FACTS:

Originally the subject land belong to Govt of AP. For the purpose of development of Financial District the Govt of AP handed over a part of extent Ac.14-30 gts to APIIC.

APIIC has transferred part of its land extent Acre 3-38 gts to Shriram Capital Ltd by way of registered Agreement of sale restricting for particular use only and later after completion of project the sale deed was executed specifying the terms and conditions.

QUERY:

The legal team of PNB Bank are raising query that APIIC has transferred the part of its land to Shriram Capital Ltd restricting for particular use only and also mentioned that Shriram Capital shall have to take prior permission from APIIC before any sale or transfer of land.

RESPONSE:

As per Clause 3(d) of the Agreement of Sale dated 08.05.2006 bearing document no. 11682 of 2006 ("**AOS**"), it was agreed between APIIC and Shriram Capital that it is only after implementing the Project i.e. development of a building on the land that the sale deed for the sale of the land will be executed by APIIC in favour of Shriram Capital.

Clause 7(b) and 7(f) of the AOS imposed a requirement on Shriram Capital to obtain prior permission only in the event the land is being used for any other purpose other than what it was allotted for and if there are any modifications in the approved construction plan.

As per Clause 7(i) of AOS, an obligation was imposed on Shriram Capital, "Not to transfer or change the ownership/constitution of the business relating to the unit without obtaining first written permission of the Party of the First Part."

The above Clause 7(i) of AOS is in connection with restriction on change in ownership and constitution of the business of Shriram Capital, with the sole purpose of ensuring that there is no impact of change in ownership or constitution of the company on development of the land allotted to Shriram Capital.

In terms of the AOS, construction was duly carried out by Shriram Capital and Occupancy Certificate was also issued. Upon being satisfied with the compliance of the terms of the AOS and the construction on the land, APIIC executed Sale Deed dated 04.08.2007 bearing no 4064 of 2009 ("**Sale Deed**") in favour of Shriram Capital conferring absolute and unfettered title in the land and the construction thereon in favour of Shriram Capital.

As per Recital 1, 5, 6 of the Sale Deed , the only restriction imposed on Shriram Capital is to ensure that the purpose for which the land was allotted to the Allottee i.e. “establishment of Corporate Office, Back Office and IT Support and Training Centre Building” is not changed.

A plain reading of the above Clauses reflects that APIIC has imposed restriction on use of the land for any other purpose other than for Corporate Office, Back Office and IT Support and Training Centre Building. However, there is no restriction/requirement of seeking prior permission of APIIC for sale of the land or the building constructed thereon. Having executed the Sale Deed, APIIC has vested absolute rights in favour of Shriram Capital. The AOS and the terms contained therein are superseded by the terms of the Sale Deed and APIIC has consciously avoided imposing any restrictions on sale of the subject property under the Sale Deed.

The rules and regulations governing allotment of land by APIIC/TSIIC in 2006 are not available. However, the Industrial Policy Framework for the State of Telangana,(https://tsiic.telangana.gov.in/filePreview?fileName=CMS/File_2 30720221248361269587078.Book-2017-English-Industrial-Policy-S-C.pdf), which set outs the broad principles of land allotment process as under –

Once the allotment is finalized by the relevant committee, the applicant will be required to enter into an ‘Agreement to Sale’ with the TSIIC. This will allow him to raise financing by mortgaging the land for project development. However, the title over the land will be conferred through a ‘Sale Deed’ only when the project is completed and commercial production has started. During the construction and project development stage, the original promoter will not be permitted to dilute his equity beyond 51% in the project. ‘Agreement to Sale’ will be cancelled in case any wilful default as mentioned above is observed.

The above also makes it amply clear that the restriction/prior permissions required in case of change in ownership is only to ensure completion of development so as to enable APIIC/TSIIC to complete the sale process.

As it is a case of an outright sale, with no restrictions of further alienation, it is therefore incorrect to state that Shriram Capital is required to take prior permission from APIIC before any sale or transfer of land.