



**IN THE HIGH COURT OF PUNJAB AND HARYANA
AT CHANDIGARH**

**CWP-22128-2025 (O&M)
Reserved on: 08.08.2025
Pronounced on: 26.08.2025**

Sanjay

....Petitioner

versus

Chandigarh Administration and others

...Respondents

**CORAM: HON'BLE MR. JUSTICE DEEPAK SIBAL
HON'BLE MS. JUSTICE LAPITA BANERJI**

Present: Mr. Rahul Sharma, Advocate
for the petitioner.

Mr. Abhilaksh Grover, Advocate
Ms. Ekakshra Mahajan Mandhar, Advocate
for the respondents- Chandigarh Administration.

Deepak Sibal, J.

1. Through this petition challenge is made to the order dated 13.07.2022, passed by respondent No.3, to the extent of blacklisting the petitioner for a period of 05 years from participating in the e-tendering processes of the Chandigarh Transport Undertaking (for short – CTU) as well as all the Departments, Boards and Corporations within the purview of the Chandigarh Administration. Also under challenge is the order dated 18.07.2025, passed by respondent No.1, dismissing the petitioner's appeal, filed by him against the afore referred order dated 13.07.2022.



2. The relevant facts giving rise to this petition are as follows:

- i. Through an e-tender notice dated 08.02.2022 (for short – NIT), CTU invited e-tenders for allotment of shops/ premises at the Inter State Bus Terminus, Sector 43, Chandigarh (for short – the ISBT). The allotment of the shops/ premises was to be on licence/ monthly rental basis for a period of 06 years. As per the NIT, each tenderer was required to submit his e-bid before March 01, 2022. The list of shops/premises for which bids were invited was appended with the NIT as Annexure-A. In the said annexure, against each premises, was given its size; monthly reserve price (excluding taxes) and the earnest money required to be deposited.
- ii. The shop in question was for selling fresh fruit juice/ packed juice. It figured at serial No.6 in Annexure-A. Its given size was 14-16 feet x 7-8 feet; monthly reserve price was Rs.60,165/- and the earnest money required to be deposited was Rs.87,000/-.
- iii. The petitioner submitted his online bid well in time. Against the reserve price of Rs.60,165/- his online monthly bid was Rs.6,11,186/-. He was the highest bidder. Therefore, through allotment letter dated 30.05.2022, which would have been served on him soon thereafter, the shop in question was allotted to the petitioner for which he was required to pay rent for the first year @ Rs.73,34,232/- and thereafter, for the next 05 years with an annual increase of 5%.
- iv. On receipt of the allotment letter, the petitioner came to know that against the reserve price of Rs.60,165/- he had intended to submit his bid @ Rs.61,186/- but while filling his online bid one extra '1' got punched and resultantly, his bid was entered @ Rs.6,11,186/-. Having realized his mistake with regard to punching in of a higher bid than he intended to, without delay, on 30.06.2022, he wrote to the



Director, Transport, U.T., Chandigarh bringing to his notice the mistake committed by him and sought to withdraw from running the allotted shop. About the same time the petitioner was served with a letter dated 29.06.2022 through which the petitioner was directed to appear for personal hearing before respondent No.3 in connection with the cancellation of the allotment of the shop allotted to him.

- v. Before respondent No.3 the petitioner reiterated his stand taken through his afore referred representation. What followed was an order dated 13.07.2022, passed by respondent No.3, as per which, since the petitioner had backed out after acceptance of his bid, as per clause 5 of the NIT dated 08.02.2022, not only was his allotment cancelled, his earnest money was forfeited and that he was also blacklisted for a period of 05 years from participation in the e-tendering processes of the CTU as well all other Departments, Boards and Corporations within the purview of the Chandigarh Administration.
- vi. The petitioner immediately challenged the order passed by respondent No.3 through an appeal filed before respondent No.1, which after about 03 years of its filing, was dismissed on 18.07.2025.
- vii. It is in the afore gamut of facts that the petitioner has, through the instant petition, knocked the doors of this Court to challenge orders dated 13.07.2022 and 18.07.2025 passed by respondent No.3 and respondent No.1, respectively.

