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**IN THE SUPREME COURT OF INDIA
CIVIL APPELLATE JURISDICTION**

PAMIDIGHANTAM SRI NARASIMHA; J., MANOJ MISRA; J.

FEBRUARY 20, 2025

CIVIL APPEAL NOS. 2755-2758/2025 ARISING OUT OF SLP(C) NOS. 10926-10929 OF 2024

RACING PROMOTIONS PRIVATE LIMITED versus DR. HARISH & ORS.

Judicial Review - Contractual Matters – Scope of - Public-private partnerships - Conduct of Formula 4 racing - The High Court had permitted the event subject to several conditions, including financial obligations imposed on the private organizer (RPPL). The Supreme Court partly allowed RPPL's appeal, setting aside directions from the High Court. These directions constituted an impermissible interference with the contractual terms of the Memorandum of Understanding (MoU) between RPPL and the Sports Development Authority of Tamil Nadu (SDAT). The Court emphasized the limited scope of judicial review in contractual matters involving the State and private entities, particularly in public-private partnerships. It also recognized the State's policy decision to promote motorsports and the benefits of public-private partnerships. The court upheld the High Court's directions regarding public safety and noise control measures. (Para 23)

[Arising out of impugned final judgment and order dated 19-02-2024 in WP No. 33687/2023 19-02-2024 in WP No. 33741/2023 19-02-2024 in WP No. 33911/2023 19-02-2024 in WP No. 33914/2023 passed by the High Court of Judicature at Madras]

For Petitioner(s): Mrs. Theepa Murugesan, Adv. Ms. Sanya Bhatia, Adv. Mr. Gaurav Singh, AOR

For Respondent(s): Mr. D.kumanan, AOR Ms. Preetika Dwivedi, AOR Mr. C. Paramasivam, Adv. Ms. Adviteeya, Adv. Mr. Rakesh K. Sharma, AOR

J U D G M E N T

PAMIDIGHANTAM SRI NARASIMHA, J.

1. Leave granted.

2. The present appeals arise out of an order dated 19.02.2024 passed by the Madras High Court disposing of various writ petitions filed as public interest litigations ('PILs') against the conduct of Formula 4 racing in the city of Chennai, Tamil Nadu, in which the following directions were issued:

"22. Accordingly, this batch of writ petitions are disposed of, with the following directions

(i) The Formula 4 Race proposed to be conducted in the Chennai Racing Circuit is permitted to be held on the dates to be decided by the State Government in consultation with the stakeholders

(ii) The State Government shall ensure that the street race in the 3.7 km as stipulated, shall be carried on, with highest degree of public safety and avoiding inconvenience to the public, especially the in-patients of the Rajiv Gandhi Government General Hospital, Madras Medical College, and Omandurar Government Multispeciality Hospital. This can be ensured by installing necessary silencing equipment like sound silence panels/acoustic sound panel for noise control in the hospitals during the time of the racing events.

(iii) The RPPL shall ensure that all public viewers will be provided with necessary protective gear for their safety during the Race (iv) The RPPL shall reimburse the expenditure made by the State Government (i e) Rs 42 crores from the public exchequer, to them, prior to the conduct of the event

(v) *The State Government must ensure that RPPL or anyone should deposit in advance (prior to next year and the upcoming third year's event) the stipulated expenditure of Rs 15 crores for the upcoming two years for holding the Street Circuit in Chennai* (vi) *The RPPL cannot expect anything more than facilitation as well as arrangements along with co-ordination and co-operation of the State authorities, and the expenditure for the event will have to be completely borne out only by the RPPL*

(vii) *In future, the State is expected to take upon itself the responsibility of conducting of such event in furtherance of its policy to encourage the racing sport and seek the support of private bodies having experience and expertise in the field. This will ensure fairness and also dispel any doubt as to mala fides in distribution of the State largesse"*

