



2026:DHC:1597-DB



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IN THE HIGH COURT OF DELHI AT NEW DELHI

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Judgment Reserved on: 12.02.2026

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W.P.(C) 1737/2026 CM APPL. 8482/2026

JAGTAR SINGH

.....Petitioner

versus

MUNICIPAL CORPORATION OF DELHI

.....Respondent

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W.P.(C) 1738/2026 CM APPL. 8484/2026

M/S L J CONTRACTORS PVT LTD

.....Petitioner

versus

MUNICIPAL CORPORATION OF DELHI

.....Respondent

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W.P.(C) 1986/2026 CM APPL. 9677/2026

ASHOK KUMAR

.....Petitioner

versus

MUNICIPAL CORPORATION OF DELHI

.....Respondent

+

W.P.(C) 1959/2026 CM APPL. 9465/2026

JAGDAMBA SINGH

.....Petitioner

versus

MUNICIPAL CORPORATION OF DELHI

.....Respondent

Advocates who appeared in this case

For the Petitioners

:

Mr. Sudhir Nandrajog, Senior Adv., Mr.
Arun Batta, Ms. Indra Marla, Advocates.
Mr. Rohan Sharma, Advocate.
Mr Sandeep Bajaj, Mr. Soayib Qureshi, Ms.
Anchal Kushwaha, Mr. Mayank Biyani,

Signature Not Verified

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SHARMA
Signing Date: 24.02.2026
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WP(C) No.1737/2026 and connected matters

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Advocates.

For the Respondent : Mr. Tushar Sannu, SC, Mr. Priyankar Tiwary, Ms. Shambhavi Vatsa, Mr. Umesh Kumar Sisodia, Advocates.
Sh. Niraj Kumar, Assistant Commissioner, Sh. Rajiv Kumar, ADC, Mr. Shailender, Admin Officer, Sh. Vinay Kumar, Admin Officer, Mukesh Kumar, JE and Ankush Tanwar, JSA

CORAM:

HON'BLE MR. JUSTICE V. KAMESWAR RAO

HON'BLE MS. JUSTICE MANMEET PRITAM SINGH ARORA

JUDGMENT

V. KAMESWAR RAO, J.

1. The petitioners in all four petitions are authorised parking contractors with the respondent/ Municipal Corporation of Delhi (MCD). The issues that arise in these petitions are with respect to a Tender dated 15.01.2026 floated by the respondent MCD bearing No. AC/RPC/MCD/2026/D-1419, whereby e-bids have been invited for allotment of authorised surface parking sites under the jurisdiction of MCD on a Monthly License Fee (MLF) basis.
2. It is the case of the petitioners that they have been allotted various parking sites through earlier Tender dated 27.09.2022 bearing No. AC/RPC/MCD/D-907, which have now been placed in the new Tender bearing No. AC/RPC/MCD/2026/D-1419 dated 15.01.2026, despite the fact that the terms of the earlier Tender are subsisting. They also contend that the respondent failed to consider the contractual provision for extending the terms of the earlier tender.
3. Since the captioned petitions agitate the same issue and challenge the same tender dated 15.01.2026, we shall deal with them together. At the



outset, we may narrate a brief factual background of the controversy, as seen from the petitions.

4. The respondent/MCD *vide* Notice Inviting Tender (NIT) bearing No. AC/RPC/MCD/D-907 floated a tender for allotment of various authorised parking sites on MLF basis. In terms thereof, the tenure for which the parking sites were being offered for allotment was three years, further extendable for another two years subject to satisfactory performance and as decided by the Competent Authority, from the date of signing of the Agreement/handing over the possession of the parking site to the contractor (whichever was earlier). According to the petitioner, to cut out any ambiguity in relation to granting extensions, what constituted as satisfactory performance was also defined in the said NIT by the respondent.

