



2026:DHC:5071-DB



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

*Date of decision: 15<sup>th</sup> May, 2026*

+ **RFA(COMM) 619/2025 & CM APPL. 69343/2025, CM APPL. 69344/2025, CM APPL. 69346/2025**

**MUNICIPAL CORPORATION OF DELHI  
(THROUGH ITS CIVIC CENTER,  
MINTO ROAD, NEW DELHI-110002) .....APPELLANT**

Through: Mr. Siddhant Nath, Standing  
Counsel with Mr. Amaan Khan,  
Advocate

Versus

**SH. SAHIBJEET SINGH BAGGA  
(61/10 IIND FLOOR RAMJAS ROAD,  
KAROL BAGH, NEW DELHI-05) ... RESPONDENT**

Through: Mr. Vikas Sharma, Advocate

**CORAM:  
HON'BLE MR. JUSTICE NITIN WASUDEO SAMBRE  
HON'BLE MR. JUSTICE AJAY DIGPAUL**

**J U D G M E N T ( O R A L )**

**NITIN WASUDEO SAMBRE, J.**

1. The present proceedings arise out of a commercial dispute between the respondent/plaintiff, Shri Sahibjeet Singh Bagga, sole proprietor of M/s Sahibjeet Singh Bagga, a registered contractor of the Municipal Corporation



of Delhi (MCD), and the appellant/defendant, MCD. The dispute pertains to payments allegedly due in respect of civil works executed by the respondent pursuant to four work orders issued by the appellant during the period 2019–2020 for improvement and development of lanes within the jurisdiction of MCD.

2. The four work orders forming the subject matter of the dispute are:

- (i) Work Order No. EE(M-SZ-I)(EE-IV)/SYS/2019-2020/128 dated 05.11.2019;
- (ii) Work Order No. EE(M-SZ-I)(EE-IV)/SYS/2019-2020/367 dated 11.03.2020;
- (iii) Work Order No. EE(M-SZ-I)(EE-IV)/SYS/2019-2020/336 dated 26.12.2019; and
- (iv) Work Order No. EE(M-SZ-I)(EE-IV)/SYS/2019-2020/334 dated 26.12.2019.

For the convenience, details are as under:

Work Order No	Date Issued	Stipulated Timeline (Completion)	Contractual Amount (as per plaint)	Earnest Money at Tender + Security Deposit
128	05.11.2019	2 months	4,27,477/	Rs.42,744
336	26.12.2019	3 months	6,78,143/	Rs.67,814
334 (5year warranty obligation specifically)	26.12.2019	3 months	7,88,941/	Rs.78,894
367	11.03.2020	2 months	4,20,436	Rs.42,003



3. The stipulated completion period for Work Orders Nos. 128 and 367 was two months, while the completion period for Work Orders Nos. 336 and 334 was three months.

4. According to the respondent, the contractual works were executed and the corresponding bills were processed; however, certain amounts relating to running account bills, final bills, security deposits, and earnest money remained unpaid or withheld by the appellant. The respondent asserted that despite repeated requests and correspondence seeking release of the outstanding amounts, the payments were not made. Consequently, the instituted Commercial Suit No. 1131/2024 before the Court of the District Judge (Commercial Court-01), Central District, Tis Hazari Courts, Delhi, seeking recovery of a total sum of ₹9,33,105/-, comprising ₹7,27,073/- towards the principal amount allegedly due and ₹2,06,032/- towards interest calculated from the date of institution of the suit.

5. Upon service of summons, the appellant entered appearance and filed a written statement contesting the suit. The appellant raised preliminary objections regarding maintainability, limitation, absence of cause of action, and non-compliance by the respondent with contractual requirements. The appellant relied upon various provisions of the General Conditions of Contract ('GCC'), contending that payments under the work orders were governed by contractual stipulations relating to submission of bills, processing of payments on queue basis, release of security deposits, and fulfilment of statutory requirements. The appellant further asserted that



certain payments and deductions had been made in accordance with the contract and departmental procedures.

