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IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED: 06.02.2026

C O R A M

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

W.A.Nos.2043 and 920 of 2023 and
C.M.P.Nos.17339 and 9197 of 2023

W.A.No.2043 of 2023

State Industries Promotion Corporation
of Tamil Nadu Limited,
Rep. by its Managing Director,
19-A, Rukmani Lakshmipathy Road,
Egmore, Chennai-600 008.

... Appellant/respondent

-VS-

M/s.A.S.Carriers Private Limited,
Rep. by its Authorized Signatory,
B.Balaji, S/o.S.Balasubramanian,
New No.173, Old No.103,
9th Floor, Block "B" Navin's Presidium,
Nelson Manickam Road,
Amjikarai, Chennai-600 029.

... Respondent-Company/Petitioner

Prayer: Writ Appeal filed under Clause 15 of the Letters Patent to allow the
Writ Appeal and thereby set aside the order of the learned Judge made in
W.P.No.5446 of 2016 dated 26.08.2022.

For Appellant : Mr.R.Viduthalai, Senior Counsel
For Mr.K.Palaniappan

For Respondent : Mr.J.V.Niranjan



W.A.No.920 of 2023

State Industries Promotion Corporation
of Tamil Nadu Limited,
Rep. by its Managing Director,
19-A, Rukmani Lakshmipathy Road,
Egmore, Chennai-600 008.

... Appellant/respondent

-vs-

1. M/s.A.S.Carriers Private Limited,
Rep. by its Authorized Signatory,
B.Balaji, S/o.S.Balasubramanian,
New No.173, Old No.103,
9th Floor, Block "B" Navin's Presidium,
Nelson Manickam Road,
Amjikarai, Chennai-600 029.

... respondent / Petitioner

2. Axis Bank Ltd.,
Rep. by the Centre Head,
CBG Centre, Yamini Tower,
No.153, Velachery Main Road,
Velachery, Chennai-600 042.

... respondent /2nd respondent

Prayer: Writ Appeal filed under Clause 15 of the Letters Patent to allow the Writ Appeal and thereby set aside the order made in W.P.No.32829 of 2022 dated 16.12.2022.

For Appellant : Mr.R.Viduthalai, Senior Counsel
For Mr.K.Palaniappan

For R1 : Mr.J.V.Niranjan

For R2 : No Appearance

COMMON JUDGMENT

(By S.M.SUBRAMANIAM,J.,)

Under assail is the Writ Order dated 26.08.2022 passed in W.P.No.5446 of 2016. State Industries Promotion Corporation of Tamil Nadu Limited (hereinafter referred as "SIPCOT") is the appellant before this Court.



The respondent / Company instituted writ proceedings, challenging the demand made by the appellant vide Demand Letter dated 28.04.2014 to pay sub-leasing charges in respect of sub-leases made by the respondent / Company with third parties.

2. Facts in brief:

2.1. Vast extent of private lands admeasuring 17 acres and 64 cents (more than 7 lakhs sq.ft.) from various land owners were acquired for developing Industrial Park by Government of Tamil Nadu and it was allotted to SIPCOT for developing Industrial Establishments. Industrial plots are allotted to persons aspiring to develop industries and allotment orders were issued and such allotments culminated into lease agreement.

2.2. In the present case, order of allotment was passed in favour of the respondent / Company on 15.03.2005 by SIPCOT, allotting 17.64 acres for a period of 99 years for an annual rent of Rs.1 agreed. Pursuant to allotment, a Lease Deed was entered into between the parties on 08.07.2005. As per the terms and conditions, respondent / Company was permitted to establish modern warehousing, logistic facilities and value added services. respondent / Company constructed industrial sheds or buildings and thereupon executed sub-lease agreement in favour of third parties to utilize buildings or sheds for the purpose of warehousing, logistic and value added services.



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2.3. SIPCOT found that respondent / Company committed certain violations of terms and conditions of lease agreement, by sub-letting the premises for developing industrial or manufacturing unit or for other purposes, which is impermissible in terms of the lease agreement. SIPCOT demanded sub-leasing charges from the respondent / Company, since sub-leasing charges are being recovered from other lessees in the Industrial Park. Near about 50 Lessees are paying sub-leasing charges to SIPCOT and the respondent / Company, since disputed, a Demand Letter was issued, which came to be challenged in a writ proceedings.