5. The petitioners, relying upon the express representation contained in the NIT regarding the 3+2 year tenure, submitted their respective bids, which were accepted by the respondents, and office letters were issued allotting different parking sites to the petitioners. The details of the allotment to each of the petitioners are as follows:

S. NO.	W.P.(C) No.	ALLOTED PARKING SITES WITH ALLOTMENT NOS.
1.	1737/2026	Community Centre, Adjoining Road No. 44 – AC/RPC/MCD/2022/D-1635 dated 02.01.2023.
		J Block, Community Centre, Rajouri Garden - AC/RPC/MCD/2022/D-625 dated 31.12.2022.
		Near Delhi Police Apartment, Mayur Vihar AC/RPC/MCD/2022/D- dated 03.01.2023.
		Cluster Inside Ajmal Khan Park, Main Gate and DB Gupta Road- AC/RPC/MCD/2022/D-1670



		dated 04.01.2023. Qutub Road, Near Tanga Stand, Sadar Bazar- AC/RPC/MCD/2022/D-1945 dated 02.02.2023. Sukha Ped, Mori Gate - AC/RPC/MCD/2022/D-1941 dated 02.02.2023.
2.	1738/2026	Near Tanga Stand, Seelampur- AC/RPC/MCD/2022/D-1620 dated 31.12.2022. Auto Repair Market, B Block, Wazirpur Industrial Area AC/RPC/MCD/2023/D-1733 dated 12.01.2023. Main Market, Model Town-II – AC/RPC/MCD/2023/D-1723 dated 10.01.2023. Old SP Zonal Building - AC/RPC/MCD/2022/D-1680 dated 05.01.2023.
3.	1959/2026	Cluster - New Friends Colony. Cluster - Okhla Station Max House.
4.	1986/2026	Near Batra Hospital (Tughlakabad Institutional Area) - AC/RPC/MCD/2022/D-1461 dated 15.12.2022. Dr. Keshav Baliram Hadewar 52 Block, Old Rajender Nagar – AC/RPC/MCD/2022/D-1462 dated 15.12.2022.

6. The offer letters reiterated that the allotment of the parking sites were for an initial period of three years, extendable by a further period of two years subject to satisfactory performance and the decision of the Competent Authority.



7. As the initial three year periods neared their completion, the petitioners submitted requests for extension of further two years, in accordance with Clauses 8 and 10 of the NIT No. 907 dated 27.09.2022. Through the requests, they asserted that throughout the tenures, they have ensured smooth and efficient management of the parking sites, with no dues pending and all operations conducted strictly in accordance with MCD guidelines. The petitioners further stated that bidders participate in MCD e-tenders and plan their investments on the basis of the declared '3+2 years' tenure framework, and that as on date there had been no change in the approved parking areas or parking rates which would warrant deviation from the said framework.

8. The petitioners, relying upon the express terms of the NIT and the consistent past practice of MCD in granting extensions on satisfactory performance, requested grant of the two-year extension in the interest of operational continuity, fairness and efficient site management. The said representations were duly received by the respondent, but no decision, adverse communication or reasoned order has been passed thereon till date.

9. Mr. Sudhir Nandrajog, learned Senior Counsel appearing for the petitioners stated that the impugned actions of the respondent, who is a State within the meaning of Article 12 of the Constitution of India, are highly arbitrary, illegal, perverse and contrary to the principles of natural justice and fair play.

10. He submitted that the respondent, being a State within the meaning of Article 12 of the Constitution, is bound to act in a fair, transparent and non-arbitrary manner even in matters arising out of contracts and tenders. The tender governing the petitioners' allotment expressly contemplated tenure of



three years extendable by a further two years, subject to satisfactory performance, thereby creating a structured regime and not a short-term or *ad-hoc* arrangement. By proceeding to re-tender the very same sites without first undertaking any performance assessment or passing reasoned decisions on extension, the respondent has acted in a manner that defeats its own declared tender framework. Such conduct squarely attracts the doctrine that Article 14 “strikes at arbitrariness” in State action, as held in ***Ramana Dayaram Shetty v. International Airport Authority of India (1979) 3 SCC 489***.

