



W.P(MD)No.29564 of 2025

BEFORE THE MADURAI BENCH OF MADRAS HIGH COURT

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DATED: 11.11.2025

CORAM

THE HONOURABLE MS.JUSTICE P.T.ASHA

Writ Petition(MD)No.29564 of 2025

and

W.M.P.(MD)Nos.22870 to 22873 of 2025

Noor Mohamed

.. Petitioner

Vs

1.The Government of Tamil Nadu,
Rep.by the Principal Secretary,
Municipal Administration and Water Supply Department,
Fort st.George, Secretariat,
Chennai-600 009.

2.The Director of Municipal Administration,
No.75, Urban Administrative Building,
Raja Annamalaipuram, Chennai-600 028.

3.The District Collector,
Sivagangai District,
Sivagangai.

4.The Commissioner,
Karaikudi Municipal Corporation,
Municipal Office,
Karaikudi-630 002,
Sivagangai District.

5.C.Vekatachalam
(R5 is impleaded vide Court order dated 11.11.2025 in W.M.P(MD).No.24290
of 2025 in W.P(MD).No.29564 of 2025)

... Respondents



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Prayer: Writ Petition filed under Article 226 of the Constitution of India, praying this Court to issue a Writ of Certiorarified Mandamus to call for the records pertaining to the impugned notice issued by the fourth respondent in Na.Ka.No.5572/2025/A1, dated 10.10.2025 and quash the same as being unconstitutional and illegal and consequently direct the fourth respondent to issue fresh tender for the Hotel Premises bearing No.B-1 in 'B' Block of New Shops in Rajaji Bus Stand, Karaikudi Municipality, Karaikudi, Sivagangai District.

For Petitioner : Mr.R.Subramanian
Senior Counsel
for Mr.C.Narendren
For Respondents : Mrs.S.Jeya Priya (R1 to R3)
Government Advocate
Mr.R.Baskaran (R4)
Additional Advocate General
assisted by Mr.EP.Venkateshwar
Mr.G.Sridharan (R5)

ORDER

The instant writ petition raises the question as to whether the local body can insist upon an existing licensee /lessee to deposit earnest money to participate in an auction contrary to the preferential right given to them under Rule 316 (12) of the Tamil Nadu Urban Local Bodies Rules, 2023.

2.The facts, which are necessary, for disposing the present writ petition are set out hereinbelow:



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(i)The father of the petitioner was issued with the license to operate the petty shop within the premises of Rajaji bus stand at Karaikudi. In the year 1990, the bus stand was re-constructed and shops were allocated to the original licensee. Thereafter, the petitioner was issued with the new license by the fourth respondent. His mother Rafia Beevi was issued license for Shop No.4. The petitioner and his mother have combined Shop.Nos.3 and 4 and started operating a small hotel and were duly paying the requisite fees and taxes.

(ii)In the year 2023, the fourth respondent planned to demolish the existing shop and to construct a new one. The original tenants which included the petitioner, were promised to be accommodated in the new shops after the completion of construction. On the basis of this assurance, the petitioner and others had handed over possession of the shop Nos.3 and 4.

(iii)However, despite completion of the construction, the fourth respondent did not allocate any shop to the petitioner. Therefore, on 23.08.2025 the petitioner and other original licensees submitted a joint representation requesting allocation of the new premises in exchange for the old shop that were surrendered in the year 2023. However, to the dismay of the petitioner, the fourth respondent has issued a public auction notice on



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15.09.2025 calling for fresh auction in respect of the newly constructed shops.

Many of the licensees including the petitioner have submitted their objections and the petitioner had requested the premises for running his hotel business in the premises designated at Shop No.B1 in B Block of the new construction. This shop was constructed on the very same place where the petitioner and his mother shop Nos. 3 and 4 were situated. However the fourth respondent announced that auction would be conducted in respect of all the shops.

