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WP No. 26380 of 2



IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED: 05-02-2026

CORAM

THE HON'BLE MR.JUSTICE V. LAKSHMINARAYANAN

WP Nos. 26380 and 26383 of 2025

and WMP.Nos.29695, 29697 and 29701 of 2025

1. A.Sakthivel
2. C.Kuppusamy
3. V. Shanmugam,
4. S.Jegannath
5. G.Rangananan
6. K. Mani
7. S. Yuvaraj
8. T.Kesavan
9. C. Chinnakannu,
- 10.S. Nanthagopal
- 11.S. Joseph
- 12.S. Saravanan

..Petitioner(s) in
WP.No.26380 of 2025

Vs.

1. M.Arumugam



2. A.Kadirvel
3. A.Pichamuthu
4. V.Ramesh,
5. S. Krishnaraj
6. K. Sundram,
7. E.Venkatachalam
8. KeerthanaMathes
9. M. Satheeshkumar,
- 10.ValliKumaresan,
- 11.K.Vijay,
- 12.G. Ravichandran,
- 13.K.Ramesh,
- 14.R.Prabhu,
- 15.P. Mani,
- 16.P.Bhoopathi,
- 17.A. Selvakumar,
- 18.S.Santosh,
- 19.A.Sankar,
- 20.K. Selvakumar,
- 21.K.Anbu,
- 22.K. Mohanraj,
- 23.A. Yuvaraj,
- 24.H. Charanya,
- 25.M. Selvam,
- 26.G. Shanmugam
- 27.M. Bhaskar,
- 28.V. Lavanya,
- 29.S. Thayanidhi,
- 30.G. Srinivasan
- 31.P. Manikandan
- 32.N. Manikandan,
- 33.M. Deenadayalan,
- 34.K. Ganesan,
- 35.T. Sasikumar,
- 36.S.Matheswaran,
- 37.M. Vijayakumar,
- 38.V.Malar,
- 39.E. Easwaran,
- 40.E.Matheswari,
- 41.P. Kalaichelvi,
- 42.Proshith,
- 43.G.Kalaichevalvam,
- 44.S. Sabarinathan,



45.V.Kumar,
46.K. Sundaram,
47.S. Parthiparaja,
48.K.Padmanaphan,
49.G. Sathyamoorthy,
50.K. Yuvan Shankar,
51.C. Prabhakaran,
52.S.Satheeskumar,
53.M.Rathnavel,
54.S.Manoharan,
55.V. Lakshmi,
56.R.Rathnavel,
57.P. Parasuraman,
58.S.Srinivasan
59.T.Chitra Mani,
60.R. Anusuya,
61.M. Gopi,
62.K.Vasanthi,
63.R. Sumathi,
64.Valliammal,
65.P. Manimaran (38)
66.A. Vijayalakshmi,
67.K.Gomathi,
68.S. Vasuki,
69.R.Santhi,
70.D. Sivagami,
71.S. Rajeshwari,
72.Kannagi,
73.P.Gomathi,
74.R. Balamurali,
75.P. Revathi,
76.M. Vinoth,
77.T. Deenadayalan
78.T. Murugesan,
79.T. Selvamani,
80.K. Sridhar,
81.V. Thangaponnu,
82.S. Manikandan,
83.P. Varadharajan,
84.S. Sundar,
85.M.Mohanraj,
86.R. Varadharajan
87.S. Vinothkumar,



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88.P. Allimuthu,
89.V.Malar,

...Petitioners in W.P.No.26383 of 2025

Vs.

