2026 INSC 1142

REPORTABLE

IN THE SUPREME COURT OF INDIA
CIVIL APPELLATE JURISDICTION

CIVIL APPEAL NO(S). OF 2026
@ SPECIAL LEAVE PETITION NO. 33791 OF 2025

SATINDER PAL SINGH & ORS. ...APPELLANT (S)

VERSUS

BEDI HOSPITAL & ORS. …RESPONDENT(S)

WITH

CIVIL APPEAL NO(S). OF 2026
@ SPECIAL LEAVE PETITION NO. 33793 OF 2025

J U D G M E N T

1. Leave granted.

2. These Civil Appeals arise out of the final judgment and order of the High Court of Punjab and Haryana at Chandigarh[1], allowing the writ petition filed by M/s Bedi Hospital, respondent no. 1 herein and the writ petitioner before the High Court, challenging the letters of cancellation of the bid contract dated 27.01.2023 and the Agreement to Sell dated 09.02.2023 on the ground that the bid amount offered by M/s Bedi Hospital is not reflective of market

[1] CWP No. 2811 of 2023

trends. For reasons to follow, we set aside the High Court's decision and have directed the Chandigarh Administration to conduct a fresh e-auction for the said site within a period of three months.

3. The short facts giving rise to the filing of the present civil appeals are as follows: The Chandigarh Administration issued an e-auction notice on 31.08.2022 calling for the e-auction of 12 residential sites, 1 commercial site, and 2 nursing home sites on a freehold basis. In these appeals, we are only concerned with the two nursing home sites, namely Site No. 3 and Site No. 4, located at Sector 33C, Chandigarh, admeasuring 744.44 sq. yards each. The corrigendum published by the Chandigarh Administration dated 04.09.2022 fixed the reserve price for both sites at Rs 6.91 Crores.

4. M/s Bedi Hospital and the appellant submitted their respective bids for both sites, and on 20.10.2022 after conclusion of the auction process, the Appellant's bid for Site No.3 was accepted and approved as its bid of Rs. 18.25 Crores was the highest. As regards Site No. 4 is concerned, M/s Bedi Hospital's bid of Rs. 12.58 Crores was accepted and approved. For consideration of the present set of appeals, we are concerned only with Site No. 4 and the controversy that ensued as regards Site No. 4, as follows.

5. After M/s Bedi Hospital was declared as the Highest Bidder for Site No. 4, it deposited the required 25% of the bid amount on

21.10.2022, following which the Estate Officer issued an Agreement to Sell in favour of M/s Bedi Hospital on 28.10.2022. Thereafter, on 16.11.2022, M/s Bedi Hospital also deposited the balance 75% of the bid amount. As the Chandigarh Administration was not issuing the necessary Allotment Letter for execution of the Conveyance Deed, M/s Bedi Hospital addressed a letter dated 12.01.2023 to the Chandigarh Administration requesting them to expedite the formalities.

6. It is in the above-referred circumstances that the Chandigarh Administration seems to have had a rethink on 11.01.2023 about finalising formal allotment in favour of M/s Bedi Hospital for the reason that the bid amount for Site No. 4 was, according to them, not "reflective of the market trend". This is understandable for the reason that while the adjacent Site No. 3 for the same extent had fetched Rs.18.25 crores, the bid of M/s Bedi Hospital for the plot in question, auctioned on the same day, fetched only Rs.12.58 crores.

7. On 27.01.2023, the Chandigarh Administration issued the first impugned letter to M/s Bedi Hospital cancelling the bid contract, the relevant portion of which reads as follows:

> *"It is intimated that the Bid Contract awarded in your favour on 20.10.2022 in respect of Nursing Home Site No. 4, Sector 33-C, Chandigarh <u>is hereby cancelled with immediate effect due to the reason that the site adjacent to Nursing Home Site No. 4 having same area, has fetched the highest bid of Rs. 18,25,75,598/-</u>. <u>Such huge</u>*

