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JUDGMENT RESERVED ON:14.5.2026

JUDGMENT DELIVERED ON:15.7.2026

Neutral Citation No. - 2026:AHC-LKO:46625-DB

HIGH COURT OF JUDICATURE AT ALLAHABAD LUCKNOW

WRIT - C No. - 4180 of 2025

M/s Drosia India Limited Thru. Director Mr. Waheedul Hasan Siddiqui
.....Petitioner(s)

Versus

The State of U.P. Thru. the Prin. Secy. Deptt. of Housing and Urban Planning Lko. and 3 others
.....Respondent(s)

Counsel for Petitioner(s)	:	Ajeet Pratap Singh, Abhishek Singh, Kushagra Dikshit, Lalta Prasad Misra, Piyush Kishor, Prashant Kumar, Saima Khan, Sarvesh Kumar Tiwari
Counsel for Respondent(s)	:	C.S.C., Ratnesh Chandra

alongwith

WRIT - C No. - 13795 of 2020

M/s Drosia India Limited Thru. Dir Waheedul Hasan Siddiqui
.....Petitioner(s)

Versus

State of U.P. Thru. Secy. Housing Lko. And Others
.....Respondent(s)

Counsel for Petitioner(s)	:	Ashok Kumar Singh, Anshuman Singh, Mahima Pahwa
Counsel for Respondent(s)	:	C.S.C., Ratnesh Chandra, Shailendra Singh Chauhan, Shireesh Kumar

Court No. - 5

HON'BLE ALOK MATHUR, J.
HON'BLE AMITABH KUMAR RAI, J.

1. Heard Sri Sanjay Bhasin, learned Senior Advocate assisted by Sri Prashant Kumar, Sri Abhishek Kumar, Sri Ajeet Pratap Singh, Sri Sarvesh Kumar Tiwari and Sri Devesh Srivastava, learned counsel for the petitioner, learned Standing Counsel for the State-respondents and Sri Ratnesh Chandra, learned counsel for Lucknow Development Authority.

2. Learned counsel for the parties contend that the issue involved in WRIT - C No. – 4180 of 2025 and WRIT - C No. – 13795 of 2020 are the same. As such, the Court proceeds to hear and decide both the writ petitions together. For convenience, facts of Writ C No. 4180 of 2025 are being taken into consideration.

3. At the very outset, learned counsel for the petitioner submits that Writ C No. 13795 of 2020 has been rendered infructuous due to subsequent events and orders passed by the opposite parties after filing of Writ C No. 4180 of 2025. Learned counsel for the petitioner has categorically indicated this fact in paragraph 5 of memo of Writ C No. 4180 of 2025. He prays that the Writ C No. 13795 of 2020 may be dismissed as having become infructuous.

4. Accordingly, Writ C No. 13795 of 2020 is **dismissed** as infructuous.

5. Learned counsel for the petitioner The instant writ petition has been filed praying for the following main relief(s):

"(i) To issue writ or direction in the nature of certiorari quashing the order dated 24.12.2024 passed by the opposite party number 3 (contained as Annexure number 1 to this writ petition).

(ii) To issue writ or direction in the nature of certiorari quashing the order dated 11.04.2025 issued by the opposite party no. 4/Incharge officer(commercial), LDA (contained as Annexure number 2 to this writ petition).

(iii) To issue the writ, order or direction in the nature of Mandamus directing the LDA to allow the petitioner to deposit the amount as per the rate advertised at the time of advertisement dated 21.09.2007 regarding plot bearing number TCG-01-A-V 4/1 situated at Vibhutikhand, Gomtinagar, Lucknow without any interest and adjusting the amount deducted at the time of cancellation vide order dated 11.07.2022 passed by opposite party no. 3 and handover the peaceful possession of the said plot immediately."

6. The petitioner is a Company duly incorporated under the Companies Act, 1956 and registered in the name of 'Messers Drosia India Limited' and is engaged in the business of real estate and hospitality. The Lucknow Development Authority had published an advertisement dated 21/09/2007 inviting applications for participation in the tender auction for plots for hotel purposes. In the said auction, the bid of the petitioner was for Rs. 12,050/- per square meter as against the reserve price of ₹ 8800 per square meter and accordingly the bid of the petitioner was the highest, but no order was passed directing the petitioner to deposit 35% of the bid amount within 7 days. The petitioner in the aforesaid circumstances himself deposited an amount of ₹ 45 lakhs on 13/10/2007 as earnest money, but the Lucknow Development Authority by means of an order dated 18/10/2007 unilaterally cancelled the auction as the bid price was low.