11. It is his submission that conjoint and purposive reading of Clause 8 and Clause 10 of NIT No. 907 establishes that the extension of the contract for a further period of two years is a contractual right accruing to the successful bidder upon satisfaction of the stipulated condition of ‘satisfactory performance’, and not a matter of unfettered or unguided discretion. Clause 8 stipulates that the contract shall be for three years and may be further extended for two years on satisfactory performance, while Clause 10 reinforces this structure by providing that the parking sites shall be allotted for a period of three years, further extendable to another period of two years subject to satisfactory performance and decision of the Competent Authority. Read harmoniously, these clauses create a two stage tenure architecture, where the second stage of two years is contractually embedded and is triggered upon fulfillment of the objective benchmark of satisfactory performance.

12. He submitted that the role of the Competent Authority under Clause 10 is therefore not to decide extension on whim or policy preference, but only to ascertain whether the condition precedent for extension stands



satisfied. The discretion reserved to the Competent Authority under Clause 10 is a limited administrative discretion to verify performance, and not discretion to deny extension arbitrarily once satisfactory performance is established. The words “*as decided by the Competent Authority*” cannot be read in isolation or as conferring absolute discretion divorced from the rest of the clause. Such discretion is circumscribed by the tender framework itself and must operate within the boundaries of the condition expressly stipulated, namely satisfactory performance. Any interpretation that treats the extension as a matter of pure choice or benevolence would defeat the express language of “*further extendable to another period of two years*” and convert a structured contractual promise into an illusory one, which is impermissible in law.

13. Once satisfactory performance is demonstrated, the discretion of the Competent Authority stands exhausted, and the extension follows as a matter of contractual consequence. He stated that it is a settled principle of contractual and administrative law that where discretion is conditioned upon fulfillment of objective criteria, the authority’s discretion is confined to examining whether such criteria are met. Upon satisfaction thereof, the authority cannot refuse the consequential benefit without recorded, demonstrable reasons showing non-fulfillment of the condition. In the absence of such reasons, refusal or circumvention of extension amounts to non-exercise of jurisdiction and arbitrary denial of a vested contractual benefit.

14. He stated that the petitioners have complied with all the Terms and Conditions of the contract and have duly and regularly paid the MLF to the respondent. Further Clause 10 (B) of Section II of the Instruction to Bidders



in the NIT D-907, which refers to the satisfactory performance criteria, have at all times been complied with by the petitioners.

15. He submitted that there are no change of circumstances in the fresh tender being floated by the respondent corporation. The area of the parking sites, site maps and the rates chargeable by the contractors from the customers remain the same in the old and new tenders and have neither been revised nor changed. Further, there is no change in any policy with respect to allotment of the parking sites. As such, there is no requirement of any fresh tender to be floated by the respondent.

16. Further, the fresh Tender floated by the respondent is again being tendered for a period of 3+2 years, which makes it clear that the intention of the respondent is to float tenders for a period of 5 years. In case the intention of the respondent to limit the Tenders of the parking sites for a period of 3 years then they ought not to have floated the fresh tender for a period of (3+2) years.

17. It is also stated that the respondent has acted in patent breach of its public law obligation to exercise jurisdiction vested in it, inasmuch as despite the petitioners having formally and timely invoked Clause 8 and Clause 10 of NIT No. 907 by way of detailed representations dated 21.10.2025 and 08.10.2025 addressed to the Commissioner, MCD, seeking extension of the contracts on the expressly stipulated parameters of satisfactory performance and absence of dues, the respondent has failed to take any decision whatsoever on the said requests. Such administrative silence, in the face of a contractually contemplated and duly invoked discretionary power, constitutes non-exercise of jurisdiction, which is itself a recognised ground for judicial review.