(iv)Aggrieved by this action, the petitioner had filed W.P(MD)No.28396 of 2025 before this Court challenging the tender notification relating to Sl.No.5 which related to the public auction of the shop bearing No.B1 in B Block. That writ petition was disposed of vide order dated 09.10.2025 recording the statement of the learned Standing Counsel for the fourth respondent that the tender would be given and the petitioner would be given the first right of lease for the shop on payment of a sum of Rs.1 over and above the highest bidder. This right was claimed by relying on the provisions of Rule 316 of Tamil Nadu Urban Local Bodies Rules (hereinafter called Rules).

3.Though this Court had permitted the petitioner to submit his application in respect of auction, the fourth respondent insisted upon the



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petitioner to take a demand draft of Rs.10,00,000/- as earnest money deposit.

The petitioner was surprised by this demand as the purpose of Rule 316 of the Rules to ensure priority for existing licensee who had surrendered the shops for reconstruction, was rendered ineffective. However, the petitioner was compelled to make the payment as he had to participate in the auction proceedings. The demand drafts were handed over on 10.10.2025. The petitioner left the office and did not participate in the auction conducted by the fourth respondent. He was shocked to receive the communication from the fourth respondent dated 10.10.2025 claiming that one Venkatachalam has submitted a bid quoting a sum of Rs.1,70,000/- per month for the hotel premises in question and unless the petitioner remits the rent of Rs.20,40,012/- within three days, the EMD would be forfeited. The petitioner would submit that the rate of Rs.526/- for 46 sq.ft was astronomically high and it appears that the fourth respondent has colluded with the said Venkatachalam (who has been newly impleaded) to artificially inflate the bid amount. Therefore, the writ petitioner has come forward with the writ petition in question.

4.The fourth respondent has filed a counter narrating the facts leading to the filing of the earlier writ petition and contending that the reserve price for the shop, in respect of which the petitioner has participated, was fixed



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at Rs.45,000/- by taking into account the market price. The respondent corporation had spent over Rs.4 crores into built the shopping complex and was also paying interest for the same. Shop No.B1 is a commercial property. The conditions of the auction were incorporated in the notification of auction that the successful bidder should not be allowed to go free without paying rent and to ensure that some additional deposit and payment of rent in advance is incorporated, so that the corporation will not left with the task of running behind these lessees. The respondent would submit that the petitioner had participated in the auction and he was permitted to bid only after signing the auction notice and therefore, he is bound by the same. After executing all these documents, the petitioner did not participate in the bid. Therefore, the respondent would submit that the writ petition should be dismissed.

5.Mr.R.Subramanian, learned counsel, appearing on behalf of the petitioner would submit that the petitioner was exercising the rights granted to him under Rule 316 of the Rules and he cannot be treated on par with the person participating for the first time in the tender. He would submit that under the provisions of Rule 316 of the Rules, he has a preferential right and even without participating in the auction, if he makes a higher offer than the highest bidder he should be granted the lease. He would submit that EMD had been



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deposited only on the threat of the fourth respondent that the petitioner would not be permitted to exercise his preferential right. He would submit that in the earlier writ petition, this Court had clearly spelled out that the petitioner should be given a chance to exercise his preferential right, that being the case, the EMD has been wrongly collected. Though the writ petition is filed for the relief stated supra, the learned counsel on instructions, would submit that they do not intend to challenge the tender, but would only request for refund of the EMD.

6.Per contra, the learned Additional Advocate General Mr.Baskaran would draw the attention of the Court to paragraph No.5 of the counter, wherein it is stated that the earlier writ petition had been disposed of with a direction to the respondents to give priority to the petitioner in the public auction. He would submit that the earlier order only gave right to the petitioner to participate in the bid and that he will be declared as the successful bidder, if he pays more than the highest bid. He would submit that therefore, since there has been a direction to submit an application as per the terms and conditions of the auction, he was bound to make the earnest money deposit. In this connection, he would draw the attention of this Court to the order passed in W.P(MD).No. 28396 of 2025 with reference to para No.3 therein, which reads as follows:



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“3. In view of the above, the petitioner is directed to submit his application by end of the day and the same shall be received by the respondents.”

7. Therefore, he would contend that the contention of the petitioner that he is not liable to pay the earnest money deposit, is without any basis.