7. The petitioner being aggrieved by the order dated 18/10/2007 filed a writ petition before this Court being Writ Petition No. 8173 (MB) of 2007, and this Court proceeded to stay the order dated 18/10/2007 on 02/11/2007. During the pendency of the aforesaid petition, both parties entered into a dialogue and the matter was settled between them, and as per the said settlement, the petitioner was to withdraw the writ petition and submit a request to the Lucknow Development Authority to withdraw the order of cancellation of the auction and thereafter settle the plot in favour of the petitioner in terms of the auction.

8. It is in the aforesaid circumstances that a representation was submitted by the petitioner on 15/07/2015 and the vice-chairman of the Lucknow Development Authority passed an order on 18/11/2015 intimating his decision to withdraw the previous order of cancellation dated 18/10/2007 subject to payment of interest. The order dated 18.11.2015 was communicated to the petitioner vide letter dated 3.12.2015. According to the petitioner the order dated 18.11.2015 passed by the Lucknow Development Authority was illegal and arbitrary inasmuch as while setting aside the previous order of cancellation, it imposed a penalty upon the petitioner treating this case as if he had not paid the entire sale consideration from the date of auction till the date of revocation of cancellation. The main contention of the petitioner was that the interest can only be levied after the allotment letter is issued and possession is handed over and not from any date prior and also that there is delay in payment of the instalments. In the present case inasmuch as the possession of the plot was not given to the petitioner, there was no question of levying interest on payment.

9. The petitioner expressed his opposition to levying of interest by the Lucknow Development Authority by submitting a representation on 12/01/2016. The said representation was duly considered and by means of an order dated 11/03/2016 the amount of interest was reduced to simple interest and amount of 50% of deposit which previously was Rs. 11,65,77,329/- was reduced to Rs. 7,86,61,606/-.

10. The grievance of the petitioner to the levy of interest was on account of the fact that according to the petitioner, the penal interest would be levied only when the allotment letter is issued and possession of the plot had been handed over to the petitioner and not at any stage prior. According to the petitioner this aspect of the matter has already been considered by the Lucknow Development Authority in the case of Ms Ganpati Constructions where the levy of interest from 07/10/2013 to 30/05/2017 was waived off by the authority itself as the possession of the property was not given to the auction purchaser, and accordingly wanted his case to be considered in accordance with the order passed in favour of Ms Ganpati Constructions.

11. As the grievance of the petitioner was not considered or rectified, he preferred another representation on 18/04/2016 objecting to the levy of interest from the date of the auction. Despite the submission of representation the petitioner was directed to deposit the amount by means of an order dated 03/04/2017. It is the case of the petitioner that he repeatedly took up the matter before the Lucknow Development Authority, but they only repeatedly told him that certain amounts have to be firstly paid by him before the aspect of possession will be considered. The petitioner, accordingly, made a total payment of Rs. 3,71,01,690/- which was more than 50% of the sale consideration and only thereafter he was communicated that the allotment had been made in his favour by allotment letter dated 03/12/2015.

12. Despite deposit of the aforesaid amount the possession of the plot was never handed over to him by the respondents, but the respondents stated that the entire cost of plot will have to be deposited before the same could be handed over to him, despite the fact that according to the petitioner in all other similar circumstances the possession of the plots were handed over on deposit of 25% of the amount of consideration.

13. During this period, the COVID 19 pandemic had gripped the entire country, and the State Government in such peculiar circumstances had decided to waive the penalty and interest amount of persons who had defaulted. The petitioner also moved an application under the OTS scheme seeking waiver of penalty and interest, but by means of a letter dated 30/12/2021, the petitioner was informed that in case he does not deposit the amount demanded then his allotment would be cancelled. The petitioner kept on making representations against the said demand, and subsequently by means of an order dated 11/07/2022 his allotment was cancelled and the money deposited by the petitioner was refunded after making certain deductions.

14. Against the order of cancellation dated 11/07/2022, the petitioner preferred a revision under Section 41(3) of the Uttar Pradesh Urban Planning and Development Act, 1973. The revisional authority did not pass any order on the application for interim relief made by the petitioner, while on the other hand, the Authority was proceeding to re-auction the said plot and create third-party rights.