18. He submitted that, proceeding to include the petitioners' already allotted and operational parking sites in a fresh tender without first deciding the pending extension requests amounts to an impermissible circumvention of the tender framework, renders the extension mechanism illusory, and vitiates the impugned action on the ground of procedural unfairness, non-application of mind and arbitrariness, independently attracting interference under Article 226 of the Constitution of India.

19. Mr. Nandrajog further submitted that the tender documents themselves conclusively demonstrate that the financial and compliance architecture of the contract was designed on the footing of full five-year tenures and not truncated three-year engagements. The petitioners were required, at the threshold, to deposit substantial amounts towards Earnest Money Deposit, Security Deposit/Performance Guarantee, and advance MLF, all of which were calculated with reference to the license fee structure governing the entire contractual tenure. The Security Deposits/Performance Guarantees were mandated to be furnished with long-term validity, and advance MLF were required to be deposited upfront and adjusted over the contractual period, reflecting a front-loaded financial commitment tied to continuity of the contracts.

20. He submitted that there were mandatory continuous and recurring compliance obligations, such as quarterly self-declarations, CCTV maintenance, staff verification, uniform compliance, display of information boards, and proof of regular MLF payments, throughout the subsistence of the contracts. These obligations are not episodic or short-term in nature but are intended to operate seamlessly over the entire tenure, including the extension period, reinforcing that the contractual framework contemplates a



single, integrated five-year operational cycle rather than a hard stop at three years. When the tender conditions relating to security deposits, advance MLF, performance guarantees, and recurring compliance documentation are read conjointly, it becomes clear that the contracts are economically and administratively structured on the assumption of 5-year tenure, with the extension forming an integral and inseparable part of the contractual design. Any interpretation that treats the extension as a discretionary afterthought, rather than as a continuation of the same contractual regime upon satisfactory performance, would render the deposit, security, and compliance framework commercially irrational and legally unsustainable.

21. He stated that the inclusion of the petitioners' allotted sites in a fresh tender, while leaving the extension requests undecided, exposes the petitioners to *fait accomplis*, renders the contractual extension clause nugatory, and defeats the principle that State instrumentalities must act transparently, predictably and fairly in matters involving public contracts.

22. The respondent has taken a pre-emptive and colourable step which effectively nullifies the petitioners' subsisting contractual position without due process. By including the petitioners' sites in a fresh tender, the respondent has practically foreclosed the possibility of extension even before deciding on the pending requests. This amounts to doing indirectly what cannot be done directly. A reference is made to the judgment of the Supreme Court in ***Union of India v. Dinesh Engineering Corporation (2001) 8 SCC 491*** wherein it was categorically held that even where contractual clauses confer discretion, such discretion cannot be exercised arbitrarily or for collateral purposes. The impugned action demonstrates a non-application of mind and constitutes an abuse of administrative



discretion.

23. He has also contended that extension applications were submitted by the petitioners strictly in accordance with Clause 8 and Clause 10 of NIT No. 907 and they still remain undecided, rendering the impugned tender procedurally premature and legally unsustainable. The petitioners, well before the expiry of the initial three-year terms, formally sought extension for the additional two-year periods, expressly asserting satisfactory performance, absence of dues, and reliance on the 3+2 tenure while investing in the sites. The respondent has neither accepted nor rejected this request; no speaking order exists. Issuance of a fresh tender during the pendency of a statutorily and contractually contemplated extension process amounts to bypassing the procedure laid down by the respondent itself, vitiating the impugned action on grounds of procedural impropriety alone.

24. It is further stated that the complete absence of any show-cause notices, adverse inspection reports or performance-related communications conclusively establishes that the petitioners satisfied the only contractual condition for extension, namely, satisfactory performance. The extension clause under NIT No. 907 is performance-linked. Throughout the entire tenure, no show-cause notice was issued, no default was alleged, no penalty was imposed, and no dissatisfaction was recorded. On the contrary, MCD continued to regulate, revise and permit the petitioners' operations. In law, where an authority makes performance the sole criterion, silence coupled with continued acceptance of performance operates as tacit affirmation. According to Mr. Nandrajog, re-tendering in the face of such silence is arbitrary and violates basic principles of administrative fairness.

