IN THE HIGH COURT OF PUNJAB AND HARYANA
AT CHANDIGARH

CWP No.9988-2026

M/s Sudarshan Facilities Pvt. Ltd.

.….Petitioner

Versus

PGIMER (Post Graduate Institute of Medical Education & Research, Chandigarh) and others

..…Respondents

1.	The date when the judgment is reserved	13.05.2026
2.	The date when the judgment is pronounced	22.05.2026
3.	The date when the judgment is uploaded on the website	23.05.2026
4.	Whether only operative part of the judgment is pronounced or whether the full judgment is pronounced	Full
5.	The delay, if any, of the pronouncement of full judgment, and reasons thereof	Not applicable

CORAM: HON'BLE MR. JUSTICE DEEPAK SIBAL
HON'BLE MS. JUSTICE LAPITA BANERJI

Present: Mr. Vikas Chaudhary, Advocate and
Mr. Shivam Sharma, Advocate for the petitioner.

Ms. Sukhmani Tiwana Patwalia, Advocate for the respondents.

DEEPAK SIBAL, J.

1. Through this petition the petitioner challenges the order dated 12.07.2025 through which the petitioner has been debarred by the Post Graduate Institute of Medical Education and Research, Chandigarh (for short – the Institute) from participating in any procurement process for a period of two years.

2. The facts in brief giving rise to this petition are that in the year 2016 the Institute invited bids for providing security services for two years at the Institute. The petitioner's bid being the lowest was accepted and accordingly, through letter of acceptance dated 15.06.2017 the petitioner was awarded the aforesaid work. The contract period commenced from 01.07.2017 and was till 30.06.2019 but the same was further extended upto 31.07.2020. On the conclusion of the contract period the Institute issued a completion certificate dated 06.03.2020 classifying the petitioner's services to be satisfactory.

3. After over 04 years thereafter a show cause notice dated 27.05.2024 was served upon the petitioner putting the petitioner to notice that while providing security services to the Institute the petitioner had not deposited the applicable Goods and Services Tax which was in violation of clause 12(k) of the contract as per which the service provider was to ensure full compliance with the tax laws of India and was solely responsible for the same. As per the said clause the service provider was required to submit copies of acknowledgements evidencing filing of returns every year and to keep the Institute fully indemnified against liability of any tax, interest, penalty etc. which may arise. As per the show cause notice since the petitioner had not deposited the applicable GST for the period that it provided services to the Institute it had violated clause 12(k) of the contract and therefore was afforded seven days from the date of receipt of the said notice to explain as to why in terms of Rule 151 of the General Financial Rules 2017 (for short – 2017 Rules) action be not taken against the petitioner for its debarment from participating in any process undertaken by the Institute. The petitioner filed a detailed reply to the show cause notice which was apparently not found satisfactory because through order dated 12.07.2025 the petitioner was debarred from participating in any procurement process of the

Institute for a period of two years which order is the subject matter of the challenge through the instant petition.

4. Learned counsel for the parties have been heard and with their able assistance the record of the case has also been perused.

5. Both the show cause notice dated 27.05.2024 issued by the Institute and the reply dated 10.06.2024 submitted thereto by the petitioner (without its enclosures) are reproduced for ready reference:-

Show Cause Notice dated 27.05.2024

"***SHOW CAUSE NOTICE***

Whereas the award of contract for providing Security Services on outsourced basis in the Institute was awarded to you w.e.f. 01.07.2017 to 30.06.2019 vide letter No. PGI/E-II(SEC)/2017/-E-SEC000187 dated 15.06.2017 and the same was accepted by you, which was further extended up to 31.07.2020.

And whereas as per the award letter dated 15.06.2017 the rates quoted by the agency included all statutory obligations such as EPF, ESI, Minimum Wages Act, Contract Labour (R&A) Act, weekly off/ replacement charges, cost of uniform, Identity Cards of personnel deployed by the service provider/security equipment/vehicles (their cost, fuel and maintenance also), all kind of taxes, service charges, etc.