6. The respondent thereafter filed a replication denying the averments made in the written statement and reaffirming the claims set out in the plaint. Upon completion of pleadings, the Commercial Court framed the following issues on 10.01.2025:

*“(i) Whether the suit was barred by limitation; OPD*

*(ii) Whether the plaintiff was entitled to recovery of ₹4,95,618/- towards allegedly withheld bill amounts; OPP*

*(iii) Whether the plaintiff was entitled to release of security deposit and earnest money amounting to ₹2,31,455/-; OPP*

*(iv) Whether the plaintiff was entitled to interest and, if so, at what rate and for what period; and OPP*

*(v) Relief.”*

7. Both parties led evidence in support of their respective pleadings. The respondent examined himself and relied upon the work orders, bills, correspondence, and other documents in support of his claim. The appellant also led evidence and relied upon contractual documents, departmental records, calculation sheets, and the General Conditions of Contract to substantiate its defence. Following completion of evidence, final arguments were heard on 18.07.2025.

8. By judgment and decree dated 30.07.2025, the learned Commercial Court partly decreed the suit holding that the respondent is entitled to recover ₹4,95,618/- towards withheld bill amounts in respect of Work Orders Nos.



128, 367 and 336, and ₹1,88,711/- towards security deposits relating to Work Orders Nos. 367, 336 and 334. The Court further awarded pre-suit, *pendent lite* and future interest @ 9% per annum on the amounts found due, along with costs of the proceedings. In relation to Work Order No. 128, the Court also granted *pendent lite* interest on certain amounts of earnest money until the dates on which such amounts were released.

9. Aggrieved by the judgment and decree dated 30.07.2025, the appellant-Municipal Corporation of Delhi has preferred the present Regular First Appeal under Section 13 of the Commercial Courts Act, 2015, challenging the findings recorded by the Commercial Court and setting aside of the impugned judgment and decree. The appeal principally concerns the parties' dispute regarding the plaintiff's entitlement, under the contractual framework governing the work orders, to the withheld bill amounts, security deposits, earnest money, and the interest claimed thereon.

### **SUBMISSIONS OF THE APPELLANT**

10. Learned counsel appearing for the appellant submits that the same is contrary to the evidence on record and the contractual terms governing the parties. It is argued that the learned Commercial Court failed to appreciate that the contractor had not submitted the final bills in the prescribed departmental format within the time stipulated under Clauses 7 and 9 of the GCC. According to the appellant, submission of a valid final bill was a condition precedent for processing and release of payments, and in the absence of compliance with the contractual requirements, no decree could have been passed in favour of the respondent.



11. Counsel further contends that the letters dated 06.12.2023 relied upon by the respondent could not be treated as final bills, as they were not accompanied by measurement sheets, material account statements and other supporting documents required for verification under the GCC. It was submitted that the learned Commercial Court ignored these deficiencies while adjudicating the respondent's claims.

12. It was next argued that the respondent had accepted running account bills and part payments from time to time without raising any protest regarding deductions made by the department. Having accepted such payments without reservation, the respondent was estopped from subsequently asserting further claims. Learned counsel submits that the principles of waiver, accord and satisfaction, and estoppel squarely apply to the facts of the present case, rendering the respondent's claims legally untenable.

13. The appellant further submits that the learned Commercial Court failed to appreciate the contractual mechanism governing release of payments. Drawing attention to Clauses 7 and 9 of the GCC, counsel argued that payments were to be processed on a queue basis and were dependent upon availability of funds. The contract expressly excluded liability on the part of the department to pay interest for delays attributable to shortage of funds. Consequently, the award of pre-suit, *pendent lite* and future interest @ 9% per annum was contrary to the contractual stipulations binding upon the parties.

14. It is further submitted that the learned Commercial Court erred in directing release of security deposits and earnest money. Counsel argued that



Clause 45 of the GCC mandates production of a clearance certificate from the Labour Department before refund of the security deposit, whereas Clause 17 provides that the security amount could be released only after clearance of the final bill. According to the appellant, the respondent had not fulfilled these contractual requirements.

