



IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 17TH DAY OF DECEMBER, 2025



BEFORE

THE HON'BLE MR. JUSTICE SURAJ GOVINDARAJ

WRIT PETITION NO. 31939 OF 2025 (GM-TEN)

C/W

WRIT PETITION NO. 31808 OF 2025 (GM-TEN)

IN WP No. 31939/2025

BETWEEN:

M/S DRN INFRASTRUCTURE PVT. LTD
REG UNDER COMPANIES ACT 2013,
OFFICE AT NO. 36, MUNIRATHANAM ORCHIDS,
2ND FLOOR, RAILWAY PARALLEL ROAD,
NEHRU NAGAR, SESHADRIPURAM,
BENGALURU 560020.
REPRESENTED BY ITS GENERAL MANAGER
(HEAD OF CONTRACTS AND TENDERING)
MR ARUNKUMAR C NADGOUDA

...PETITIONER

(BY SRI.VIKRAM HUILGOL, SR.ADVOCATE FOR SRI. ADITYA BHAT,
ADVOCATE)

AND:

1. UNION OF INDIA
REPRESENTED BY THE GENERAL MANAGER,
SOUTH WESTERN RAILWAY, RAIL SOUDHA,
GADAG ROAD, HUBLI-580020
2. CHIEF ADMINISTRATIVE OFFICER (CONSTRUCTION),
SOUTH WESTERN RAILWAY, NO.18, MILLERS ROAD,
BENGALURU 560006
3. CHIEF ENGINEER/CONSTRUCTION,
SOUTH WESTERN RAILWAY, NO.18, MILLERS ROAD,
BENGALURU - 560006





NC: 2025:KHC:54420
WP No. 31939 of 2025
C/W WP No. 31808 of 2025

4. DEPUTY CHIEF ENGINEER- III/CONSTRUCTION,
SOUTH WESTERN RAILWAY, NO.18, MILLERS ROAD,
BENGALURU 560006

...RESPONDENTS

(BY SRI.ARAVIND KAMATH, AGSI FOR SRI.B.S.VENKATANARYANA,
C/R)

THIS WP IS FILED UNDER ARTICLE 226 OF THE
CONSTITUTION OF INDIA PRAYING TO A. ISSUE A WRIT IN THE
NATURE OF CERTIORARI FOR QUASHING THE TERMINATION NOTICE
BEARING NO. W.496/TK-RDG-EPC-04 DATED 18.08.2025 ISSUED BY
RESPONDENT NO.2 AT ANNEXURE NO.A AND ETC.,

IN WP NO. 31808/2025

BETWEEN:

M/S DRN INFRASTRUCTURE PVT. LTD
REG UNDER COMPANIES ACT 2013,
OFFICE AT NO. 36, MUNIRATHANAM ORCHIDS,
2ND FLOOR, RAILWAY PARALLEL ROAD,
NEHRU NAGAR, SESHADRIPURAM,
BENGALURU 560020.
REPRESENTED BY ITS GENERAL MANAGER
(HEAD OF CONTRACTS AND TENDERING)
MR ARUNKUMAR C NADGOUDA

...PETITIONER

(BY SRI.DEVADATT KAMAT, SR.ADVOCATE FOR SRI. ADITYA
BHAT, ADVOCATE)

AND:

1. UNION OF INDIA
REPRESENTED BY THE GENERAL MANAGER,
SOUTH WESTERN RAILWAY, RAIL SOUDHA,
GADAG ROAD, HUBLI-580020
2. CHIEF ADMINISTRATIVE OFFICER (CONSTRUCTION),
SOUTH WESTERN RAILWAY, NO.18, MILLERS ROAD,
BENGALURU 560006
3. CHIEF ENGINEER/CONSTRUCTION,
SOUTH WESTERN RAILWAY, NO.18, MILLERS ROAD,
BENGALURU - 560006



4. DEPUTY CHIEF ENGINEER- III/CONSTRUCTION,
SOUTH WESTERN RAILWAY, NO.18, MILLERS ROAD,
BENGALURU 560006

...RESPONDENTS

(BY SRI.ARAVIND KAMATH, ASGI FOR
SRI.B.S.VENKATANARAYANA, C/R)

THIS WP IS FILED UNDER ARTICLE 226 OF THE
CONSTITUTION OF INDIA PRAYING TO A. ISSUE A WRIT IN THE
NATURE OF CERTIORARI FOR QUASHING THE TERMINATION
NOTICE BEARING NO. W.496/TK-RDG-EPC-03 DATED
18.08.2025 ISSUED BY RESPONDENT NO.3 AT ANNEXURE NO.A
AND ETC.,