15. In the aforesaid circumstances, the petitioner preferred a writ petition before this Court being Writ C No. 5403 of 2022 which was disposed of by means of an order dated 18/08/2022, restraining the parties from creating any third-party rights, till the interim application in the revision proceedings is decided. The revision was finally allowed in favour of the petitioner on 26/04/2024 and a very categorical finding was given that no interest can be levied for the period 2007 to 2015 while remanding the matter to the opposite party no. 3 for a limited purpose to determine the levy of interest from 2007 to 2015, strictly as per the terms and conditions of the auction.

16. The Lucknow Development Authority in the remand proceedings proceeded to pass the impugned order dated 24/12/2024 and again levied the interest from the date of cancellation of allotment to the date of reallotment which had previously been levied on the petitioner against which he preferred a revision.

17. The order dated 24/12/2024 has been assailed by the petitioner in the present writ petition. The appellant has vehemently submitted that the impugned order dated 24/12/2024 levying interest from the date of auction till the date of revocation of the order of cancellation, that is from 15/10/2007 to 15/07/2015 is illegal and arbitrary and contrary to the order dated 26/04/2024 passed by the State Government passed in the revision preferred by the petitioner as well as terms and conditions of the auction. It is submitted that the Lucknow Development Authority is bound to comply with the directions of the State Government, while the impugned order has been passed clearly in defiance of the revisional order and is, therefore, illegal and arbitrary and deserves to be set aside.

18. The petitioner has relied upon the judgment of Hon'ble Supreme Court in the case of **The Bhopal Sugar Industries Ltd vs Income Tax Officer, Bhopal, 1961 AIR 182** and judgment of this Court in the case of **M/s Mayur Continental,Dehradun and others vs Administrator, Nazul Land, Dehradun and others, (1989) 2 UPLBEC 127.**

19. It was further submitted that the Lucknow Development Authority could not have levied interest from the date of the auction till the date of revocation or cancellation of the auction in the absence of any conditions in the bid document or any other provision enabling the authority to levy such interest. It was submitted that as per the government order dated 06/02/1997 in case the highest bid price offered is higher than the base price, then the bid should be accepted and not cancelled unless there is some concealment or fraud committed while offering the said bid.

20. It was contended that this Court in Writ Petition No. 8173 (MB) of 2007, had passed an interim order in favour of the petitioner after considering the provisions of the government order dated 06/02/1997.

21. It was also submitted by the counsel for the petitioner that as per the government order dated 06/02/1997 it has been provided that the highest bid cannot be cancelled unless some concealment of fraud is committed in offering the bid and, therefore, it was submitted that the action of the respondents in cancelling the bid of the petitioner itself was illegal and arbitrary and violative of Article 14 of the Constitution of India.

22. The writ petition has been vehemently opposed by Sri Ratnesh Chandra, learned counsel for the Lucknow Development Authority.

23. There is no dispute that during the auction held on 12/10/2007 the petitioner had made a bid for ₹ 12,050/- against the reserve price of ₹ 8,800/- while for the adjacent plot bid of Rs. 35,500/- was received and there was a significant difference in the bid amount and there was a reasonable expectation that in a subsequent auction a higher price would be fetched and therefore, by means of order dated 17/10/2007, the bid made by the petitioner was rejected. The petitioner thereafter had filed a writ petition before this Court being Writ Petition No. 8173 (MB) of 2007, where, by means of an interim order dated 02/11/2007 the order dated 17/10/2007 was stayed, and as the writ petition remained pending, after a period of eight years an application was preferred by the petitioner for resolving the said dispute before the Lucknow Development Authority on 15/07/2015. The vice-chairman of the Lucknow Development Authority gave his approval to the said proposal made by the petitioner on 18/11/2015 but recorded that the terms and conditions of the auction would apply, and payment would have to be made by the petitioner along with interest.

24. The formal communication of the decision of the Lucknow authority was made on 03/12/2015 according to which 50% of the bid amount has to be deposited by 31/12/2015, which was the amount of Rs.11,65,77,329/- and the remaining 50% in four quarterly instalments of Rs. 3,19,26,887/-. The computation of the aforesaid amount including interest was provided to the petitioner vide letter dated 03/04/2017 according to which from 17/11/2007 to 21/03/2017 interest at the rate of 15% was imposed amounting to ₹ 8, 57,43,282/-.

