RAJASTHAN HIGH COURT
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HIGH COURT OF JUDICATURE FOR RAJASTHAN
BENCH AT JAIPUR

S.B. Civil Writ Petition No. 13908/2025

Rajasthan High Court
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1. M/s Manipal Energy And Infratech Limited, A Company Incorporated Under The Laws Of Companies Having Its Registered Office At Udayavani Building, Press Corner Manipal 576 104, Udupi District Karnataka.
   Through Its Authorized Representative, Rakhshit Shetty, S/o Shri Karunakar Shetty, Aged About 38 Years.
2. Sagar Mukhopadhyay S/o Samarendra Mukhopadhyay, R/o Vriddhi Door Number 5-71(7), Phase 3, 3rd Cross, Radha Somayya Nagar, Alevoor, Udupi, Karnataka - 574118.
   Managing Director And Chief Executive Officer (MD & CEO) of M/s Manipal Energy And Infratech Limited.

----Petitioners

Versus

1. Ajmer Vidyut Vitran Nigam Limited (AVVNL), (Turn-Key Works Circle) (CIN-U40109RJ2000SGC016482) Regd. Off. Vidyut Bhawan, Panchsheel Nagar, Makarwali Road, Ajmer-305004 Through Suprintending Engineer (TW)
2. M/s K.S. Projects, A Proprietorship Incorporated Under The Laws Of Companies And Having Its Registered Office At 12 Radha Vihar, Est. Kalwar Road Hatoj Jaipur Through Its Director Mrs. Kaptan Singh.

----Respondents

For Petitioner(s)	:	Mr. Anil Mehta, Senior Advocate assisted by Mr. Divyesh Maheshwari Mr. Ankit Premchandani Mr. Tushar Dey Ms. Kritika Khanna Mr. Harsh Vardhan Katara Mr. Ghanshyam Gaur & Mr. Ranvijay Singh
For Respondent(s)	:	Mr. Jaivardhan Singh Shekhawat with Mr. Manvendra Shekhawat for respondent No.1 (AVVNL) Mr. Yash Sharma with Mr. Raghav Pareek Mr. Harsh Lodha &

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Ms. Srishti Soni for respondent No.2
K.S. Projects

HON'BLE MR. JUSTICE GANESH RAM MEENA

Order

Arguments concluded on	**::**	**23/03/2026**
Order reserved on	**::**	**23/03/2026**
Pronounced on	**::**	**27/05/2026**

1. This writ petition under Article 226 of the Constitution of India has been filed by the petitioners with a challenge to the impugned order dated 11.07.2025 passed by the Ajmer Vidyut Vitran Nigam Limited whereby, the petitioners-firm M/s. Manipal Energy & Infratech Limited (for short "MEIL") has been debarred from participating in any bidding process undertaken by the DISCOM for a period of three years with immediate effect alongwith forfeiture of bid security/EMD Rs.73,00,000/- (@ 1% of tender value) + GST 18% as per tender specification under TN-407. It has also been ordered to recover the Risk and Cost amount of Rs.3,12,58,406/- and further recovery of Rs.78,94,321/-.

2. Mr. Anil Mehta, learned Senior Advocate assisted by Mr. Divyesh Maheshwari appearing for the petitioners-firm has submitted that the petitioners-firm was having a very limited work to be performed in the joint venture between MEIL and M/s. K.S. Projects in 2021 which was solely executed for the purpose of participation in tender floated by the respondent and the role of the petitioners-firm was extremely limited, being confined only to provide its technical qualifications, whereas all execution, financial, operational statutory and compliance obligations were to

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be undertaken by M/s. K.S. Projects. It is also submitted by the learned Senior Advocate that the impugned order was never communicated in time to the petitioners and it came to their knowledge only belated stage. It is further submitted that on knowing about the impugned order, the petitioners-firm has submitted a representation on 31.07.2025 highlighting their limited role and pointing out the grounds of arbitrariness however, no consideration has been made to the representation. It is also submitted that impugned action is arbitrary, disproportionate and violative of Article 14 and 19(1)(g) of the Constitution of India apart from being violative of principle of natural justice. It is also submitted that though the respondents have issued show-cause notice dated 20.09.2024 but the said notice was not for debarring the petitioners-firm. The respondents were under obligation to issue specific show-cause notice for proceeding ahead for debarring the petitioners-firm. It is also submitted that since the provisions of the Rajasthan Transparency in Public Procurement Act, 2012 (for short "the RTPP Act") is applicable in the present case, the action of the respondents in debarring the firm without specific show-cause notice is violation of principles of natural justice.

