SooperKanoon - India's Premier Online Legal Search - sooperkanoon.com

M/S Data Streams Inc vs the Karnataka Industrial Areas Development Board

M/S Data Streams Inc vs the Karnataka Industrial Areas Development Board

SooperKanoon Citation : sooperkanoon.com/1513256

Court : Karnataka

Decided On : Apr-17-2026

Judge : Sachin Shankar Magadum

Appeal No. : WP/1653/2026

Appellant : M/S Data Streams Inc

Respondent : The Karnataka Industrial Areas Development Board

Judgement :

-1-

IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 17TH DAY OF APRIL, 2026 BEFORE THE HON'BLE MR. JUSTICE SACHIN SHANKAR MAGADUM WRIT PETITION NO. 1653 OF 2026 (GM-KIADB) BETWEEN:

1. M/S DATA STREAMS INC A PROPRIETARY CONCERN, REPRESENTED BY ITS PROPRIETRIX SMT. LALITHA GOWDA, NO.29, 3RD CROSS, VINAYAKA LAYOUT, II STAGE, HEBBAL, KEMPAPURA, BANGALORE 560 024. PETITIONER (BY SRI. SHESHADRI N S.,ADVOCATE) AND:

1. THE KARNATAKA INDUSTRIAL AREAS DEVELOPMENT

BOARD GANDHINAGAR, NEAR FREEDOM PARK, BANGALORE- 560 009 BY ITS CHIEF EXECUTIVE OFFICER AND Digitally EXECUTIVE MEMBER. signed by 2. THE JOINT DIRECTOR, CHAITHRA A

Location: KARNATAKA INDUSTRIAL AREAS DEVELOPMENTHIGH

KARNATAKA

3. THE EXECUTIVE ENGINEER-1, KARNATAKA INDUSTRIAL AREAS DEVELOPMENT BOARD, GANDHINAGAR, NEAR FREEDOM PARK, BANGALORE-560 009 RESPONDENTS (BY SRI. SHARAN P SABARAD.,ADVOCATE) -2-

THIS WP IS FILED PRAYING TO QUASH THE ORDER

BEARING NO.KIADB/HO/ALLOT/8793/15216/2025-26 DATED 15.12.2025 PASSED BY THE 1ST RESPONDENT AT ANNEXURE-AH.DIRECTING THE RESPONDENTS TO PROVIDE SUFFICIENT TIME FOR COMMENCEMENT OF MANUFACTURING PROCESS WHICH COMMENSURATE WITH THE DISPOSAL OF THE SUIT FILED BY THE PETITIONER AGAINST THE SUB-LESSEES.GRANT AN INTERIM ORDER TO STAY THE IMPUGNED ORDER BEARING NO.KIADB/HO/ALLOT/8793/15216/2025-26 DATED 15.12.2025 AT ANNEXURE AND ALL FURTHER PROCEEDINGS PURSUANT THERETO.PV THIS PETITION, COMING ON FOR FINAL HEARING, THIS DAY, ORDER WAS MADE THEREIN AS UNDER: CORAM: HON'BLE MR. JUSTICE SACHIN SHANKAR MAGADUM

ORAL ORDER

The captioned petition is filed assailing the order

bearing No.KIADB/HO/Allot/18793/1532/2025-26 dated 16.02.2025 passed by first respondent as per Annexure- "AH".

2. The facts leading to the case are as follows: -3- The petitioner asserts that it had applied to the

Karnataka Industrial Areas Development Board (for short, KIADB) during the period 2008-2010 seeking allotment of industrial land. Pursuant thereto, the respondent- authority allotted industrial plots bearing Nos.406 and 407, measuring in all 4,047 square metres, and issued

possession certificates in favour of the pet

stipulating, inter alia, that the petitioner shall implement the industrial project within the prescribed time, subject to conditions enumerated therein.

3. The records would further disclose that the

respondent-authority, invoking its powers under Section 34-B(1) of the Karnataka Industrial Areas Development Act, 1966 (for short, the KIAD Act), issued a notice alleging violation of the terms and conditions of the lease- cum-sale agreement, as evidenced at Annexure-AA. The said notice was followed by a detailed show-cause notice

-4- dated 06.01.2024 (Annexure-AD), calling upon the petitioner to explain as to why action should not be initiated. Thereafter, a further notice under Section 34-B(3) of the KIAD Act was issued (Annexure-AE).

