying that the authorities concerned must have some latitude or liberty in contractual matters and any interference by court amounts to encroachment on the exclusive right of the executive to take such decision.



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17. For the reasons stated in the aforementioned paragraphs, the writ order impugned dated 24.09.2021 made in W.P.No.8711 of 2021 is set aside and the Writ Appeal stands **allowed**. No costs. Consequently, the connected miscellaneous petition is closed.

(S.M.S., J.) (C.K., J.)
06.02.2026

dsa
Index :Yes/No
Neutral Citation :Yes/No
Speaking/Non-speaking order



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To

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- 3.Authorised Signatory Vinod Yadav,
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