25. There is no dispute that the petitioner had opposed the imposition of interest from 2007 to 2017.

26. In paragraph 22 of the counter affidavit filed by the Lucknow Development Authority, it has been stated that the State Government had allowed the revision preferred by the petitioner on 26/04/2024 and the orders dated 04/07/2022 and 11/07/2022 were set aside and remanded the matter to Lucknow Development Authority, directing the authority to consider the aspect of charging interest afresh after giving an opportunity of hearing to the petitioner.

27. The opposite parties have relied upon condition nos. 1 and 11 of the terms and conditions of the auction notice to impose interest upon the petitioner from the date of the auction till the date of allotment was made into 2017.

28. Clause 1 and 11 of the terms and conditions of the auction notice are are quoted hereinbelow:-

> *"क्रम सं0-1. होटल / व्यवसायिक भूखण्डों का निस्तारण, टेण्डर एवं तदोपरान्त नीलामी द्वारा किया जायेगा। निर्धारित तिथि को प्रत्येक भूखण्ड के लिये अलग-अलग टेण्डर डाले जायेंगे। इसके उपरान्त निविदाए निर्धारित तिथि को समिति के द्वारा खोली जायेंगी, तदोपरान्त उच्चतम निविदा को आरक्षित विक्रय मूल्य (जो प्राधिकरण के आरक्षित मूल्य से कम न हो) मानकर नीलामी बोली प्रारम्भ की जायेगी। टेण्डर अथवा नीलामी में प्राप्त सर्वोच्च दर ही विचारणीय होगी। उपाध्यक्ष लखनऊ विकास प्राधिकरण को पूर्ण अधिकार होगा कि सर्वोच्च बोली को अस्वीकृत कर दें और जमानत धनराशि वापस कर दें तथा नीलामी हेतु दुबारा टेण्डर आमंत्रित करें। जिन लोगों ने टेण्डर डाले है वह दुबारा टेण्डर डाल सकते हैं।*
>
> *क्रम सं0-11. नीलामी में प्राप्त उच्चतम टेण्डर अथवा बोली के आधार पर ही किसी व्यक्ति को सम्पत्ति का आवंटन पूर्ण नहीं माना जायेगा, राम्पत्ति का आवंटन उसी समय माना जायेगा जब सक्षम स्तर अर्थात उपाध्यक्ष, विकास प्राधिकरण से स्वीकृति के उपरान्त लखनऊ विकास प्राधिकरण की ओर से आवंटन पत्र जारी हो जायेगा। आवंटन के पश्चात समस्त वांछित धनराशि निर्धारित समय में जमा करते हुऐ औपचारिकताएं की पूर्ति करनी होगी अन्यथा आवंटन निरस्त कर दिया जायेगा, यदि कोई टेण्डरदाता बोली स्वीकार होने के पश्चात वांछित औपचारिकताओं की पूर्ति नहीं करता है अथवा भूखण्ड के आवंटन को निरस्त किया जाता है तो नियमों के अन्तर्गत धनराशि कटौती/जब्त करते हुए शेष धनराशि जमा वापस कर दी जायेगी।"*

29. The respondents have also relied upon the letter dated 15/07/2015 submitted by the petitioner to justify the levying of interest, stating that the petitioner himself had offered to deposit the same and therefore, the petitioner cannot challenge the same on the principle of estoppel.

30. I have heard the counsels of the parties and perused the record.

31. The first aspect which deserves consideration is the validity of the order of cancellation of the bid of the petitioner vide order dated 17/10/2007. Though the said order was assailed by the petitioner in Writ Petition No. 8173 (MB) of 2007, which was subsequently dismissed as infructuous by means of an order dated 31/10/2017, but as the said order is the genesis of the dispute leading to the present petition, the validity of the same will have a bearing on the present controversy.

32. The petitioner had participated in the auction for purchase of a plot, which was advertised by the Lucknow Development Authority on

21/09/2007, where 11 bids were received, and the bid of the petitioner was the highest having offered the rate of ₹ 12,050/- per square meter against the reserve price of ₹ 8,800/- per square metre. The bid of the petitioner was cancelled only on account of the fact that the adjoining plot, which was a commercial plot, was sold for ₹ 35,500/-. This Court in a writ petition filed by the petitioner being Writ Petition No. 8173 (MB) of 2007 stayed the order of cancellation dated 18.10.2007, after holding that as per the policy of the State Government dated 22/05/2006 the Hotel business has been given the status of industry and it has been provided that price fixed for the hotel shall be at the industrial rate, while it was noticed that the adjacent plot was a commercial plot and naturally such a plot would fetch a higher price than an industrial plot, and therefore found the order of cancellation to be prima facie arbitrary and stayed the same by means of the order dated 02/11/2007.

