IN THE HIGH COURT OF ANDHRA PRADESH AT AMARAVATI

WRIT APPEAL NO: 449 of 2025

M/s. Sri Raja Rajeswari Security Services ...Appellant

Vs.

State of Andhra Pradesh and others ...Respondent(s)

****

CORAM : THE CHIEF JUSTICE LISA GILL
SRI JUSTICE CHALLA GUNARANJAN

DATE : 12th August 2026

Present:

Advocate for Appellant: MR. M R K CHAKRAVARTHY

Advocate(s) for Respondent(s): GP FOR COOPERATION (FOR R-1),
MR.P NAGENDRA REDDY (FOR R2 & R3); AND
MR.N SIVA REDDY (FOR R4)

***

JUDGMENT: (per Hon'ble Sri Justice Challa Gunaranjan)

Present intra-Court appeal is preferred assailing the order, dated 28.01.2025, in W.P.No.21532 of 2024, whereby learned Single Judge dismissed the writ petition.

2. Brief facts of the case are as follows:

(a) 2nd respondent floated tender notification No.P&P/Security Services/3430/2024, dated 05.08.2024, for providing Security Services at Oil Palm Processing Plant, Pedavegi, Eluru District; Oil

Packing Station, Kakinada, Kakinada District; and Oil Packing Station, Sarvepalli, SPSR Nellore District, for a period of one year. Essentially, the nature and scope of contract was to deploy Security Personnel to Oil Palm Processing Units. The tender notification envisage that the tenderer to have registered with the statutory authorities such as Provident Fund, Employees State Insurance, Labour and GST Departments, etc.

(b) Appellant as well as 4th respondent participated in the bids. 4th respondent was the existing agency supplying security personnel. 4th respondent was found to be eligible in technical evaluation, and thereafter, the bids were opened for financial evaluation. The appellant quoted ₹29,482.90ps.; ₹20,969.55ps; and ₹19,386.46ps, for Ex-serviceman Supervisor, Trained Civilian Supervisor and Trained Civilian Guards, respectively. Whereas, 4th respondent quoted ₹28,638.60ps; ₹20,969.54ps; and ₹19,386.45ps for Ex-serviceman Supervisor, Trained Civilian Supervisor and Trained Civilian Guards, respectively. The prices quoted by appellant included ESI contribution at the rate of 3.25% on the basic pay, whereas, 4th respondent did not factor ESI contribution on the basic pay with respect to the price quoted for Ex-serviceman Supervisor. However, the financial bid of 4th respondent was accepted, and accordingly, contract was awarded to it, though non-factoring of ESI

contribution in the financial bid attracted ineligibility in terms of Clause 1.14 of the terms and conditions of the tender.

(c) Therefore, the appellant preferred writ petition questioning the action of respondents 2 and 3 in awarding the tender in favour of 4th respondent vide communication, dated 20.09.2024, and consequently, to quash the same and to confirm the contract in favour of the appellant/writ petitioner.

(d) The writ petition was opposed by both official and unofficial respondents. Ultimately, learned Single Judge, having found that the price quoted by 4th respondent was the lowest, held that non-inclusion of ESI component in the price quoted did not suffer any ineligibility, and thus, dismissed the writ petition. Assailing the same, present appeal is preferred.

3. Heard Mr.M.R.K.Chakravarthy, learned counsel for appellant; learned Government Pleader for Cooperation for 1st respondent; Mr.P. Nagendra Reddy, learned counsel for respondents 2 and 3; and Mr.N.Siva Reddy, learned counsel for 4th respondent.

4. Learned counsel for appellant, while drawing attention of this Court to Clauses 1.7, 1.13 and 1.14 of terms and conditions of the bid document, contended that non-factoring of ESI contribution in the

price quoted should meet rejection of such tender, nevertheless, respondents 2 and 3 entertained the price quoted by 4th respondent and awarded the contract, which is clearly in contravention to the terms and conditions of the tender document. Learned Single Judge has not taken into consideration aforesaid aspect while dismissing the writ petition, therefore, he would urge to allow the appeal. It is further submitted that since the subject contract was for a period of one year and the same expired, it is a fit case for awarding compensation by way of damages. In that regard, learned counsel for appellant, by placing reliance on the judgment of Hon'ble Apex Court in **M/s.Subhash Projects and Marketing Ltd v. W.B. Power Development Corporation Ltd**.[1], tried to persuade us to award compensation of 10% of the value of the contract as was awarded in that particular case.