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3. Learned counsel appearing for the respondent No.1-AVVNL has submitted that the provisions of RTPP Act are applicable. He also submitted that in view of the provisions of Section 11 of the RTPP Act, the impugned order of debarring the petitioners-firm does not suffer from any illegality.

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4. Learned counsel has also referred a Power of Attorney of petitioners-firm in favour of Mr. Vishwanath Chavan (Annexure-R/1). It has been specifically mentioned in the Power of Attorney that if there is breach of any provision of code of integrity prescribed for bidding specified in the Act and Chapter VI of the rules, the State Government may debar us from participating in any procurement process for a period of three years. He has also referred the undertaking by the joint venture partners wherein, it has been mentioned that all the partners of the Joint Venture shall be liable jointly and severally for the execution of the contract in accordance with the contract terms.

5. Learned counsel appearing for the respondent No.2-M/s. K.S. Projects has submitted that the bills were approved in the year 2022 and there is no evidence on record so as to hold the joint venture partners as guilty and no any criminal case has been lodged as regards any forgery or misrepresentation.

6. In rejoinder, learned Senior Advocate appearing for the petitioners-firm has submitted that the provisions of Section 11 of the RTPP Act are not applicable in this case as there was no any kind of misrepresentation or fraud on behalf of the petitioners-firm while seeking the work order.

7. Considered the submissions made by the learned counsel for the parties and also perused the material made available on record.

8. As per the facts on record, the joint venture agreement was executed between the MEIL and M/s. K.S.Projects for

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participation in the tender issued by the respondent No.1-AVVNL. On 10.09.2021, a letter was issued to the petitioners-firm informing that the tender has been awarded to it in the joint venture with the M/s. K.S. Projects for evaluation and negotiation. A CLPC meeting was scheduled on 19.06.2025 and the resolution was passed and thereafter, the impugned order of debarment came to be passed whereby, the petitioners-firm has been debarred from participating in the procurement process for a period of three years.

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9. One of the issue raised by counsel for the petitioners is that if any specific show-cause notice has not been issued for debarment then the order of debarring would be in gross violation of principles of natural justice and against the provisions of Section 46 of the RTPP Act. Section 46 of the RTPP Act reads as under:-

> ***"46. Debarment from bidding:-*** *(1) A bidder shall be debarred by the State Government if he has been convicted of an offence-*
>
> *(a) under the Prevention of Corruption Act, 1988 (Central Act No. 49 of 1988); or*
>
> *(b) under the Indian Penal Code, 1860 (Central Act No. 45 of 1860) or any other law for the time being in force, for causing any loss of life or property or causing a threat to public health as part of execution of a public procurement contract.*
>
> *(2) A bidder debarred under sub-section (1) shall not be eligible to participate in a procurement process of any procuring entity for a period not exceeding three years commencing from the date on which he was debarred.*
>
> *(3) If a procuring entity finds that a bidder has breached the code of integrity prescribed in terms*

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of section 11, it may debar the bidder for a period not exceeding three years.

(4) Where the entire bid security or the entire performance security or any substitute thereof, as the case may be, of a bidder has been forfeited by a procuring entity in respect of any procurement process or procurement contract, the bidder may be debarred from participating in any procurement process undertaken by the procuring entity for a period not exceeding three years.

(5) The State Government or a procuring entity, as the case may be, shall not debar a bidder under this section unless such bidder has been given a reasonable opportunity of being heard."

10. The Hon'ble Apex Court in case of ***Gorkha Security Services Vs. Government (NCT of Delhi) & Ors.*** reported in ***(2014) 9 SCC 105*** has observed as under:-

"***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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...