3. Learned counsel for the petitioner submitted that before blacklisting him for a period of 05 years from participating in the e-tender processes of the CTU as well as all other Departments, Boards and Corporations under the Chandigarh Administration, no show cause notice was ever served upon the petitioner; before passing the impugned order dated 13.07.2022, the petitioner was not put to any notice with regard to the harsh



and penal consequences that the respondents proposed to impose on the petitioner; all that the petitioner was served was a letter dated 29.06.2022, asking him to appear before respondent No.3, at the time and date specified in the said letter, for personal hearing as to why the shop, allotted to him through allotment letter dated 30.05.2022, may not be cancelled; the said letter did not contain any grounds or refer to any clause of the NIT on which it was based and that the entire action of the respondents, which has adversely affected the petitioner's reputation and business, in the absence of having been preceded by following of the principles of natural justice, is unsustainable in law.

4. In this regard, learned counsel for the petitioner relied on the following judgments of the Supreme Court:-

- (i) UMC Technologies Private Limited vs. Food Corporation of India and another – (2021) 2 SCC 551
- (ii) Gorkha Security Services vs. Government (NCT of Delhi) and others - (2014) 9 SCC 105
- (iii) Judgment dated 03.12.2024 in SLP (Civil) No.21782/2023 - Srusti Academy of Management vs. The State of Odisha and others

5. Learned counsel for the petitioner further submitted that the petitioner is a semi-literate person who, while applying online for a small fresh juice shop, had apparently committed a mistake and in these facts, imposing of by the respondents, upon the petitioner, the penalty of blacklisting him for 05 years was too harsh and disproportionate and that in the facts of the present case, by forfeiting the petitioner's earnest money deposit, the respondents could have their pound of flesh. On this issue, learned counsel for the petitioner sought support from the judgment of the Supreme Court in Techno Prints vs. Chhattisgarh Textbook Corporation and another – 2025 SCC Online SC 343.



6. Learned counsel for the respondents fairly admitted that before blacklisting the petitioner neither any show cause notice was served upon the petitioner nor for that purpose any opportunity of hearing was granted to him. Nonetheless, the respondent's action, impugned by the petitioner, was sought to be justified by submitting that such action was strictly as per the terms and conditions of the NIT and therefore, no fault in the same could be found especially when the petitioner had admitted that after having been allotted the shop in question he had backed out from running the shop causing a lot of inconvenience and loss to the respondents as the shop in question had to be re-allotted.

7. We have considered the submissions made by learned counsel for the parties and with their able assistance we have also perused the record of this case.

8. It is settled law that before any person is subjected to any action which may adversely affect his rights or interests or in this case also his reputation and business, he must be put to notice as to why such action is intended to be taken against him so that such person can effectively defend himself. Such notice should specify unambiguously the alleged defects or faults on the part of the recipient of the notice as also precisely set out the proposed penalties for such defects or faults.

9. In the case of blacklisting of a person or entity, which results in virtually the civil death of that person or entity, the requirement of following the principles of natural justice becomes even more crucial. This is so not only because of the grave consequence of blacklisting on a person or entity as that would debar that person/ entity from even applying for certain businesses but also for the reason that such action would also stigmatize that person/



entity's reputation. Blacklisting does not adversely affect the person or entity's business interests for the period for which such person or entity is blacklisted but also prejudices the business interests of the person or entity in the future.

10. In the present case, it remains undisputed that before blacklisting the petitioner for 05 years from participating in the e-tendering processes in the CTU as well in all the Departments, Boards and Corporations within the purview of the Chandigarh Administration, no notice was served upon him. He was not even informed that he was being blacklisted. Through the letter dated 29.06.2022, which was the only communication served on the petitioner before his blacklisting, he was simply required to appear before respondent No.3 for personal hearing with regard to cancellation of the allotment of the shop in question. In the said letter there was no reference to any ground on which basis the letter had been issued. It was also silent with regard to the proposed action in the mind of the respondent authorities for blacklisting the petitioner.