33. It is also relevant to consider that as per the Government order dated 06/02/1997 in case the highest bid price offered is higher than the base price, then the bid should be accepted and not cancelled unless there is some concealment or fraud committed in offering the said bid. In the order passed subsequently by the respondents themselves clearly mentioned that there were 11 bidders in the said auction and therefore there is no element of collusion or fraud and it is for this reason that the respondents decided to settle the dispute in favour of the petitioner. Accordingly, we find that in the absence of any allegation of fraud or concealment, the bid of the petitioner could not have been cancelled.

34. At this stage, it would be relevant to consider the recent judgment of the Supreme Court in the case **GOLDEN FOOD PRODUCTS INDIA vs STATE OF UTTAR PRADESH & OTHERS, 2026 INSC 22** where it has been observed as under:-

> *"28. In our view, there cannot be any imprimatur of the Court to such arbitrary cancellation of auction by an instrumentality or agency of the State in the absence of there being any fraud, collusion, suppression etc. Merely*

because the smaller plots measuring 123 to 132 square metres were auctioned and sold at a higher price as compared to the subject plot measuring 3150 square metres which is a large sized plot, could not have been the basis for cancelling the auction insofar as the subject plot is concerned. The demand for smaller plots being higher was sold at a higher price per square metre than the subject plot, where there was no demand for the subject plot as only two bidders participated in the auction. The bid of the appellant was above the reserve price. There was no other reason to cancel the auction sale of the subject plot. Therefore, GDA - respondent No. 2 was under an obligation in law having accepted the bid offered by the appellant to issue the allotment letter instead of cancelling the auction on the basis of irrelevant considerations that too behind the back of the appellant. Expectation of a higher bid in a subsequent auction cannot be a reason to cancel an auction held in accordance with law.

29. The appellant herein as also all bidders would had made all financial arrangements before making technical and financial bids in an auction. The technical bid of the appellant herein was accepted. There was no reason to decline the financial bid made by the appellant which was the highest bid. The financial bid was also over and above the reserve price. There was no reason attributed to the appellant for cancellation of the auction sale. In the circumstances, the appellant had a legitimate expectation to receive an allotment letter vis-à-vis the subject plot as it was the highest bidder. Instead, without any prior notice to the appellant the auction itself was cancelled which constrained the appellant to approach the High Court. The High Court has lost sight of these facts of the matter and has simply dismissed the writ petitions filed by the appellant herein which is not correct.

30. We could consider the judgments cited at the Bar as under:

a) In Haryana Urban Development Authority v. Orchid Infrastructure Developers (P) Ltd., (2017) 4 SCC 243, the contract contained an express clause stating that the presiding officer had the right to reject a bid without offering any reasons. Although twenty-seven bidders participated in the said auction and the reserve price was

Rs. 106.65 crores and the highest bid was Rs. 111.75 crores for 9.527 acres of land in Gurgaon, the bid was cancelled. However, such a clause is conspicuous by its absence in the present case.

b) In Rajasthan Housing Board v. G.S. Investments, (2007) 1 SCC 477, owing to a news item published in a newspaper that large scale bungling had taken place in the auction due to which the price fetched for the plots was much below the market rate, a direction was issued by this Court to hold a fresh auction. Such a situation did not arise in the instant case.

c) In State of Orissa v. Harinarayan Jaiswal, (1972) 2 SCC 36, there was a direction to hold a re-auction as the power to accept or reject the bid was given to the highest authority in the State and the State Government was of the opinion that the price was inadequate. Possibly, in the facts of the said case, the said direction was issued by this Court.

d) In Uttar Pradesh Avas Evam Vikas Parishad v. Om Prakash Sharma, (2013) 5 SCC 182, the reserve price was fixed at Rs. 1,80,200/- and the respondent therein offered Rs. 1,31,500/- which was much less than the reserve price. Hence, the bid was rightly rejected.