> *difference i.e. Rs. 6 crores between the adjacent sites having same area does not reflect the market trend. Therefore, it has been decided by the Administration to cancel the current bid for Nursing Home Site No. 4 and re-auction it with reserve price as the highest bid of Nursing Home Site No. 3 Sector 33-C, Chandigarh. The refund of the amount deposited by you has been processed and will be credited in your account by 31.01.2023.*
>
> *It is pertinent to mention here that as per the sub-clause (i) under clause I of the general terms and conditions for sale of Nursing Home Sites by E-Auction on Free hold basis at Chandigarh, whereby "The Estate Officer, UT, Chandigarh has absolute right to accept or reject any or all the offer(s) or adjourn/postpone/cancel the e-auction without assigning any reason thereof.*
>
> *Further as per Clause No. 4 of Agreement to Sale executed on 28.10.2022 – "That similarly on the failure of the Seller to fulfill its obligation to transfer the property for any reasons other than the reasons connected with public order, security of State or change in public policy, the seller shall return the amount of 25% so paid by the purchasers/bidders and the intending purchasers/bidders shall have no claim to any damages.*
>
> *You may participate in the bid, whenever the site is re-auctioned by the department."*
>
> (emphasis supplied)

8. We may indicate here itself that pursuant to the cancellation letter dated 27.01.2023, the Chandigarh Administration returned the entirety of the bid amount to M/s Bedi Hospital and indicated its intention to conduct a fresh e-auction. It also made it clear that even M/s Bedi Hospital can participate in the fresh e-auction process.

9. On 06.02.2023, M/s Bedi Hospital challenged the said cancellation by filing a writ petition before the Punjab and Haryana High Court. Pending disposal of the writ petition, the Chandigarh Administration proceeded further and also cancelled the Agreement

to Sell vide a cancellation letter dated 09.02.2023, which was also challenged by M/s Bedi Hospital by way of an amendment to the pending writ petition filed by it.

10. Immediately after filing of the writ petition, when the case came up for admission on 10.02.2023, the High Court, while issuing notice, granted the Chandigarh Administration the liberty that it can proceed with fresh auction, but directed that the same shall not finalise till the next date of hearing. In view of the specific direction of the High Court, due to previous bids being inefficient or unsuccessful in meeting the requisite technical requirements under auction notices dated 18.02.2023 and 12.06.2023 for fresh auction of Site No. 4, the Chandigarh Administration issued a third fresh notice inviting e-tenders for Site No. 4 on 05.08.2023, fixing the reserve price at Rs.18.25 crores and inviting bids. Three participants, including the appellant, qualified to take part in the fresh e-auction for Site No. 4 after the pre-bid technical seminar conducted on 08.08.2023. In the auction conducted on 06.09.2023, the appellant was declared as the Highest Bidder, having offered Rs. 18.30 crores. It is important to mention that M/s Bedi Hospital did not participate in the fresh e-auction. In view of the earlier directions of the High Court at the stage of admission of the writ petition dated 10.02.2023, the Chandigarh Administration placed

the conduct and conclusion of the re-auction process before the High Court by way of a status report dated 20.11.2023.

11. Appellant filed an application for impleadment in the writ petition filed by M/s Bedi Hospital contending that, being the successful bidder in the subsequent e-auction, it is a necessary party to the writ proceedings.

12. By the order impugned before us, the High Court allowed the writ petition filed by M/s Bedi Hospital and set aside and quashed the Chandigarh Administration's letters dated 27.01.2023 and 09.02.2023 rescinding the bid contract and cancelling the Agreement to Sell, respectively. Thus, challenging the judgment and order passed by the High Court, the appellant and the Chandigarh Administration have filed the present civil appeals. This Court, vide order dated 18.08.2026, directed the parties to maintain *status quo* over the said site.

13. We have heard Mr. Guru Krishna Kumar, learned senior counsel for the appellant, and Mr. Vikramjit Banerjee, learned ASG for the Chandigarh Administration. On the other hand, we also heard Mr. P.S. Patwalia, learned senior counsel appearing for M/s Bedi Hospital.