And whereas sub clause (k) of clause 12 of the terms and conditions of the contract agreement contained as under:-

> *(k) The service provider shall ensure full compliance with tax laws of India with regard to this contract and shall be solely responsible for the same. The service provider shall submit copies of acknowledgments evidencing filling of returns every year and shall keep the employer fully indemnified against liability of any tax, interest, penalty etc. of the service provider in respect thereof, which may arise.*

And whereas, vide letter No.PGI/E-II/2020/E-SEC000129 dated 12.03.2020, you were directed to supply the copies of GST Challans/returns w.e.f. the start of the services in the Institute.

And whereas, vide letter dated 18.03.2020, you had stated that you have neither charged the Goods & Services Tax (GST), nor deposited the same with the concerned authority, which is a violation of the terms and conditions of contract agreement mentioned above.

And whereas, vide letters dated 23.03.2020, 03.07.2020 etc., you were directed to deposit the GST with the concerned department in lieu of the security services provided to the Institute. However, in spite of repeated directions issued by the Institute, you have neither deposited the GST nor submitted the GST Challans.

You are, therefore, given an opportunity to explain your positions in this regard within 7 days of the receipt of this notice as to why action in terms of Rule 151 of General Financial Rules 2017 *should not be taken against your firm for not adhering to the terms and conditions of the contract agreement i.e., depositing the GST to the concerned department.*

If no reply is received from your firm within the prescribed period mentioned above, it will be presumed that you have nothing to say in this regard and necessary action will be taken against you as per Rule 151 of General Financial Rules 2017 i.e., you will be debarred from participating in any procurement process undertaken by the Institute.

This issues with the approval of competent authority.

Sr. Admin. Officer (T&M)
PGIMER, Chandigarh.

M/s Sudarshan Facilities Pvt. Ltd.
18, Local shopping center, 2nd floor,
Madangir, New Delhi-110062"

Reply dated 10.06.2024

"No. 0211 PGI-SECURITY
10 June 2024

To

Sr. Admin. Officer (T&M)
PGIMER, Chandigarh.

In Ref : Show Cause Notice bearing No. PGI/SEC/F-47/2024/-SEC000436 Dated 27.05.2024.

Sub : Postgraduate Institute Medical Education & Research Chandigarh-160012, Tender No. SECURITY/PG1/2016

Respected Sir,

We have received above mentioned Show Cause Notice. A brief reply of the present show cause notice is hereunder.

1. The bid price of the above-named tender Is exclusive of tax. The bid price clause 8.3.2 of the tender states:

"The rates and prices quoted by the bidder shall be exclusive of service tax."

The bid price was quoted by Sudarshan Facilities Pvt. Ltd. (SFPL) only after considering the conditions under the terms and conditions of tender under the bid price. PGIMER after considering the tender conditions accepted the financial bid of SFPL. The breakup of the rates quoted for security services under the tender for PGIMER Chandigarh as given in Annexure-VII of the tender document is enclosed here for your kind perusal as Enclosure-I.

2. That at the time of bid quotation and as per the clause 8.3.2 of the tender conditions GST is not part and parcel of bid price. In such a situation your show cause notice failed to provide any clause under the terms of contract wherein SFPL has undertaken to pay any tax or liability without receiving the same from PGIMER Chandigarh. The issue raised by PGIMER Chandigarh as a Principal Employer is unreasonable, irrational and in violation of the law of the land.

3. That the clause 12 of the tender relied by PGIMER is a penal clause. It will attract only when any provision of the main clause of the tender is violated. The conjoin reading of Clause 8.3 and the Clause 12(k) of the *contract. It is evident that the Service Provider is not restricted from charging the applicable taxes from the Principal Employer. If the Principal Employer denied payment of applicable taxes the service provider cannot pay the same as the same is not the part of financial bid approved by the Principal Employer. In the present case, SFPL, as a service provider is not responsible under law for a tax liability, the payment of which he been denied by the Principal Employer.*

5. SFPL was diligent towards the development in law and introduction GST in year 2017. As such, it raised its bill along with GST for the months of July 2017 and August 2017. A copy of the bills is enclosed here for your kind perusal as Enclosure-II.