THESE PETITIONS, COMING ON FOR PRELIMINARY HEARING,
THIS DAY, ORDER WAS MADE THEREIN AS UNDER:

CORAM: HON'BLE MR. JUSTICE SURAJ GOVINDARAJ

ORAL ORDER

1. The Petitioner in WP No.31939/2025 is before this Court
seeking for the following reliefs:

- a. *Issue a writ in the nature of certiorari for quashing the termination notice bearing no. W.496/TK-RDG-EPC-04 dated 18.08.2025 issued by respondent no.2 at Annexure No.A.*
- b. *Issue a writ in the nature of certiorari for quashing the letter bearing no W.496/TK-RDG-EPC-03 and 04 and dated 8.9.2025 issued by respondent no 4 at annexure no. N in so far as petitioner is concerned.*
- c. *Issue a writ in the nature of mandamus directing respondent no 2 to refund the encashed bid security amounting to Rs. 2,00,00,000/-.*
- d. *Pass any such other and further orders as this Honble court deems fit in the interest of justice and equity.*



2. The Petitioner in WP No.31808/2025 is before this Court seeking for the following reliefs:

- a. *Issue a writ in the nature of certiorari for quashing the termination notice bearing no. W.496/TK-RDG-EPC-03 dated 18.08.2025 issued by respondent no.3 at Annexure No.A.*
- b. *Issue a writ in the nature of certiorari for quashing the communications bearing no W.496/TK-RDG-EPC-03 and 04 and dated 8.9.2025 issued by respondent no 2 at Annexure No. M as so far petitioner is concerned.*
- c. *Issue a writ in the nature of mandamus directing respondent no 2 to refund the encashed bid security amounting to Rs. 1,85,19,500/-.*
- d. *Pass any such other and further orders as this Honble court deems fit in the interest of justice and equity.*

3. At the very outset, Sri Devdatt Kamat, learned Senior Counsel appearing for the petitioner in W.P.No.31308/2025 as also Sri Vikram Huilgol, learned Senior Counsel appearing for the petitioner in W.P.No.31939/2025 submit that:

3.1. They would not be challenging the termination notice and/or encashment of the Bid Security



amount, but would only be restricting the claim and relief sought for as regards the levy of liquidated damages and initiation of any further proceedings in terms of Clause 4.1 and 4.2 of the Request for Proposal ('**RFP**' for short) and Clause 7.1.2 of Engineering Procurement and Construction Agreement ('**EPC**' for short).

3.2. Their submission is that the Petitioner is an innocent party inasmuch as the Petitioner had engaged the services of Mr Jay Doshi and Mr Brijesh Bhuta to arrange for Bank Guarantees since they had indicated that they arrange for such Bank Guarantees for reputed construction Companies. The Bank Guarantee furnished by the said Mr.Jay Doshi and Mr.Brijesh Bhuta had been furnished by the Petitioner to the respondents for the purpose of consideration of the Bid submitted in furtherance of the RFP.



- 3.3. The petitioner-Company itself was shocked to come to know of the fact that the said Bank Guarantees were fabricated and are forged Bank Guarantees only when the respondents informed them about the same.
- 3.4. Their submission is that the petitioner-Company itself has filed a complaint which has been registered in Crime No.395/2025 by the Charkop, Kandivali Police Station, Mumbai against the said Jay Doshi and Brijesh Bhuta for the offences punishable under Sections 316(2), 316(5), 318(4), 338, 336(3), 340(2) r/w Section 61 of the Bharatiya Nyaya Sanhita, 2023,(hereinafter referred to as 'BNS-2023' for short). Investigation having been completed, a charge sheet has been laid on 18.10.2025.
- 3.5. By relying on the charge sheet, it is submitted that during the course of investigation, it was



found that not only the petitioner but also nearly 12 other entities had been cheated by furnishing such fabricated and forged Bank Guarantees. The said Bank Guarantees had been prepared from the Bank of India, Pune Branch and one Mr. Ashish Singh, being the main accused, had prepared fake Bank Guarantees for the complainant Company, i.e., the petitioner, as well as several other Companies.

3.6. On that basis, they submit that the Bank Guarantees having been fabricated by a third party as regards whom the petitioner itself had submitted a complaint. The petitioner has established its *bona fide* in prosecuting the said complaint where a charge sheet has been laid. Further *bona fides* are established on account of the petitioner forgoing the tender as also the Bid Security in relation thereto.



3.7. The submission is that since there are no *mala fides* on the part of the petitioner, nor is the petitioner involved in creating or obtaining a fabricated bank guarantee, the petitioner ought not to be mulched with liquidated damages and/or proceedings under Clauses 4.1 and 4.2 of the RFP and 7.1.2 of EPC.