3. The directions contained in paragraphs 22(iv) to (vii) alone are impugned before us.

4. The short facts that are necessary for us are that Racing Promotion Private Ltd, hereinafter referred to as the appellant, is involved in sponsoring and conducting the Formula 4 championship, which is a motorsport series of races. The appellant entered into a Memorandum of Understanding (MoU) dated 16.08.2023 with the Sports Development Authority of Tamil Nadu, hereinafter referred to as SDAT, for a term of three years for organising the event. The MoU sets out the obligations of both parties, and the relevant clauses are that while the appellant is under an obligation to spend Rs. 202 crores as part of its responsibility, the SDAT is required to spend Rs. 42 crores towards license and operations fee, roads, and miscellaneous expenditures including road beautification and painting. The relevant portion of the clauses are as under:

'MEMORANDUM OF UNDERSTANDING'

This Memorandum of Understanding ("MOU") is made in Chennai on 16th day of August 2023 ("Effective Date") by and between.

A. *Racing Promotions Private Limited...*

AND

B. *Sports Development Authority...*

1. *Principles of Collaboration*

1.1 *The Parties recognize each other's interest and expertise and hereby agree to work together for the organization and promotion of the Festival.*

1.2 *The Parties agree that....*

2. *Term and Termination...*

3. *Obligation of the Parties*

3.1 *RPPL shall be responsible for the following deliverables and costs.*

a)

Sr. No.	Particulars	Cost (in INR)
1.	<i>Circuit Electronic System</i>	<i>34,00,00,000</i>
2.	<i>Patented Debris Fence Panel</i>	<i>48,00,00,000</i>
3.	<i>TechPro Barrier</i>	<i>20,00,00,000</i>
4.	<i>Tyre Barrier</i>	<i>6,00,00,000</i>
5.	<i>Kerbs</i>	<i>4,00,00,000</i>
6.	<i>Hospitality for the Festival</i>	<i>4,00,00,000</i>

7.	<i>Race Operations for the Festival</i>	10,00,00,000
8.	<i>Event Management for the Festival</i>	10,00,00,000
9.	<i>Marketing of the Festival</i>	10,00,00,000
10.	<i>Formula 4 Cars</i>	20,00,00,000
11.	<i>IRL Cars</i>	10,00,00,000
12.	<i>Fire & Medical for the Festival</i>	2,00,00,000
13.	<i>Grand Stands</i>	8,00,00,000
14.	<i>Festival miscellaneous costs</i>	8,00,00,000
15.	<i>Other miscellaneous costs</i>	8,00,00,000
	Total	2,02,00,00,000

b) Further, in addition to the aforementioned deliverables, RPPL shall also be responsible for pit building, concrete blocks and circuit lighting system.

3.2 The Host City shall be responsible for the following deliverables and costs:

a)

Sr. No	Item	Cost (in INR)	Remarks
1	License operation and fee ("Fees")	30,00,00,000	For License & Racing Permit, Pit Building, Concrete Blocks, Circuit Lighting System
2	Roads	6,00,00,000	
3	Miscellaneous (including without limitation ad beautification and painting)	6,00,00,000	
	Total	42,00,00,000	

b) The Host City shall pay the Fees to RPPL in 3 instalments, 50% advance upon signing of the MOU, 25% within 60 days of signing of the MOU and 25% within 120 days of signing of the MOU. Any revisions to the same shall be mutually agreed, upon between the Parties in writing.

c) It is clarified that the costs mentioned in Clause 3.2(a) shall be only for the first year of the Term. The estimated costs to be borne by the Host City are INR 15,00,00,000 (Indian Rupees Fifteen Crores Only), per year, for the remainder of the Term, to be paid 90 days before the Festival. Any revisions to the same shall be mutually agreed upon between the Parties in writing.

d) Further, in addition to the aforementioned deliverables, the Host City shall also be responsible for the following.

- (i) Local police permission for traffic control and other law and order required for the Festival;
- (ii) Fire department support;
- (iii) Pollution control measures,

- (iv) *Health, safety and sanitation measures,*
- (v) *Permission for radio frequencies,*
- (vi) *Permission required for storage of fuel;*
- (vii) *No objection certificate from the relevant district magistrate;*
- (viii) *VIP movement protocols,*
- (ix) *Maintenance department;*
- (x) *Agreement letter from hospital for admitting and treating injured drivers on priority basis.*
- (xi) *Any other reasonable assistance required by RPPL for the Festivals.*

3.3 Any modifications to the costs and/or the deliverables of either Party shall be mutually agreed upon between the Parties in writing in good faith.