e) In Meerut Development Authority v. Association of Management Studies, (2009) 6 SCC 171, the request of the respondent therein for allotment of remaining 20,000 square metres to them as they had acquired 37,000 square metres of land as per the reserve price, was rejected as the price quoted had been lower than the reserve price for the said remaining land and rightly so.

f) In Indore Vikas Praadhikaran (IDA) v. Shri Humud Jain Samaj Trust, 2024 SCC OnLine SC 3511, this Court distinguished Eva Agro Feeds and found that the bid could not be accepted as the tender committee while finalizing the bids noticed that property tax of Rs. 1.25 crore in respect of the subject land therein was outstanding. On noticing this error, the Board decided to cancel the bid of the respondent therein and decided to issue a fresh notice inviting tenders.

31. The following judgments also require consideration:

a) In M.P. Power Management Company Limited v. Sky Power Southeast Solar India (Private) Limited, (2023) 2

SCC 703, the bid of the respondent therein was accepted and it was observed that public interest cannot always be conflated with an evaluation of the monetary gain or loss alone.

b) In Nagar Nigam, Meerut v. Al Faheem Meat Exports (P) Ltd., (2006) 13 SCC 382, an advertisement inviting applications for a fresh contract to run a slaughterhouse was sustained. In the said judgment, it was observed that the award of government contracts through public auction or public tender was to ensure transparency in the public procurement, to maximise the economy and efficiency in government procurement, to promote healthy competition among the tenderers and to eliminate irregularities, interference and corrupt practices by the authorities concerned. In rare and exceptional cases, for instance during natural calamities and emergencies declared by the Government; where the procurement is possible from a single source only; where the supplier or contractor has exclusive rights in respect of the goods or services and no reasonable alternative or substitute exists; where the auction was held on several dates but there were no bidders or the bids offered were too low, etc., this normal rule may be departed from and such contracts may be awarded through "private negotiations". The Government must then have freedom of contract. Some fair play in the joints is a necessary concomitant for an administrative body functioning in an administrative sphere. The plea of the respondent therein seeking permission to modernize the slaughterhouse and therefore, to refrain from issuing an advertisement was negatived.

c) In Subodh Kumar Singh Rathour v. Kolkata Metropolitan Development Authority, (2024) 15 SCC 461, this Court observed that merely because the rates embodied in a contract with the passage of time have become less appealing, the same cannot become a determinative criterion for either terminating the contract or for the courts to decline interference in such contractual disputes. Public interest cannot be used as a pretext to arbitrarily terminate contracts. Merely because the financial terms of a contract are less favourable over a period of time does not justify its termination. It was observed that the mere *possibility of fetching a higher license fee was no ground to cancel the tender issued to the appellant therein.*

32. 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 rationale or reason for not accepting it. Therefore, the decision to discard the highest bid must have a nexus to the rationale or the reason. Merely because the authority conducting the auction expected a higher bid than what the highest bidder had bid cannot be a reason to discard the highest bid. In the instant case, no other party had placed a bid higher than the appellant herein. There was no infirmity in the conduct of the auction. No other party had complained about the process of auction conducted by the GDA - respondent No. 2. The bid offered by the appellant herein was the highest and above the reserve price. In the circumstances, the said bid ought to have been accepted by GDA - respondent No. 2 rather than cancelling the same without notice to the appellant herein. Hence, the cancellation of the bid submitted by the appellant herein is quashed.

33. For the aforesaid reasons, the impugned orders of the High Court dated 24.05.2024 and 15.07.2024 passed in the respective writ petitions are set-aside. The appellant is directed to re-deposit the earnest money preferably within four weeks from today. Within two weeks from the date of the re-deposit of the earnest money, the GDA - respondent No. 2 shall make an order of allotment of the subject plot in favour of the appellant herein and take all consequential steps for concluding the auction process in favour of the appellant herein. These appeals are allowed in the aforesaid terms."