11. In the absence of a show cause notice and/ or any opportunity of hearing by the respondents to the petitioner before blacklisting him, the impugned action with regard to the petitioner's blacklisting cannot be legally sustained merely because there existed a clause in the NIT which referred to blacklisting to be a consequence in case an allottee, after submitting his bid, backed out.

12. In this regard it would be useful to refer to the following observations of the Supreme Court in UMC Technologies Private Limited's case (supra):-



*“13. At the outset, it must be noted that it is the first principle of civilised jurisprudence that a person against whom any action is sought to be taken or whose right or interests are being affected should be given a reasonable opportunity to defend himself. The basic principle of natural justice is that before adjudication starts, the authority concerned should give to the affected party a notice of the case against him so that he can defend himself. Such notice should be adequate and the grounds necessitating action and the penalty/action proposed should be mentioned specifically and unambiguously. An order travelling beyond the bounds of notice is impermissible and without jurisdiction to that extent. This Court in **Nasir Ahmad v. Assistant Custodian General, Evacuee Property, Lucknow and Anr., (1980) 3 SCC 1** has held that it is essential for the notice to specify the particular grounds on the basis of which an action is proposed to be taken so as to enable the noticee to answer the case against him. If these conditions are not satisfied, the person cannot be said to have been granted any reasonable opportunity of being heard.*

14. Specifically, in the context of blacklisting of a person or an entity by the state or a state corporation, the requirement of a valid, particularized and unambiguous show cause notice is particularly crucial due to the severe consequences of blacklisting and the stigmatization that accrues to the person/entity being blacklisted. Here, it may be gainful to describe the concept of blacklisting and the graveness of the consequences occasioned by it. Blacklisting has the effect of denying a person or an entity the privileged opportunity of entering into government contracts. This privilege arises because it is the State who is the counterparty in government contracts and as such, every eligible person is to be afforded an equal opportunity to participate in such contracts, without arbitrariness and discrimination. Not only does blacklisting takes away this privilege, it also tarnishes the blacklisted



person's reputation and brings the person's character into question. Blacklisting also has long-lasting civil consequences for the future business prospects of the blacklisted person.

15. In the present case as well, the appellant has submitted that serious prejudice has been caused to it due to the Corporation's order of blacklisting as several other government corporations have now terminated their contracts with the appellant and/or prevented the appellant from participating in future tenders even though the impugned blacklisting order was, in fact, limited to the Corporation's Madhya Pradesh regional office. This domino effect, which can effectively lead to the civil death of a person, shows that the consequences of blacklisting travel far beyond the dealings of the blacklisted person with one particular government corporation and in view thereof, this Court has consistently prescribed strict adherence to principles of natural justice whenever an entity is sought to be blacklisted.

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19. In light of the above decisions, it is clear that a prior show cause notice granting a reasonable opportunity of being heard is an essential element of all administrative decision-making and particularly so in decisions pertaining to blacklisting which entail grave consequences for the entity being blacklisted. In these cases, furnishing of a valid show cause notice is critical and a failure to do so would be fatal to any order of blacklisting pursuant thereto."

(emphasis supplied)

13. To the same effect are the following observations of the Supreme Court in the case of Gorkha Security Services (supra):-

"21. The Central issue, however, pertains to the requirement of stating the action which is proposed to be taken. The fundamental purpose behind the serving of Show Cause Notice is to make the noticee understand the precise case set up against him which he has to meet. This would require the statement of imputations



detailing out the alleged breaches and defaults he has committed, so that he gets an opportunity to rebut the same. Another requirement, according to us, is the nature of action which is proposed to be taken for such a breach. That should also be stated so that the noticee is able to point out that proposed action is not warranted in the given case, even if the defaults/ breaches complained of are not satisfactorily explained. When it comes to blacklisting, this requirement becomes all the more imperative, having regard to the fact that it is harshest possible action.