15. In relation to Work Order No. 334 dated 26.12.2019, learned counsel submits that the work was subject to a five-year warranty period, which had not expired when the suit was instituted. It was therefore argued that the security deposit pertaining to the said work order could not have been released. Similarly, with respect to Work Order No. 336, it was contended that the respondent had failed to furnish mandatory SLF receipts relating to disposal of 'malba' and had submitted incomplete RMC challans, thereby justifying withholding of the amounts claimed.

16. The appellant has also challenged the findings of the Commercial Court on limitation. It is argued that several claims pertained to deductions and payments made during the years 2020–2021 and were, therefore, barred by limitation. Counsel submits that the Commercial Court erroneously relied upon the orders of the Hon'ble Supreme Court extending limitation during the COVID-19 pandemic and applied them beyond their intended scope.

17. Learned counsel further contends that the Commercial Court failed to properly consider the documentary evidence adduced by the appellant, including calculation sheets and departmental clarifications explaining the reasons for deductions and non-payment. According to the appellant, these documents demonstrates that the amounts withheld were not admitted



liabilities but were retained in accordance with the contractual provisions pending fulfilment of contractual obligations by the respondent.

18. It is additionally submitted that the award of interest @ 9% per annum was arbitrary and unsupported by reasons. Counsel argued that Section 34 of the Code of Civil Procedure requires the Court to assign reasons while granting interest and that the impugned judgment failed to do so.

19. Lastly, counsel has submitted that the impugned judgment did not adequately deal with the specific defence raised by the appellant, including limitation, waiver, non-submission of final bills, contractual exclusion of interest, and the contractual justification for withholding security deposits. It was argued that the Commercial Court was required to adjudicate the dispute strictly in accordance with the contractual terms between the parties, but instead proceeded on equitable considerations, thereby effectively rewriting the contract. On these grounds, the appellant has prayed that the impugned judgment and decree be set aside and the appeal be allowed.

### **SUBMISSIONS OF THE RESPONDENT**

20. In response, the learned counsel representing the Respondent-contractor has supported the impugned judgment and decree, submitting that the Trial Court's findings are based on a meticulous evaluation before the Trial Court and require no interference. It is submitted that the physical completion of the public works was fully verified, certified, and passed within the internal accounting registers of the department by MCD's own engineering staff, which makes the non-submission of triplicate paper forms a completely



hollow, hyper-technical objection. The Respondent argues that a public statutory body cannot consume and enjoy the benefits of civic infrastructure developments and subsequently hide behind internal fund shortages or priority queues to withhold a contractor's hard-earned money for over five years.

21. The learned counsel contends that the priority "Queue System" can only regulate reasonable, short-term administrative delays and cannot be used as an elastic, open-ended license to block working capital indefinitely, which would completely cripple independent businesses. With respect to the defense of Accord and Satisfaction, the Respondent submits that the partial payments and the letters of December 2023 were accepted under sheer economic duress to keep the business afloat while the corporation choked its funds. It is argued that there was no free consent or true intention to waive the remaining dues, and MCD has failed to produce any formal "No Dues Certificate" or explicit discharge voucher signed by the contractor that shows a waiver of the remaining passed balances or security guarantees.

22. Regarding the objection on limitation, the counsel submits that the internal processing, continuous representations, and subsequent verifications by the department kept the claim alive, and the Trial Court correctly applied the protective pandemic-era extension orders passed by the Hon'ble Supreme Court. On the issue of security deposits, the Respondent has argued that under the clear terms of Clause 45, if no labour complaint is pending on record within six months from completion, the clearance certificate is deemed to have been received. It is highlighted that MCD's own witness admitted during



cross-examination that no labour complaints, wage disputes, or structural defects were ever recorded across any of the four work orders, making the retention of the security deposits for over five years wholly arbitrary and punitive.

23. The counsel concludes by stating that when a public body wrongfully detains verified public dues for years, it causes immense financial loss to the contractor, and therefore, the Commercial Court holds full statutory discretion to award a reasonable, compensatory rate of interest under Section 34 of the Code of Civil Procedure, 1908.