26. *In the present case, it is obvious that action is taken as provided in sub-clause (ii). Under this clause, as is clear from the reading thereof, the Department had a right to cancel the contract and withhold the agreement. That has been done. The Department has also a right to get the job which was to be carried out by the defaulting contractor, to be carried out from other contractor(s). In such an event, the Department also has a right to recover the difference from the defaulting contractor. This clause, no doubt, gives further right to the Department to blacklist the contractor for a period of 4 years and also forfeit his earnest money/security deposit, if so required. It is thus apparent that this sub-clause provides for various actions which can be taken and penalties which can be imposed by the Department. In such a situation which action the Department proposes to take, need to be specifically stated in the show-cause notice. It becomes all the more important when the action of blacklisting and/or forfeiture of earnest money/security deposit is to be taken, as the clause stipulates that such an action can be taken, if so warranted. The words "if so warranted", thus, assume great significance. It would show that it is not necessary for the Department to resort to penalty of blacklisting or forfeiture of earnest money/security deposit in all cases, even if there is such a power. It is left to the Department to inflict any such penalty or not depending upon as to whether circumstances in a particular case warrant such a penalty. There has to be due application of mind by the authority competent to impose the*

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penalty, on these aspects. Therefore, merely because of the reason that Clause 27 empowers the Department to impose such a penalty, would not mean that this specific penalty can be imposed, without putting the defaulting contractor to notice to this effect.

27. *We are, therefore, of the opinion that it was incumbent on the part of the Department to state in the show-cause notice that the competent authority intended to impose such a penalty of blacklisting, so as to provide adequate and meaningful opportunity to the appellant to show cause against the same. However, we may also add that even if it is not mentioned specifically but from the reading of the show-cause notice, it can be clearly inferred that such an action was proposed, that would fulfil this requirement. In the present case, however, reading of the show-cause notice does not suggest that noticee could find out that such an action could also be taken. We say so for the reasons that are recorded hereinafter.*

28. *In the instant case, no doubt the show-cause notice dated 6-2-2013 was served upon the appellant. Relevant portion thereof has already been extracted above (see para 5). This show-cause notice is conspicuously silent about the blacklisting action. On the contrary, after stating in detail the nature of alleged defaults and breaches of the agreement committed by the appellant the notice specifically mentions that because of the said defaults the appellant was "as such liable to be levied the cost accordingly". It further says "why the action as mentioned above may not be taken against the firm, besides other action as deemed fit by the competent authority". It follows from the above that main action which the respondents wanted to take was to levy the cost. No doubt, the notice further mentions that the competent authority could take other actions as deemed fit. However, that may not fulfil the requirement of putting the defaulter to the notice that action of blacklisting was also in the mind of the competent authority. Mere existence of Clause 27 in the agreement entered into between the parties, would not suffice the aforesaid mandatory requirement by vaguely mentioning other "actions as*

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deemed fit". As already pointed out above insofar as penalty of blacklisting and forfeiture of earnest money/security deposit is concerned it can be imposed only, "if so warranted". Therefore, without any specific stipulation in this behalf, the respondent could not have imposed the penalty of blacklisting.

29. No doubt, rules of natural justice are not embodied rules nor can they be lifted to the position of fundamental rights. However, their aim is to secure justice and to prevent miscarriage of justice. It is now well-established proposition of law that unless a statutory provision either specifically or by necessary implication excludes the application of any rules of natural justice, in exercise of power prejudicially affecting another must be in conformity with the rules of natural justice."

11. The Hon'ble Apex Court in case of ***Sai Traders Vs. State of Jharkhand, through the Principal Secretary & Ors.*** reported in ***2023 SCC Online Jhar 376*** has observed as under:-

"***10.*** *In the case of "Kulja Industries Limited v. Chief General Manager, Western Telecom Project Bharat Sanchar Nigam Limited" reported in (2014) 14 SCC 731, the Hon'ble Supreme Court has held that blacklisting simply signifies a business decision by which the party affected by the breach decides not to enter into any contractual relationship with the party committing the breach. The freedom to contract or not to contract is unqualified in the case of private parties. However, any such decision is subject to judicial review if the same is taken by the State or any of its instrumentalities. This implies that any such decision is open to scrutiny not only on the touchstone of the principles of natural justice but also on the doctrine of proportionality. A fair hearing to the party being blacklisted thus becomes an essential precondition for a proper exercise of the power and a valid order of blacklisting made pursuant thereto. Whether the order itself is reasonable, fair and proportionate to the gravity of the offence, is also examinable by a writ court.*