25. That apart, he submitted that the impugned re-tendering amounts to a



constructive termination of the subsisting contractual rights of the petitioners without notice, hearing or reasons. Though no order of termination has been passed, the practical effect of re-tendering the same sites is identical to termination. The law does not permit the State to do indirectly what it cannot do directly. Constructive terminations without due process violate Article 14 of the Constitution and the principles of natural justice, particularly when the contract itself contemplates continuation subject to performance.

26. Mr. Nandrajog stated that permitting such re-tendering will set a dangerous precedent whereby municipal authorities can defeat extension clauses by administrative inaction followed by fresh tenders. If the respondent's conduct is upheld, any public authority could simply avoid deciding an extension request and issue a fresh tender, thereby nullifying extension clauses across municipal contracts. This would erode bidder confidence, distort tender pricing, and undermine the integrity of public procurement. Judicial intervention is therefore necessary not only to protect the petitioners, but to preserve systemic fairness in municipal contracting. The action of the respondent undermines certainty, predictability and credibility in public tendering, which is contrary to public interest. Public tenders function on trust that the terms published by the authority will be honoured in substance and not merely in form. If municipal bodies are permitted to disregard extension frameworks without reason, bidders will either refrain from participation or inflate bids to hedge against governmental unpredictability. He has drawn our attention to the judgment of the Supreme Court in *Noble Resources Ltd. v. State of Orissa (2006) 10 SCC 236* wherein it was observed that arbitrary cancellation or re-tendering



of contracts invites judicial review because it undermines public interest and fair competition.

27. Mr. S. Bajaj, learned counsel would make similar submissions as has been made by Mr. Nandrajog. Apart from this, he submitted that the petitioners having applied for extension of contract for a further period of two years and since they continue to execute the contract even after expiry of initial three years, it must be deemed that the contract has been extended by the respondents for a further period of two years. He also stated that the petitioners have made a request for extension of further two years by specifically relying upon Clause 8 & 10 of the NIT, which provides that the contract period is three years and can be further extended by two years. His endeavour has been to submit that the petitioners have managed the operations smoothly and no dues are pending on the expiry of three years of contract.

28. He stated that on the conjoint reading of Clauses 8 and 10 of the NIT No.907, the extension of the contract for a further period of two years is a not a matter of benevolence or unfettered discretion but a contractual consequence that ensues once the benchmark of satisfactory performance is made. In the present case, the petitioners' performance has not been merely satisfactory but demonstrably beyond satisfactory.

29. That apart, his plea is also that the denial of extension violates the petitioners' legitimate expectation. The governing tender and offer framework expressly stipulates a tenure of three years extendable by a further period of two years on satisfactory performance and it was on the faith of such structured tenure that the petitioners have substantially altered the position by utilising manpower, withdrawing capital, establishing



systems and investing in operational infrastructure in public parking contracts; equipment of investment is necessarily calibrated over the full 3 + 2 horizon and premature or disruptive retendering destroys this commercial premise and renders the explanation clause nugatory. In support of this submission, reliance has been placed on *Union of India v. Hindustan Development Corporation, 1993 (3) SCC 499*. In substance, it is his plea that the action of the respondents is in violation of Article 14 of the Constitution of India.

30. They have sought the prayers as made in the petitions.

31. *Per contra*, Mr. Tushar Sannu, learned counsel for the respondent-MCD would contest the submissions made on behalf of the petitioners, by stating that invoking the extension of the contracts is solely at the discretion of the MCD. The original contract period was set for three years and post completion, it is the prerogative of the MCD to decide whether or not to grant an extension of additional two years. Such discretion is apparent from the terms of the contract itself. The grant of extension is not mandatory for the MCD, which has to exercise financial prudence in deciding whether or not to extend the contract. The extension should also be financially beneficial to the MCD, who is duty bound to maximise its revenue. As a public statutory local body, MCD has a fiduciary responsibility to maximise the value derived from public resources.