14. Before we consider the respective contentions of the parties, it is necessary to examine the relevant rules by which the

Chandigarh Administration would conduct its affairs and also the Terms and Conditions of the E-Auction for determining the legality and validity of the recall letters dated 27.01.2023 and 09.02.2023.

15. The Chandigarh Estate Rules, 2007, are framed under Section 3 and Section 22 of the Capital of Punjab (Development and Regulation) Act, 1952. Rule 5 is quoted for ready reference below:

> *"5. Sale/Lease by Auction*
> *(i) In case of sale/lease by auction, the interested bidders will have to deposit an earnest money of Rupees two lakhs, in cash or by means of demand draft drawn on any Scheduled Bank situated at Chandigarh in favor of Estate Officer, U.T. Chandigarh with the Estate Officer, U.T. Chandigarh in order to become eligible for participating in the auction.*
> *(ii) On the acceptance of the highest bid, twenty five percent of the bid accepted by the auctioning officer shall be paid at the fall of the hammer by the highest auction purchaser by means of demand draft drawn in favor of Estate Officer UT Chandigarh.*
> *…..*
> *(iv) Thereafter, an Agreement to Sell shall be executed between the Estate Officer, U.T., Chandigarh, and the auction purchaser in the prescribed form as at Form-B or Form B-I, as the case may be, with a stipulation that in case of default in making timely payment of the remaining balance of 75% within the stipulated time period, the amount of 25% paid by the auction purchaser shall be forfeited. Similarly, in case the Chandigarh administration fails to fulfill its obligation to transfer/lease out the property for any reason other than the reasons connected with public order, security of State, or change in public policy, the Administration shall return the amount of 25% paid by the auction purchaser alongwith the equivalent amount deposited by him/her as damages for non-performance.*
> *(v) The remaining 75% of the consideration money shall be deposited by the intending purchaser in lump sum within 90 days of the date of auction by way of the prescribed mode of payment failing which the offer of allotment shall be deemed to have been cancelled and*

the payment made under sub-rule (ii) shall be forfeited and the intending purchaser shall have no claim to any damages.

….……

(vi) Upon the receipt of full consideration, the Estate Officer shall issue allotment letter to the intending purchaser giving the terms and conditions of the allotment and calling upon him to execute a Conveyance deed/Lease deed in Form 'C' or Form 'D as the case may be. These documents shall be issued/executed by the Estate Office and the purchaser, as the case may be, within a period of 30 days from the date of issue of the allotment letter.

Explanation I: *The Estate Officer may withdraw any site/building that may have been put up for auction and he may accept or reject the highest bid without assigning any reason and the decision of the Estate Officer in this regard shall be final."*

(emphasis supplied)

16. The General Terms and Conditions for Sale of the Nursing Home Sites by E-Auction notified on 31.08.2022 have the following stipulations:

"IV. DEPOSIT ON CLOSE OF BID/AUCTION (25%)

(a) The successful bidder will be required to pay

Sr. No	Type of Property	Amount on Close of Bid (Rupees)
1.	Nursing Home Sites	Highest bidder will have to deposit 25% (Twenty Five percent) of the bid amount (after adjusting EMD) online through NEFT/RTGS within the time stipulated in the Bid Contract awarded after the close of Bid/Auction.

Note: Bid Contract will be awarded by the Estate Officer after close of bid/auction, due communication of which shall be sent via e-mail to the approved bidder.

……

(c) An agreement to sell shall be executed between the Estate Officer, U.T. Chandigarh and the bidder in the prescribed Form 'B', within seven days of the award of the bid contract.

…….