### **ANALYSIS**

24. We have carefully perused the trial records, examined the conflicting submissions advanced by the learned counsel, and scrupulously evaluated the evidence brought on record in light of the governing clauses of the General Conditions of Contract.

25. The primary defence set up by the Corporation hinges upon its internal priority queue system and the general policy guidelines linking payments to fund availability at headquarters. While this Court understands that a public statutory body must manage complex budgetary allocations, an administrative queue cannot be stretched out to an unreasonable, open-ended period to deny clear, verified operational dues. The civic works were fully executed and used by the public as far back as 2020. Retaining a contractor's money for more than five years while citing an internal shortage of liquid funds is completely unconscionable and stands opposed to public policy.



26. We must note that a very similar controversy involving the same appellant and identically worded standard conditions came up for our detailed adjudication in the matter of *RFA (COMM) 677/2025* decided on 12<sup>th</sup> January 2026 titled *Municipal Corporation of Delhi v. M/s Ram Niwas Goel [2026:DHC:177-DB]*. In the aforesaid matter, this Court specifically evaluated the operational failures of the Corporation, observing that while the MCD regularly blames independent contractors for project delays, the internal departmental communications reveal that the Corporation systematically fails to move the appropriate forest and horticulture channels to clear structural impediments.

27. Reaffirming the legal principles settled in paragraphs 52 and 53 of *M/s Ram Niwas Goel* (supra), we hold that where the public authority itself creates a situation wherein structural impediments arise due to its failure to remove site hindrances, it is simply not open for the Appellant to blame the contractor for not executing the entire agreement within the stipulated calendar period. A priority queue or an internal fund-allocation guideline cannot serve as an open-ended legal shield to escape a vested debt when the engineering division has already certified the physical execution of the works. For the convenience, the observation reads thus under:

*“52. If we look into the documents which are in the form of intradepartmental communications between the appellant and the Forest Department and the Horticulture Department, it is apparent that the appellant was under obligation to remove the trees and there is inordinate delay on the part of the appellant in moving the appropriate proceedings with Forest Department and Horticulture Department for removal of the trees.*



*53. The appellant themselves created the situation wherein impediments arose due to their failure to remove the trees which affected the smooth execution of the contract. In such an eventuality and for failure to remove the trees for which the appellant was duty-bound to take action, it is not open for the appellant to blame the respondent for not executing the entire contract within the stipulated time.”*

28. Furthermore, as explicitly noted in paragraphs 55 and 56 of *M/s Ram Niwas Goel* (supra), the absolute failure on the part of MCD’s engineers to properly maintain the official site registers and hindrance logs cannot be used to penalize a small enterprise. Following the mandate established in *M/s Ram Niwas Goel* (supra), the administrative inertia on the part of the public body in updating and maintaining clear operational books entirely justifies the case of the contractor that a clear, unhindered site was never handed over within the contemplation of the original notice inviting tenders. The relevant paras read thus:

*“55. Hindrance register Ex.DW-1/9 placed on record rather establishes that the site was not available to the respondent from 03 January 2020 to 22<sup>nd</sup> February 2020 and thereafter from 22<sup>nd</sup> March 2020 till June 2020.*

*56. The hindrance register, if verified, does not speak of any further entries which fact justifies the ease of the respondent/plaintiff that there was complete failure on the part of the appellant in the matter of clearing hindrances by removing of trees.”*

29. The objection regarding the non-submission of final bills in triplicate is equally a hyper-technicality that cannot be countenanced by this Court. The internal departmental records, particularly the calculation sheets marked as *Ex.-DW1/13*, conclusively establish that the Engineering Wing of the Corporation measured the executed works, verified the parameters, and formally passed these precise sums within their own internal accounting ledgers. Following the rationale of paragraph 58 of *M/s Ram Niwas Goel*