6. PGIMER paid the bill of SFPL for the months of July 2017 and August 2017 along with GST raised by SFPL for the two months thereafter you compelled SFPL to remove GST from the bill. Thereafter, PGIMER warned SFPL that its bills would not be cleared if it would include GST in its bill. Thereafter, the GST paid to SFPL was recovered by PGIMER from the wages bill of SFPL. A detail of recovery by PGIMER is enclosed here as Enclosure-III. Again, PGIMER raised the issue of GST, SFPL included the GST in its bill of April 2020 to July 2020. The GST included in the bill of April 2020 to July 2020 was not paid till date.

7. That it is evident from the tender documents and records that GST were not paid by PGIMER, whereas PGIMER was registered with GST having GST no. 04AAALP0918J1Z6 since 1st July 2017. If the GST has been paid to SFPL it can be reflected in the GST detail of PGIMER and bill of SFPL. It is respectfully submitted on that GST was never paid on the bill raised by the SFPL.

8. That PGIMER wants to take the advantage of GST which has not been paid by it. If PGIMER is demanding copies of GST challans/ returns w.e.f. the start of services of SFPL. PGIMER 1st must show the documents which reflects that it has paid GST to SFPL.

9. You are requested by way of present reply to your alleged show cause notice to furnish the details of payment of GST to SFPL, if any so that SFPL can do the needful. In the absence of payment of GST to SFPL you have no right to claim GST Challan/ Return from SFPL for the contract where in tender was floated and financial bib without service tax was submitted in pre-GST period.

10. That you forgot the basics principle that you are Principal employer, and you will get whatever you pay. Your show cause notice is beyond the scope of financial bid and payment under the contract. Even in your alleged show cause notice you did not disclose that the GST Challan / Return you are demanding, where did you pay for that to SFPL.

11. That on the sake of repetition it is stated that your office recovered the amount of the GST paid to the service provider in July 2017 and August 2017. The service provider does not have a proper say in the adhesion contract wherein the terms and conditions are not negotiated but are fixed and the service provider must adhere with the terms and conditions to the contract. It is nowhere stated in the Clause 12(k) of the terms and conditions of the Contract that the bid price is inclusive of GST. In such situation by not paying GST in the Bill of Service Provider as such the alleged show cause notice issued by you is illegal and arbitrary.

12. In the alleged Show Cause Notice your office is relying on Penal Provision as provided in Clause 12 of the Contract. But the conjoin reading of penal provision and the main provision of the Contract more specifically the provision under Clause 8.3, Bid Prices wherein it is *specially mentioned in Clause 8.3.2. It comes that the tax "The rates and prices quoted by the bidder shall be exclusive of service tax." The bid prices clause 8.3 describe what is included in the bid price. But nowhere it has been said that Service Provider cannot charge the tax and other charges applicable under law from the principal employer/ PGIMER. As such your act to deny GST to SFPL is illegal and arbitrary. You are responsible for the GST on the services availed by you. You have completely failed to provide any document which show that you had paid GST to SFPL.*

13. In the present case your office is not paying service tax which are applicable as on the date when the tender was floated, and the Bid was submitted by the service provider accordingly. The Bid prices does not include the service tax in such a situation by no stretch of imagination it can be considered that the tax which has not been received by the service provider and which is not part of the Bid price, the service provider is responsible under law to pay the tax. Even terms of tender nowhere states that SFPL is responsible for the tax which is not par of Financial Bid and which has not been received by SFPL.