1. The Commissioner
Salem City Municipal Corporation,
Salem - 636 001
2. The Assistant Commissioner,
Ammamet Zone,
Salem City Municipal Corporation,
Salem 636 003.
3. R.M.Raju,
4. P.Rajhu Ganesh,
5. G.Srinivasan Gopal,
6. R.Ramu,
7. S.Sudarsan,
8. M.Manikandan,
9. P.Karthikeyan,
- 10.K.Sureshkimar,
- 11.N.Mohan,
- 12.M.Senthil Kumar,
- 13.S.Kathiravan,
- 14.G.Thiyagarajan,
- 15.K.Sadasivam,



16.D.Manikandan,

17.G.Balasubramaniam,

18.M.Soundharajan,

19.V.Madhu,

20.Premdas,

21.Chakravarthy,

22.C.Loganathan,

23.S.Kanagu,

24.P.Saravanan,

25.S.Diwakar,

26.P.Mani,

27.C.Balamurugan,

28.Malar,

29.C.Subramani,

30.S.Sasikala,

31.M.Subramani,.

32.M.Nandhakumar,

33.G.Sureshkumar,

34.S.Velayutham,

35.V.Ruckmangathan,

36.V.Kulandai Vel,

(R3 TO R36 IMPEADED VIDE ORDER
DATED 11.12.2025 MADE IN



WMP.50128/2025 IN WP.26380/2025 BY
VLNJ)

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..Respondent(s) in both
petitions

Prayer in W.P.No.26380 of 2025: Writ Petition is filed under Article 226 of the Constitution of India for a Writ of Certiorarified Mandamus to call for the records relating to the impugned Tender Notification issued by the 1st Respondent in Na.Ka.No.L8/1238/2023 dated 30.06.2025 in respect of Koodai Kadaikal, Thittu Kadaikal and Shutter Kadaikal at VOC Daily Market, Salem and to QUASH the same and consequently directing the Respondents to pass orders for allotment of shops in V.O.C Market, Ammapet Zone, Salem on monthly rental basis in accordance with market value or Public Works Department (PWD) rate through the Special Committee constituted in accordance with the orders passed in 7746 of 2020 etc., cases dated 27.04.2022 and the orders passed in W.P.No.35239 of 2023 dated 10.01.2024.

Prayer in W.P.No.26383 of 2025: Writ Petition is filed under Article 226 of the Constitution of India for a Writ of Certiorari to call for the records relating to the impugned Tender Notification issued by the 1st Respondent in Na.Ka.No.L8/1238/2023 dated 30.06.2025 in respect of Koodai Kadaikal, Thittu Kadaikal and Shutter Kadaikal at VOC Daily Market, Salem and to Quash the same.

For Petitioner(s) in
W.P.No.26380/2025:

Mr.Haja Nizar Ahmed, Senior Counsel for
Mr.T.Chandrasekaran

For Petitioner(s) in
W.P.No.26383/2025:

Mr.G.Sankaran, Senior Counsel for
Mr.S.Nedunchezhiyan



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For Respondent(s) in
both petitions:

Ms.Madhurya for Mrs.N.Devi Sc for R1 and R2
M/s. T. Sai Krishnan, I. Inian, G. Lavanya, M.
Velan, Yeshwanth Sharma P For R3 To R36 Dt.
11/12/2025

COMMON ORDER

I heard Mr.G.Sankaran, learned Senior Counsel for Mr.S.Nedunchezhiyan, Mr.Nizar Ahmed, learned Senior Counsel for Mr.T.Chandrasekaran for the petitioners, Ms.Madhurya represents Mrs.N.Devi, learned Standing Counsel for respondents 1 and 2, Mr.T.Sai Krishnan, learned counsel appears for the newly impleaded private respondents.

2. Shorn of unnecessary facts, the details of both the writ petitions are as follows:

2.1. There exists a flower market within the municipal limits of Salem. It was called the VOC daily market. It is situated in Ammapet, Salem. The market consists of three kinds of shops namely, Koodai Kadai, Thittu Kadai and Shutter Kadai. The smallest of all the varieties is Koodai Kadai, where the vendors come and occupy a small space for selling flowers. Thittu Kadai is a slightly larger area where the area is demarcated by slitted enclosures and Shutter Kadai is the largest of the shops, where the shops can be closed using a shutter. This market is said to be in operation from the colonial period.



