

[2025] 5 S.C.R. 673 : 2025 INSC 791

**Kamla Nehru Memorial Trust & Anr.  
v.  
U.P. State Industrial Development Corporation  
Limited & Ors.**

(Civil Appeal No(s). 7273-7274 of 2025)

30 May 2025

**[Surya Kant\* and Nongmeikapam Kotiswar Singh, JJ.]**

**Issue for Consideration**

The central issue concerns the legality of the cancellation of allotment by Uttar Pradesh State Industrial Development Corporation (UPSIDC). Whether UPSIDC is responsible for frustrating the performance of the allotment contract; whether the cancellation of allotment of the subject land was procedurally defective and legally untenable.

**Headnotes<sup>†</sup>**

**Allotment of Land – Cancellation of allotment – Legality of – Appellant-KNMT was allotted subject land by UPSIDC – The allotment letter required KNMT to make payments in a scheduled manner – KNMT failed to make payment in a schedule manner – UPSIDC cancelled the allotment of land – The High Court by the impugned order upheld the cancellation of the allotment of subject land – Before the Supreme Court, the appellant-KNMT raised plea that UPSIDC was responsible for frustration of contract and it was also alleged that the cancellation of allotment of the subject land was procedurally defective and legally untenable:**

**Held:** On examination of all the contentions raised by KNMT reveals that none of the alleged acts—non-demarcation, removal of encroachment, or non-delivery of possession—constitute conduct that would frustrate the performance of the allotment terms – On the contrary, the record demonstrates that UPSIDC acted in accordance with prescribed procedures and as per the terms of allotment – In contrast, KNMT failed to fulfil its obligations, particularly regarding the timely submission of documents required for executing the lease deed – Since KNMT failed to furnish the necessary documents in a timely manner, it is itself to blame for the

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\* Author

## Supreme Court Reports

non-delivery of possession – As far as cancellation of allotment by UPSIDC is concerned, the dues for the subject land, allotted in 2003, remained unpaid despite multiple communications spanning several years – KNMT not only failed to make timely payments but also sought unwarranted concessions, including waiver of interest and rescheduling of dues – This persistent non-compliance establishes KNMT as a chronic defaulter, while the continued attempts to seek waiver evince a deliberate strategy to avoid payment obligations – UPSIDC's action in treating KNMT as a defaulter was, therefore, both justified and necessary to preserve the integrity of the allotment process – In light of detailed examination of the contentions raised by the parties, the comprehensive analysis of the factual and legal matrix and the resultant conclusions, the cancellation of the allotment by UPSIDC is upheld. [Paras 16, 17, 25, 35]

### **Legal Notice – Meaning and essential elements:**

**Held:** Expression 'legal notice' connotes an unambiguous communication along with legal consequences to a noticee who is alleged to be in default – Illustratively essential elements would include: a) It should contain a clear and concise set of facts which convey the information leading to the relevant circumstances – This element is also fulfilled when reference is made to any earlier communications issued between the concerned parties; b) It should convey the intimation of any impending legal obligation or breach committed by any party; c) It should convey the intention of the party issuing the communication to hold the other party liable to appropriate legal action or charge; and d) The communication in toto must be unambiguous and should not mislead or suppress material information – If issued under a Statute, it must comply with the relevant requirements prescribed therein as well. [Para 23]

### **Administrative Law – Contractual powers of the State – Land Revocation – Judicial intervention:**

**Held:** While it is well-settled that land allotment authorities such as UPSIDC possess the inherent right to cancel allotments upon violation of stipulated conditions, this Court has consistently emphasized that judicial intervention in matters concerning land revocation should be circumscribed to ensure adherence to procedural safeguards – This paradigm underscores the administrative autonomy vested in such authorities while safeguarding allottees' rights through procedural fairness. [Para 20]

**Kamla Nehru Memorial Trust & Anr. v.  
U.P. State Industrial Development Corporation Limited & Ors.**

**Doctrines – Invoking Public Trust doctrine in the allocation of resources:**

**Held:** 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 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 – In the Indian context, the Doctrine has evolved to encompass public resources meant for collective benefit, reflecting the constitutional mandate u/Art. 21 – When a substantial tract of industrial land is allocated without a comprehensive evaluation, it raises critical questions about adherence to these principles – In the instant case, the allocation of 125 acres of industrial land to KNMT without a competitive process fundamentally violated the Doctrine, which demands proper procedure and substantive accountability in public resource allocation – UPSIDC ought to have considered verifiable evidence of economic benefits, employment generation potential, environmental sustainability, and alignment with regional development objectives to demonstrate that the decision serves the collective benefit – The failure to adopt transparent mechanisms not only deprived the public exchequer of potential revenue—as evidenced by the substantial appreciation in the value of such a large tract of land—but also created a system where privileged access supersedes equal opportunity – This betrays the fiduciary relationship between the State and its citizens – The prolonged litigation initiated by KNMT has spanned over fifteen years, unnecessarily burdening the judicial system and impeding the efficient functioning of public authorities – Such protracted disputes highlight the need for more stringent initial evaluation processes to prevent chronic defaults. [Paras 27, 30, 31, 32, 33]