35. The law laid down by Hon'ble Supreme Court for cancellation of auction is extremely clear and in paragraph 32 it has been held that the highest bid can be discarded only on reasonable grounds which cannot be whimsical or bereft of any cogent reason. In the aforesaid judgement, the Supreme Court had also reaffirmed its previous judgement in the case of ***Eva Agro Feeds (P) Ltd.* v. *Punjab National***

***Bank*, (2023) 10 SCC 189** ("*Eva Agro Feeds*") where it was held as under:

> "*...mere expectation of the Liquidator that a still higher price may be obtained can be no good ground to cancel an otherwise valid auction and go for another round of auction. Such a cause of action would not only lead to incurring avoidable expenses but also erode the credibility of the auction process itself".*

36. In the instant case, a perusal of the terms and conditions of the tender issued by the respondents in clause 6 it was clearly provided that if an allotment is obtained by fraud and misrepresentation undue influence etc, then it shall be cancelled. If a sale deed is executed on the basis of such allotment obtained by fraud, undue influence etc, then the sale deed will also be cancelled and 50% of the sale price will be forfeited.

37. It is not the case of the respondents that there was any fraud committed by the petitioner or undue influence exerted by him, and there were 11 persons who had participated in the auction and therefore it cannot be said that the auction was hit by any of the conditions, which could render it liable for cancellation, and therefore the order of cancellation of the bid of the petitioner was arbitrary and illegal. Accordingly, we find that the decision to cancel the auction was clearly illegal and arbitrary and when this aspect of the matter was realised by the respondents themselves, they sought to restore the bid of the petitioner, subject to certain conditions.

38. During the pendency of the Writ Petition No. 8173 (MB) of 2007 on the representation of the petitioner the respondents, by means of an order dated 03/12/2015, gave their approval for allotment of the disputed plot in favour of the petitioner, subject to the condition that the petitioner deposits the remaining consideration along with interest from the date of the auction. It is relevant to note that in the aforesaid order, there is no mention of any rule or any provision of law which may enable the respondents to levy interest upon the petitioner from the date of the auction till the date of payment.

39. There is no dispute that the petitioner has been repeatedly contesting the aspect of the levy of interest, restoration of his bid and allotment of a plot in his favour. It is this contention that the levy is contrary to the conditions of the tender itself and the plot should be given to him on the same terms and conditions of the bid amount made by him during the said auction.

40. The terms and conditions of the auction pertaining to the payment to be made by the successful bidder have been provided in clause 10 which is as under:-

> *"10. नीलामी की कार्यवाही लखनऊ विकास प्राधिकरण गोमती नगर कार्यालय में सार्वजनिक रूप से समिति के समक्ष करायी जायेगी। नीलामी के पूर्व नीलामी के नियम व शर्ते एक बार पुनः सूचित कर दी जायेगी। भुगतान का विवरण निम्न होगा:-*
>
> *(अ) उच्चतम टेण्डर दाता को कुल धनराशि की 35 प्रतिशत धनराशि बोली गयी बोली/नीलामी की स्वीकृति की तिथि से सात कार्यदिवसों में जमा करनी होगी (इसमें निविदा के साथ जमा जमानत धनराशि समायोजित कर ली जायेगी) उपरोक्तानुसार 35 प्रतिशत धनराशि जमा होने एवं आवंटन पत्र निर्गत होने की तिथि से एक माह के अन्दर 15 प्रतिशत धनराशि पुनः जमा करनी होगी तथा शेष 50 प्रतिशत धनराशि 3-3 माह की 4 किस्तों में 15 प्रतिशत ब्याज की दर पर जमा की जा सकेगी।*
>
> *(ब) किश्तों का प्रारम्भ आवंटन पत्र निर्गत होने की तिथि से माना जायेगा।*
>
> *(स) देय किश्तों का भुगतान न करने पर 18 प्रतिशत की दर से दण्ड ब्याज देय होगा।"*

41. A perusal of the aforesaid provisions clearly indicates that the highest bidder has to deposit 35% of the bid amount within 7 days from the date of acceptance of his bid and it is only after deposit of 35% of the amount that the allotment letter would be issued to him. It is further provided that the successful bidder has to deposit further 15% of the bid amount within one month from the date of allotment and the remaining 50% has to be deposited in four instalments of 3-3 months alongwith interest @ 15%. In clause 10(b) of the aforesaid terms and conditions, it is further provided that installments will commence only after issuance of the allotment letter. Other relevant conditions are found on perusal of clause 10(c) of the aforesaid terms and conditions which provides that in case the aforesaid installments are not paid within the time prescribed then 18% penal interest would be levied upon the bidder.