5. Conversely, both learned counsels appearing for official and unofficial respondents tried to support the impugned order of learned Single Judge.

6. Learned counsel for respondents 2 and 3 further contended that the appellant would not be entitled for any damages as such,

[1] AIR 2006 SC 116

unless it clearly demonstrated that the action of the said respondents suffered illegality while awarding the contract in favour of 4th respondent. The terms and conditions of tender enabled the tendering authority to award contract in favour of the bidder, whoever quoted lowest rates, as the price quoted by 4th respondent was found to be "L-I", the contract accordingly has been awarded, therefore, respondents 2 and 3 clearly adhered to the terms and conditions of bid documents and their action does not suffer from any illegality. Even otherwise, any claim for damages requires to be specifically pleaded and thus proved in appropriate proceedings and cannot be awarded on mere oral plea.

7. We have considered the submissions advanced on either side and perused the record.

8. It is not in dispute that the basic price quoted by appellant and as well as 4th respondent, insofar as Ex-serviceman Supervisor was one and the same, i.e., ₹19,084.00ps. Further, they even factored EPF at the rate of 13% on the said basic pay, which worked out to ₹1,950/-. The appellant had factored ESI at the rate of 3.25% on basic pay, which worked out to ₹620.23ps. However, 4th respondent did not factor ESI contribution while quoting the price. Non-inclusion of ESI contribution made all the difference in the 4th respondent's

price bid being the lowest. At this stage, we may draw attention to Clauses 1.7, 1.13 and 1.14 of the terms and conditions of tender, which read as under:

> "1.7 The service provider (contractor) is liable/responsible to meet the cost of wages, uniform with equipment and all other statutory obligations as applicable including P.F., ESI, GST and relieving charges, leave salaries or any other incidental charges of the security staff deployed by them.
>
> 1.13 The rates quoted by the Contractor are inclusive of all statutory benefits, rest days, reliever charges, minimum wages and all other monetary provisions, expenditure etc; whatsoever.
>
> 1.14 The tenders quoted without taking into consideration the minimum wages and all statutory provisions, or under quoting shall not be entertained and are liable for rejection."

9. Conjoint reading of these clauses makes three aspects very clear. First, the service provider is liable for ESI contribution. Second, the rate to be quoted by contractor should include all statutory benefits, rest days, reliever charges, minimum wages and all other monetary provisions, expenditure etc., which include even ESI component. Third, the tenderer, who quotes price without taking into consideration the minimum wages and all other statutory provisions, shall be met with rejection. In the conspectus of the same, the financial bid of 4th respondent, which did not factor ESI contribution, should have been rejected. However, respondents 2 and 3 accepted the price quoted by 4th respondent and allotted contract in its favour.

10. One of the stands pleaded by 4th respondent before learned Single Judge was that payment of ESI is optional when salary paid is more than ₹21,000/-, since the price quoted was ₹28,638/-, there would be no need to factor ESI contribution. Learned Single Judge, except for referring to the said submission, has not really examined the same and rendered any finding on this aspect.

11. Learned counsel for appellant, however, contended that as basic pay (including VDA) was only ₹19,084/-, admittedly, did not exceed ₹21,000/-, it cannot be said that ESI contribution would be optional and not mandatory.

12. We do not really propose to go into the said issue in the present proceedings, which is debatable. As we have already opined that the bid of 4th respondent without factoring ESI contribution should not have been at all entertained in view of Clause 1.14 of the bid document, any justification for non-factoring of ESI contribution will have to be examined with reference to the specific plea and having regard to relevant provisions of the Employees' State Insurance Act, 1948.

13. The claim for damages as sought for by the appellant would ultimately depend on aforesaid enquiry. The finding of learned Single

Judge to the extent holding that factoring of ESI contribution is merely optional and not mandatory, and has no consequence in awarding contract in favour of 4th respondent, is unsustainable and we deem it appropriate to leave it open to be decided in appropriate proceedings.

14. Therefore, the appellant is granted liberty to work out remedies for claiming damages in appropriate proceedings.

15. With the above said observations, the writ appeal stands disposed of. No order as to costs.

As a sequel, miscellaneous petitions pending consideration, if any, shall stand closed.

LISA GILL, CJ **CHALLA GUNARANJAN, J.**

cs