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33. When we apply the ratio of the aforesaid judgment to the facts of the present case, it becomes difficult to accept the argument of the learned Additional Solicitor General. In the first instance, we may point out that no such case was set up by the respondents that by omitting to state the proposed action of blacklisting the appellant in the show-cause notice has not caused any prejudice to the appellant. Moreover, had the action of blacklisting being specifically proposed in the show-cause notice, the appellant could have mentioned as to why such extreme penalty is not justified. It could have come out with extenuating circumstances defending such an action even if the defaults were there and the Department was not satisfied with the explanation qua the defaults. It could have even pleaded with the Department not to blacklist the appellant or do it for a lesser period in case the Department still wanted to blacklist the appellant. Therefore, it is not at all acceptable that non mentioning of proposed blacklisting in the show cause notice has not caused any prejudice to the appellant. This apart, the extreme nature of such a harsh penalty like blacklisting with severe consequences, would itself amount to causing prejudice to the appellant.”

14. In view of the above discussion on facts and the law laid down by the Supreme Court, the non-following of the principles of natural justice is



fatal to the respondent's action of blacklisting the petitioner. Therefore, the impugned orders dated 13.07.2022 and 18.07.2025, to the extent of blacklisting the petitioner, are unsustainable and set aside.

15. After having held as above, in normal circumstances, we would have remitted the matter to the respondents granting them liberty to take a fresh decision with regard to the petitioner's blacklisting but only after following the principles of natural justice. However, in the following peculiar facts of this case we are not inclined to do so:-

- a) The petitioner belongs to that strata of the society who, through the process of e-tendering, had submitted a bid for being allotted a small shop at the ISBT for selling fresh fruit juice.
- b) As per the NIT the monthly reserve licence fee fixed by the respondents was Rs.60,165/-. Thus, the respondents themselves expected the bids to be hovering around the fixed reserved licence fee and on account of this fact there appears to be credence in the petitioner's plea that he intended to submit his e-bid offering Rs.61,186/- as the monthly licence fee and that his bid for Rs.6,11,186/- was only on account of a mistake especially when it is the admitted position that immediately prior to inviting of the e-bids in question the CTU was receiving for the same shop monthly licence fee @ Rs.50,000/- (approx.) and that even after cancelling the petitioner's allotment the CTU is presently receiving for the same shop monthly licence fee @ Rs.70,000/- (approx.)
- c) There was no delay on the petitioner's part in bringing to the notice of the respondents the mistake committed by him because immediately on receiving the allotment letter, the petitioner realized that he had mistakenly submitted a bid which was 10 times more than he intended



to and without taking possession of the shop in question, he, without delay, wrote to the respondents seeking to withdraw from his bid.

- d) The record reveals that over 03 years out of the 05 years for which the petitioner had been blacklisted have already elapsed and during this period there being no interim stay in his favour he has already undergone a substantial portion of the imposed penalty and that these 03 years was the time taken by the appellate authority (respondent No.1) to decide the petitioner's appeal filed by him against his blacklisting for which delay on the part of respondent No.1 to decide the petitioner's appeal there is not even offered any explanation.

16. The afore facts show that imposing on the petitioner the harsh penalty of blacklisting him for 05 years has been done by the respondents in a mechanical manner. It could and should have been avoided especially when for the trouble of re-allotment of the shop in question, which the respondents had to undergo on account of the petitioner's mistake, they have been compensated through forfeiture of the petitioner's earnest money.

17. In this regard, reference can usefully be made to the following observations made by the Supreme Court in the case of Techno Prints (supra):-

“29. However, what is important for us to say is that when there are guiding principles explained by this Court as to when & in what circumstances a blacklisting order can be passed then, in our opinion such principles should also be borne in mind by the Authority at the time of issuing a show cause notice. We say so because in the facts of a given case like the one on hand, on the face of which it could be said that there was no good reason for the Authority to issue a show cause notice calling upon the contractor why he should not be blacklisted. Why ask the



contractor to face the proceedings when applying the aforesaid principles, the issue of show cause notice would be an empty formality. We are saying all this keeping in mind the peculiar facts of this case.