2.2. Sometime in 2020, it was decided to pull down the existing market and construct a new market which would cater to vendors of the three kinds of shops. The construction of the shops was under the smart city scheme evolved by the Union of India. The 1st and 2nd respondents, post the new construction, auctioned the privilege of collecting the daily fee from the occupants of the shops. The auction was taken. One Loganathan was the successful bidder for Chippam-2. The person, who obtains the privilege, would permit the vendors to occupy the shop on a ‘‘first come first serve basis’’. Once the vendor had sold his goods, he would vacate the place and the licensee would put another vendor in occupation of the same area. He would collect a fee from them, which entitled them, to occupy the place, and sell their flowers.

2.3. It was a condition of auction of the privilege that the auction amount was to be paid for the first year and for the subsequent years, the person who took the privilege of auction should pay an amount of 5% more than the previous year. This was to continue for a block of three years, with the Municipal Corporation entitled to bring the privilege to collect the fee from the users again for re-auction at the end of the said period. Following this practice, the Municipal Corporation called upon the successful bidder to pay 5% more than the amount which he had bid for knocking off the privilege in his favour. Mr. Loganathan defaulted in payment of the enhanced amount. Thus, putting the Municipal Corporation to a loss. Hence, the Municipal Corporation decided to



invoke Section 78 (3) (iii) of the Tamil Nadu Urban Local Bodies Act, 1998, and conduct an auction for the occupation of the areas in the VOC flower market by way of lease. It is this Tender Notification which is under challenge in both the writ petitions.

3. Opening the arguments, Mr.G.Sankaran, urged as follows:

(i) that the petitioners before this Court are all agriculturalists. They grow the flowers and sell them in the market directly. Pointing out the auction condition, he states that the EMD amount has been fixed at an astronomical level, literally excluding the agriculturalists from participating in the auction.

(ii) he draws the attention of this Court to the earlier orders passed in W.P.NO.7746 of 2020, W.P.No.35239 of 2023 and W.P.No.7300 of 2024 to urge that this Court has always come to the rescue of agriculturalists and if the proposed tender goes through, it will go against the grain of these judgments.

(iii) He points out that VOC flower market has always been a daily market and by the impugned tender, it is sought to be converted into a lease of immovable property for a block period of 12 years, with which the writ petitioners will find hard to compete.

(iv) He also states that the purpose of the market is to enable agriculturalists to sell their produce directly and if the lease goes through tender,



the very purpose of the market will be defeated.

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4. Adopting all these arguments, in addition, Mr.N.A.Nizar Ahmed, refers to Section 108 of the Urban Local Bodies Act to state that under Sub Section (2), the Corporation can only collect fees from persons using the public market and the section does not contemplate a lease of the public market.

5. Mr.Sai Krishnan, by way of reply, points out that the petitioners are free to participate in the auction and that the purpose of the auction is to augment the income of the Corporation. Rejecting the arguments on Section 108, he urges that Section 108(2) would apply only in case of license, but what has been contemplated here is the situation of a lease and hence, it is Section 78 which should operate. He states that Chapter VI of the Urban Local Bodies Act deals with several topics, of which Sections 73 to 79 deal with the properties of a local body and Sections 102 to 117 deals with licences and fees. Where it is a situation of lease, he urges that Section 78 should operate and not Section 108.

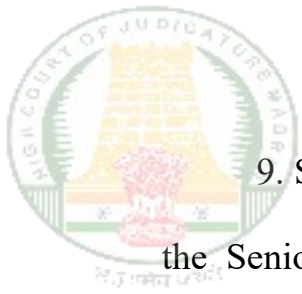
6. Ms.Madhuriya appearing for Mrs.N.Devi, states that the Corporation decided to go for auction in order to augment its revenue. She adds that the impugned tender is supported by a resolution passed by the Council on 30.04.2025. She states that the Corporation is not insensitive to the plea of the farmers and vendors. The value of the lease has been determined on the basis of



the market guideline value and that, taking into consideration the fall in demand, the Corporation decided to revise the fixation of the deposit amount and reduced it from 1/3rd to 2/3rd approximately from the value of the actual existing deposit amount. This too is as per the Council resolution dated 27.06.2025. Referring to paragraph 30 of the counter affidavit, she states that the vendors of the VOC daily market conducted a Road Roko and sit-in protest for the very same relief for which the writ petition has been filed and that the said protests were led by defaulter Thiru.Loganathan, the previous lessee. She adds being a policy decision of the Corporation, she states that this Court should not interfere with the same.