VI. OTHER TERMS AND CONDITIONS

1. *After depositing the 25% of the bid money by the auction purchaser, an agreement to sell shall be executed between the Estate Officer, U.T. Chandigarh (to be signed by Assistant Estate officer on behalf of Estate Officer) and the auction purchaser in the prescribed Form 'B' as the case may be with the stipulation that in case of default in making timely payment of the remaining balance of 75% within the stipulated period, the amount deposited by the auction purchaser shall be forfeited which in no case shall exceed 10% of the total amount of the consideration money, interest and other dues payable in respect of the site, building or booth. However in case the Chandigarh Administration fails to fulfil its obligation to allot the property for any reason or in public interest, the Administration shall return the amount of 25% to paid by the auction purchaser and the intending purchaser shall have no claim to any damages.*
2. *The remaining 75% of the consideration money shall be deposited by the intending purchaser in lump sum within 90 days of the date of the auction by way of the prescribed mode of payment failing which the offer of allotment shall be deemed to have been cancelled and the payment of 25% so made at the time of fall of hammer shall be forfeited which in no case shall exceed 10% of the consideration money and dues payable in respect of site or building or both and the intending applicant/auction purchaser shall have no claim to any damages.*

   …….

4. *Upon the receipt of full consideration money, the Estate officer shall issue allotment letter to the intending purchaser giving the terms and conditions of the*

allotment and calling upon him to execute conveyance of deed in Form 'C'. These documents shall be issued/executed by the Estate Office and the purchaser, within a period of 30 days from the date of issue of the allotment letter. The allotee shall bear all the expenses occurring for the registration and stamp duty etc.

5. *The Estate Officer may withdraw any site that may have been put up for auction and he may accept or reject the highest bid without assigning any reason and the decision of the Estate Officer in this regard shall be final."*

17. The Terms and Conditions of the E-Auction Notice are in consonance with Rule 5 of the Chandigarh Estate Rules, 2007. In short, the mandatory requirements of the terms and conditions are as follows: Clause IV(a) read with Clause IV(c) deals with the modus operandi of the deposit to be made at the close of the auction. They provide that the highest bidder should deposit 25% of the amount and then an Agreement to Sell shall be executed between the Estate Officer and the highest bidder in the prescribed Form 'B' which is again in line with the Chandigarh Estate Rules, 2007. Clause VI, which deals with other terms and conditions, provides for the post-auction procedure, which again follows the same process laid down in Rule 5 of the Chandigarh Estate Rules, 2007. Clause VI(1) provides for two situations wherein the Agreement to Sell can stand forfeited, leading to the refund of the 25% already deposited, which includes non-payment by the bidder of the remaining 75% or if the Chandigarh Administration fails to allot the property for any reason.

Clause VI(2), on the other hand, provides for a deadline of 90 days within which the remaining 75% amount ought to be paid; otherwise, the allotment is deemed to be cancelled, leading to a refund of the 25% amount deposited. Clause VI(4) states that once the full consideration is received, the Estate Officer shall issue an allotment letter to the intending purchaser, indicating the terms and conditions of the allotment and calling upon him to execute a conveyance deed as provided for in Form 'C' within a period of 30 days. Clause VI(5) also specifies the power to the Estate Officer to withdraw any site that may have been put up for auction, rejecting the highest bid offered, without assigning any reason, and the decision of the Estate Officer shall be final.

18. It is also important to refer to Clause 4 of the Agreement to Sell, a standard format of which has been provided in Form 'B' of the Chandigarh Estate Rules, 2007. The same is quoted as follows:

> *"4. That similarly, on the failure on the part of the seller to fulfill its obligations to transfer the property for any reasons <u>other than the reasons connected with public order, security of State, or change in public policy</u>, the seller shall return the amount of 25% so paid by the purchasers/bidders and the intending purchasers/bidders shall have no claim to any damages."*

