Case Citation: (2026) taxcode.in 1526 HC

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IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED: 20.08.2026

CORAM

THE HONOURABLE MR.JUSTICE HEMANT CHANDANGOUDAR

W.P.No.7130 of 2026
and WMP.Nos.7739 & 7740 of 2026

Anni Infra Developers Limited
Represented by its Managing Director
Mr.S.Ashok Kumar
Door No.2/9 AN Towers,
Dr.Sathyamoorthy Hospital Opp. Raod,
2/5 Perundurai Road, Erode 638 011.

Petitioner(s)

Vs

1.Chennai Metropolitan Water Supply and Sewerage Board
Represented by its Managing Director,
No.1 Pumping Station Road,
Chintaripet, Chennai 600 002.

2.Chennai Metropolitan Water supply and
Sewerage Board,
Represented by its Superintending Engineer
(Contracts and Monitoring),
No.1 Pumping station Road,
Chintaripet, Chennai 600 002.

Respondent(s)

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Prayer: This Writ Petition has been filed under Article 226 of the Constitution of India, to issue a Writ of Certiorarified Mandamus, calling for the records relating to the impugned order in Letter No.CMWSSB/CNT/WSS/NCB/ TNIDB/002/2025-26 dated 19.01.2026 passed by the 1st respondent and quash the same as being illegal, arbitrary, and violative of the principles of natural justice and consequently direct the 1st respondent to refund the Bid Security of Rs 2,50,00,000/-to the petitioner.

For Petitioner : Mr.P.J.Rishikesh

For Respondents : Mr.Krishna Ravindran

ORDER

The petitioner has challenged the communication dated 19.01.2026 issued by the first respondent, whereby the bid security amount of Rs.2,50,00,000/- was forfeited and the petitioner was blacklisted from participating in future tender processes of the respondents for a period of two years.

2. The petitioner claims to be a Class-I Contractor. Pursuant to a tender floated by the respondents for the supply of Smart Water Meters, the petitioner submitted its bid. Before the technical bids were opened, the respondents came to know that an FIR had been registered against the Managing Director of the

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petitioner's company alleging non-payment of GST and also an attempt to bribe an official for securing a contract from another department.

3. Based on the said information, a show cause notice dated 03.12.2025 was issued. The notice referred to a news report published in the *Times of India* dated 17.10.2019, stating that the Chairman and Managing Director of the petitioner's company had been arrested by the Directorate General of GST Intelligence (DGGI) for allegedly committing GST fraud amounting to Rs.450 crores. The notice also referred to an FIR and a petition filed under Section 438 of the Cr.P.C. seeking anticipatory bail in Crime No.51 of 2024, registered by the respondent Police, copies of which were stated to be available in the public domain in the name of Mr. S. Ashok Kumar, the Managing Director of the petitioner's company.

4. The petitioner was called upon to explain why it should not be treated as having failed to comply with the tender conditions and to furnish the current status of the said litigation. The petitioner submitted its reply dated 08.12.2025, explaining the circumstances in which the said information had not been disclosed. Thereafter, the first respondent passed the impugned order.

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5. Mr.P.J.Rishikesh, learned counsel appearing for the petitioner, submitted that the show cause notice was issued alleging non-compliance with Serial No.7 of Appendix-IA, Annexure-I, "Details of Bidder" of the RFP. According to the learned counsel, none of the contingencies contemplated under the said clause was attracted in the case of the petitioner. He further submitted that the show cause notice did not propose either forfeiture of the bid security or blacklisting of the petitioner. Consequently, the impugned order, insofar as it imposed the said penalties, travelled beyond the scope of the show cause notice and is liable to be set aside.

6. In support of his submission, learned counsel relied upon the judgment of the Hon'ble Supreme Court in ***Vetindia Pharmaceuticals Limited v. State of Uttar Pradesh and another,*** reported in ***(2021) 1 SCC 804.***

7. Per contra, Mr.Krishna Ravindran, learned counsel appearing for the respondents, submitted that the petitioner had admittedly failed to disclose the registration of two FIRs, one relating to GST fraud and the other relating to corrupt practices. According to the learned counsel, since the petitioner did not dispute the non-disclosure, the first respondent was justified in passing the impugned order. He further submitted that the impugned order was passed in accordance with the terms of the tender document and, in the absence of any

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perversity or illegality, no interference under Article 226 of the Constitution of India is warranted.

8. I have considered the submissions of the learned counsel appearing for the parties and perused the materials placed on record.

9. The first issue that arises for consideration is whether the alleged non-disclosure by the petitioner constituted a violation of Serial No.7 of Appendix-IA, Annexure-I of the RFP.