**Allotment of Land – Transparent allocation of public resources – Public interest – Directions issued by Supreme Court:**

**Held:** i) The State Government and UPSIDC directed to ensure that any such allotment in the future be made in a transparent, non-discriminatory and fair manner by ensuring that such allotment process fetches maximum revenue and also achieves the larger public interest like industrial development priorities, environmental sustainability, and regional economic objectives; and ii) The Subject Land shall also be allotted strictly in accordance with the procedure as illustrated in direction (i) above. [Para 38]

## Supreme Court Reports

### Case Law Cited

*Dilip Singh and Ors v. State of Haryana and Ors.* [2018] 12 SCR 608 : (2019) 11 SCC 422; *M.C. Mehta v. Kamal Nath* [1996] Supp. 10 SCR 12 : (1997) 1 SCC 388; *Natural Resources Allocation In re* [2012] 9 SCR 311 : (2012) 10 SCC 1; *Centre for Public Interest Litigation v. Union of India* [2012] 3 SCR 147 : (2012) 3 SCC 1 – referred to.

### List of Keywords

Allotment of land; Cancellation of allotment; Encroached by third parties; Automatic cancellation of allotment; Defaulted in paying 'earnest money'; Physical possession of land; Demarcation and handing over possession; Removal of alleged encroachments; Rescheduling the payment; Execution of lease deed; Manual for Marketing and Management of Industrial Areas; Allotment made on 'as it is where it is' basis; Non-demarcation of subject land; Frustration of contract; Contractual powers of state; Adherence to procedural safeguards; Administrative autonomy; Allottees' rights through procedural fairness; legal notice; Unambiguous communication along with legal consequences; Impending legal obligation; Appropriate legal action; Mislead or suppress material information; Unwarranted concessions; Standards of administrative propriety; Constitutional mandate under Article 21; Doctrine of public trust; Systemic deficiencies in the allocation process.

### Case Arising From

CIVILAPPELLATE JURISDICTION: Civil Appeal No(s). 7273-7274 of 2025

From the Judgment and Order dated 29.05.2017 of the High Court of Judicature at Allahabad, Lucknow Bench in WPMB No. 349 of 2007 in MB No. 11055 of 2013

### Appearances for Parties

*Advs. for the Appellants:*

Maninder Singh, Mahabir Singh, Sr. Advs., Sunil Kumar Jain, Ramraj, Shaantanu Jain, Ms. Rashika Swarup.

*Advs. for the Respondents:*

K.K. Venugopal, A.N.S. Nadkarni, Sr. Advs., Ms. Ruchira Gupta, Salvador Santosh Rebello, Ms. Pooja Tripathi, Gautam Sharma, Ms. Kritika, Amit Kumar, Abhishek Verma, Ms. Manisha Gupta, Ms. Arzu Paul, Ms. Deepti Arya, Ms. Himanshi Nagpal, Ms. Pooja Gill.

**Kamla Nehru Memorial Trust & Anr. v.  
U.P. State Industrial Development Corporation Limited & Ors.**

**Judgment / Order of the Supreme Court**

**Judgment**

**Surya Kant, J.**

Leave Granted.

2. These appeals have been preferred by the Kamla Nehru Memorial Trust (**KNMT**) against the final common judgment and order dated 29.05.2017 passed by the High Court of Allahabad at Lucknow Bench (**Impugned Order**), whereby it upheld the cancellation of allotment of land admeasuring 125 acres situated in the Utelwa Industrial Area, Jagdishpur, District Sultanpur, Uttar Pradesh (**Subject Land**) by the Uttar Pradesh State Industrial Development Corporation (**UPSIDC**).
3. The crux of the dispute pending before us relates to the legality of the decision of cancellation of allotment of the Subject Land by UPSIDC. However, it would be *apropos* to discuss the factual matrix before delving into the analysis pertaining to the alleged procedural irregularities in the cancellation of allotment of the Subject Land.

**A. FACTS**

4. In this vein, the sequence of events has been briefly adduced as follows:
  - 4.1. KNMT is stated to be a charitable trust incorporated in the year 1975. It resolved in March, 2003 to purchase land for the purpose of floriculture. Accordingly, on 10.07.2003, KNMT submitted an application and deposited earnest money amounting to INR 62,600/- for allotment of the Subject Land for the aforesaid purpose.
  - 4.2. UPSIDC, in an uncharacteristically swift manner, accepted the application of KNMT and allotted the Subject Land *vide* allotment letter dated 18.09.2003 (**Allotment Letter**). The allotment was made conditional upon compliance with certain terms, the relevant provisions of which are reproduced below:

**“xxx xxx xxx**

**3. You shall deposit at this office an amount of  
Rs. 12,02,187.50. (Earnest Money of Rs. 62,500.00**

### Supreme Court Reports

*has been adjusted) towards reservation money in respect of the above plot latest by 18-10-2003. This amount (together with Earnest money) is approximately equal to 10 percent of the total premium of the plot at the provisional rate of Rs. 25.00 per sq. mtr. and locational charges @ Rs. Nil per sq. mtr. for first five acres and is subject to adjustment according to actual measurement of the plot. If the above amount falls short of the amount equal to 10 percentage of the total premium according to actual measurement, the balance will be deposited by you within seven days of the receipt of demand from us.*