(supra), once a public body calculates, verifies, and records an admitted debt in its own official books, the mere fact that a bill is not submitted on a specific departmental format layout will not vitiate the legitimacy of the transaction or wipe out an active public debt. The relevant para reads thus:

*“58. As far as the first running bill is concerned viz. Ex.PW-1/16, same bears the signatures of the partner of the plaintiff. The said bill was duly processed and passed by the appellant and merely because the bill is not on the letter head that by itself will not vitiate the first running bill.”*

30. We also find that since these transactions directly intersected with the global pandemic, the learned Trial Court was correct in extending the protective benefit of limitation, directives passed by the Hon’ble Supreme Court ***In Re:Cognizance for Exentension of Limitation.***

31. We find equally little substance in the plea of Accord and Satisfaction raised under Section 63 of the Indian Contract Act, 1872. To establish a complete discharge of debt by waiver, the release of partial funds must be accompanied by a free and unconditional mutual intent to drop all remaining claims. In the arena of public works, a contractor whose working capital has been systematically blocked by a dominant state entity is often left with no practical choice but to accept whatever partial amounts are released by the department to ensure economic survival.

32. The Appellant failed to produce any explicit "*No Dues Certificate*" or unreserved discharge voucher signed by the Respondent. The mere acceptance of running payments without a formal protest on every single occasion does not translate into an absolute waiver of the contractor’s right to sue for their remaining passed balances.



33. Similarly, the Corporation's reliance on Clause 45 to hold back the security deposits is legally untenable. Clause 45 contains an express deeming provision designed specifically to prevent administrative inertia from harming a contractor. It mandates that if no communication is received from the Labor Officer within six months from completion, the clearance certificate is deemed to have been received and the security deposit must be released.

34. In the present case, the Appellant's witness admitted during cross-examination that the Corporation has not received a single labour complaint, wage dispute, or structural defect notice across any of the four work orders. Continuing to retain these security guarantees after five years, while ignoring the clear deeming mandate of clause, is arbitrary and unauthorized.

35. Finally, regarding the challenge to the award of interest, it is a settled principle of commercial jurisprudence that contractual interest-barring terms only protect an authority during a reasonable period of administrative processing. When a statutory body wrongfully detains verified public dues for over half a decade, it strips the contractor of liquidity and forces them to incur commercial borrowing costs.

36. The Division Bench of this Court in *North Delhi Municipal Corporation & Anr. v. Sanjeev Oberoi* [2018 SCC OnLine Del 13149] has systematically held that generic "no interest on delayed payments" clauses do not strip the courts of their statutory power to award interest where a state entity blocks a contractor's verified dues for a lengthy, unconscionable window. The commercial court, therefore, retains full statutory discretion under Section 34 of the Code of Civil Procedure, 1908, to award a reasonable,



compensatory rate of interest to balance the financial loss, and the Trial Court's choice of a modest 9% interest per annum, requires no appellate intervention.

### **CONCLUSION**

37. The learned Trial Court has properly analyzed the oral and documentary evidence on record, applied the core principles of contractual fairness, and rightly prevented the statutory body from unjustly enriching itself at the expense of its contractor. The impugned judgment contains no perversity, illegality, or misreading of facts that warrants correction in appeal.

38. For the reasons discussed above, the present appeal is found to be devoid of any merit and is accordingly dismissed.

39. The impugned Judgment and Decree dated 30<sup>th</sup> July, 2025 passed by Learned District Judge, Commercial Court- Delhi in *CS (COMM) No. 1131/2024* is hereby affirmed and upheld in its entirety.

40. The Appellant Corporation is directed to clear all outstanding decretal amounts, including up-to-date interest, to the Respondent contractor within a period of eight weeks from today. The parties shall bear their own costs in this appeal.

41. The Trial Court Record be returned immediately along with a certified copy of this Judgment.

42. Pending applications, if any, also stand disposed of.



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43. Copy of this judgment be uploaded on the website of this Court.

**NITIN WASUDEO SAMBRE  
(JUDGE)**

**AJAY DIGPAUL  
(JUDGE)**

**MAY 15, 2026/dm/st**