32. He submitted that the re-tendering was decided considering the market alignment. He also submitted that the parking spaces are becoming more in demand and the market has responded very well to the recent tender floated by the MCD. As such, price discovery was to be done to maximise the revenue of the MCD, which is reeling under financial stress. Hence,



protecting and augmenting the revenue is critical to MCD, which has a responsibility to receive optimal value for public resources and prevent the undervaluation of parking spaces.

33. Mr. Sannu stated that the extension of the contract based on under valuation of valuable public resources may result in significant revenue losses to the MCD, which is why the decision was taken by the competent authority not to extend the contract. He has also stated that the decision and the reasons for the non extension was communicated to the petitioners vide order dated 11.02.2026, which has been placed on record during the course of hearing.

34. He would also refer to Section 200 of the Delhi Municipal Corporation Act, 1957 to contend that the said provision contemplates that all contracts to be executed have to be in a fair manner and the endeavour should be to use the resources of the MCD to ensure maximum profitability. He has relied upon the following judgments in support of his submissions:-

- i. ***Provash Chandra Dalui v. Biswanath Banerjee, 1989 Supp (1) SCC 487.***
- ii. ***Sevoke Properties Ltd. v. W.B. State Electricity Distribution Co. Ltd., (2020) 11 SCC 782.***
- iii. ***BSNL v. Plintron India (O) Ltd., 2024 SCC OnLine Del 6245.***
- iv. ***Secretary to Govt. of Karnataka v. V. Harishbabu, (1996) 5 SCC 400.***
- v. ***Nilkantha Sidramappa Ningashetti v. Kashinath Somanna Ningashetti, 1961 SCC OnLine SC 75.***
- vi. ***M/s Milestone Security and Placement Services Regd Thr its Proprietor v. MCD, O.M.P.(I) (Comm.) 14/2025.***



vii. *Himalayan Flora and Aromas Pvt. Ltd. v. MCD, W.P.(C) 5350/2025.*

viii. *Himalayan Flora and Aromas Pvt. Ltd. v. MCD, LPA 351/2025.*

ANALYSIS AND CONCLUSION

35. Having heard the learned counsel for the parties and perused the record, the short issue which arises for consideration is whether the petitioners are entitled to extension of contract for a further period of two years. The submission of Mr. Nandrajog are primarily the following:-

- i. The NIT stipulates the initial period as three years, extendable to two years;
- ii. If the performance of the party is satisfactory then the contract necessarily to be extended by further period of two years;
- iii. As the performance of the petitioners has been satisfactory as conceded by Mr. Sannu, the contract need to be extended by a further period of five years.
- iv. Even otherwise the petitioners have deposited post dated cheques as bank guarantee/license fee/security deposit for 63 months, which means that the petitioners have a right to have the contract extended for a further period of two years.

36. The submission of Mr. Bajaj is that the petitioners having sought the extension of the contracts beyond the permissible period of three years and having continued to work beyond the period of three years, the contracts are deemed to have been extended.

37. We are unable to agree with the submissions made by Mr. Nandrajog



and Mr. Bajaj. Clause 10 on which much reliance has been placed by Mr. Nandrajog and Mr. Bajaj reads as under:-

“10. Term of the contract:

The parking site/sites shall be allotted for a period of three years and further extendable to another period of two years subject to satisfactory performance of the firm and as decided by the Competent Authority, from the date of signing of agreement/handing over of possession of the parking site to the contractor (whichever is earlier)...”

38. The above stipulates that the parking sites shall be allotted for a period of three years and further extendable for another period of two years, subject to satisfactory performance of the firm and as decided by the Competent Authority.