3.8. It is further submitted by relying on the statement of objections which has been filed by the respondents that even when the respondents, as per the email furnished the Bank Guarantee, a reply had been received by the respondents that the Bank Guarantees which had been issued was genuine and was so issued by Bank of India as per the email ID produced. But however, subsequently, when the Bank Guarantees were found to be false, and another email had been addressed, the Bank had replied stating that the email ID was



not that of the said Bank and that the Bank did not have any such email ID and the employee named earlier, namely Mr.Ashok Jadav was not an employee of Bank of India.

3.9. On that basis their submission is that even if the respondents were misled by the actions on the part of the fraudsters against whom the petitioner has filed a complaint, the petitioner also in all *bona fide* was misled in a similar manner and no fault can be found in the petitioner's actions.

4. Sri. Arvind Kamath, learned ASGI would submits that whether the petitioner was involved in the fabrication of the Bank Guarantee or not, the fact remains that the fabricated Bank Guarantee has been submitted and as such the respondents would be entitled to exercise rights under Clauses 4.1 and 4.2 of the RFP and 7.1.2 of EPC and levy liquidated damages as



against the petitioner as also take such proceedings as are permissible in terms of said Clauses 4.1 and 4.2 of the RFP and 7.1.2 of EPC.

5. Heard Sri Devdatt Kamat, learned Senior Counsel appearing for the petitioner in W.P.No.31308/2025 as also Sri Vikram Huilgol, learned Senior Counsel appearing for the petitioner in W.P.No.31939/2025, Sri Aravind Kamat, learned ASGI for the respondents, and perused papers.
6. A short question in the present matters which would arise for consideration is:

“Whether, *ex facie*, the petitioner can be said to be involved in the fabrication of the Bank Guarantee requiring the respondents to exercise their rights under Clauses 4.1 and 4.2 of the RFP and 7.1.2 of EPC as mentioned supra?”



7. The facts as detailed above are not in dispute. The said Clauses 4.1 and 4.2 of the RFP and 7.1.2 of EPC, are reproduced hereunder for easy reference:

*"4.1 The Bidders and their respective officers, employees, agents and advisers shall observe the highest standard of ethics during the Bidding Process and subsequent to the issue of the LOA and during the subsistence of the Agreement. Notwithstanding anything to the contrary contained herein, or in the LOA or the Agreement, the Authority may reject a Bid, withdraw the LOA, or terminate the Agreement, as the case may be, without being liable in any manner whatsoever to the Bidder, if it determines that the Bidder, directly or indirectly or through an agent, engaged in corrupt practice, fraudulent practice, coercive practice, undesirable practice or restrictive practice in the Bidding Process. In such an event, the Authority shall be entitled to **bar the bidder from submission of bids in any Works/Service tender issued by Indian Railway for a period of 12 months from the date of such banning done in e-platform IREPS or forfeit and appropriate the Performance Security**, as the case may be, as Damages, without prejudice to any other right or remedy that may be available to the Authority under the Bidding Documents and/or the Agreement, or otherwise."*

8. A perusal of Clause 4.1 of RFP would indicate that in the event of the bidders or their respective officers, employees, agents, advisers not observing the highest standard of ethics during the bidding process, issuance of the LOA and during the



substance of the agreement, the Authority would be entitled to bar the bidder from submission of any works or service tender issued by the Indian Railways for a period of 12 months.

"4.2 Without prejudice to the rights of the Authority under Clause 4.1 hereinabove and the rights and remedies which the Authority may have under the LOA or the Agreement, or otherwise if a Bidder or Contractor, as the case may be, is found by the Authority to have directly or indirectly or through an agent, engaged or indulged in any corrupt practice, fraudulent practice, coercive practice, undesirable practice or restrictive practice during the Bidding Process, or after the issue of the LOA or the execution of the Agreement, such Bidder shall not be eligible to participate in any tender or RFP issued by the Authority during a period of 2 (two) years from the date such Bidder, or Contractor, as the case may be, is found by the Authority to have directly or indirectly or through an agent, engaged or indulged in any corrupt practice, fraudulent practice, coercive practice, undesirable practice or restrictive practices, as the case may be."

9. A perusal of Clause 4.2 of RFP would indicate that if the bidder Directly or indirectly or through an agent has engaged or indulged in any corrupt practice, fraudulent practice, coercive practice, undesirable practice, or restrictive practice during the bidding process or after the issuance of LOA or the execution



of the agreement, such bidder shall not be eligible to participate in any tender or RFP issued by the Authority for a period of 2 years from the date of the such bidder or contractor being informed by the Authority to who have directly or indirectly indulged in the above practice.

