



WEB COPY



WP No.28170 of 2024

IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED: 29.07.2026

CORAM

THE HON'BLE MR.SUSHRUT ARVIND DHARMADHIKARI,
CHIEF JUSTICE

AND

THE HON'BLE MR.JUSTICE G.ARUL MURUGAN

WP No.28170 of 2024

THE KARUR VYSYA BANK LIMITED
NO 1, 2ND FLOOR, PADMAVATHIYAR ROAD
(OFF PETERS ROAD) GOPALAPURAM
CHENNAI 600 086

: Petitioner

Versus

1.STATE INDUSTRIES PROMOTION CORPORATION OF
TAMIL NADU LIMITED
NO 19-A RUKMINI LAKSHMIPATHY STREET
POST BOX NO. 7233,
EGMORE CHENNAI 600 008

2.THE PROJECT OFFICER
SIPCOT INDUSTRIAL PARK IRUNGATUKOTAI SRI PERUMBUDUR TALUK
KANCHEEPURAM DISTRICT

3. ABC APPARELS PRIVATE LIMITED
No. 889, KRISHNA COMPLEX POONAMALLEE HIGH ROAD
ARUMBAKKAM
CHENNAI 600106

: Respondents

Prayer: Petition filed under Article 226 of the Constitution of India for issuance of a Writ of Certiorarified Mandamus calling for the records of the 1st respondent relating to the impugned cancellation order dated 29.02.2024 issued under reference P-1/IRU/ABC Apparels/5/2006



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whereby the 1st respondent cancelled the allotment of Plot No K 50 (3) SIPCOTS Industrial Estate at Irungatukotai, more fully described in schedule to the petition made to the 3rd Respondent and to quash the same, and to consequently direct respondents 1 and 2, to co-operate with the writ petitioner herein to sell the schedule mentioned property for the recovery of the secured debt due and liable to be paid by the 3rd respondent to the writ petitioner.

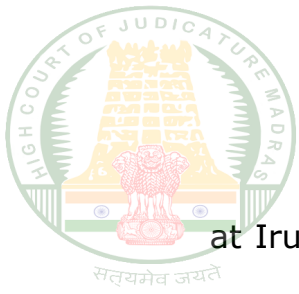
For Petitioner : Mr.R.Umasuthan
For Respondents : Mr.Abishek Murthy,
Standing counsel,
for respondents 1 and 2

ORDER

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

The petitioner 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 quash the order of the first respondent; whereby the first respondent has cancelled the order of allotment made in favour of the petitioner and directed the petitioner to execute surrender deed.

2. It is the case of the petitioner that the first respondent/ State Industries Promotion Corporation of Tamil Nadu Limited (SIPCOT) promoted a lay out of industrial plots called "SIPCOT Industrial Park"



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at Irungattukottai and allotted Plot No.K-50(1) to the third respondent vide allotment letter dated 06.12.2006. The first respondent let out the aforesaid industrial plot to the third respondent, on lease, for a period of 99 years, based on the lease deed dated 20.03.2007. The third respondent approached the petitioner requesting financial assistance and offered to create equitable mortgage in favour of the petitioner, as collateral security. The first respondent gave its consent for the said arrangement, vide letter dated 19.01.2015. Accordingly, memorandum of deposit of title deeds also registered before the Sub Registrar's Office, Sriperambadur, registered as Doc.No.6392 of 2025, dated 23.06.2015. The petitioner sanctioned overdraft cash credit facility of Rs.10,00,00,000/- to the third respondent, based on the mortgage created by the third respondent in favour of the petitioner.

3. The third respondent defaulted in repayment of financial facilities to the petitioner. Hence, the petitioner classified the account of the third respondent as NPA on 03.11.2022. Thereafter, notice under Section 13(2) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, (for short, 'the Act') was issued on 30.12.2022. Thereafter, on 16.03.2023,



the petitioner took symbolic possession of the secured asset.

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4. The first respondent vide letter dated 26.04.2023, addressed to the third respondent, alleged that the third respondent had breached the terms of allotment letter and lease deed. The first respondent also questioned the symbolic possession of the property by the petitioner, exercising their rights under Section 13(4) of the Act. Thereafter, the petitioner issued e-auction sale notice dated 18.10.2023, notifying the sale of the property for recovery of the secured debt.

5. While the matter stood thus, the first respondent issued the impugned order cancelling the allotment order made in favour of the petitioner. Challenging the same, the present writ petition has been filed by the petitioner.

6. 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 SIPCOT. It is urged that the cancellation of allotment disrupts recovery proceedings



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aimed at liquidating public funds. Learned counsel for the petitioner further submits that the NOC granted for mortgaging leasehold rights binds SIPCOT, preventing unilateral termination of the lease.

7. Learned Standing Counsel appearing on behalf of SIPCOT 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.

8. 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.

9. It is contended that possession was legally taken over under a Mahazar prior to the grant of any interdict. Leaving valuable public industrial land sterile for decades defeats SIPCOT's public purpose of fostering regional employment and economic development.



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10. 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.

11. 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 SIPCOT and the original lessee is governed purely by the terms of the registered lease deed. 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.

12. 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 17 of the Lease Deed. For ease of reference, the said clause is reproduced 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 the amount paid towards the extent allowed."

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

14. 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.



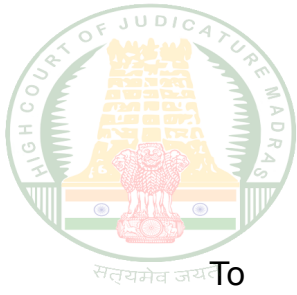
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15. Industrial plots allotted by State developmental agencies like SIPCOT are public resources meant to generate employment, foster industrialization and boost regional economy. Allowing a commercial lender or asset reconstruction company to lock up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

16. For the foregoing reasons, the writ petition is dismissed. There will be no order as to costs. Consequently, WMP No.30716 of 2024 is closed.

(SUSHRUT ARVIND DHARMADHIKARI, CJ.) (G.ARUL MURUGAN, J.)
29.07.2026

Index : Yes/No
Neutral Citation : Yes/No
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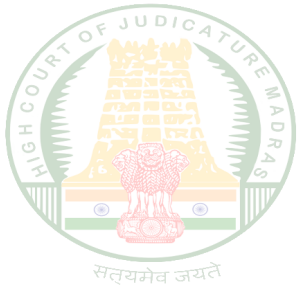


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THE HON'BLE CHIEF JUSTICE
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G.ARUL MURUGAN, J.

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