19. An agreement enforceable in law alone is a contract. Such an enforceable agreement, in the present case, will come into existence only upon execution of the conveyance deed. Execution

of the conveyance deed is the culmination of the process by which the promise, the offer, acceptance, payment of consideration, and execution of an Agreement to Sell are complete. An Agreement to Sell contemplated under Rule 5(iv) of the Chandigarh Estate Rules, 2007 in itself is not an enforceable contract under Section 2(h) of the Indian Contract Act, 1872. As the conveyance deed is not yet executed, the Chandigarh Administration will be in a position to exercise its power under Rule 5(vi) read with Explanation I of the Chandigarh Estate Rules, 2007 or under Clauses VI(1) and VI(5) of the General Terms and Conditions of E-Auction dated 31.08.2022. Under the Rules as well as the Tender Conditions, the Chandigarh Administration has reserved its right to "withdraw any site or building that may have been put up for auction" without assigning any reason, and the decision of the Estate Officer, acting for the Chandigarh Administration in this regard, is declared as final. While interpreting the Chandigarh Estate Rules, 2007 relating to the conduct of E-Auction, coupled with the General Terms and Conditions of the E-Auction Notice dated 31.08.2022, courts must endeavour to identify the events by virtue of which a contract gets concluded. After the occurrence of such events, the contract gets concluded, and thereafter, the rights and liabilities of the parties will be crystallized and governed by the terms and conditions of the

Conveyance Deed. As the Allotment Letter was not issued with no corresponding Conveyance Deed executed, the Chandigarh Administration is entitled to exercise its power to cancel.

20. The only restriction against non-issuance of the allotment letter or the conveyance deed would only be a public law restriction on Chandigarh Administration not to act in an arbitrary and unreasonable manner. The conduct of a public authority must be informed by fairness in action and in furtherance of public purpose. However, while dealing with matters relating to sale or lease of public property, the action of a public authority to recall or revisit the auction process would be justified if the decision is intended to maximise the price for the sale/lease of public property.[2] This is permissible as long as the enforceable contract has not been entered into. In the present case, the decision of the Chandigarh Administration to revisit the auction was taken before finalization of the allotment letter and the consequential execution of conveyance deed. At this stage, a substantial lower price fetched at the auction can be a relevant consideration for not finalising the contract in

[2] This Court in *Chairman and Managing Director, SIPCOT, Madras & Ors. v. Contromix Pvt. Ltd*. (1995) 4 SCC 595, para. 12. has observed the following: "In the matter of sale of public property, the dominant consideration is to secure the best price for the property to be sold. This can be achieved only when there is maximum public participation in the process of sale and everybody has an opportunity of making an offer. Public auction after adequate publicity ensures participation of every person who is interested in purchasing the property and generally secures the best price…."

favour of a so-called “highest bidder”. For these reasons, we are of the opinion that there is no illegality or arbitrariness in the action of the Chandigarh Administration to revisit the auction process and call for a fresh auction for price maximization.

21. The decision of this Court in *Vice-Chairman and Managing Director, City and Industrial Development Corporation of Maharashtra Limited and Another v. Shishir Realty Private Limited and Others*[3] relied upon by the High Court to arrive at its conclusion has no application to the facts of the present case and is distinguishable. The said decision dealt with the unilateral cancellation of lease deeds accorded by the appellant authority therein to the respondent therein on the ground of alleged violations of terms and conditions of the lease deed, without any opportunity given to re-tender or to cure any of the alleged defects, despite both the High Court and this Court finding that there were no such violations leading to the cancellation orders being an arbitrary State Action. In the present case, the cancellation was followed by a full refund of the total consideration along with the Chandigarh Administration requesting M/s Bedi Hospital to take part in the fresh

[3] “When a contract is being evaluated, the mere possibility of more money in the public coffers, does not in itself serve public interest. A blanket claim by the State claiming loss of public money cannot be used to forego contractual obligations, especially when it is not based on any evidence or examination. The larger public interest of upholding contracts and the fairness of public authorities is also in play. The courts need to have a broader understanding of public interest, while reviewing such contracts”. (2022) 16 SCC 527, para 61.