2.4. Writ Court allowed the writ petition mainly on the ground that there is no specific clause to demand or recover sub-leasing charges. Therefore, the impugned Demand Letter is untenable. Writ Court held that in the absence of any specific agreement between the parties in the Lease Deed, SIPCOT / appellant herein is not empowered to recover sub-leasing charges. Other facts regarding usage of warehouse by the respondent / Company are not seriously contested between the parties. Though certain violations are brought to the notice of this Court on behalf of the appellant, since they have not initiated any action against those violations, if any committed by the respondent / Company, it is unnecessary for this Court to consider those issues or violations in the present writ appeal.



3. Submission of SIPCOT / Appellant:

3.1. Mr.R.Viduthalai, learned Senior Counsel assisted by Mr.K.Palaniappan, learned counsel for the appellant would mainly rely on the terms and conditions agreed between the parties in the lease agreement. Learned Senior Counsel, by relying on Clauses 11, 15, 27, 31, 39 and 42(b) in the agreement, would urge this Court that SIPCOT is entitled to recover sub-leasing charges. Though SIPCOT reserves its right to initiate action in respect of other violations committed by the respondent / Company, at present, SIPCOT is claiming only sub-leasing charges in terms of the lease agreement. 50 other Lessees are regularly paying sub-leasing charges. While so, respondent / Company alone is refusing to pay by wrongly stating that there is no specific clause in the agreement.

3.2. Learned Senior Counsel drew the attention of this Court with reference to the sub-lease agreement entered into between the respondent / Company and third parties, which would show that it is only a sub-lease agreement entered into between sub-lessor and sub-lessee and terms and conditions of sub-lease are stipulated in the sub-lease agreement. The respondent / Company is collecting huge amount of monthly rents from the sub-lessees and annual escalation of rent is also contemplated under the sub-lease agreements. Sheds or warehousing units developed by the respondent / Company cannot be held as independent, and it is constructed in the land leased out by SIPCOT and land and building are inseparable.



Therefore, the sub-lease of building constructed in the leased out land, which is not disputed, is a ground to recover sub-leasing charges. In support, learned Senior Counsel relied on a judgment of Supreme Court of India in the case of **Mrs.Dossibai vs. Khemchand Gorumal**¹

3.3 Public Trust Doctrine is relied upon by the learned Senior Counsel and in this regard, he would rely on the following judgments:

i) **Neelam Agarwal vs. State Industries Promotion Corporation of Tamil Nadu Ltd., (W.P.No.588 of 2016 decided on 23.03.2018);**

ii) **Pandyan Hotels Limited vs. the Secretary to Government and 4 Others (W.P.No.7890 of 2015 decided on 25.05.2023);**

iii) **Property Owners Association and others vs. State of Maharashtra and other**²

iv) **Kamla Nehru Memorial Trust and another vs. U.P.State Industrial Development Corporation Limited and others (SLP (C) Nos.31887-88 of 2017);**

v) **M/s. New Direction Industries Logistics Company vs. The Managing Director, SIPCOT (O.P.No.137 of 2023);**

vi) **M/s.R.K.H.M. & Co. vs. The Managing Director, SIPCOT (O.P.No.138 of 2023).**

3.4. Relying on the above judgments, Mr.Viduthalai would contend that SIPCOT, being a “State” within the meaning of Article 12 of the Constitution cannot enter into a lease agreement, detrimental to public

¹AIR 1966 SC 1939

²2024 (18) SCC 1



interest or opposed to public policy. The term of lease is 99 years and lease rent is fixed at Rs.1/- per annum. If such a lease rent is accepted, it would result in an irreparable financial loss to the State Exchequer and would infringe the public right. Therefore, the case on hand is a fit case for Public Trust Doctrine to be invoked to protect the interest of State and public interest.