*If the payments are not made as stipulated above this allotment will stand automatically cancelled/and the whole amount of the Earnest Money deposited by you will stand forfeited to this corporation, even if the area of the plot either exceeds or is less than the area of 20% or less of the area applied for. However, if the area of the land allotted either exceeds the area applied for or falls short of the applied for by an area more than 20% of it, the Earnest Money will not be forfeited if this allotment is not accepted, provided intimation is sent to us in this respect by the date stipulated above.*

**Note:** - the premium herein is provisional and is liable to be enhanced in accordance with the provisions of Licence Agreement/Lease Deed.

**xxx xxx xxx**

**5.***The remaining 90% of the provisional premium shall have to be paid by you in 8 equal half yearly installments each of which will be due for payment on 1st day of January and 1st day of July each year. The first installments of each payment will fall due for payment on 01.01.2006. The second and subsequent installments of the premium will fall due on 1st day of July and 1st day of January each year.*

*An interest at 15.00% per annum shall be charged on the outstanding (balance) premium with effect*

**Kamla Nehru Memorial Trust & Anr. v.  
U.P. State Industrial Development Corporation Limited & Ors.**

*from the date of allotment and will be payable along with installments of premium as stipulated in clause 3 above subject to a rebate of 3.00% per annum and payment on or before the prescribed date and if there are no arrears of dues. The amount of the balance premium and the interest due on it from time to time shall remain first charge on the land and the building and machinery erected thereon till it is (they are) paid in full.*

**Note:** - *the premium mentioned herein is provisional and is liable to be enhanced in accordance with the provisions of licence agreement/Lease Deed.*

**xxx xxx xxx**

**9.** *The plot has been allotted on as it is where it is basis and leveling etc, if any, is to be undertaken by you at expenses. You will pay to the U.P. State Industrial Development Corporation Ltd. Within 30 days from the date of the demands made by this corporation from time to time such recurring fee in the nature of service and/or maintenance charges as determined by this corporation. In case of default you will be liable to pay interest @15.00% p.a. on the amount due.*

**xxx xxx xxx**

**13.** *You will have to take over possession of the land executing the lease deed within 30 days from the date of inviting you to do so or within 3 months from the date of this letter whichever is earlier."*

**[Sic]**

- 4.3. After allotment, KNMT inspected the Subject Land and asserted that it was encroached upon by third parties, seeking demarcation by the relevant State Authorities. Simultaneously, KNMT defaulted in paying the 'reservation money' by the prescribed date of 18.10.2003. Responding to this default, UPSIDC, vide communication dated 04.11.2003, granted an extension until 17.11.2003 for payment along with interest,

### Supreme Court Reports

while clearly stipulating that non-compliance would result in automatic cancellation of the allotment.

- 4.4. KNMT deposited the reserve amount through two demand drafts dated 17.11.2003 and requested that UPSIDC not levy any interest until physical possession of the Subject Land was granted to it. UPSIDC, *vide* letter dated 11.12.2003, categorically rejected the aforesaid request by stating that the same was violative of its policy. Thereafter, UPSIDC afforded KNMT a three-day window to provide its unconditional consent to preserve the validity of the allotment.
- 4.5. Subsequently, KNMT, admittedly, *vide* letter dated 15.12.2003, responded to UPSIDC's communication, confirming payment of the interest amount while simultaneously expressing discontent regarding the levy of such interest and requested UPSIDC to reconsider its decision. Ultimately, after multiple correspondences, this issue was finally resolved *vide* letter dated 07.01.2004, whereby KNMT accepted the conditions of the Allotment Letter. Appellant No. 2 (official of KNMT) thereafter explicitly agreed to the original terms and conditions, including to deposit the reservation amount along with requisite interest, for completion of allotment of the Subject Land. Concurrently, it bears emphasis that KNMT wrote several letters seeking demarcation and handing over of possession of the Subject Land after the removal of alleged encroachments. However, no action was allegedly taken in respect of these communications.
- 4.6. Soon thereafter, *vide* letter dated 21.02.2004, UPSIDC apprised KNMT of a policy change, whereby KNMT was directed to execute the lease deed prior to delivery of possession. Accordingly, KNMT was required to furnish the necessary documents and make requisite payments for the execution of the lease deed within 15 days, failing which UPSIDC cautioned that it would proceed with cancellation of allotment of the Subject Land.
- 4.7. Notably, the Allotment Letter required KNMT to make payments in a scheduled manner. KNMT nonetheless failed to pay the instalments and requested rescheduling of the same *vide* letter dated 11.03.2005. UPSIDC, in response, assured them of consideration of their request and, in the *interim*, directed



**Kamla Nehru Memorial Trust & Anr. v.  
U.P. State Industrial Development Corporation Limited & Ors.**

them to pay the lease rent and also to provide the necessary documents for the execution of the lease deed.