30. Therefore, the Authority is expected to be very careful before issuing a show cause notice. It is expected to understand the facts well and try to ascertain what sort of violation is said to have been committed by the contractor. As noted above, there is always an inherent power in the Authority to blacklist a contractor. But possessing such inherent power and exercising such power are two different situations and connotations. There may be a power but there should be reasonable ground to exercise such power.

31. To put it by way of an illustration, the Police has the power to arrest but it is not necessary that in all cases arrest must be effected. The Police should know whether at all arrest is necessary.

32. We may put it in a slightly different way. Take for instance, the show cause notice in the present case is the final order of blacklisting. The final order in any case cannot travel beyond the show cause notice. Therefore, we take the show cause notice as the final order. Whether it makes out a case for blacklisting? This should be the test to determine whether it is a genuine case to blacklist a contractor or visit him with any other penalty like forfeiture of EMD, recovery of damages etc. We say so because once an order of blacklisting is passed the same would put an end to the business of the person concerned. It is a drastic step. Once the final order blacklisting the Contractor is passed then the Contractor is left with no other option but to go to the High Court invoking writ jurisdiction under Article 226 of the Constitution and challenge the same. If he succeeds before the Single Judge then it is well and good otherwise he may have to prefer a writ appeal or LPA as the case may be. This again would lead to unnecessary litigation in the High Courts. The endeavour should



be to curtail the litigation and not to overburden the High Courts with litigations of the present type more particularly when the law by and large is very well settled and there is no further scope of any debate.

33. As observed by this Court in Erusian Equipment & Chemicals Ltd. Vs. State of W.B. (1975) 1 SCC 70, an order of blacklisting casts a slur on the party being blacklisted and is stigmatic. Given the nature of such an order and the import thereof, it would be unreasonable and arbitrary to visit every contractor who is in breach of his contractual obligations with such consequences. There have to be strong, independent and overwhelming materials to resort to this power given the drastic consequences that an order of blacklisting has on a contractor. The power to blacklist cannot be resorted to when the grounds for the same are only breach or violation of a term or condition of a particular contract and when legal redress is available to both parties. Else, for every breach or violation, though there are legal modes of redress and which compensate the party like the Corporation before us, it would resort to blacklisting and at times by abandoning or scuttling the pending legal proceedings.

34. Plainly, if a contractor is to be visited with the punitive measure of blacklisting on account of an allegation that he has committed a breach of a contract, the nature of his conduct must be so deviant or aberrant so as to warrant such a punitive measure. A mere allegation of breach of contractual obligations without anything more, per se, does not invite any such punitive action.”

(emphasis supplied)

18. To the same effect are the following observations made by the Supreme Court in The Blue Dreamz Advertising Pvt. Ltd. & Anr. vs. Kolkata Municipal Corporation & ors. 2024 SCC Online SC 1896:-



“26. In other words, where the case is of an ordinary breach of contract and the explanation offered by the person concerned raises a bona fide dispute, blacklisting/debarment as a penalty ought not to be resorted to. Debarring a person albeit for a certain number of years tantamounts to civil death inasmuch as the said person is commercially ostracized resulting in serious consequences for the person and those who are employed by him.

27. Too readily invoking the debarment for ordinary cases of breach of contract where there is a bona fide dispute, is not permissible. Each case, no doubt, would turn on the facts and circumstances thereto.

30. All these reasons fall far short of rendering the conduct of the appellant in the present case, so abhorrent as to justify the invocation of the drastic remedy of blacklisting/debarment. The appellant very clearly has been subjected to a disproportionate penalty. The Corporation has lifted a sledgehammer to crack a nut. We disapprove of the said course of action on the facts of this case.”

19. In the light of the afore discussion we set aside the order dated 13.07.2022, passed by respondent No.3 and the order dated 18.07.2025, passed by respondent No.1 with a clarification that except the petitioner’s blacklisting, all other penalties imposed on the petitioner through the impugned orders remain untouched.

20. The petition is allowed in the aforesaid terms.

(Deepak Sibal)
Judge

26.08.2025
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(Lapita Banerji)
Judge

Whether speaking/reasoned : Yes / No
Whether reportable : Yes / No