4. *Testing...*

5. *Miscellaneous..."*

5. Pursuant to a decision to conduct the fifth round of the races in the city of Chennai, the Government of Tamil Nadu issued a Press Release dated 02.11.2023 regarding the conduct of the event between 08.12.2023 to 10.12.2023.

6. At this stage, various writ petitions in the form of public interest litigation were instituted before the High Court raising multiple objections. Broadly, the grounds raised in these petitions pertained to public inconvenience, lack of safety measures, noise pollution, environmental and ecological damage, and the lack of transparency in the use of public funds for the event in a manner that benefits a private party, i.e., the appellant.

7. The High Court, by way of the impugned order, held that it will not interfere with the policy decision of the government to promote and encourage motor racing as a sport. It also took note of the submission of the learned Advocate General before it that all requisite approvals for the event had been taken, and precautionary and safety measures were being taken to prevent public inconvenience and noise pollution. However, it observed that the event was being conducted by the appellant, which is a private party, and the role of the State Government was limited to facilitating the event. The revenue and profits would accrue only to the appellant, and the State Government would not have any share in the same as per the MoU. In this light, the High Court issued the directions that are impugned before us.

8. We have heard the learned senior counsels appearing for the parties and have also perused their written submissions.

9. A detailed counter affidavit is filed on behalf of the Sports Development Authority which sufficiently answers all the questions, including those that are expressed by the High Court in the order impugned before us. It is therefore necessary to extract the relevant portions of the counter affidavit. To start with, the affidavit explains the role, purpose, and object of the constitution of the SDAT and the role that is assigned to it for development of sports and necessary infrastructure.

"2. It is submitted that the Sports Development Authority of Tamil Nadu (hereinafter referred as SDAT) is the nodal government authority in the State of Tamil Nadu for the promotion of sports and the development and welfare of sportspersons. Over the years SDAT has taken various initiatives to promote several sports through various measures like creating infrastructure, enable specialised training, provide financial support etc.

3. *It is submitted that the SDAT aims to make Tamil Nadu a global sports hub. One of the measures that SDAT has taken to achieve this objective is by hosting several National and International championships of various sports in the State.*

4. *It is submitted that by conducting these national and international level events, the sporting infrastructure of international standards are being created systematically for various sports. Therefore, upcoming sportspersons will have the opportunity to train in stadiums, turfs, tracks, gyms and other facilities which are of international standards to further develop their skills in their respective sports. When these events are conducted, the sportspersons are exposed to the new techniques of other State and Country players, which could also be a learning opportunity for our sportspersons. Conducting these sporting events at National and International level would also bring a greater influx of fans and followers of these sports which will create a vibrant sports culture amongst the youth in the State. This involvement of youth in sports would promote positive behaviour and sense of responsibility. The creation of this infrastructure within the State and better access to these sporting events will also enable budding sportspersons from weaker economic backgrounds to participate in the national and international events and thus enable greater diversity in sports. It is SDAT's aim to use sports as a means of fostering and building strong community ties and understanding among different groups."*

10. The SDAT has also explained the consequential economic benefit that the State derives from conducting such events and this is explained as under:

"5. It is submitted that there is also greater economic benefits to the State while conducting these National and International events by generating tourism revenue, job creation, infrastructure developments, increased investment, media rights and sponsorship, local business growth etc. The influx of tourists boosts revenue for hotels, restaurants, transportation services and local attractions. While hosting large scale sporting events it generates numerous job opportunities, both temporary and permanent. These jobs span various sectors, including construction, event management, hospitality, security, and retail. Preparing for international sports events often necessitates the development or improvement of sports facilities, transportation networks, and other infrastructure. These enhancements can have long-term economic benefits, facilitating future events and boosting local economies. High-profile sports events can attract domestic and foreign investment. Businesses may invest in sponsorships, infrastructure, and services to capitalize on the event's visibility and associated economic activity. Local businesses benefit from the increased foot traffic and spending associated with large sports events. This includes not only businesses directly related to the event, such as sports shops and venues, but also those in hospitality, retail and entertainment. International sports events can generate significant revenue through the sale of broadcasting rights and sponsorship deals. This not only brings in immediate income but also enhances the country's global visibility and attractiveness for future events. Post-event, the facilities developed for International sports events can be used for local and National events, community activities, and as training centers for athletes. This ongoing use can provide continued economic benefits. Therefore, the conducting of larger scale sporting events will boost the economy of the State in wider perspective."