7. I have carefully considered the submission of both sides and have gone through the records and applicable laws.

8. First, I will take up the plea of Mr.G.Sankaran and Mr.Nizar Ahmed that the petitioners are agriculturalists. The process of agriculture commences with the planting and stops with the harvest. Once the harvest has been reaped, it is not retained by the farmers for their own consumption but it is sold either by them through traders or directly. In either case, it is not a continuation of an agricultural activity but a commercial activity. Hence, to plead that vending of flowers is an agricultural activity is misplaced.



9. Secondly, the previous judgments, which have been referred to by both the Senior Counsel point out that the Corporation would have to hold the auction for grant of license in a fair manner so as to not result in exclusion of participation by agriculturalists. In fact, when the matter was argued in W.P.No.7300 of 2024, this Court in paragraph no.9 had held that the vendors shall market their products in the place allotted by the lease right holder, namely the contractor, and vendors cannot claim any right over the shop, since it is allotted on a “first come first serve basis”. It also held that a contractor can collect toll from the vendors who are having their shops in and around 15 m of the daily market, as long as their business does not cause any hindrance to traffic. It was in those circumstances that this Court upheld the decision to grant the privilege to collect the fee in favour of Mr.Loganathan, the erstwhile successful bidder in the auction, who took the privilege to collect the toll / fee / license fee in auction.

10. The present situation came about because Mr.Loganathan, despite being strengthened by an order of this Court, defaulted in payment of the enhanced privilege amount for the period 2025-2026. The Corporation informed him that to continue the right to collect the toll from vendors in the VOC market, Mr. Loganathan would have to pay Rs.7,42,35,000/- and a sum of Rs.2,11,05,000/- in all amounting to Rs.9,53,40,000/-. Yet, he did not remit the amounts.



11. Finding that auctioning the privilege to collect the fee was resulting in a loss, the Corporation decided not to resort to Section 108 but treat the VOC market as an immovable property and resort to Section 78 of the Urban Local Bodies Act.

12. As pointed above, Mr.Nizar Ahmed urges Section 108 alone must be adopted and not Section 78. Let me now test this arguments. Under Section 108 of the Local Bodies Act, any market acquired, constructed, repaired or maintained out of municipal funds is deemed to be a public market. This Section also empowers the Council to establish any place as a public market for the sale or purchase of any commodity within the municipal limits and collect fees from any person for using the place so established as a market. A perusal of Section 108 (2) makes it clear that it does not contemplate parting with any right in the immovable property, but only gives a right to a person to vend his wares / produce in a public market established for the said purpose on payment of a fee. It is this privilege to collect fees, that the Corporation, instead of collecting the fee by itself, farms out this right / privilege to a third party such as Mr.Loganathan referred to above. As a consideration for farming out this privilege, the Corporation collects a lump sum amount in the said auction.



13. The Municipal Council, in its wisdom, has come to a conclusion that farming of such right insofar as VOC flower market is concerned, is putting it to a loss and therefore decided to go in for Section 78. The very texture of Section 78 and Section 108 are different. Under Section 108, a person who is vending his produce in a market established for the said purpose does not have a right in the market or in the immovable property. However, in the case of Section 78, a person who takes the area in auction does so as a lessee. The difference between lease and license has been settled. For the sake of this case I will reiterate the same. A licensee is not given a right in the immovable property, whereas the lessee does have a right. In the case of a license, it is not heritable unless and until the licensor agrees to it. In the case of a lease, it is heritable within the period of lease granted. A lessee is placed much higher in law than a licensee.