- 4.8. UPSIDC, on 01.07.2005, approved the request for rescheduling the payment and directed KNMT to pay the total amount of INR 1,44,27,313/- in ten instalments over a period of 5 years along with 15% interest starting from the date of issuance of the aforesaid letter, which reads as follows:

*“Please refer your undated letter on the above subject by which you requested to reschedule the total amount of your plot and sought permission to pay the first installment in July 2005. In this connection, you are informed that according to your request, the approval of the headquarter has been issued to reschedule the total amount of Rs.1,44,27,313=10 paise to be paid in 10 six monthly installments including 15% interest and the first installments of 10% amounting to Rs. 14,42,731=35 paise is payable by 01.07.2005. The balance 90 % amount is to be paid in six monthly (a) further installments including the interest. You are therefore requested to please arrange to deposit the first installment of the amount of Rs. 14,42,731=35 paise as early as possible.”*

[Sic]

- 4.9. However, KNMT failed to adhere to the aforesaid schedule as well and, having defaulted in payment, UPSIDC issued a notice dated 14.12.2005, thereby mandating it to deposit a sum of INR 39,76,404.85/- (inclusive of interest and the previous pending amount). KNMT, conversely, continued to request UPSIDC to handover possession and to reconsider the decision to levy interest.
- 4.10. Following the continued non-compliance, UPSIDC issued a final notice dated 13.11.2006, calling upon KNMT to deposit an amount of INR 68,49,869.20/- as well as to submit the necessary documents for execution of the lease deed. The notice stipulated a deadline of 10 days, failing which the allotment of the plot would be cancelled as per the terms of the Allotment Letter. The relevant portion of the notice is as follows:

**Supreme Court Reports**

*“.... Now last and final notice is hereby given to you to please submit an amount of Rs. 68,49,869.20 accrued upto 30.6.2006 and submit the desired documents within TEN DAYS from the date of this letter failing which allotment of plot shall be cancelled as per Clause No. 15(a) & (b) of allotment letter dated 18.9.03 and the money deposited by you shall stand forfeited.”*

- 4.11. In response, KNMT, without making the payment, vide letter dated 04.12.2006, repeated its earlier request to hand over the possession of the land after demarcation and sought removal of the encroachment. UPSIDC replied on 13.12.2006, stating that possession of the land could only be handed over after execution of the sale deed. The letter also underscored KNMT's failure to deposit the requisite documents for execution of the lease deed or any amount except the reserve amount since 2003. In this light, UPSIDC finally declined KNMT's representation. The letter dated 13.12.2006 elucidated that:

*“In this regard, it is informed you that the above said land was allotted to you in September, 2003 thereafter you have deposited only 10% amount of allotment. Later on in the year, 2005 the re-schedulement was made on your request, but despite that no payment has been made by you till today, only writing for marking. As per the rules of the Corporation, the possession of the land can be given after due payment and execution of lease deed. Neither you have made payment nor have submitted the requisite documents of lease deed. You have only taking time by way of unnecessary correspondence.*

*You had been requested to get execute the lease deed after making due payment so that the possession can be given to you. But, the aforesaid actions, you by not making the payment of dues and execution of lease deed, you want to evade the matter by making unnecessary correspondences. Hence, the representation submitted by you is declined.”*

**[Sic]**

**Kamla Nehru Memorial Trust & Anr. v.  
U.P. State Industrial Development Corporation Limited & Ors.**

- 4.12. Feeling aggrieved, KNMT assailed the letter dated 13.12.2006 before the High Court through Writ Petition No. 349/2007 (MB) (**First Writ**). Meanwhile, the allotment of the Subject Land was cancelled *vide* the order dated 15.01.2007, which was also challenged by KNMT by amending the First Writ Petition.
- 4.13. The High Court, *vide* interim order dated 13.02.2007, restrained UPSIDC from making any fresh allotment of the Subject Land.
- 4.14. Ultimately, the High Court disposed of the First Writ *vide* order dated 27.05.2009 with a direction to restore the allotment in favour of KNMT, subject to certain conditions, including completion of all formalities in accordance with the Allotment Letter and revalidation of demand drafts.
- 4.15. Aggrieved, UPSIDC challenged the order dated 27.05.2009 before this Court *vide* SLP (C) No. 14680/2009, wherein the matter was remitted back to the High Court with the following observations:

*“It is apparent from the impugned order that the respondents challenged the cancellation order dated January 15, 2007 by filing a petition for amendment in the writ petition. Admittedly, the Court, without discussing the validity of the order dated January 15, 2007, decided the matter in favour of the respondents and directed to restore the allotment and revalidate the demand drafts of ‘91,27,139.65 and to execute the lease deed in favour of the respondents.*

*Learned counsel for the parties accept that the High Court ought to have given reasons regarding validity of the order of cancellation dated January 15, 2007 before passing the impugned order.*

*In the circumstances, we are of the view that the case should be remitted to the Division Bench of the High Court for its decision on merits.*

*We, accordingly, allow this appeal, set aside the impugned judgment and order dated May 27, 2009, and remit the case to the Division Bench of the High Court for its decision on merits expeditiously.”*