4. Upon affording an opportunity of hearing, the

respondent-authority, by the impugned order, has exercised powers under Sections 34-B(3) and 34-B(4) of the KIAD Act and ordered cancellation of the allotment, directing resumption of the subject plots forthwith. The impugned order is founded on findings that the petitioner has committed fundamental breaches, namely, (i) failure to implement the project within the stipulated period, despite grant of two extensions, and (ii) unlawful induction of third parties, thereby creating impermissible third-party interests in the allotted land.

5. The principal contention urged by the learned

counsel for the petitioner is that the impugned order

stands vitiated on account of gross violation of principles -5-

of natural justice. It is contended that the authority has placed reliance on an internal report, which was neither furnished nor disclosed to the petitioner during the course of the enquiry, thereby depriving the petitioner of an effective opportunity to rebut the adverse material. On this premise, it is urged that the petitioner stands seriously prejudiced and the decision-making process is rendered arbitrary and unsustainable in law.

6. Per contra, learned counsel appearing for the respondent-authority would vehemently contend that the petitioner has admittedly inducted third parties by sub- leasing the subject property, which is in clear

contravention of the terms of the lease-cum-sale agreement. It is submitted that such induction of third parties is not only borne out from the records but also stands admitted by the petitioner during the course of enquiry. Therefore, it is contended that the admitted breach goes to the root of the matter and disentitles the

-6- petitioner from seeking any equitable relief under Article 226 of the Constitution of India.

7. Having heard the learned counsel on both sides

and upon perusal of the material on record, this Court finds that the lease-cum-sale agreement dated 10.02.2015 unequivocally required the petitioner to implement the project within a period of three (3) years. Admittedly, despite grant of two extensions at the instance of the petitioner, the project has not been implemented within the extended timelines. The material on record further indicates that the petitioner has inducted third parties by way of sub-lease, which constitutes a fundamental breach of the terms governing allotment. Such conduct, in the considered view of this Court, amounts to gross violation of the conditions of allotment and disentitles the petitioner from invoking the discretionary jurisdiction of this Court. This Court is, therefore, inclined to concur with the reasons and

conclusions recorded by the respondent- authority.

-7-

8. Before proceeding further, this Court deems it appropriate to extract the operative portion of the impugned order for ready reference. The same reads as under:

ORDER

> KIADB/HO/ALLOT/18793/15216/2025-26 Dated: 15-12- In exercise of the powers conferred u/s. 34- B(3) & (4) of the KIAD Act, 1966, out of 4047.00 Sqmtrs., of land allotted to M/s.Data Streams Inc (Partnership Firm), an extent of 1345.48 Sqmtrs of land (factory building area-2-adjacent to Plot No.405) in the said plot is ordered to be resumed forthwith. The allottee is here by ordered to surrender possession of 1345.48 Sqmtrs of land out of 4047.00 Sqmtrs., of land in the above said plot within 30 days from the date of this order to the Executive Engineer-1, KIADB Zonal Office, Bengaluru. It is further ordered that if allottee fails to surrender possession of 1345.48 Sqmtrs of land within 30 days as stated above, the Executive Engineer-1, KIADB Zonal Office, Bengaluru, is authorized to take possession of 1345.48 Sqmtrs of land as stated above on behalf of Board as provided U/s 34-B(5) of KIAD Act 1966 and to hand over the revised possession certificate for -8-

remaining extent of 2701.52 Sqmtrs to the said allottee.

Order be communicated to the allottee

through RPAD.

Order pronounced on 15-12-2025.

Date: 15-12-2025 Place: Bengaluru Sd/- (Dr.Mahesh M) Chief Executive Officer & Executive Member This Court has carefully perused the operative portion of the

impugned order dated 15.12.2025 extracted hereinabove, passed by the Chief Executive Officer and Executive Member of the Karnataka Industrial Areas Development Board, in exercise of powers under Sections

34-B(3) and 34-B(4) of the KIAD Act, 1966. The order

would clearly indicate that out of the total extent of 4,047 square metres allotted to the petitioner-firm, an extent of 1,345.48 square metres has been ordered to be resumed forthwith, with a further direction to surrender possession within 30 days, failing which coercive steps under Section -9- 34-B(5) are to follow. The impugned order is not a cryptic one, but is preceded by a series of statutory notices and opportunities, culminating in a reasoned decision based on material on record.

