



IN THE HIGH COURT OF PUNJAB AND HARYANA AT CHANDIGARH

RSA-2320-1998 (O&M)

Haryana State Electricity Board,
Shakti Bhawan, Sector 6, Panchkula

. . . . Appellant

V/s.

Shri Ravinder Kumar Gupta and others

. . . . Respondents

Reserved on: 28.11.2025
Pronounced on: 02.12.2025

CORAM: HON'BLE MR JUSTICE DEEPAK GUPTA

Present: - Ms. Anshul Agnihotri, Advocate, for
Mr. R.S. Chahar, Advocate, for the appellant.

Mr. Raj Kumar Rana, Advocate, for respondent No.1.

DEEPAK GUPTA, J.

This Regular Second Appeal challenges concurrent findings recorded by the courts below, whereby the suit instituted by the plaintiff-Board for recovery of ₹31,171.81 from defendant No.1 (*Ravinder Kumar Gupta and others*) was dismissed by the Trial Court on 27.05.1996, and that dismissal was affirmed by the First Appellate Court on 29.01.1998.

2. For clarity the parties are referred to as they stood in the Trial Court. Trial Court record has been perused.

3.1 **Facts :** The plaintiff body was a statutory corporate body constituted under the Electricity (Supply) Act, 1948. In 1987, the Board advertised for Graduate Technical Apprentices. Defendant No.1 applied and was offered appointment vide memo dated 25.04.1988. He executed a printed bond on 05.05.1988 (Ex.P7) with two sureties (defendants Nos.2 & 3). Clause 5 of the appointment letter required the appointee to serve for at least five years after completion of training and, if he left earlier, to

reimburse the Board the cost of training/salary/allowances together with interest @ 9% p.a.

3.2 Defendant No.1 joined training at G.P. Panipat Thermal Power Station but resigned on 28.02.1989 to join Central Government service (Ministry of Power & Energy) w.e.f. 01.03.1989. The Board demanded ₹ 20,885.98 (later temporarily reduced to ₹ 10,000 with the balance payable in instalments). Defendant No.1 did not pay and so, the Board filed the suit.

4. The defendant, while admitting that he had joined the plaintiff-Board on certain terms due to unemployment, contended that the bond he signed was a printed, one-sided and unstamped document, and therefore, inadmissible in evidence. He stated that he later secured a Central Government job under the Ministry of Power and Energy and resigned from the plaintiff-Board effective 01.03.1989. Relying on a Ministry of Home Affairs letter dated 14.11.1984, he pleaded that service bonds executed in Public Sector Undertakings can be transferred to Central or State Governments, or other public enterprises. Consequently, the bond he had executed should be treated as transferred to the Central Government, where he had joined, and he would remain bound by it there. On this basis, he sought dismissal of the suit.

5. ***Findings of Courts below*** : The courts below dismissed the suit holding that the Board, being a State-controlled statutory body, could not enforce the bond against a person, who left to join Central Government service, having regard to Government O.M.s and the accepted administrative position that bonds are not to be enforced, where a Government servant moves to another Government/Quasi-Government/PSU and that a fresh bond should be taken by the new employer, if required. The Trial Court and the Appellate Court relied on Ministry/DoPT guidance and associated case law.

6. By way of this appeal, the Board challenges the above concurrent conclusions.

7. **Issues :** The short issues, which arise for decision in this appeal are:

(i) Whether the Board can enforce the bond executed by defendant No.1 who resigned to join Central Government service; and

(ii) If enforceability is disputed, whether the administrative circulars / O.M.s relied upon by the courts below (and relevant judicial decisions applying those O.M.s) operate to oust the contractual right of the Board to recover training cost and interest.

8. **Analysis by this court:** Administrative instructions issued by the Central Government (MHA / DoPT / BPE) dealing with “Enforcement of Service Bonds on Quitting Service” have for long stated that bonds taken from Government servants, who received scientific/technical training at Government expense ought not to be enforced, where such persons leave Government service to take up employment under another Government / State Government / PSU / quasi-Government organisation. In such cases, a fresh bond is to be taken by the new employer for the remaining period. Reference may be made to M.H.A. O.M. No. 70/10/60-Estt.(A) dated 09.05.1960 and subsequent O.M. F.5/10/66-Estt.(C) dated 15.04.1966 and the BPE O.M. dated 13.06.1977. These circulars are reflected in Chapter 40 of the DoPT Handbook for Personnel Officers.

9. Several courts, including High Courts, have applied these administrative instructions to refuse enforcement of bonds where an employee moved between Government/State/PSU/Quasi-Government employers, holding that enforcement in such circumstances would be contrary to the policy reflected in those O.M.s. Recently, Delhi High Court in ***Raj Shailendra Mudliar v. Bureau of Indian Standards and others, 314 (2024) DLT 676*** has referred to these instructions and applied the DoPT/BPE guidelines to hold that bonds should not be enforced, where the employee moves to another Government/State/PSU employer, subject to the proviso that a fresh bond could be taken by the new employer.