### Supreme Court Reports

- 4.16. It is pertinent to note that, in the *interregnum*, UPSIDC allotted the Subject Land to M/s Jagdishpur Paper Mills Ltd i.e. Respondent No.3, which was challenged by KNMT before the High Court through another Writ Petition bearing Misc. Bench No. 11055/2013 (**Second Writ**). The High Court therein directed the parties to maintain *status quo* with regard to the Subject Land. UPSIDC challenged the said interim order dated 27.11.2013 by means of SLP (C) No. 7952/2014 wherein *vide* order dated 07.04.2017, this Court directed the High Court to expeditiously adjudicate both the Writ Petitions filed by KNMT.
- 4.17. Consequently, the High Court heard the matter and, *vide* the Impugned Order, upheld the cancellation of the allotment of Subject Land. In doing so, the High Court held that:
- i) KNMT failed to follow the stipulations of the allotment as it did not adhere to the payment schedule;
  - ii) The explanation for delayed payment provided by KNMT, though reasonable, failed to form part of the terms and conditions of allotment. In other words, strict adherence to the payment schedule was necessary; and
  - iii) UPSIDC rightly cancelled the allotment of Subject Land by complying with the terms of The Manual for Marketing and Management of Industrial Areas (**Manual**), specifically citing Clause 3.04 (vii), which postulates that:
 

*“(vii) If an allottee has not paid the dues despite three consecutive legal notices, the Regional Manager shall be required either to cancel the allotment or send his recommendation for issue of Recovery Certificate.”*
- 4.18. It is in this factual backdrop that the aggrieved KNMT is before this Court. It must further be noted that, during the pendency of the instant appeals, this Court, *vide* order dated 17.11.2017, stayed the operation of the Impugned Order.

### **B. CONTENTIONS OF THE PARTIES**

5. We have heard Learned Senior Counsels for the parties at a considerable length and meticulously perused the documents submitted on record.

**Kamla Nehru Memorial Trust & Anr. v.  
U.P. State Industrial Development Corporation Limited & Ors.**

6. Mr. Maninder Singh, Learned Senior Counsel appearing on behalf of KNMT made the following contentions:
- a. The High Court erred in its conclusion that KNMT failed to make payment of the allotment price as per the schedule. On the contrary, UPSIDC failed to transfer the physical possession of the Subject Land and merely continued to demand the outstanding amount without fulfilling its reciprocal contractual obligations. KNMT wrote several letters requesting to deliver possession. However, UPSIDC continued to make excuses and used the outstanding dues as a cloak for not handing over possession of the Subject Land to KNMT. In other words, UPSIDC allegedly frustrated the contract.
  - b. UPSIDC's refusal to demarcate the Subject Land contravenes the provisions contained in the Allotment Letter. It was thus emphasized that UPSIDC was not in a position to handover the physical possession as the farmers were still holding the Subject Land and continued to cultivate it for agricultural purposes.
  - c. Pursuant to the High Court's directions dated 27.05.2009, KNMT duly deposited the due amount with UPSIDC, which has remained unutilized for more than ten years. Evidently, KNMT duly abided by both the terms of the Allotment Letter as well as the directions given by the High Court.
  - d. The High Court erroneously interpreted Clause 3.04 (vii) of the Manual, which stipulates that UPSIDC must give three legal notices to defaulters. In the instant case, UPSIDC sent only one such notice dated 13.11.2006. UPSIDC, therefore, failed to abide by the conditions prescribed in the Manual, and the cancellation order suffers from procedural infirmities. In other words, the cancellation of allotment is procedurally flawed and legally untenable, as it disregarded both the mandatory notices as contemplated under the Manual as well as the fundamental principle of reciprocal contractual obligations, where possession and demarcation ought to have preceded demands for full payment.
7. *Per contra*, Mr. K.K. Venugopal and Mr. Atmaram N.S. Nadkarni, Learned Senior Counsels, represented UPSIDC and canvassed the following submissions:

### Supreme Court Reports

- a. UPSIDC provided ample opportunities for KNMT to make payment as per the terms and conditions of the allotment. However, KNMT chose to delay payment for more than six years from the date of allotment on false, misleading and specious grounds. Moreover, KNMT could not honour its commitment even after UPSIDC, taking a lenient view, rescheduled the payment terms. Furthermore, despite the High Court's directions dated 12.03.2007, KNMT paid only the outstanding principal amount without any interest or additional fees for restoration.
- b. The procedure outlined in Clause 3.04 of the Manual was duly adhered to by UPSIDC through notices dated 14.12.2004, 1.07.2005, 14.12.2005, and 13.11.2006. Strangely, notwithstanding the rejection of its request for waiving of interest, KNMT repeatedly implored UPSIDC to reconsider the same rather than making payment towards the allotment price.
- c. The allegations regarding the non-demarcation and encroachment on the Subject Land are false and vexatious. The Allotment Letter issued to KNMT itself contained the site plan along with precise measurements and the area of land in the plot. Furthermore, to the satisfaction of KNMT, UPSIDC had demarcated the Subject Land on 03.03.2005, which was duly acknowledged by KNMT in its letter dated 11.03.2005.
- d. UPSIDC had charged the interest in consonance with the terms of the Allotment Letter accepted by KNMT. In this regard, a pointed reference was made to Clauses 3 and 5 of the Allotment Letter, whereunder the method of computation of interest on the outstanding balance was duly provided.
- e. Lastly, KNMT itself has admitted the non-payment of dues before this Court. Further, the current market value of the Subject Land is valued in the range of more than a hundred crores. In these circumstances, the instant appeal is wholly without merit and ought to be dismissed.