11. After explaining in detail how the State successfully conducted national and international events from 2022, deriving great benefits and securing large number of medals for the State in the various sports/games that were held from time to time, the affidavit goes on to explain the infrastructure that the State of Tamil Nadu has created for motor sports in the following terms:

"9. With regard to the sport of racing (both four and twowheelers), Tamil Nadu occupies a pride of place for several reasons. The foremost reason is that the birth of motor sports in India was from Chennai (then known as Madras) with the establishment of the Madras Motorsports Club (still in existence). Consequently, Chennai also became the headquarters for the Federation of Motor Sports Clubs of India (FMSCI) which is the apex body governing motorsports in India. One of the country's premier internationally recognised race tracks is also situated at Irungattukottai in

the outskirts of Chennai. Hence, SDAT decided to host the Formula 4 (F4) Indian Championship, a motorsport series of races at Chennai with the Racing Promotions Private Limited (herein after referred to as RPPL) i.e. the petitioner in this Special Leave Petition. RPPL is the only license holder to hold the F4 Indian Championship Formula 4, which is accredited by the International Governing body of Motorsports i.e, Federation Internationale l'Automobile. Earlier, RPPL has conducted this racing event at Hyderabad and Noida in the year of 2023. An economic study conducted by Neilson Sports Analysis calculated that the racing sport event named Greenko Hyderabad E-Prix, 2023 hosted by Formula E in collaboration with the Telangana Government delivered an economic impact of nearly about 84 million US Dollar and significant inward investment to their local economy.”

12. Addressing the issue arising for consideration in the batch of writ petitions, the SDAT has referred to the reason for entering into the MoU and has explained the same in the following terms:

“11. It is submitted that after careful consideration of the potential long term gains that the State stood to gain from hosting this event, an MoU was entered into between SDAT and the RPPL to conduct the Indian Racing League and Formula 4. These two events together was called the Indian Racing Festival in Chennai and would be conducted annually for a period of three years. (F4 in year 1 & F3 in year II & Year III) As per the MOU, SDAT shall be responsible for the obligations set out in Clause 3.2 of the MoU which is as follows -

- (a) License and Operations Fee*
- (b) Roads*
- (c) Miscellaneous (including without limitation and beautification and painting).”*

13. In order to assure this Court that the decision to enter into the MoU was not unilateral and that the said decision was taken after much deliberation, the SDAT explained the background indicating the constitution of a high-level working committee to coordinate the organisation of the event and also indicated the officials involved in the decision making as follows:

“13. It is submitted that SDAT had formed a High-level Working Committee to coordinate the organizing of this racing event. The committee held several meetings with the following officials to oversee and monitor the organising of the event - (a) Commissioner, Greater Chennai Corporation

- (b) Director General of Police, Tamil Nadu*
- (c) Additional Chief Secretary to Government, Highways and Minor Ports*
- (d) Additional Chief Secretary to Government, Youth Welfare and Sports Department*
- (e) Director General of Police /Commissioner of Police, Greater Chennai Police*
- (f) Principal Secretary to Government, Public Works Department*
- (g) Managing Director, Tamil Nadu Tourism Development Corporation*
- (h) Joint Commissioner (Works), Greater Chennai Corporation*
- (i) Additional Director, Information Department*
- (j) Member Secretary, Sports Development Authority of Tamil Nadu*
- (k) Additional Commissioner of Police (Traffic), Greater Chennai Police*
- (l) Director (Distribution), Tamil Nadu Generation & Distribution Corporation Limited*
- (m) Deputy Secretary to Government, Health & Family Welfare Department*
- (n) Lieutenant General, General Officer Commanding (GOC), Dakshin Bharat Area, Chennai*

(o) Naval officer in Charge (Tamil Nadu)

(p) Chairman, Racing Promotions Private Ltd. (RPPL)

A meeting was held on 24.11.2023 with above-mentioned officials of the High-level Working Committee and each and every aspect of this event was carefully deliberated and decided including issues of adequate safety precautions, traffic management, protection of spectators, safeguarding of places around the circuit, mitigation of pollution etc to be taken care of. The army and the navy representatives provided their consent to the conduct of the Race since the circuit passed near the Army and Naval areas.”