39. An identical stipulation came up for interpretation before a co-ordinate bench of this Court in ***Himalayan Flora and Aromas Pvt. Ltd v. MCD, LPA No. 351/2025***. Clause 7 therein, is similar to Clause 10 in the present matter, and is reproduced as under:

“The contract period shall be for a period of 03 years and further extendable for another 02 years subject to satisfactory performance of the firm and as decided by the Commissioner, EDMC and 10% enhancement in awarded MLF from 4th year and also 10% increase on awarded MLF every year during the extended period, if extended by the Commissioner EDMC.”

40. The Court, in paragraphs 24 and 25 of the judgment interpreted the clause in the following manner:

“24....whereas in Clause 7 of the contract in the present case provides that after completion of initial period of three years, the contract is extendable subject not only to satisfactory performance of the firm but



also “as decided by the Commissioner, EDMC”.

25. Thus, in our opinion, Clause 7, as noticed above, gives a larger discretion to the Commissioner of the MCD in the present case and, therefore, apart from satisfactory performance of the firm other relevant aspects could also have been taken into account by the Commissioner while taking a decision on the prayer made by the appellant seeking extension in the term of the contract. The judgment in SK Associates (supra) is thus clearly distinguishable.”

41. As seen from the above, the Court held that the large discretion granted to the Commissioner of the MCD means that apart from satisfactory performance of the firm, other relevant aspects could also be considered by the Commissioner while taking a decision on extension of the contract. The clause therein and the one in the matter at hand being the same, the said conclusion would be squarely applicable to the facts of this case.

42. Further, we have also considered Clause 10 independently and find that the word ‘and’ used between the words ‘satisfactory performance of the firm’ and ‘as decided by the Competent Authority’ makes it clear that the two conditions are independent of each other and have to be read disjunctively. What is being contemplated is a twin condition- satisfactory performance of the firm during the said tenure, and also the satisfaction of the Competent Authority. Even if the performance of the firm is satisfactory, that itself cannot be considered to be the sole factor for the respondents to automatically extend the contract of the petitioners. The construction of the clause has to be interpreted to mean that the Competent Authority is vested with the discretion to take a decision on the extension. If that be so, the petitioners cannot claim extension of the contract solely on the basis that their performance has been satisfactory.



43. The reason given by the respondents for not granting the extensions for two years can be seen from the communication dated 11.02.2026 issued to the petitioners, which we reproduce as under:-

“1. Contractual Stipulations:-

As per the terms of the original contract, the contract period was set for three years, with the possibility of extension solely at the discretion of the MCD. After the completion of the three-year term, it was within the MCD's prerogative to decide whether or not to grant an extension for an additional two years. Extension of contract is not mandatory for MCD. MCD has to exercise financial prudence in taking decision on whether or not to extend the contract. The extension should also be financially beneficial to MCD. MCD is not legal bound to extend the contract, it is duty bound to maximize its revenue. As a public statutory local body, the MCD has a fiduciary responsibility to maximize the value derived from public resources.

2. Re-Tendering for Market Alignment

The market improving situation for parking space is in more demand and market has respond very well to the recent tenders floated by the department. As such price discovery should be done to maximize the revenue of MCD. MCD is reeling under financial stress. Hence, protecting and augmenting the revenue of MCD is very critical and no efforts should be spared to maximize the revenue of MCD. In light this approach will ensure that MCD receives optimal value for public resources and prevents the undervaluation of parking space

Conclusion

Extension of contract based on the undervaluation of valuable public resource may result in significant revenue losses to the Municipal Corporation of Delhi (MCD).