#### **C. ISSUES**

8. Having considered the rival contentions advanced by the parties, it is evident that the central issue concerns the legality of the cancellation of allotment by UPSIDC. Given the nature of the dispute and the

**Kamla Nehru Memorial Trust & Anr. v.  
U.P. State Industrial Development Corporation Limited & Ors.**

competing interpretations regarding procedural compliance, we find it appropriate to examine the following issues:

- i) Whether UPSIDC is responsible for frustrating the performance of the allotment contract?
- ii) Whether the cancellation of allotment of the Subject Land was procedurally defective and legally untenable?

**D. ANALYSIS**

**D.1 ISSUE No.1: Whether UPSIDC is responsible for frustrating the performance of the allotment contract.**

9. Although the issue in these Appeals revolves around the cancellation of allotment by UPSIDC, we deem it necessary first to address the KNMT's plea pertaining to the alleged frustration of the contract. To clarify, these contentions concern the purported non-demarcation, alleged encroachment, and non-delivery of possession of the Subject Land by UPSIDC. For our analysis, we must collocate these instances against the factual matrix as well as the terms of allotment to conclusively ascertain the plausibility of frustration of the contract.
10. *Firstly*, on a careful scrutiny of the record, we find that though KNMT addressed multiple communications to UPSIDC alleging non-demarcation of the Subject Land, such communications were, however, *ex-facie* an afterthought. We say so for the reason that the site plan appended with the Allotment Letter has described precise measurements and all other relevant details pertaining to the Subject Land. That apart, the allotment was made on an 'as it is where it is' basis.
11. In any case, UPSIDC demarcated the Subject Land on 03.03.2005 to the satisfaction of KNMT, and the latter also acknowledged such *factum vide* letter dated 11.03.2005, which reads as under:

*"It is to inform that the demarcation of the said land has been made on 03.03.2005 by the department, which I agree. Please inform the value of the stamp papers required for the execution of the registry of the said land, so that I may get the lease deed of the said land executed, so that further work may be proceeded."*

### Supreme Court Reports

12. There is thus no merit in the contention that KNMT suffered any prejudice due to the purported non-demarcation of the Subject Land.
13. *Secondly*, in so far as the encroachment at the site is concerned, the affidavits filed by UPSIDC enumerate details of the 276 Khasra numbers constituting the Subject Land. UPSIDC has further clarified that possession of the said land was duly taken after completing the acquisition process, which included payment of compensation to the landowners. These averments are duly supported with documentary proof. We, therefore, find that the allegation of encroachment is thus devoid of any merit.
14. *Lastly*, we must consider whether UPSIDC erred in not handing over possession of the Subject Land despite several requests made by KNMT. In this regard, Clause 2.15 of the Manual, which deals with the delivery of possession of plots, proves instructive. It provides that:

***“2.15. POSSESSION OF PLOTS***

*(i) The date of Possession of Plots shall be fixed by the Regional Manager after registration of Lease Deed itself.*

*(ii) That date so fixed shall be intimated to the lessor alongwith the second copy of the lease deed and the concerned Junior Engineer for necessary action on their part through a letter.*

*(iii) Effort shall be made to hand over possession within 15 days of the registration of the lease deed as far as practicable.*

*(iv) If the lessee fails to take possession even after issuance of two letters, legal notice of the same may be issued and action may be taken accordingly.”*

15. It may be seen that UPSIDC was obligated to hand over possession only after registering the lease deed, which was a mandatory condition. The Clause categorically stipulates that the Regional Manager shall fix the date of possession only ‘after registration of Lease Deed itself’, thereby creating a sequential condition wherein registration must precede possession.
16. That being so, it becomes pellucid that the insistence of UPSIDC to furnish requisite documents for registration of the lease deed was both legitimate and in conformity with the prescribed procedure.



**Kamla Nehru Memorial Trust & Anr. v.  
U.P. State Industrial Development Corporation Limited & Ors.**

Since KNMT failed to furnish the necessary documents in a timely manner, it is itself to blame for the non-delivery of possession.

17. Our examination of all three contentions raised by KNMT reveals that none of the alleged acts—non-demarcation, removal of encroachment, or non-delivery of possession—constitute conduct that would frustrate the performance of the allotment terms. On the contrary, the record demonstrates that UPSIDC acted in accordance with prescribed procedures and as per the terms of allotment. In contrast, KNMT failed to fulfil its obligations, particularly regarding the timely submission of documents required for executing the lease deed. The foundation upon which KNMT forges its argument of frustration thus crumbles.