14. Referring to the issue relating to safety, the SDAT explained in detail the steps taken to ensure that the event is conducted after taking sufficient precautions. The relevant portion of the affidavit is as under:

“15. It is reiterated before this Hon'ble Court that all measures for safety and precaution have been provided. It is submitted that appropriate alternate traffic diversions have been identified and will be implemented; the event will be conducted at a sufficient distance from the hospitals and will not cause any inconvenience to the public and also in-patients in the hospital. It is reiterated that appropriate safety protocols will be implemented - the viewer grand stands will be barricaded and the crash barriers will also be installed to ensure maximum protection for the spectators. Fire extinguishers will be placed at designated sites to ensure fire safety.”

15. Referring to the specific direction of the High Court in paragraph 22(vii) that in future the State itself should take upon the responsibility of conducting such events, the SDAT explained the consequence as under:

“19. A direction has been issued at para 22 (vii) of the impugned common order of the Hon'ble High Court of Madras in W.P. Nos. 33687, 33741, 33911 and 33914 of 2023 that in future the State Government should conduct this event by itself. It is submitted that such a direction is not legally possible or feasible. Licenses/rights for international events are granted only to associations/national sports federations by the international sports body. A city or State is then permitted to host this international event in association with the license/rights holder for the event. In such situation, it is submitted that the State Government supports the conduct of sporting events by providing monetary support towards license fee, event management, prize money, publicity and media management amongst other things along with the necessary coordination with various government Departments for the successful conduct of the event.

20. It is also submitted that, providing logistics and monitoring for conduct of international and national sporting events is a global practice to nurture excellence in sports, building capacity, economic benefits and city branding. It is on this basis that the State Government hosts sporting events in co-ordination with the National/International Federations and licensed bodies.

21. Infact there is precedent of the State Government being a major sponsor of an international sporting event, namely the Chennai Open ATP Tennis Tournament for several years, where even World Champions like Rafael Nadal have come and participated. Likewise, the Government of Tamil Nadu had organized the 44th Chess Olympiad along with International Chess Federation (FIDE - the acronym is as per its French name), the Asian Men's Hockey Championship with Hockey India Federation and Asian Hockey Federation (AHF), the World Surfing League competition in co-ordination with the International Surfing Federation. The successful conduct of these events is due to the support and infrastructure provided by the State Government to these recognized/licensed sporting bodies who have the expertise and domain knowledge regarding their respective sports.”

16. In view of the above, the SDAT submitted that the direction of the Madras High Court for the State to conduct the event by itself in the future will be unviable. It is also submitted that the implementation of the direction would cause “great loss to the city and its

sportsperson and also affect the long-term goal of promoting and situating Chennai as a global sports centre”.

17. The appellant has no objection with respect to the caution expressed by the High Court about public safety and health. They do not challenge directions (i), (ii), and (iii) in paragraph 22, requiring necessary precaution to be taken before permitting the sports event. The appellant is aggrieved about the direction in paragraph 22(iv) to reimburse Rs. 42 crores spent by the State, the direction in paragraph 22(v) that the Government must ensure that the appellant must make an advance deposit of Rs. 15 crores for the upcoming two events, and the further direction in para 22(vi) where it was directed that the appellant cannot expect anything more than facilitation from the State and that the entire expenditure for the event will have to be borne by them. These directions are challenged before us on various grounds.

18. We have examined the facts and circumstances of the case in detail and have studied the Memorandum of Understanding in detail. We are of the opinion that directions (iv), (v), and (vi) relate to prescription of new terms and conditions for the Memorandum of Understanding between the parties. Direction (vi) relates to the policy decision of the State.

19. We have already extracted the relevant clauses of the MoU as per which the appellant has an obligation to spend Rs. 202 crores towards various heads under clause 3.1(a) of the MoU. The next clause provides the obligations of the Host City as per which the Host City is obligated to provide deliverables amounting to Rs. 42 crores. These contractual clauses were entered into after a great amount of deliberation.