4. Contentions of the respondent / Company:

4.1. Mr.J.V.Niranjan, learned counsel appearing on behalf of the respondent / Company would oppose, by stating that no terms and conditions stipulated nor agreed between the parties regarding payment of sub-leasing charges. In the absence of any clause, SIPCOT is not entitled to recover sub-leasing charges. Writ Court has considered the terms in the sub-lease and allowed the writ petition. He would contend that respondent / Company addressed a letter dated 08.01.2004, seeking modification of Clause 27 and 31 of the lease agreement, which was rejected by SIPCOT in their letter dated 14.01.2004. The rejection order would clarify that the company need not transfer interest or right over any other person and hence, modification suggested by the respondent / Company is unnecessary.

4.2. In the present case, respondent / Company has not transferred or alienated the plot allotted to the respondent / Company. Sub-lease agreement was entered into between third party only in respect of the



buildings constructed. Therefore, they have not violated any of the conditions agreed in the lease deed. Thus, the transactions would not amount to sub-lease at all. Learned counsel would contend that they have not sub-let anything and it is only a transaction for the purpose of warehousing, logistic facilities and value added service. He pointed out that the respondent / Company has invested huge amount for construction of buildings. He would also contend that it is a contract between SIPCOT and respondent / Company and therefore, SIPCOT need not be construed as “State” within the meaning of Article 12 of the Constitution.

Discussion:

5. The issue to be considered in the present lis is “***whether SIPCOT / appellant herein is entitled to recover sub-leasing charges from the respondent / Company lessee***”?

6. Basic facts are not disputed between the parties. Therefore, it would suffice if the terms and conditions agreed in the lease are examined in the context of the legal position settled by the Constitutional Courts. The relevant clauses, namely, 27, 31, 39 and 42(b) in the lease deed are extracted hereunder:

“27. The Party of the Second Part shall not assign, transfer or part with his interest in the allotted plot either in whole or in part except with prior written consent of the Party of First Part. In the event of the Party of Second part seeking approval for change in constitution, or change in the management or control or amalgamation with any other company or transfer of interest to



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any third party either in whole or in part, Part of First part shall grant approval provided the Party of Second Part or any person claiming under the Party of the Second Party agrees to pay the cost determined by the Party of First Part and the cost determined by the Party of First Part shall be final and binding on the Part of Second part or any person claiming under the party of Second Part and cannot be questioned in any court of law.

31. The Party of the Second Part shall not sub-let or transfer or in any other manner permit the occupation of any other persons of the whole or part of the plot.

39. The Party of the First Part reserves the right to impose any further conditions and stipulations, or alterations in the regulations necessary at any time for the establishment of Industrial Park to implement the conditions of this deed and for the benefit of the Industrial Park as a whole.

42(b) If the allottee fails to comply with any of the terms and conditions of lease deed, SIPCOT reserves the right to cancel the allotment and receive the land under TNPPE Act. The Financial Institutions/Banks to whom NOC was issued for creating mortgage will be communicated the notice of 90 days to take remedial action by the allottee to avoid action for cancellation.”

7. As per the lease deed, annual rent of Rs.1/- p.a. is fixed in respect of the entire extent of land, measuring 17 acres and 64 cents (more than 7 lakhs sq.ft). Except the annual lease rent of Rs.1/-, no enhancement of rent has been contemplated. Lease period is 99 years.

8. Clause 27 of the agreement states that respondent / Company shall not assign, transfer or part with his interest in the allotted plot. Clause 31 states that respondent / Company shall not sub-let or transfer or in any other manner permit the occupation of any other persons of the whole or part of the



plot. Therefore, sub-letting the plot or transferring the plot is prohibited under the above clause.

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9. In this context, it is relevant to consider whether the building can be separated from the plot and the lessee can take advantage of such a situation. The Latin maxim "*Quicquid plantatur solo, solo cedit*", found in English Law states that fixture to the soil goes with or belongs to the soil; whatever is planted on the soil goes with the soil. The above principle has been considered by the Hon'ble Supreme Court in the case of **Mrs.Dossibai vs. Khemchand Gorumal**³ and Paragraph No.7 of the said judgment reads as under:

"7. The more substantial question for consideration is whether when open land is being leased not to be used for residence in its condition of open land but to be used for the purpose of residence after constructing buildings thereon, the letting of the open land can reasonably be called to be letting for residence. Mr. Bhatt contends that as, what is to be considered is whether the letting of the open land is, for residence the land cannot be said to be for residence if not the open land, but, something constructed on the open land is to be used for residence. In such a case, says Mr. Bhatt, the land is let for construction of a building and not for residence. We are unable to accept this argument. Land can be used for many purposes. It maybe used for agriculture; for residence of human beings; for keeping cattle or other animals; for holding meetings; :-or carrying on business or trade; for storage of goods; for supply of water by excavating tanks, and many other purposes. Many of these purposes can be achieved on the open land without the construction of any buildings. But many of them can be better achieved if some kind of structure is created on the open land. It seems reasonable to us to think that when the Bombay Legislature took particular care to include open land not being used for agricultural purposes within the word "premises" and

³AIR 1966 SC 1939



then went on in the very next section to speak of premises being let for several specified purposes, it was thinking of the purposes to which-the land will be used irrespective of whether the purpose was intended to be achieved with or without construction of a structure. The intention in mentioning only some purposes, viz., residence, education, business, trade or storage in Section 6 was to exclude land let for purposes like, keeping of cattle, (except in the way of business or trade), and numerous other purposes to which the land may be put from the benefit of part II of the Act.”

10. Clause 39 of the lease agreement would show that SIPCOT reserves the right to impose any further conditions and stipulations, or alterations in the regulations necessary at any time for the establishment of Industrial Park to implement the conditions of this deed and for the benefit of the Industrial Park as a whole.

11. As far as Government contracts are concerned, such general clauses are incorporated to protect public interest. General clauses are recognisable in terms of Article 39(b)(c) of the Constitution of India. Article 39 (b) states that the ownership and control of the material resources of the community are so distributed as best to subserve the common good, preventing wealth concentration and promoting public welfare, including natural resources, capital, and private property. Article 39 (c) states that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment. Therefore, State is not empowered to enter into a contract with private persons, which is detrimental to public interest. State is expected to act with due diligence, fairness and in conformity with public interest, while entering a contract with private parties.



12. In the present case, vast extent of agricultural lands were acquired from land owners. They had parted with their valuable lands long before. Such lands are utilized for developing Industrial Park for the benefit of people at large and for development of our Great Nation. Therefore, State is not expected to act in any manner detrimental to the public interest and all such agreements / contracts must be to subserve common good. The general conditions stipulated in Clause 39 must be read in the context of Public Trust Doctrine.

13. Nine Judges Bench of Supreme Court in the case of **Property Owners Association and others vs. State of Maharashtra and others**, (supra) ruled the following principles:

“270. We may refer to the Public Trust Doctrine that has been evolved by this Court in a consistent line of precedent, to better understand the ‘community’ element of such resources. 156 This doctrine provides that the State holds all natural resources as a trustee of the public and must deal with them in a manner consistent with the nature of the trust. The doctrine was introduced to Indian jurisprudence by a two-judge bench decision of this Court in *M.C. Mehta v. Kamal Nath*¹⁵⁷ This Court, speaking through Justice Kuldip Singh, held that the doctrine is rooted in the principle that certain resources like “air, sea, waters and forests” hold such importance to the people, as a whole, that it would be unjustified to make them a subject of private ownership. This Court held that the doctrine mandates the Government to protect the resources for the enjoyment of the general public, rather than to permit their use for commercial gains. Significantly, this does not mean that the state cannot distribute such resources, sometimes even to private entities, rather while distributing such resources, the state is bound to act in consonance with the principles of public trust so as to ensure that no action is taken which is detrimental to public interest.



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271. The Constitution Bench of this Court in Special Reference No. 1, adverted to above, had occasion to observe that the Public Trust Doctrine has expanded beyond resources like air, sea, water and forests, to include other resources such as spectrum which also have a community or public element. The Constitution Bench of this Court, relying on Article 39(b), held that no part of such resources can be dissipated as a matter of largess, charity, donation or endowment, for private exploitation. The considerations may be in the nature of the state earning revenue or to "best sub-serve the common good". The idea, this Court held, is that one set of private citizens cannot prosper at the cost of another set of private citizens, because such resources are owned by the community as a whole."