**D.2 Issue No.2: Whether the cancellation of allotment of the Subject Land was procedurally defective and legally untenable.**

18. Adverting to the alleged illegality in the cancellation of allotment by UPSIDC, KNMT relies on Clause 3.04 of the Manual, which prescribes the procedure to address defaults by allottees. The relevant Clause in this regard is reproduced in totality below for ease of analysis:

**“3.04 ACTION AGAINST DEFAULTERS**

*In case payment is not received by 31st January/31st July legal notice shall be issued to the defaulting allottees/licences/lessees in the following manner.*

*(i) The Regional Manager shall ensure that the legal notice in all the defaulting cases are issued by 10th February and 10th August.*

*(ii) A separate file shall be opened in every Regional Office in which the Dealing Assistant and concerned officer shall give a certificate that notice to all defaulting allottees have been issued. This certificate shall be verified by the Regional Manager.*

*(iii) The legal notice shall be sent by Registered Post with A/D and appropriate entry in the Legal Notice Register shall be made. The legal notice shall be issued in terms of the allotment letter/licence agreement/lease deed and the period by which the payment is required shall also be strictly in accordance with the terms of allotment letter/licence agreement/lease deed.*

### Supreme Court Reports

*(iv) After the expiry of the period of legal notice and confirmation of its service it shall be the responsibility of the Dealing Assistant to process the file within 15 days. The same shall then be put up before the Regional Manager for his orders and instruction for cancellation or otherwise.*

*(v) If the Regional Manager decides not to cancel the allotment of plot and the next due date of payment of instalment of premium/interest has fallen, then another legal notice shall be issued in the manner specified above.*

*(vi) After the expiry of the legal notice, if no payment is received it shall be the responsibility of the concerned officer to put up the file to the Regional Manager and obtain his orders about cancellation of allotment or issuance of Recovery Certificate or otherwise.*

***(vii) If an allottee has not paid the dues despite three consecutive legal notices, the Regional Manager shall be required either to cancel the allotment or send his recommendation for issue of Recovery Certificate.***

*However, if Regional Manager feels that further time should be accorded, he shall do so with the approval of Head Office only.*

*(viii) List of defaulters for amount exceeding Rs.20,000/- may be published in newspaper in the month of February/ September at least once in a year, after obtaining approval of Head Office."*

### [Emphasis Supplied]

19. A bare perusal of the above-reproduced provision reveals a well-defined procedure prescribed to address defaults by allottees. During arguments, KNMT placed considerable emphasis on sub-clause (vii), contending that UPSIDC had failed to issue the stipulated three consecutive legal notices. KNMT nevertheless conceded that the notice dated 13.11.2006 could be considered a 'legal notice' within the meaning of the aforesaid Clause. *Per contra*, UPSIDC maintains that the previous correspondence dated 14.12.2004, 01.07.2005, and 14.12.2005 also substantially satisfied the ingredients of a 'legal notice' as contemplated under the Manual.

**Kamla Nehru Memorial Trust & Anr. v.  
U.P. State Industrial Development Corporation Limited & Ors.**

20. It seems to us that this issue ought to be examined through the prism of administrative law principles *vis-à-vis* the contractual powers of the State. While it is well-settled that land allotment authorities such as UPSIDC possess the inherent right to cancel allotments upon violation of stipulated conditions, this Court has consistently emphasized that judicial intervention in matters concerning land revocation should be circumscribed to ensure adherence to procedural safeguards.<sup>1</sup> This paradigm underscores the administrative autonomy vested in such authorities while safeguarding allottees' rights through procedural fairness.
21. As already elucidated, KNMT relies upon Clause 3.04 (vii) of the Manual to assert that non-issuance of the requisite legal notices by UPSIDC resulted in procedural illegality. In this light, it becomes incumbent upon us to ascertain whether the correspondence issued by UPSIDC satisfies the threshold requirement of 'three consecutive legal notices' as mandated under the said provision and, consequently, whether the cancellation of allotment was procedurally sound. To resolve this issue, we must determine the essential characteristics that embody a 'legal notice' within the contemplation of the Manual.
22. It may be recapitulated that the notice dated 13.11.2006 has been understood as a 'legal notice' by both sides. Upon comparative analysis of the communications, particularly those dated 14.12.2004 and 14.12.2005, we find that these bear substantial similarity with the notice dated 13.11.2006. It is beyond our comprehension as to what prejudice has really been caused to KNMT merely because these notices are not captioned as legal notices.
23. It further appears to us that the expression 'legal notice' connotes an unambiguous communication along with legal consequences to a noticee who is alleged to be in default. Illustratively, the essential elements of a legal notice would include:
- a. It should contain a clear and concise set of facts which convey the information leading to the relevant circumstances. This element is also fulfilled when reference is made to any earlier communications issued between the concerned parties;
  - b. It should convey the intimation of any impending legal obligation or breach committed by any party;

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<sup>1</sup> Dilip Singh and Ors v. State of Haryana and Ors., (2019) 11 SCC 422, paragraph 22.