14. It is not for this Court to dictate how a Corporation should manage its finances or its properties. Initially, the Corporation had adopted the licensing route by collecting the fee by itself. Thereafter, it had gone about auctioning of the privilege to collect the fee. In both cases, the Salem Corporation came to a conclusion that it was suffering a loss. Hence, it has decided to take the route of going in for lease by way of auction. Unless and until the Local Bodies Act prohibits such lease, I am afraid this Court cannot hold that the Corporation cannot go in for lease of its property.



15. It cannot be urged that the VOC market is not an immovable property.

Neither can it be urged that the area reserved for basket shops, Thittu Kadai or shutter shops are not portions of the immovable property and thereby, subsumed under the definition.

16. When this aspect was pointed out, both the Senior Counsels urged that the lease is proposed to be granted in contravention of Section 78(3)(iii) *proviso*. The proviso reads as follows:-

“The Council may grant license, lease or rent out the land or building belonging to it for use and occupation for a period not exceeding twelve years, in the case of commercial shopping complexes: provided that no such license, lease or rent out shall be granted for a period exceeding three years at a time.”

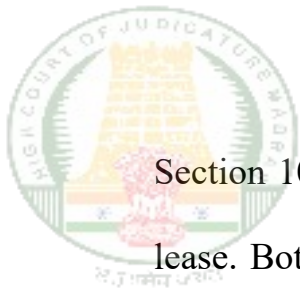
17. Under the proviso, the Corporation is barred from granting a license, lease or rent for a period exceeding three year at a time. This is a restriction on the power of the Corporation. A lease cannot be granted for a period of three years and above in a single auction. A perusal of the auction notification in the case on hand shows that the auction is being conducted for a period of 12 years, treating the amount paid till 31.03.2026 as the lease amount for a period of one year, with enhancement of the same by way of 5% for the subsequent years. The Government had passed an order in G.O.Ms.No.78, (Municipal Administration and Water Supply Department) dated 25.05.2009, directing the local bodies to



grant lease for a period of one year, while imposing a condition that it would be extended for a period of three years with enhanced lease amount of 5% for the period of the second and third year.

18. A reading of this notification shows that the impugned tender has not been granted entirely for a period of 12 years. To give an example, if a person takes shop no.1 for lease under the notification for a sum of Rs.1,00,000/- and does not pay the enhanced amount of 5% in order to continue the lease for the second year, he would not be entitled to continue the lease into the second year. The same logic would go on for the third year till the end of the lease period. This shows that the Corporation has not violated the proviso to Section 78(3) (iii). Taking into consideration the difficulties that would be expressed by the vendors, it is not collecting the lease amount in one go for a period of three years, but it is staggering the same to the benefit of the vendors.

19. Turning to the point on Section 108(2), I am entirely in agreement with Mr.Sai Krishnan. A reading of Section 108(2) indicates that only if the Corporation is going to collect the fee by itself, it needs to go into the licensing method. Section 108 cannot be read as conflicting with Section 78 with respect to markets. This is because it is a fundamental principle of statutory interpretation that an operation of one provision the Act cannot be held to be in conflict with the other provision of the very same legislation. As already held,



Section 108 applies in the case of license and Section 78 applies in the case of lease. Both being fundamentally different, the submissions of Mr.Nizar Ahmed though seems extremely attractive initially, do not withstand a closer legal scrutiny.

20. In the light of the above discussion, I do not find any merits in the writ petitions. The same are dismissed. No costs. Consequently connected miscellaneous petitions are closed.

05-02-2026

Index: Yes/No

Speaking/Non-speaking order

Neutral Citation: Yes/No

SK

To

1. The Commissioner
Salem City Municipal Corporation,
Salem - 636 001.
2. The Assistant Commissioner,
Ammamet Zone,
Salem City Municipal Corporation,
Salem 636 003



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WP No. 26380 of 2



V.LAKSHMINARAYANAN, J.

SK

WP Nos. 26380 and 26383 of 2025

05-02-2026