14. In a recent judgment in the case of **Kamla Nehru Memorial Trust and another vs. U.P.State Industrial Development Corporation Limited and others**⁴, the Apex Court held as follows:

"29. We, therefore, consider it necessary to examine whether UPSIDC's procedure for industrial land allotment meets standards of administrative propriety, particularly in light of the Public Trust Doctrine (Doctrine) mandating that public resources be managed with due diligence, fairness, and in conformity with public interest.

30. The Doctrine emanates from the ancient principle that certain resources (seashores, rivers and forests) are so intrinsically important to the public that they cannot be subjected to unrestricted private Page 25 of 29 control. Rooted in Roman law and incorporated into English common law, this Doctrine recognizes that the Sovereign holds specific resources as a trustee for present and future generations.

31. In the Indian context, the Doctrine has evolved to encompass public resources meant for collective benefit, reflecting the constitutional mandate under Article 21. As held in Natural Resources Allocation In re, while the Doctrine does not impose an absolute prohibition on transferring public trust property, it subjects such alienation to stringent judicial review to ensure legitimate public purpose and adequate safeguards.

⁴2025 INSC 791



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32. When a substantial tract of industrial land is allocated without a comprehensive evaluation, it raises critical questions about adherence to these principles. The Doctrine requires that allocation decisions be preceded by a thorough assessment of public benefits, beneficiary credentials, and safeguards ensuring continued compliance with stated purposes.”

15. In the case of **Pandyan Hotels Limited vs. the Secretary to Government and 4 Others (supra)**, decided by one of us (Justice S.M.Subramaniam), this Court held as follows:

“64. The concept of “Public Policy” and “Public Interest” as defined is that, the practical implications concerning strategies for protecting human rights and promoting democracy and the rule of law. “Public Interest” means “People” thereafter, “which is best for the society as a whole”. General welfare of the public that warrants, recognition and protection and something in which the public as a whole has a stake.

65. The true measure of whether someone is acting in the public interest lies in the confidence of those affected, not those making the pronouncements. The way a public action is determined, and seen to be determined, and the public interest appropriateness of the solution, will influence the acceptance of the measure. Justification in influences, the amount of trust endangered in the relevant public. The purpose of seeking to invoke the public interest is also to be looked into. Whether the matter is really intended to be for the benefit of the society and public interest theory is a part of welfare economics. It is the outcome attained, when the Government discharged its obligations for long run survival and well being of the society. Serving the public is the Fundamental Mission of the Government. Unfortunately, individualism dominates today-s public life at the expense of common benefit. A policy is purposive or goal oriented action. The policy consists of courses of action rather than mere decisions. The public confidence rest on the fairness and impartiality.

67. The Government of Tamil Nadu as per their announcement is facing financial crunch. Thus, the Government is duty bound to revisit all such Government agreements/ Leases / Contracts in respect of Government lands, properties



etc., across the state of Tamil Nadu and ensure that the public interest and the Revenue of the State has been protected.”

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16. Let us now consider the nature of sub-lease agreement entered into between the respondent / Company and third party companies. Admittedly, the agreement is named as “Sub Lease Agreement” and the parties are referred to as “Sub Lessor” and “Sub Lessee”. Term of lease and renewal, Rent and Maintenance charges, Lease commencement date, taxes, security deposit / refund, Utilities and Amenities, Improvements / signage, Covenants of the sub lessee, Indemnity, Covenants of the Lessor, Termination / breach, Rent Discounting, Insurance, Force Majeure, Communication Notices, Dispute Resolution, Schedule of Property are the contents available in the Sub Lease agreement. One of the Sub-Lease agreements dated 01.02.2016 shows about the details and conditions regarding payment of rent, as found in Clause 3.1 are indicated hereunder:

“3.1. Rental payment commences from 15.02.2016 (considering 15 (Fifteen) days free period from the Sub Lease Commencement Date, as agreed between Lessor and Lessee) onwards and during the initial Term, the Sub Lessee shall pay to the Sub Lessor a monthly Rent of Rs.12,41,764.00 (Rupees Twelve Lakhs Forty One Thousand Seven Hundred and Sixty Four only) per month from the “Sub Lease Commencement Date” for the demised premises @ Rs.13.25/- per Sq.Ft. for an admeasuring area of 93,718 Sq.Ft. or thereabouts. The Rent will escalate by 5% at the end of every year from the date of Sub Lease Commencement Date. If the Sub Lease Agreement is extended beyond term of this agreement, the Rent and the escalation shall be mutually discussed and agreed by the parties.”