14. That the letter of award dated 15.06.2017 cannot extend the meaning of Bid prices which are specially regulated under Clause 8.3.2 & 8.3.4. The spirit of the contract that the service charges and the subsequent GST is not part of the Bid price as such service provider cannot be held for the taxes unless it was paid to it.

15. That the PGIMER is responsible for financial obligations which are not in the preview of the tender bid price, you cannot claim for the GST Challan/return which has not been paid by you under any provisions of law.

16. That being an instrumentality of State under Article 12 of the Constitution of India you have violated your fundamental obligation of equity. It is the admitted fact the bid price does not include the Service Tax. As on date the date of tender you were exempted from Service Tax under Service Rate Notification of 25/2012 for Government Contractors. Even GST is not applicable on that date. The financial bid submitted by SFPL as accepted by PGIMER does not include GST components. Even at the time of Latter of Award GST is not applicable. The words included in the Letter of Award only in relation to the liabilities of SFPL towards the Labour Laws obligations only.

17. That the approach of PGIMER in the present matter is arbitrary, irrational illegal and against the principal of law.

18. That PGIMER has withheld the wages of employees for a period of July 2020 & GST withheld since April 2020 to July 2020 for the Amount of Rs. 2,55,58,383/- PGIMER further did not paid the GST which has been demanded by SFPL after the question of liability of SFPL towards the payment of GST was raised by PGIMER.

19. That your act to withheld security performance bank guarantee of 2,04,00,000/- (Rs. Two Crores Four Lakh only) after completion of the tender is arbitrary and illegal and causing immense loss to SFPL.

20. The various State Government has already made notification in relation to the present issue. Some of them are enclosed for your kind perusal, Enclosure IV. The service provider also relies on M/s Sri Sai Krishna Construction Vs. State of Jharkhand and others MANU/JS/0936/2022.

21. In such a situation you are requested to pay the GST being Principal Employer under default. You are further requested to release the Bill of

Service Provider amounting to Rs 2,55,58,383/- which are due and payable since July 2020 with interest @ 12% p.a. you are requested to release the performance guarantee of Rs.2,04,00,000/- (Rs. Two Crores Four Lakh only) along with interest @ 18 p.a. from July 2020.

22. If the payments will not made within 30 days we will compel to seek legal remedy. In such a situation the present letter may kindly be taken as notice of demand under the appropriate provisions of law to start proceedings against you. You will be sole responsible for all the cost and expenses incurred under the legal process.

For Sudarshan Facilities Pvt. Ltd.

Enclosures:

I. *A copy Annexure-VII of tender consisting of the breakup of the rates quoted for security services by SFPL.*
II. *A copy of bill dated July 2017 and August 2017 including GST.*
III. *Details of recovery of GST paid to SFPL.*
IV. *State Government notifications."*

6. As per the above quoted reply dated 10.06.2024, submitted by the petitioner, it is clearly revealed that a detailed response had been filed by the petitioner. However, a perusal of the impugned order shows that the petitioner's response has been rejected by simply stating that the Institute found no merit in the same. None of the grounds specifically taken by the petitioner have been considered. No finding on the justification offered by the petitioner has been returned. The impugned order debarring or blacklisting the petitioner is bereft of any reasoning.

7. The penalty of debarment/ blacklisting results in civil death of an entrepreneur. It has a huge adverse impact on the person's or entity's reputation. Not only the present but also the future business prospects are adversely affected. Therefore, such penalty cannot be sustained if the imposition thereof is not through a reasoned order as the affected person or entity is entitled to know why it is being imposed such a harsh penalty.

8. In the light of the above, we set aside the impugned order dated 12.07.2025 (Annexure P-1) and remit the matter to the Institute for fresh consideration, in accordance with law.

(DEEPAK SIBAL)
JUDGE

22.05.2026 **(LAPITA BANERJI)**
gk **JUDGE**

Whether speaking/reasoned : Yes / No
Whether reportable : Yes / No