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* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

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Date of decision: 6th August, 2026# **CNR No. DLHC010357332026**+ **W.P.(C) 11105/2026 with CM APPL. 51331/2026****M/S BALAJI HOTEL BOARDING AND
LODGING**

.....Petitioner

Through: Mr. Jitender Mehta, Mr. Lalit Kumar,
Mr. Abhinav Kumar, Mr. Avaneesh
Singh, Mr. Shivam Pahal and Ms.
Divya Mehta, Advocates.

versus

**INDIAN RAILWAY CATERING AND TOURISM
CORPORATION LIMITED**

.....Respondent

Through: Ms. Manisha Singh, Mr. Ishaan
Aggarwal, Mr. Kanav Khatana, Mr.
George Pothan Poothicote and Ms.
Jyoti Singh, Advocates for IRCTC.**CORAM:
HON'BLE MR. JUSTICE AMIT BANSAL****AMIT BANSAL, J. (Oral)**

1. The present writ petition has been filed seeking the following reliefs:

- (i) To pass any Writ Petition Under Article 226 of Constitution of India for the issuance of Writ of certiorari or any other Writ or direction for declaring impugned debarment and forfeiture letter dated 02.02.2026 issued by IRCTC as illegal, arbitrary, unconstitutional, null and void-ab-initio and is liable to be quashed and set-aside the impugned debarment and forfeiture letter dated 02.02.2026,



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- (ii) To pass any Writ Petition under Article 226 of Constitution of India for the issuance of Writ of Mandamus or any other appropriate Writ, Order or Direction be given to the Respondent to refund the Security Deposit amount of Rs. 25,82,100/- deposited by the Petitioner.
- (iii) To pass any writ under Article 226 of Constitution of India for the issuance of Writ of Mandamus or any other appropriate Writ, Order or Direction be given to the Respondent to allow the Petitioner to participate in the future tender of the IRCTC;

2. The petitioner was issued a Letter of Award ('LoA') dated 2nd July, 2025 towards renovation, operation, maintenance and transfer back of retiring room and dormitories at Bandra Terminus railway station for a period of nine (9) years.
3. As per the LoA, the petitioner was required to pay a security deposit of Rs.25,82,100/- on or before 9th July, 2025.
4. The petitioner was not in a position to deposit the aforesaid amount within the time period and deposited the aforesaid amount in a belated manner.
5. Accordingly, a show-cause notice was issued to the petitioner on 24th September, 2025 seeking to take action against the petitioner in terms of clauses of the contract which provided for termination of contract, forfeiture of security deposit and debarment for a period of one (1) year.
6. The petitioner filed proceedings under Section 9 of the Arbitration and Conciliation Act, 1996. However, the same was dismissed by the District Judge (Commercial Court), Patiala House Courts, New Delhi.
7. The appeal filed by the petitioner against the said dismissal order before the Division Bench of this Court in FAO (COMM) 215/2026 was dismissed as withdrawn. However, liberty was given to the petitioner to



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challenge the blacklisting of the petitioner. Pursuant thereto, the present writ petition has been filed by the petitioner.

8. Even though the prayers in the petition are broad, in terms of the order passed by the Division Bench, this Court is only inclined to consider the prayers with regard to debarment of the petitioner for a period of one (1) year.

9. With the consent of the counsel for the parties, the petition is taken up for disposal at this stage itself.

10. It is a matter of record that the full amount of security deposit of Rs.25,82,100/- was paid by the petitioner to the respondent/IRCTC *albeit* in a belated manner.

11. By the impugned order, the respondent has not only terminated the contract of the petitioner, but also forfeited the security deposit. In addition, the petitioner has also been debarred for a period of one (1) year from participating in all contracts of IRCTC.

12. Mr. Jitender Mehta, counsel appearing on behalf of the petitioner submits that the petitioner firm is a Micro, Small and Medium Enterprise ('MSME') which has been doing various contracts with Railways and IRCTC for several years. The debarment for a period of one (1) year is highly disproportionate and would gravely affect the livelihood of the petitioner and its partners.

13. The Supreme Court in *M/s Kulja Industries Ltd. v. Western Telecom Project BSNL*¹ held that even in contractual matters, the decision of a State instrumentality to blacklist or debar a contractor is subject to judicial review

¹ (2014) 14 SCC 731.



on the touchstone of fairness, reasonableness, natural justice and proportionality, and that the penalty imposed must bear a reasonable nexus with the gravity of the misconduct. Paragraph no.20 of the said judgment is set out below:

“20. It is also well settled that even though the right of the writ petitioner is in the nature of a contractual right, the manner, the method and the motive behind the decision of the authority whether or not to enter into a contract is subject to judicial review on the touchstone of fairness, relevance, natural justice, non-discrimination, equality and proportionality.”