8. Heard the learned counsel on either side.

9. Though the petitioner has sought to have the tender cancelled and sought direction for re-tender, during the arguments, the petitioner has conceded that it would suffice that the earnest money deposit made by him be returned to him. In this connection, it would be useful to consider the provisions of Rule 316 of the Rules, which deals with licensing or leasing of immovable property and particularly Sub-rule 11 which reads as follows:

“Rule - 316. Licencing or leasing of Immovable Properties :-

Sub-Rule(11)

(a) In case of auction for licence of rental shops belonging to the municipality, the Council may, on application by the concerned person, give preference to,-

(i) In case of demolition and reconstruction, existing licensees of the demolished shopping complex;

(ii) Licensees of another shopping complex belonging to the municipality which was demolished or diverted to some other use by the municipality;

(iii) Commercial shop owners in lands acquired by the municipality;



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(b) (i) Any person claiming such preference shall be required to match the highest bid price and submit necessary documents proving eligibility for preference;

(ii) The order of preference shall be in the same order as in clause (a) and within each category, the preference shall be in order of seniority within that category with respect to the month and year of demolition or acquisition;

(iii) Preference in allotment shall not be applicable to legal heirs of such persons if the said person is deceased;

(c) Five per cent of the shops may be allotted to persons with disability, willing to match the highest bid."

10. This Rule provides that an existing licensee, who had handed over the possession of the building for demolition and reconstruction, should be given preference to match the highest bid price and such person was directed to submit document to prove eligibility for preference. In fact, Rule 11(c) of the Rules would say that 5% of the shop should be allotted to a person with disability, who are willing to match the highest bid. Rules 9 and 10 of the Rules deal with the auction cum tender, which provides that the Commissioner or a person duly authorised by him, should conduct the auction cum tender and shall not permit any person, who has failed to deposit amount as security to participate in the bid and once auction cum tender is completed, the list of bids at the auction cum tender is to be submitted to the council and the highest bidder would be granted the license or lease. In case if the highest bid is to be rejected, such rejection should be only by giving the reasons in writing.

11. Rule 11 of the Rules talks about an application being made by the



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existing licensee and who has to be given a preference. Therefore, Rules 9 to 11 of the Rules operate in respect of different categories of bidders. Rules 9 and 10 relate to persons participating in the tender for the first time, whereas Rule 11 talks about person who was an existing lessee and who has to be given a preferential right. Section 11 does not provide for making to deposit as security. Therefore, the contention of the learned Additional Advocate General that having made an application, the petitioner is bound to make the deposit is without any basis. Sub-Rules 9 and 10 contemplate the submission of the tender, whereas Sub-Rule 11 contemplates an application being made.

12.The petitioner in his affidavit filed in support of the writ petition has made a categorical statement that he had been forced and threatened to make the deposit. This contention has not been denied by the respondents in their counter. Therefore, in light of the language of Rule 316(11) of Rules that existing licensee shall be given the preferential right and the insistence of the earnest money deposit on the part of the fourth respondent was without any legal basis and consequently, the amount collected has to be refunded back to the petitioner.

13.Therefore, the Writ Petition is disposed of with a direction that the



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earnest money deposit be refunded back to the petitioner within a period of three weeks. Considering the fact that the petitioner has given up the relief claimed for quashing the tender and floating re-tender, the successful bidder who has now been impleaded as fifth respondent, shall be declared the successful bidder having submitted a bid of Rs.1,70,000/-. No costs. Consequently, connected Miscellaneous Petitions are closed.

11.11.2025

NCC : Yes/No

(2/2)

Index : Yes/No

Internet: Yes

Rmk

To

1.The District Collector,
The Collector Office,
Tiruchirappalli District.

2.The Tahsildar,
Taluk Office,
Musiri Taluk,
Tiruchirappalli District.

3.The Assistant Engineer,
Musiri Panchayat Union,
Musiri Taluk,
Tiruchirappalli District.

4.Block Development Officer,

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Block Development Office,
Musiri Municipality Office,
Musiri Taluk, Tiruchirappalli District.

P.T.ASHA, J.



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Rmk

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