### Supreme Court Reports

- c. It should convey the intention of the party issuing the communication to hold the other party liable to appropriate legal action or charge; and
  - d. The communication *in toto* must be unambiguous and should not mislead or suppress material information. If issued under a Statute, it must comply with the relevant requirements prescribed therein as well.
24. If the communications dated 14.12.2004, 14.12.2005, and 13.11.2006 are juxtaposed to the abovementioned ingredients, we have no reason to doubt that these constitute valid 'legal notices' and thus, UPSIDC has duly complied with the process envisaged under Clause 3.04(vii) of the Manual.
25. We may hasten to add at this stage that the dues for the Subject Land, allotted in 2003, remained unpaid despite multiple communications spanning several years. KNMT not only failed to make timely payments but also sought unwarranted concessions, including waiver of interest and rescheduling of dues. This persistent non-compliance establishes KNMT as a chronic defaulter, while the continued attempts to seek waiver evince a deliberate strategy to avoid payment obligations. UPSIDC's action in treating KNMT as a defaulter was, therefore, both justified and necessary to preserve the integrity of the allotment process. Allowing such deliberate defaults to persist unchecked would undermine the entire framework of land allocation and set a detrimental precedent.
26. For the reasons stated, we are satisfied that the cancellation of allotment by UPSIDC is fully justified and in accordance with law.

#### **E. INVOKING THE PUBLIC TRUST DOCTRINE IN THE ALLOCATION OF RESOURCES.**

27. The prolonged litigation initiated by KNMT has spanned over fifteen years, unnecessarily burdening the judicial system and impeding the efficient functioning of public authorities. Such protracted disputes highlight the need for more stringent initial evaluation processes to prevent chronic defaults.
28. While we have upheld the cancellation due to KNMT's default, the circumstances reveal systemic concerns in the original allocation process. UPSIDC allotted the Subject Land to KNMT within merely

**Kamla Nehru Memorial Trust & Anr. v.  
U.P. State Industrial Development Corporation Limited & Ors.**

two months of application, raising questions about the thoroughness of the evaluation. Furthermore, during the pendency of this dispute, UPSIDC demonstrated remarkable alacrity in considering alternative allotments to M/s. Jagdishpur Paper Mills Ltd.

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 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.<sup>2</sup>
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.<sup>3</sup>
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.
33. The allocation of 125 acres of industrial land to KNMT without a competitive process fundamentally violated the Doctrine, which demands proper procedure and substantive accountability in public resource allocation.<sup>4</sup> UPSIDC ought to have considered verifiable evidence of economic benefits, employment generation potential,

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2 M.C. Mehta v. Kamal Nath, (1997) 1 SCC 388, para 24-25.

3 (2012) 10 SCC 1.

4 Centre for Public Interest Litigation v. Union of India, (2012) 3 SCC 1, para 94-96.

### Supreme Court Reports

environmental sustainability, and alignment with regional development objectives to demonstrate that the decision serves the collective benefit. The failure to adopt transparent mechanisms not only deprived the public exchequer of potential revenue—as evidenced by the substantial appreciation in the value of such a large tract of land—but also created a system where privileged access supersedes equal opportunity. This betrays the fiduciary relationship between the State and its citizens.

34. Having upheld the cancellation due to KNMT's chronic default, we observe that the hasty allotment followed by years of litigation exemplifies systemic deficiencies in the allocation process. This necessitates comprehensive directions to ensure that future allocations uphold principles of transparency and accountability, thereby preventing prolonged disputes while ensuring that public resources genuinely promote industrial development and economic growth.

#### ***F. CONCLUSION AND DIRECTIONS***

35. In light of our detailed examination of the contentions raised by the parties, the comprehensive analysis of the factual and legal matrix and the resultant conclusions, we uphold the cancellation of the allotment by UPSIDC.
36. The actual allotment or any offer thereof made by UPSIDC in favour of M/s Jagdishpur Paper Mills Ltd (Respondent No.3) for the Subject Land is also declared to be illegal, contrary to public policy and is consequently annulled. However, if any earnest money or any payment has been received from the said prospective allottee, the same is directed to be refunded along with interest at the rate granted by the Nationalized Banks.
37. The appeals are accordingly dismissed with no order as to costs.
38. However, considering the broader implications for the transparent allocation of public resources and the need to strengthen administrative accountability in industrial land distribution, we deem it appropriate to issue the following directions:
  - i) The State Government of Uttar Pradesh and UPSIDC are directed to ensure that any such allotment in the future be made in a transparent, non-discriminatory and fair manner by ensuring

**Kamla Nehru Memorial Trust & Anr. v.  
U.P. State Industrial Development Corporation Limited & Ors.**

that such allotment process fetches maximum revenue and also achieves the larger public interest like industrial development priorities, environmental sustainability, and regional economic objectives; and

- ii) The Subject Land shall also be allotted strictly in accordance with the procedure as illustrated in direction (i) above.
39. Ordered accordingly. Pending applications, if any, also stand disposed of in the above terms.

*Result of the case:* Appeals dismissed.

*<sup>†</sup>Headnotes prepared by:* Ankit Gyan