20. The Sports Development Authority is an instrumentality of the State and acts as a nodal Governmental Authority for promoting sports and the welfare of sports persons. It is nobody's case that the State through SDAT is distributing largesse or that public funds are being frittered away or that there is any defalcation of funds. The scope of judicial review in matters concerning contractual relationship of the State or its instrumentality with private participation, particularly as regards the scope and ambit of work and finances, are limited. This aspect is clear from a large number of decisions of this Court, which need not be dealt with in detail.¹

21. To ensure equitable distribution of goods and services and to be assured that they subserve the common good, the State has the authority to formulate a suitable policy. Initially, such policy is focussed on the government identifying resources and expanding them to subserve common good. At one stage, to increase their capacity, governments had even nationalised private resources to subserve the public interest. However, experience has shown that the resources generated by the government were inadequate and also that the management of these resources was inefficient and ineffective. Over a period, the policy shifted towards *public-private partnerships* or *private finance initiatives*. The shift is based on the experience that delivery of goods and services as part of public service can be provided more effectively by means of contracting with private enterprise than by direct provision by the Government. This micro-economics, as perceived in public finance, involves private participation and it can now be seen in three strategic investments. First, where the private sector provides capital to build infrastructure, and the State leases them out. Second, where private sector participation is involved in building infrastructure such as airports, metro rail transport, bridges by using their own resources,

¹ *Master Marine Services (P) Ltd. v. Metcalfe & Hodgkinson (P) Ltd.*, (2005) 6 SCC 138, paras 11-12; *Arun Kumar Agrawal v. Union of India*, (2013) 7 SCC 1, para 41; *Silppi Constructions Contractors v. Union of India*, (2020) 16 SCC 489, paras 19-20.

for which they would secure their consideration through tolls and usage charges. There are also instances where assets are built partly through private contributions and partly through government funding. The rationale for this micro-economic strategy is the limited resources of the State and the understanding about their functioning as lacking flexibility, or effective expertise.

22. The case at hand involves the conduct of the sports event through the collaborative effort of the instrumentalities of the State of Tamil Nadu, being the SDAT, and the appellant, a private enterprise.

23. Once the High Court was satisfied that the decision to hold the sports event is a matter of policy, it could not have proceeded to interfere with the specific terms of the MoU entered into between the authority and the appellant herein. Issues such as the mutual obligations, including the apportionment of expenditure that the contracting parties must bear, are beyond the scrutiny of the High Court in a public interest litigation.² Finally, direction (vii) calling upon the State itself to take up the responsibility of conducting such sports events ignores the principle of public-private partnership adopted by governments across the globe as a matter of good governance, which takes into account the limited resources of the State coupled with issues of efficiency and expertise. We are of the opinion that the High Court committed an error in issuing directions (iv), (v), (vi) and (vii), which cannot be sustained in law.

24. For the reasons stated above, we partly allow the appeals and set aside the directions of the High Court in paragraphs 22(iv), (v), (vi), and (vii) of the judgment and order in Writ Petition Nos. 33687, 33741, 33911 and 33914 of 2023 by order dated 19.02.2024.

25. No order as to costs.

26. Pending applications, if any, stand disposed of.

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² *Orissa State Financial Corporation v. Narsingh Ch. Nayak*, (2003) 10 SCC 261, para 6; *Orix Auto Finance (India) Ltd v. Jagminder Singh*, (2006) 2 SCC 598, para 9. Further, it is also a settled position that courts cannot rewrite contractual terms between the parties, see *General Assurance Society Ltd v. Chandumull Jain*, AIR 1966 SC 1644, para 11; *Rajasthan State Industrial Development and Investment Corporation v. Diamond & Gem Development Corporation Ltd*, (2013) 5 SCC 470, para 23; *Shree Ambica Medical Stores v. Surat People's Coop Bank Ltd*, (2020) 13 SCC 564, para 20; *Venkataraman Krishnamurthy v. Lodha Crown Buildmart Pvt Ltd*, (2024) 4 SCC 230, paras 21-22.