"7.1.2 Notwithstanding anything to the contrary contained in this Agreement, the Parties agree that in the event of failure of the Contractor to provide the Performance Security in accordance with the provisions of Clause 7.1.1 and within the time specified therein or such extended period as may be provided by the Authority, in accordance with the provisions of Clause 7.1.3, the Authority shall encash the Bid Security and appropriate the proceeds thereof as part-Damages, and thereupon all rights, privileges, claims and entitlements of the Contractor under or arising out of this Agreement shall be deemed to have been waived by, and to have ceased with the concurrence of the Contractor, and this Agreement shall be deemed to have been terminated by mutual agreement of the Parties along with further levy of the Liquidated Damages equivalent to the stipulated 'Performance Security', which shall be recoverable from contractor's pending/future dues with IR in any of the ongoing/future contracts."

10. A perusal of Clause 7.1.2 of EPC would indicate that in the event of the contractor failing to provide the performance security within the time frame prescribed, the Authority would encash the Bid



Security and appropriate the proceeds thereof as part-damages and thereupon the rights of the contractor would cease, and the agreement would stand terminated by a mutual agreement of the parties, entitling the respondent to further levy liquidated damages equivalent to the stipulated performance security, which shall be recoverable from the contractor's pending/future dues with the Indian Railways and any of the ongoing or future contracts.

11. What the above Clauses require is for an action on the part of the contractor, directly or indirectly, to have indulged in any of the above activities. In the present matters, as per the charge sheet which has been laid, it is clear that firstly, the charge sheet has been laid on the basis of the complaint filed by the petitioner; secondly, though there are several accused who have been arrayed, neither the petitioner nor its officers have been arrayed as



accused; thirdly, it has been categorically stated that the mastermind is one Mr.Ashish Singh and fake Bank Guarantees have been issued to nearly 12 other entities, defrauding them.

12. From the documents on record, it is clear that there is no particular allegation against the petitioner having indulged in such activities. It is the person whom the petitioner had approached who has indulged in such activities and furnished the fake Bank Guarantees to the petitioner. There being no allegation against the petitioner that the petitioner has secured fake Bank Guarantees or has conspired with those accused to secure such fake Bank Guarantees.

13. The *bona fides* of the petitioner are established by giving up the tender as also the Bid Security amount of ₹2,00,00,000/-, I am of the considered opinion that the liquidated damages cannot be levied on the



petitioner, more so, when there is no contract which has been entered into between the petitioner and the respondents, that the above fabrication of a Bank Guarantee came to notice before the issuance of the work order and/or execution of the contract. Insofar as the embargo that could be imposed on the petitioner under clauses 4.1 and 4.2, that would also be dependent on the active participation of the petitioner in securing such a fabricated Bank Guarantee, which, as indicated supra, is not. Hence, the question of imposing such an embargo of 12 months under Clause 4.1 or 2 years under Section 4.2 of the RFP would also not arise. Hence, I am of the considered opinion that though the termination would stand, the threats held out by the respondents that there would be a levy of liquidated damages and/or debarring the petitioner from participating in future tenders cannot stand in view of the above.



14. The learned Additional Solicitor General of India submits that the present proceedings have incidentally brought to light a matter of serious and recurring concern, namely the furnishing and acceptance of fake bank guarantees in the course of tendering and allied commercial transactions. It is submitted that, as a consequence of such fake guarantees being acted upon as genuine, nearly twelve entities have been cheated, resulting in substantial financial exposure and avoidable contractual and legal disputes.

15. The issue, as submitted, is not confined to the facts of the present case alone, but reveals a wider systemic vulnerability in the existing processes governing the submission, acceptance, and verification of bank guarantees, particularly in the context of public procurement and large-scale contractual engagements. The absence of a uniform, secure, and verifiable mechanism for authentication



of bank guarantees creates fertile ground for fraud, undermines commercial certainty, and poses risks to public funds and institutional trust.

16. The learned ASGI submits that the Ministry of Finance has taken cognisance of the issue and proposes to flag the matter at the appropriate level and an appropriate system would be implemented within 8 weeks time is placed on record. It is further submitted that the Ministry proposes to take up the issue with the concerned authorities with a view to examining the need for, and feasibility of, evolving a comprehensive and standardised system for verification of bank guarantees furnished during the tendering process or otherwise, so as to prevent recurrence of such incidents.

17. This Court is of the considered view that bank guarantees occupy a position of central importance in commercial and governmental transactions and



function as instruments of financial assurance upon which contracting parties and public authorities routinely rely. Any erosion of confidence in the authenticity of such instruments has ramifications that extend beyond individual disputes and directly implicates public interest, fiscal discipline, and the integrity of public procurement processes.