Furthermore, the terms of the contracts stipulate that extensions are at the discretion of MCD and do not mandate automatic renewal. The justifications and



conditions as outlined above necessitate a thorough reconsideration of the management of public resources. The current stand of MCD aligns with prevailing market trends and ensures the optimization and augmentation of revenue. As the custodian of public resources, MCD has a responsibility to prioritize actions that maximize public benefit. The same has been demonstrated effectively through recent tenders. Accordingly, it has been decided that the extension of contract beyond three-year term, has not been granted.”

44. In view of the above, we find that the decision of the respondent to not extend the contract and to issue the fresh NIT for the parking sites cannot be said to be arbitrary or unreasonable so as to warrant intervention by this Court.

45. The plea of Mr. Nandrajog and Mr. Bajaj that the petitioners have deposited bank guarantees for 63 months and as such there is a legitimate expectation that the contract shall be extended for a further period of two years is unmerited, for the simple reason that there is an understanding between the parties that the initial contract is for three years, which is extendable for an additional two years, subject to the decision of the respondent/Competent Authority. It is on the basis of such an understanding that the petitioners submitted their representations seeking extension of the contract, which has been rejected by the respondent. This would mean that the petitioners were well aware that the extension of the contract for two extra years is conditional, and not automatic. As such, the petitioners cannot claim any legitimate expectation to have their contracts extended beyond the initial period of three years.

46. Another plea of Mr. Nandrajog and Mr. Bajaj is that there is a deemed



extension of the contract as they have continued working even after applying for the extension. This cannot be accepted, for the reason already explained above, that when a request for extension is made, the Competent Authority in view of Clause 10, has the discretion to decide whether to extend the contract or not. In the present case, the Competent Authority has decided not to extend the contracts, which we have already held to be justified.

47. An issue has been raised that the re-tendering practically amounts to constructive termination of the earlier tender, without issuing any notice or providing an opportunity of hearing to the petitioners. We are not in agreement with the submission of the learned counsel for the petitioners, for the reason that when the tender dated 15.01.2026 was floated, the three year period from the date of handing over possession of the parking sites contemplated by the earlier tender dated 27.09.2022 had already expired. In that sense, the initial contract had already expired by the efflux of time. Hence, there is no question of constructive termination as sought to be canvassed.

48. Insofar as the judgment relied upon by Mr. Nandrajog in the case of ***S. K. Associates v. MCD, W.P.(C) 3160/2024*** is concerned, the said judgment (which was co-authored by one of us- Manmeet Pritam Singh Arora, J.) has no applicability in the facts of this case as the Court therein was concerned with Clause 4 of the NIT therein, which is reproduced as under:-

“4. Duration of Contract:

The duration of the contract/license will be for the duration of three years with effect from the date of handing over the site to the licensee. After the expiry of two years, the monthly license fee will be enhanced by 05% (five percent for the next year, subject to the



satisfactory completion of period of first two years of contract. The parking site allowed operating beyond three years period (in any circumstances) then the contractor has to pay monthly license fee by enhancing 05% of last/ current MLF. ”

49. As can be seen from the above, in that case, there was a stipulation that after the expiry of two years, the MLF shall be enhanced by 5% for the next year, subject to the satisfactory completion of two years of contract. It is in that factual situation that this Court interpreted the same to mean that when the licensee successfully completes the first two years of the license, without there being any discretion vested with the Competent Authority, if there is a satisfactory performance of the contract in the first two years then the contract necessarily has to be extended.

50. Insofar as the reliance placed by Mr. Nandrajog on paragraphs 9 to 19 of the judgment in the case of ***Godra Electricity, (1975) 1 SCC 199*** is concerned, we are of the view that the said judgment also has no applicability in the facts of this case.

51. In view our conclusion drawn above, and as we have held that the issue is covered by the judgment of this Court in the case of ***Himalayan Flora and Aromas Pvt. Ltd (supra)***, we are of the view that these petitions lack merit and are liable to be dismissed. We order accordingly.

52. Pending applications are dismissed. No costs.

V. KAMESWAR RAO, J

MANMEET PRITAM SINGH ARORA, J

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