



Somanna Kalappa
Principal Associate

WRIT MAINTAINABLE TO SAFEGUARD EXISTING RIGHT

Allahabad High Court (“HC”), in *Jai Prakash Associates Ltd. case*,¹ held on March 10, 2025 that writ jurisdiction cannot be invoked for seeking to establish any new right. However, such jurisdiction may be resorted to where the controversy involves a public law element and which challenges executive fiat rights on the grounds of being illegal, arbitrary and disproportionate.

Brief Facts.

- Jai Prakash Associates Limited (**JAL**) applied to the Yamuna Expressway Industrial Development Authority (**YEIDA**),² to set up a Special Development Zone (“SDZ”) with sports as its core activity.
- YEIDA invited applications for the Yamuna Expressway Project and allied developments in the region under the SDZ policy in 2008. JAL applied in response. Allotment letters were issued, followed by lease deeds.
- Disputes arose when JAL allegedly defaulted on effecting payments to YEIDA and also failed to complete the required development. YEIDA cancelled³ the entire allotment made to JAL, which challenged the cancellation.
- During pendency of the petition, JAL was admitted into corporate insolvency resolution process under the Insolvency and Bankruptcy Code, 2016 (“IBC”).
- The case also involved the interests of homebuyers, sub-lessees, and financial institutions connected with JAL’s activities.

JAL’s Contentions.

- The writ petition is maintainable because YEIDA is an instrumentality of the State and its actions must comply with Article 14 of the Constitution (non-arbitrariness), even in its contractual matters.
- The cancellation of the entire allotment for non-payment of some dues is an excessive administrative action and is hit by the doctrine of proportionality.
- Defaults were not wilful or dishonest and were partly due to delays caused by YEIDA, such as not approving building plans.
- The terms of the allotment letters were superseded by the subsequently executed lease deeds, which are the essential contract.
- The cancellation order explicitly cancelled only the allotment letters, and this does not have the consequent effect of cancelling the lease deeds.
- JAL has shown good faith by depositing over Rs. 200 crores under the interim orders of the HC.
- JAL made substantial investments in developing the land.
- JAL is willing and ready to pay the balance amount of dues and undertake the construction of pending housing projects.

¹ *Jai Prakash Associates Ltd. v. State of U.P.*, 2025 SCC OnLine All 1339.

² Constituted under the Uttar Pradesh Industrial Area Development Act, 1976.

³ Vide an order dated 12.02.2020.

YEIDA's Contentions.

- The writ petition is not maintainable as the dispute is purely contractual and arises from the terms of the allotment letters and lease deeds.
- JAL was in continuous and wilful breach of the material terms of the contracts.
- The cancellation order was issued after following due process.
- The doctrine of proportionality has no application since it is a commercial and contractual relationship.
- The allotment letters and lease deeds were executed for a common purpose and subsist together.
- The terms of the allotment letters were not superseded by the lease deeds.
- The cancellation of the allotment implies the cancellation of the lease deeds.
- JAL failed to adhere to new schedules despite offering multiple opportunities.
- Cancellation was necessary to protect homebuyers who suffered due to JAL's project delays.
- JAL's admission into insolvency proves its financial mismanagement.
- JAL failed to disclose to court its previous relevant litigations or that it had taken contrary stands in those proceedings.

HC's Judgement and Reasoning.

The HC held that:

- The writ petition is maintainable. Although the dispute is contractual, YEIDA is a state instrumentality. Its actions, even in the contractual sphere, must comply with Article 14. Objections to maintainability raised by YEIDA were dispelled on the finding that JAL is *inter alia* not seeking to establish any new right but attempting to safeguard its rights and the writ petition subserves larger public interest.
- The amount of over Rs. 200 crores deposited by JAL⁴ under HC's interim orders should not be forfeited by YEIDA. Given JAL's insolvency proceedings, this amount must be placed at the disposal of the Resolution Professional appointed and must be dealt with according to the IBC provisions.
- The interests of homebuyers and sub-lessees must be protected; must not be affected by the cancellation order; and *inter alia* directed YEIDA to take over the incomplete housing projects and ensure their completion.

This *Counselence Connect* contains information in a nutshell on a recent change in law.

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⁴ Rs. 207,50,26,551/-