9. On an overall appreciation of the pleadings,

annexures, and the material placed on record by both sides, this Court is of the considered view that the petitioner has failed to honour the fundamental conditions engrafted in the lease-cum-sale agreement dated 10.02.2015. The chronology of events assumes significance. The respondent-authority initially issued a notice dated 25.09.2023 under Section 34-B(1) of the KIAD Act (Annexure-AA), thereby putting the petitioner on notice regarding the alleged violations. This was followed by a detailed show-cause notice dated 06.01.2024, and thereafter proceedings under Section 34- B(3) were initiated. Despite affording adequate opportunity, the petitioner has failed to demonstrate - 10 - substantial compliance or any tangible progress in establishing the industrial unit.

10. It is trite that allotment of industrial plots by

statutory authorities such as KIADB is not a matter of largesse, but is guided by a larger public purpose, namely, planned industrial development and optimal utilization of scarce land resources. The very object underlying such allotments would stand defeated if allottees are permitted to sit over the land indefinitely without implementing the projects within the stipulated timelines. The lease-cum-sale agreements invariably prescribe strict timelines for commencement and completion of industrial activities, and such stipulations are not ornamental, but

mandatory in nature. Any laxity or indifference on the part of allottees in adhering to these timelines strikes at the root of the industrial policy framework and frustrates the purpose for which lands are acquired and developed.

- 11 -

11. In the case on hand, the petitioner was required

to implement the project within a period of three (3) years from the date of agreement and, admittedly, even after lapse of nearly a decade and grant of two extensions, the project has not been operationalized. This Court cannot

lose sight of the further admitted breach, namely, induction of third parties by way of sub-lease, which is in clear contravention of the terms of allotment. Such conduct not only constitutes a fundamental breach, but also reflects an attempt to commercially exploit the allotted land, defeating the very purpose of industrial allotment. These breaches, in the considered view of this Court, are neither technical nor trivial, but go to the root of the contractual and statutory framework governing the allotment.

12. This Court cannot also lose sight of the

categorical admission made by the petitioner that the persons inducted under the guise of sub-lease are not willing to vacate and hand over possession of the subject - 12 -

property. Such an admission, in fact, compounds the gravity of the breach. The petitioner, having consciously acted in violation of the express terms of the lease-cum- sale agreement by inducting third parties, cannot now be heard to contend that it is rendered helpless on account of the recalcitrant attitude of such sub-tenants. The rights, if any, claimed by the said occupants are wholly derivative and traceable to an act which is ex facie impermissible under the governing terms of allotment. In the eye of law, such induction is a nullity, and the so-called sub-tenants cannot claim any semblance of lawful possessory right over an industrial plot allotted for a specific public purpose. This Court is of the considered view that such a fundamental breach strikes at the very root of the contractual and statutory

framework and is incapable of being cured or regularised. Permitting any indulgence in such circumstances would not only dilute the sanctity of the conditions of allotment but would also set a deleterious

precedent, encouraging misuse of industrial lands. - 13 - Consequently, no equitable or discretionary relief can be extended to the petitioner.

13. In that view of the matter, this Court is of the

considered opinion that the respondent-authority has acted strictly in accordance with the provisions of the KIAD Act, 1966 and the terms of the lease-cum-sale agreement. The decision to resume a portion of the land cannot be

termed as arbitrary or disproportionate, warranting interference in exercise of supervisory jurisdiction under Article 227 of the Constitution of India. Judicial review, in such matters, is confined to examining the decision- making process and not the merits of the decision itself. When the material on record clearly discloses gross and admitted violations on the part of the petitioner, no indulgence can be shown by this Court.

14. Accordingly, this Court holds that the writ petition is devoid of merits. The petitioner, having failed to comply with the essential conditions of allotment and - 14 - having indulged in conduct contrary to the terms of the lease-cum-sale agreement, is not entitled to any equitable or discretionary relief.

15. For the foregoing reasons, the writ petition stands dismissed. No order as to costs. Sd/- (SACHIN SHANKAR MAGADUM) JUDGE ALB, List No.: 1 Sl No.: 75

SooperKanoon - India's Premier Online Legal Search - sooperkanoon.com