17. Reading of the above clause would show that sub-lessee has to pay a monthly rent of Rs.12,41,764.00 for an area admeasuring 93,718



sq.ft. The rent will escalate by 5% at the end of every year. Belated payment of rent will attract interest. Annual escalation of rent and re-fixation of rent for renewal of sub-lease agreement are stipulated. But the respondent / Company is paying an annual rent of Rs.1/- for the entire leased out property by the appellant, measuring 17.64 acres. It amounts to unjust enrichment to the respondent / Company and detrimental to the appellant, who is the State. Such disproportionate lease conditions, one for the State and another for private lessees undoubtedly infringes the public property right and is opposed to public policy.

18. Clause 3.2 of the sub-lease agreement reads as follows:

“3.2. The Sub Lessee shall pay the Rent for the month, on or before the Seventh (7th) day of the same English calendar month (the “Due Date”). Any delay in the payment of the Rent beyond the Due Date shall attract interest at the rate of eighteen percent (18%) per annum, from the Due Date until the date on which it is actually paid. The Rent for any partial month shall be pro-rated on a daily basis, based on the actual number of days remaining in such month.”

19. The above clause would show that exorbitant interest is charged for belated payment of rent. Public land leased out in favour of the respondent / Company for an annual rent of Rs.1/- is commercialised for personal gains and beyond market rent is being collected from third parties by the respondent / Company. Apart from charging exorbitant interest for belated payment of rent, periodical enhancement of rent is also contemplated under sub-lease agreement. Thus, it is unfair, unreasonable and unconstitutional on the part of respondent / Company to refuse payment of sub-leasing charges,



as demanded by the appellant / SIPCOT. Clause 39 in the lease agreement would be sufficient to collect sub-leasing charges.

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20. Clause 39 agreed between the parties in the original lease in unambiguous term stipulates that SIPCOT reserves its right to impose any further conditions and stipulations, or alterations in the regulations necessary at any time for the establishment of Industrial Park to implement the conditions of this deed and for the benefit of the Industrial Park as a whole. The appellant leased out acquired lands for developing Industrial Park for a period of 99 years for a lease amount of Rs.1/- p.a. and therefore, Clause 39 of the lease agreement would squarely apply for recovering sub-leasing charges. Further, SIPCOT is empowered to impose conditions and stipulations or alteration in the Regulations, which are all necessary at any time for the benefit of Industrial Park as a whole. Therefore, the said Clause – 39 would be sufficient to arrive at a conclusion that SIPCOT is entitled to recover sub-leasing charges and the said clause and its scope in the context of Public Trust Doctrine has not been considered by the Writ Court, which resulted in allowing the claim of the respondent / Company.

21. The letter dated 08.01.2004 addressed by the respondent / Company to SIPCOT as well as reply dated 14.01.2004 would be sufficient to form an opinion that the respondent / Company is well aware of the fact that they have entered into a sub-lease agreement and the said sub-lease



agreement would show that they have sub-let the building, which is attached to the earth and therefore, the respondent / Company is liable to pay sub-leasing charges in terms of Clause-39 of the agreement.

22. In view of the facts and circumstances, narrated herein-above, W.A.No.2043 of 2023 is allowed. The writ order dated 26.08.2022 passed in W.P.No.5446 of 2016 is set aside.

23. Since a detailed order has been passed in W.A.No.2043 of 2023 herein-above, no adjudication is required in the connected W.A.No.920 of 2023. Accordingly, W.A.No.920 of 2023 stands closed. No costs. Consequently, connected Miscellaneous Petitions are closed.

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

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Speaking Order/Non-Speaking Order
Neutral Citation:Yes
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W.A.Nos.2043 and 920 of 2



S.M.SUBRAMANIAM,J.
AND
C.KUMARAPPAN, J.
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W.A.Nos.2043 and 920 of 2023

06.02.2026