
CASE NOTE

Case Title: M/s. Piaggio Vehicles Pvt. Ltd. versus State of U.P. & Ors.

Citation: 2026 INSC 321

Case Number: C.A. No.-001944-001944/2011

Date of Decision: 06.04.2026

Court: Supreme Court of India

Coram: Hon'ble Justice Vikram Nath, Hon'ble Justice Sandeep Mehta, and Hon'ble Justice N.V. Anjaria

Introduction:

The present matter arose from a civil appeal filed before the Supreme Court of India by M/s. Piaggio Vehicles Pvt. Ltd., challenging the dismissal of its writ petition by the Allahabad High Court in 2009, which had upheld the cancellation of its industrial lease by the Uttar Pradesh State Industrial Development Authority¹ in respect of a 33-acre plot at Surajpur Industrial Area, District Gautam Budh Nagar. UPSIDA cancelled the lease on August 25, 2008, on the ground that the appellant had failed to raise construction or begin industrial production within the period given under the lease deed. The appeal raised questions concerning the obligations of a lessee under an industrial lease governed by the Uttar Pradesh Industrial Area Development Act, 1976², the doctrine of waiver and estoppel in the context of regulatory cancellations, and the scope of the Supreme Court's discretionary jurisdiction under Article 136 of the Constitution in commercial matters involving state authorities.

Facts:

The industrial plot was originally allotted in 1985 to M/s. Stallion Shox Limited. Through a court-sanctioned scheme of amalgamation under the Companies Act, 1956, leasehold rights vested in the appellant's predecessor entity. A formal lease deed was executed in March 2002, requiring the appellant to complete factory construction and commence production within six months of taking possession, under Clause 3(o) of the lease deed.

Despite holding possession from 2002, the appellant undertook no new construction. The only structures on the plot were covering a 7.68% of the total area, and even those were those erected by the original allottee in 1985. By the appellant's own admission, its attention had shifted to scaling up its primary manufacturing facility at Baramati, Maharashtra. In September 2007, UPSIDA issued a notice citing breach of lease covenants. The appellant sought an extension and deposited a time extension fee of ₹35,93,963.60, but failed to file the mandatory affidavit in the prescribed format that would have legally bound it to commence production within nine months. A fresh lease deed executed on July 10, 2007, to reflect the corporate name change following amalgamation preserved all pre-existing obligations intact.

¹Hereinafter referred to as 'UPSIDA'

²Hereinafter referred to as 'the UPSIDA Act'

UPSIDA cancelled the lease on August 25, 2008, and forfeited the premium. The Allahabad High Court dismissed the writ petition in 2009, prompting the present appeal by special leave.

Issues:

- (i) Whether the cancellation of the lease by UPSIDA was arbitrary or disproportionate in the facts and circumstances of the case?
- (ii) Whether the fresh lease deed of July 10, 2007, operated as a waiver of prior breaches by the appellant?
- (iii) Whether UPSIDA's acceptance of the time extension fee created an estoppel against cancellation?
- (iv) Whether equitable relief ought to be granted under Article 136 permitting the appellant to utilise the plot under the State's Electric Vehicle Policy?

Arguments:

Appellant

The appellant submitted that the non-utilisation of the Surajpur plot was attributable to commercial compulsions arising from the rapid expansion of the Baramati facility, and not to any deliberate default. It was urged that the appellant had invested approximately ₹27.89 crore and established a testing facility on the plot, evidencing bona fide intent. The appellant contended that UPSIDA's acceptance of the time extension fee created an estoppel against cancellation. It was also argued that the fresh lease deed of July 10, 2007, amounted to a novation that superseded all prior breaches. Finally, the appellant sought leave to develop the plot for electric vehicle manufacturing under the State's Electric Vehicle Policy, offering to start production within six months.

Respondent

The respondent argued that the appellant had acted in gross violation of the terms of the lease agreement since 2002 and had not raised a single new structure on the plot in over six years. It was submitted that the acceptance of the extension fee could not create any legally enforceable extension or estoppel, as the appellant had failed to file the mandatory affidavit in the prescribed format. On the waiver argument, UPSIDA contended that the 2007 lease deed was a purely formal document reflecting a corporate name change and preserved all pre-existing obligations unchanged. UPSIDA further submitted that comparable industrial plots in the Surajpur area could fetch approximately ₹300 crore in an auction, and that judicial indulgence of non-performing allottees would defeat the objectives of industrial development and employment generation that undermine the principles of UPSIDA Act.

Judgment:

The three-judge Bench dismissed the appeal in its entirety. The Court characterised the appellant's conduct as "callous" and "laconic," finding no evidence of meaningful industrial activity on the plot during the six years following execution of the lease deed. The Bench rejected the waiver argument, holding that the 2007 lease deed was a formal document to reflect a name change and could not be construed as a novation extinguishing prior defaults. On estoppel, the Court held that acceptance of the extension fee, in the absence of the affidavit, created no legally enforceable extension. The Court declined to grant equitable

relief under the Electric Vehicle Policy, observing that it would be “loath to substitute its own discretion for that of the State Government in such commercial decisions.” The appellant was directed to hand over vacant possession of the plot to UPSIDA within thirty days. The amount of ₹10,95,52,825 deposited in the Court Registry during the pendency of the appeal was ordered to be refunded with accrued interest.

Analysis:

This judgment affirms that industrial land allotted by state development authorities carries time-bound obligations, and that equity will not rescue an allottee whose failure to honour those obligations is prolonged and unexplained. The decision is sound and significant for the administration of public industrial land across India.

The Court’s rejection of the waiver argument is well-reasoned. A formal instrument that has been executed only to reflect a corporate name change cannot, without an express stipulation to that effect, be treated as a novation discharging obligations that are already in breach. To hold otherwise, would enable allottees to reset their contractual clock through technical restructuring. This defeats the scheme’s time-bound utilization of industrial plot that the 2020 Amendment to the UPSIDA Act has sought to reinforce through the insertion of automatic cancellation provisions.

The refusal to grant relief under the Electric Vehicle Policy reflects appreciation of the limits of Article 136 jurisdiction. Industrial plot in development corridors is a scarce public resource. By permitting a company to retain such land by proposing an alternate use, that too long after the mandated use has been abandoned, would incentivise non-compliance. The Court’s reference to the ₹300 crore auction value highlights the real public cost of continued indulgence.

The judgment does not address the question of proportionality with respect to the seizure of the deposit alongside cancellation of the lease. The appellant claims investments of ₹27.89 crore. Whether the forfeiture was adjusted to the actual loss suffered by UPSIDA, rather than serving as a windfall. This was a question that needed closer examination. Courts have in other contexts distinguished between cancellation of a lease as a regulatory remedy and forfeiture of consideration as a penal measure. This gap may invite revisitation and consideration in future regarding cases concerning similar industrial lease disputes before the courts.