10. At the same time, the law on enforceability of employment / training bonds has been the subject of judicial scrutiny on contractual and public policy grounds. Hon'ble Supreme Court in recent pronouncements has emphasised that bond clauses are not *ipso facto* unenforceable, as their enforceability depends on whether they are reasonable, proportionate, drafted in good faith and serve a legitimate employer interest e.g., training cost recovery, retention, etc., and do not amount to an unreasonable restraint on future employment. Recently, in ***Vijaya Bank & Anr. v. Prashant B. Narnaware, reported as 2025 INSC 691***, Hon'ble Supreme Court clarified that employment bonds which are reasonable and designed to protect legitimate interests can be upheld. The Court reviewed principles under Section 27 of the Contract Act and public policy and examined proportionality and reasonableness.

11. Thus, two distinct but overlapping streams of authorities must be balanced. On one hand, there is Administrative policy i.e., DoPT / MHA / BPE O.M.s, which regulates service conditions and prescribes that bonds should generally not be enforced, where a Government servant moves to another Government / PSU employer and that a fresh bond is to be obtained by the new employer if necessary. On the other hand, contractual and Judicial scrutiny recognises that an employer vested with legitimate interests like cost of training, etc., can protect those interests by reasonable contract terms and that courts will enforce such contractual terms, when they are not arbitrary or unconscionable.

12. In present case, The appellant Board's primary contention is that it is a statutory corporate body and therefore, not bound by instructions issued by the Central Government, unless those instructions have been lawfully adopted or made applicable to the Board by competent authority.

13. There is force in the submission that an administrative circular issued to Central Government departments does not automatically alter the contractual rights of an autonomous/statutory employer, unless the

employer has chosen to adopt the same, or be bound by that administrative policy.

14. The question, therefore, is whether and to what extent, the Board in the present case is bound by the DoPT / BPE / MHA instructions relied upon by the courts below.

15. Though the appellant Board is a “State-controlled statutory body”, but the courts below have treated the case as covered by the administrative policy i.e., movement to Central Government was regarded as movement to another Government employer (for the purpose of the OM.s). The Trial Court and Appellate Court thus declined to enforce the bond accordingly.

16. Adopting the balanced approach, this court is of the view that Office Memoranda (O.M.s) issued by the Government are internal administrative instructions. They may guide the Court because they reflect established administrative practice, but they do not automatically override contractual rights between an employer and an employee unless the O.M. is binding on that employer, has statutory force, or has been formally adopted by the employer. Courts, therefore, must first examine whether the employer is actually governed by that O.M. At the same time, when an employee moves from one Government department or public body to another, the Government’s administrative policy becomes significant. Since the policy treats such movement as a shift within government service and not as a move to “private employment,” enforcing a bond in such situations may go against the intended public policy. As has been clarified by Hon’ble Supreme Court that the core judicial inquiry remains as to whether the service bond is reasonable. An employer’s contractual right to recover training expenses is not invalid merely because of public policy considerations. If the bond reflects a legitimate investment by the employer and the recovery terms are fair and proportionate, the bond can be enforced. Ultimately, each case depends on its specific facts.

17. Applying the above principles to this case, it is noticed that the plaintiff – appellant Board had obtained a bond (Ex.P7), and the appointment letter (Ex.P3) clearly mentions the training requirement and the consequences of leaving early. The Board has also stated the actual training cost and interest. The defendant left the Board's service to join the Central Government. The defendant relies on the DoPT/BPE – letters/ Office Memoranda (O.M.s) to contend that they prevent the Board from enforcing the bond. These O.M.s represent Central Government policy. They may guide the court, when dealing with Government departments or bodies that have adopted them. But they do not automatically cancel contractual rights of a statutory body unless that body has expressly adopted, or is bound by those O.M.s.

18. The courts below assumed that the Board was covered by the administrative policy and therefore, refused to enforce the bond. However, the record does not show, nor the judgments of the courts below explain that the Board ever adopted the DoPT/BPE instructions, or that a fresh bond was taken by the Central Government employer. These aspects are important under the O.M. framework. The courts below also did not carry out a proper examination of whether the bond amount was reasonable and proportionate, as required by recent Supreme Court decisions. This omission justifies interference in second appeal on a question of law.

19. ***Conclusion and Order*** : Consequently, the judgments of the Trial Court and the First Appellate Court are set aside to the extent that they dismissed the suit without determining as to:

- whether the Board is bound by the DoPT/BPE/MHA O.M.s relied upon by the defendant, and
- whether the bond and the amount claimed are reasonable, proportionate, and supported by proof of actual training cost.

20. Therefore, the matter is remanded to the Trial Court for a fresh decision on the following limited issues:

- Whether the Board is bound by statute, executive order, or adoption by the DoPT/BPE/MHA instructions. If yes, enforcement of the bond may be barred, depending on precise applicability.
- If the Board is not bound by the O.M.s, the Trial Court must examine the proof of training expenditure; whether the amount claimed matches proven cost; any mitigation or deposits already made; and apply the principles of proportionality in enforcing service/training bonds

21. The Trial Court shall decide these issues within 12 weeks after receiving this order, after hearing both parties. No order as to costs.

Disposed of accordingly.

02.12.2025 <i>Vivek</i>	(DEEPAK GUPTA) JUDGE
<i>Whether Speaking/reasoned</i>	<i>Yes</i>
<i>Whether reportable</i>	<i>No</i>

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