18. While the formulation of policy measures and institutional mechanisms lies within the domain of the executive, the Court cannot be oblivious to the fact that repeated instances of fraudulent bank guarantees, if left unaddressed at a systemic level, have the potential to result in recurring financial loss, multiplicity of litigation, and diminished confidence in tendering frameworks administered by the State and its instrumentalities.

19. In that view of the matter, the submission that the Ministry of Finance has taken note of the issue and



proposes to examine remedial and preventive measures assumes significance. Any steps taken towards strengthening verification protocols, enhancing inter-institutional coordination, and introducing secure authentication mechanisms would have a salutary effect in safeguarding public interest and in reinforcing the credibility of financial instruments relied upon in public transactions.

20. Without expressing any opinion on the modalities to be adopted, and without trenching upon the domain of policy formulation, I'am of the considered opinion that the availability of contemporary technological and institutional solutions may merit examination by the appropriate authorities with a view to strengthening safeguards against the furnishing and acceptance of fake bank guarantees.

21. By way of illustration, and without being exhaustive, such measures may include the issuance of bank



guarantees in a digitally verifiable form incorporating secure and tamper-proof QR codes or similar authentication tools, enabling instant verification of the guarantee particulars, such as the issuing bank and branch, beneficiary, amount, period of validity, and subsisting status, directly from the issuer's system.

22. The adoption of a centralised or interoperable digital verification platform, accessible to procuring authorities, public sector undertakings, and other beneficiary institutions, may also merit consideration, so as to enable verification of bank guarantees directly from the issuing bank without reliance on physical documents or intermediaries.
23. The feasibility of secured electronic interfaces or application programming interfaces (APIs) enabling real-time or near real-time confirmation of bank guarantees between issuing banks and beneficiary



authorities, particularly at the stages of tender evaluation, award, or contract administration, may likewise be examined, with a view to reducing discretion, delay, and scope for manipulation.

24. Further, the assignment of a unique, non-reusable identification number to each bank guarantee, capable of verification throughout its lifecycle, including issuance, amendment, extension, invocation, and discharge, may assist in preventing duplication, alteration, or reuse of fraudulent instruments.
25. The transition towards digital-only issuance of bank guarantees, supported by bank-grade encryption, digital signatures, and date and time-stamped issuance records, may also be explored, with physical copies, if any, being treated only as non-authoritative representations of the electronically issued instrument.



26. For bank guarantees involving higher monetary thresholds, the requirement of direct issuer-side confirmation to the beneficiary authority, through secure electronic communication, may merit consideration as an additional safeguard against fraud.

27. Standardisation of the minimum data fields, format, and verification parameters of bank guarantees across issuing banks may further facilitate automated verification and reduce ambiguity arising from divergent formats and practices.

28. The maintenance of an auditable electronic trail of verification attempts, including the date, time, verifying authority, and outcome, may enhance transparency, accountability, and institutional oversight, and may also assist in vigilance, audit, and dispute resolution processes.



29. The above observations are made only illustratively, without mandating the adoption of any particular mechanism, and solely to underscore the systemic importance of robust verification processes in safeguarding public interest, protecting public funds, maintaining financial discipline, and preserving confidence in public procurement and contractual frameworks.
30. In that view of the matter, I pass the following:

ORDER

- i) Writ petitions are allowed.
- ii) A certiorari is issued, notice bearing No.W.496/TK-RDG-EPC-04 dated 18.08.2025 issued by respondent No.3 at Annexure-A and the letter bearing No.W.496/TK-RDG-EPC-03 & 04 dated 08.09.2025 issued by respondent No.4 at Annexure-N insofar as the levy of liquidated damages and/or debarring of the petitioner is concerned, is quashed in **W.P.No.31939/2025.**



- iii) A certiorari is issued, notice bearing No.W.496/TK-RDG-EPC-03 dated 18.08.2025 issued by respondent No.3 at Annexure-A and the letter bearing No.W.496/TK-RDG-EPC-03 & 04 dated 08.09.2025 issued by respondent No.4 at Annexure-M insofar as the levy of liquidated damages and/or debarring of the petitioner is concerned, is quashed in **W.P.No.31808/2025.**
- iv) It is made clear that the termination of the tender will continue to be in force and that the Bid Security, which has been forfeited, will continue to stand forfeited.
- v) Though the above matter is disposed relist on 16.03.2026, to enable the learned ASGI to place on record the system implemented by the Respondents.

SD/-
(SURAJ GOVINDARAJ)
JUDGE

KTY