10. Serial No.7 requires the bidder and each member of its consortium, or any of their associates, to furnish a statement disclosing material non-performance or contractual non-compliance in past projects, contractual disputes, and litigation/arbitration in the recent past.

11. A plain reading of the said clause makes it clear that the disclosure contemplated therein relates to matters concerning non-performance or contractual non-compliance in past projects and contractual disputes or litigation/arbitration arising therefrom. The clause cannot, merely by reference to the expression “litigation”, be construed as requiring disclosure of every FIR registered against the bidder or its Managing Director, irrespective of whether

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such FIR relates to the bidder's contractual performance or any contractual dispute.

12. In the present case, there is no material on record to establish that the petitioner had suffered any material non-performance or contractual non-compliance in its past projects, or that any contractual dispute, litigation or arbitration arising out of such matters was pending against the petitioner.

13. The two FIRs relied upon by the respondents relate to allegations of GST fraud and an alleged attempt to bribe an official in connection with securing a contract from another department. There is no material to establish that either of the said FIRs relates to any non-performance or contractual non-compliance by the petitioner in its past projects, or to any contractual dispute contemplated under Serial No.7.

14. Therefore, the mere registration of the two FIRs, without establishing their nexus with any of the contingencies contemplated under Serial No.7, could not by itself constitute a violation of the said tender condition. The finding of non-compliance with Serial No.7 is therefore not supported by the terms of the tender document.

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15. The second issue concerns the validity of the action of forfeiture of the bid security and blacklisting of the petitioner.

16. The show cause notice dated 03.12.2025 called upon the petitioner to explain why it should not be considered to have failed to comply with the tender condition and to furnish the current status of the litigation. Significantly, the show cause notice did not put the petitioner on notice that the respondents proposed to forfeit the bid security or blacklist the petitioner from participating in future tender processes for a period of two years.

17. The petitioner was therefore not afforded an opportunity to show cause against the proposed consequences of forfeiture and blacklisting. Such consequences are serious in nature and have civil consequences. The petitioner ought to have been specifically informed of the proposed action and afforded a reasonable opportunity to meet the same.

18. The Hon'ble Supreme Court in ***Vetindia Pharmaceuticals Limited*** (supra), while considering a similar issue, held that where the show cause notice did not state that blacklisting was proposed or was under contemplation, the subsequent order of blacklisting could not be sustained merely because the tender conditions contained a provision enabling such action.

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19. The principle laid down therein squarely applies to the present case. The mere existence of a power under the tender conditions to forfeit the bid security or blacklist a bidder cannot dispense with the requirement of issuing a specific and meaningful show cause notice before such adverse action is taken.

20. There is yet another infirmity in the impugned order. The order appears to have been passed on the basis of the legal opinion furnished to the first respondent. While obtaining a legal opinion is permissible, the statutory or tendering authority is required to independently apply its mind to the facts, the tender conditions and the explanation submitted by the petitioner and arrive at its own conclusion. The impugned order does not demonstrate any such independent consideration.

21. In particular, the impugned order does not disclose how the alleged non-disclosure of the FIRs falls within the specific contingencies contemplated under Serial No.7, nor does it deal with the explanation furnished by the petitioner in its reply dated 08.12.2025. The order is therefore bereft of adequate reasons and cannot be sustained as a speaking order

22. The requirement of giving reasons assumes greater significance where the decision entails forfeiture of a substantial amount of money and blacklisting

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a bidder for a specified period. Blacklisting has serious civil consequences, as it affects the bidder's right to participate in future public contracts. Such a decision must therefore be preceded by a fair opportunity to meet the allegations and must be supported by reasons demonstrating due and independent application of mind.

23. In the light of the above discussion, this Court is of the view that the impugned order suffers from two fundamental infirmities: first, the alleged non-disclosure does not, on the material placed before this Court, fall within the contingencies contemplated under Serial No.7 of the RFP; and secondly, the show cause notice did not specifically propose forfeiture of the bid security or blacklisting of the petitioner, though those adverse consequences were ultimately imposed.

24. The impugned order is therefore arbitrary, violative of the principles of natural justice and unsustainable in law.

25. Accordingly, the Writ Petition is allowed. The impugned communication dated 19.01.2026 issued by the first respondent is set aside. The first respondent is directed to refund the bid security amount of Rs.2,50,00,000/- to the petitioner within a period of four (4) weeks from the date of receipt of a

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copy of this order. There shall be no order as to costs. Consequently, the connected Miscellaneous Petitions are closed.

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Index : Yes/No
Speaking order : Yes/No
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