E-Auction. M/s Bedi Hospitals has also relied on the judgment of this Court in *Golden Food Products India v. State of Uttar Pradesh & Ors.* during the course of its submissions[4] submitting that an auction process has sanctity and only for valid reasons can the highest bid be discarded. In that case, despite being the highest bidder, the appellant's allotment of an industrial plot was cancelled by the respondent authority therein and this was known only through the appellant's own inspection of the internal notes of that authority with no proper intimation given regarding such cancellation. This Court intervened on the ground that the principles of natural justice and transparency in a public auction were not adhered to. In the present case, no such violations of the principles of natural justice or transparency were committed by the Chandigarh Administration. The cancellation letter dated 27.01.2023 clearly intimated M/s Bedi Hospitals of the exact reason why the bid contract was rescinded, and the entire consideration was refunded on the same day. The Chandigarh Administration also provided the opportunity to M/s Bedi Hospital to take part in the fresh auction for Site No. 4.

[4] "An auction process has a sanctity attached to it, and only for valid reasons that the highest bid can be discarded in an auction which is otherwise held in accordance with law. If a valid bid has been made which is above the reserve price, there should be a rational or reason for not accepting it. Therefore, the decision to discard the highest bid must have access to the rational or the reason. Merely because the authority conducting the auction expected a higher bid, the highest bid cannot be a reason to discard the highest bid." 2026 SCC OnLine 24, para 32.

22. We are, therefore, not in agreement with the reasoning drawn by the High Court, and the judgment and order of the High Court, to that extent, are set aside.

23. However, the story does not end here.

24. In our opinion, the difficulty arose because of the reason that the High Court, instead of either dismissing the writ petition at the admission stage itself or granting an interim order staying the cancellation letters dated 27.01.2023 and 09.02.2023, proceeded to permit the Chandigarh Administration to hold a fresh E-Auction. That interim arrangement made by the High Court, has opened up a second phase of litigation which has continued for more than two years. Surprisingly, when the High Court took up the writ petition for final hearing, it did not consider the consequences of the rights and liabilities of parties that had been created due to the subsequent auction. High Court simply proceeded to consider the writ petition on its merits and disposed it of. In the order impugned before us, the High Court has not discussed the consequences of the interim order directing the conduct of a fresh E-Auction and the status report submitted by the Chandigarh Administration after the successful conclusion of the re-auction.

25. The subsequent auction that was conducted is legal and valid. In fact, the said auction was conducted pursuant to the direction of

the High Court on 10.02.2023, wherein even M/s Bedi Hospital was permitted to participate. Having conducted and concluded a fresh auction, the Chandigarh Administration placed a status report before the High Court indicating clearly that the subsequent e-auction fetched an additional amount of Rs. 6 Crores. Six crores is not a small amount, and this Court cannot shut its eyes to the glaring reality of the facts that have unfolded about price discovery.

26. Faced with this reality, we inquired with Mr. Patwalia, learned senior counsel, if his client would be willing to match the price offered by the appellant. With some amount of hesitation, but after consulting his client, we were informed M/s Bedi Hospital would be willing to match the bid amount of the appellant and pay Rs. 18.30 crores as the final price for Site No. 4. On the other hand, Mr. Guru Krishna Kumar, learned senior counsel for the appellant, submitted that his client paid the entire consideration and that it would be unjust to permit M/s Bedi Hospital to replace him by matching the price, particularly when the earlier amount deposited was refunded, and M/s Bedi Hospital chose not to take part in the subsequent auction.

27. Having considered the matter in detail and having reflected on the unfortunate situation that has been created due to the inconclusive interim arrangement made by the High Court, we are

of the opinion that interests of justice and public purpose will be subserved if we direct the Chandigarh Administration to conduct a fresh e-auction of Site No. 4 after following the due procedure.

28. For the reasons stated above, the present set of civil appeals is allowed, and the judgment and order of the High Court dated 01.04.2025 is set aside. The Chandigarh Administration is directed to hold a fresh e-auction for Site No. 4 in Sector 33C, Chandigarh, by following the procedure prescribed under the Chandigarh Estate Rules, 2007. The entire process should commence and conclude within a period of 3 months from today.

29. There shall be no order as to costs.

30. Pending application(s), if any, stand disposed of.

……....J.
[**PAMIDIGHANTAM SRI NARASIMHA**]

……....J.
[**ALOK ARADHE**]

NEW DELHI;
OCTOBER 16, 2026.