42. The challenge to the imposition of interest for delayed payment was made by the petitioner by filing a revision before the State Government which was allowed by means of order dated 26.4.2024. The State Government while deciding the said revision extensively considered the grounds raised by the petitioner as well as reasons given by the Lucknow Development Authority for imposition of the interest imposed upon the petitioner. After considering the rival contentions, the State Government was of the view that there was no reason for the Lucknow Development Authority to have imposed interest upon the delayed payment from the date of auction till the date of issuance of the allotment letter dated 03.12.2025. It further considered that while considering the representation of the petitioner, proper opportunity of hearing was not given and therefore the said order itself is in gross violation of principle of natural justice and accordingly allowed the revision setting aside the orders of the Lucknow Development Authority dated 04.07.2022 as well as 11.07.2022 and remanded the matter for consideration afresh specially with regard to imposition of interest from 12.10.2007 to 03.12.2015 in light of the terms and conditions of the auction.

43. From the aforesaid, it is clear that the Lucknow Development Authority was under a mandate to reconsider the terms and conditions of the auction and only there was any provision by which they could levy interest from the date of auction to the date of allotment, the said interest could have levied.

44. From perusal of the impugned order, we find that only provisions considered were Clause I and II of the terms and conditions and without discussing as to how and under which provision the interest could be levied, the Lucknow Development Authority again levied the interest from the date of auction to the date of allotment. The Vice-Chairman while passing the impugned order has only recorded the fact that on the basis of a compromise dated 15.07.2015, the interest have been levied from 15.10.2007 and his predecessor in the note-sheet has duly recorded the fact that while passing fresh order of allotment, interest should be levied upon the petitioner and therefore he has proceeded to pass the impugned order levying interest on the petitioner from the date of auction to the date of allotment.

45. Accordingly, from the above, we find that firstly as per the terms and conditions of the auction, the interest could have been levied only from the date of allotment as provided in Clause 10 (C). We further find that initially the bid of the petitioner was cancelled and at which stage no allotment letter had been issued in favour of the petitioner. Accordingly, without issuance of the allotment letter, we find that no interest could have been levied upon the petitioner as per the terms and conditions of the auction. We further find that as per Clause 10 of the terms and conditions of the auction, the petitioner who was the successful and the highest bidder was to deposit 35% of the bid amount within 07 working days pursuant to which the allotment letter was to be issued and within one month of the issuance of the allotment letter further 15% of the bid amount was to be deposited by him. The remaining 50% of the bid amount was to be deposited in 3-3 months in four installments along with interest @ 15% and in Clause – (B) it was clearly stated that the installment should be payable only after issuance of the allotment letter and as per Clause - (C) penal interest could be levied only when there is a delay in deposit of the installments. Accordingly, it is abundantly clear that without issuance of the allotment letter, no interest could have been levied upon the successful bidder and therefore we do not find any reason or any provision by which Lucknow Development Authority could have imposed interest upon the petitioner for the delayed payment.

46. As already observed hereinabove, after examining the entire matter, we find that even the cancellation of the bid of the petitioner on the ground that the adjacent plot was auctioned at a higher price and therefore in case the disputed plot is subjected to any further auction, a higher price can be obtained. Such a ground is unreasonable and arbitrary inasmuch as it is contrary to the Government Order issued by the State Government itself dated 06.02.1997 which aspect of the matter has been duly discussed in the revisional order dated 26.04.2024.

47. It is for the aforesaid reason that the impugned order levying interest upon the petitioner from the date of auction to the date of allotment is illegal and arbitrary and accordingly set aside. The respondents in the aforesaid circumstances are directed to pass a fresh order requiring the petitioner to pay the amount for which bid was made by him strictly as per Clause 10 of the terms and conditions of the auction within one month from the date a certified copy of this order is produced before the competent authority.

48. The respondents are also directed to comply with the conditions on handing over the possession of the property in terms of terms and conditions of the auction. While on the other hand the petitioner would be under a mandate to pay all the dues as per terms and conditions of the auction and in case the petitioner does not comply with the orders passed by Lucknow Development Authority, the Lucknow Development Authority shall be at liberty to proceed against him strictly in accordance with law after taking due consideration of the terms and conditions of the auction.

49. Keeping in view the aforesaid discussion, the writ petition is **allowed**. The impugned orders dated 24.12.2024 and 11.4.2025, copies of which are annexure 1 and 2 respectively to the writ petition, are quashed.

(Amitabh Kumar Rai,J.) (Alok Mathur,J.)

July 15, 2026
J. K. Dinkar