[emphasis supplied]

14. The Supreme Court also laid down the factors to be considered for debarring a contractor in paragraph no. 22 of the aforesaid judgment, which is set out below:

“22. The guidelines also stipulate the factors that may influence the debarring official’s decision which include the following:

- a) The actual or potential harm or impact that results or may result from the wrongdoing.*
- b) The frequency of incidents and/or duration of the wrongdoing.*
- c) Whether there is a pattern or prior history of wrongdoing.*
- d) Whether contractor has been excluded or disqualified by an agency of the Federal Government or have not been allowed to participate in State or local contracts or assistance agreements on a basis of conduct similar to one or more of the causes for debarment specified in this part.*
- (e) Whether and to what extent did the contractor plan, initiate or carry out the wrongdoing.*
- (f) Whether the contractor has accepted responsibility for the wrongdoing and recognized the seriousness of the misconduct.*
- (g) Whether the contractor has paid or agreed to pay all criminal, civil and administrative liabilities for the improper activity, including any investigative or administrative costs incurred by the government, and have made or agreed to make full restitution.*
- ((h) Whether contractor has cooperated fully with the government agencies during the investigation and any court or administrative action.*



- (i) Whether the wrongdoing was pervasive within the contractor's organization.
- (j) The kind of positions held by the individuals involved in the wrongdoing.
- (k) Whether the contractor has taken appropriate corrective action or remedial measures, such as establishing ethics training and implementing programs to prevent recurrence.
- (l) Whether the contractor fully investigated the circumstances surrounding the cause for debarment and, if so, made the result of the investigation available to the debarring official.”

15. In **Coimbatore District Central Corp. Bank v. Employees Assn.**², it has been held that administrative penalties are subject to the doctrine of proportionality and the Courts are empowered to interfere where the punishment imposed is wholly out of proportionate to the alleged misconduct.

16. This Court in **Abhishek Kumar v. Indian Railway Catering and Tourism Corporation Ltd.**³ had occasion to deal with a similar situation where besides terminating the contract and forfeiting the security deposit, the respondent/IRCTC had also debarred the petitioner therein from participating in IRCTC contracts/tender. In the said case also, there was a delay in deposit of the license fee.

17. Relying upon the judgment of the Supreme Court in **Kulja Industries** (supra) and **Coimbatore District** (supra), this Court in **Abhishek Kumar** (supra) set aside the debarment order on the ground that debarment of the petitioner for a period of one year was disproportionate. Paragraphs 31 to 35 from the judgment in **Abhishek Kumar** (supra) are set out below:

² (2007) 4 SCC 669.

³ 2026:DHC:1243.



“31. Admittedly, the only default committed by the petitioner in the present case was the delay of about 13 days in deposit of the license fee and security deposit, which was a condition of the Tender. The petitioner has given medical reasons for the aforesaid delay in depositing the amounts with the respondent.

Undoubtedly, the respondent/IRCTC was entitled to take action in terms of the Tender conditions against the petitioner. No fault can be found with the decision of the respondent/IRCTC to terminate the Contract of the petitioner or to forfeit the sum of Rs. 2 lakhs, being the security deposit amount for the reinstatement of the petitioner's empanelment, in terms of the letter dated 15th July 2025.

32. However, the act of the respondent/IRCTC to debar the petitioner for a period of one (1) year, when viewed in light of the aforesaid judgments of the Supreme Court, appears to be wholly disproportionate and cannot be sustained. It has to be taken note of that the petitioner has already suffered on account of the default committed by the petitioner, resulting in termination of the Contract and forfeiture of Rs. 2 lakhs.

33. It is also to be borne in mind that the petitioner was disempanelled as far back on 15th July, 2025, and hence, was unable to participate in any contracts of IRCTC from the said date. By way of the impugned communication dated 3rd December, 2025, the respondent is once again debarring the petitioner for a further period of one (1) year from the said date. In the opinion of this Court, this would amount to extending the period of debarment for a period beyond one (1) year, as stipulated in the Tender condition.

34. Accordingly, in my considered view, the ends of justice would be met if the debarment of the petitioner, which is *de facto* in place from 15th July 2025 till now, for a period of almost seven (7) months, is not extended any further.

35. In view of the above, the impugned letter dated 3rd December, 2025 to the extent it debars the petitioner from participating in future contracts of the respondent for a period one (1) year is hereby quashed.”

18. Following the aforesaid observations in **Abhishek Kumar** (supra), in the opinion of this Court, the action of debarment of the petitioner for a period of one (1) year appears to be highly disproportionate and cannot be sustained. As noted above, the petitioner had paid the entire amount of security deposit *albeit* in a delayed manner.

19. To be noted, in the present case the petitioner has been debarred from



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participating in contracts/tender of IRCTC since 2nd February, 2026. The contract of the petitioner has also been terminated and the security deposit has been forfeited.

20. Accordingly, the impugned termination letter dated 2nd February, 2026 to the extent it debars the petitioner for a period of one (1) year is set aside.

21. Mr. Mehta, counsel for the petitioner submits that insofar as the refund of security deposit is concerned, the petitioner would invoke appropriate remedies under the Arbitration and Conciliation Act, 1996 for recovery of the security deposit.

21.1 This Court has not made any observation on the aforesaid aspect.

22. The present writ petition is disposed of in the aforesaid terms.

23. The pending application also stands disposed of.

AMIT BANSAL, J

AUGUST 6, 2026

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