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11. *In the case of "Erusian Equipment & Chemicals Ltd. v. State of West Bengal" reported in (1975) 1 SCC 70, the Hon'ble Supreme Court has held that blacklisting has the effect of preventing a person from the privilege and advantage of entering into lawful relationship with the Government for purposes of gains. The fact that a disability is created by the order of blacklisting indicates that the relevant authority is to have an objective satisfaction. Fundamentals of fair play require that the person concerned should be given an opportunity to represent his case before he is put on the blacklist.*

12. *In the case of "Gorkha Security Services v. Government (NCT of Delhi)" reported in (2014) 9 SCC 105, the Hon'ble Supreme Court has held that the necessity of compliance with the principles of natural justice by giving an opportunity to the person against whom action of blacklisting is sought to be taken has a valid and solid rationale behind it. Many civil and/or evil consequences are involved with the order of blacklisting. It is described as "civil death" of a person who is foisted with the order of blacklisting. Such an order is stigmatic in nature and debars such a person from participating in government tenders which means precluding him from the award of government contracts.*

13. *In the case of "UMC Technologies Private Limited v. Food Corporation of India" reported in (2021) 2 SCC 551, the Hon'ble Supreme Court has held as under:—*

> *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*

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jurisdiction to that extent. This Court in [Nasir Ahmad v. Custodian General, Evacuee Property, (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, particularised and unambiguous show-cause notice is particularly crucial due to the severe consequences of blacklisting and the stigmatisation 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 take 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.

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.

21. Thus, from the above discussion, a clear legal position emerges that for a show-cause notice to constitute the valid basis of a

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blacklisting order, such notice must spell out clearly, or its contents be such that it can be clearly inferred therefrom, that there is intention on the part of the issuer of the notice to blacklist the noticee. Such a clear notice is essential for ensuring that the person against whom the penalty of blacklisting is intended to be imposed, has an adequate, informed and meaningful opportunity to show cause against his possible blacklisting.

25. The mere existence of a clause in the bid document, which mentions blacklisting as a bar against eligibility, cannot satisfy the mandatory requirement of a clear mention of the proposed action in the show-cause notice. The Corporation's notice is completely silent about blacklisting and as such, it could not have led the appellant to infer that such an action could be taken by the Corporation in pursuance of this notice. Had the Corporation expressed its mind in the show-cause notice to blacklist, the appellant could have filed a suitable reply for the same. Therefore, we are of the opinion that the show-cause notice dated 10-4-2018 does not fulfil the requirements of a valid show-cause notice for blacklisting. In our view, the order of blacklisting the appellant clearly traversed beyond the bounds of the show-cause notice which is impermissible in law. As a result, the consequent blacklisting order dated 9-1-2019 cannot be sustained.

14. *Thus, it is now well settled that the power to blacklist is inherent in the party allotting the contract and the same is unqualified. There is no need for any such power being specifically conferred by the statute or through the terms of contract as the blacklisting is merely a business decision not to enter into contractual relationship with the party committing the breach. However, if such decision is taken by the government or its instrumentalities, the same is open to scrutiny on the touchstone of fairness, relevance, natural justice, non-discrimination, equality, reasonableness and proportionality. Serving of show cause notice specifying the grounds on the basis of which an action is proposed to be taken, is a mandatory requirement so as to enable the noticee to answer the case before passing the order of*

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blacklisting/banning since the same has not only long lasting civil consequence, but it also tarnishes the blacklisted person's reputation. The issuance of show cause notice cannot be excused on mere ground that there is a stipulation of blacklisting in the bid document if any of the terms and conditions of the tender is violated. Moreover, the blacklisting/debarment cannot be permanent.

15. *In the case in hand, on bare perusal of the show cause notices dated 26.05.2020 and 11.06.2020, it is evident that the proposed punishment of blacklisting was not communicated to the petitioner. The petitioner was only called upon to explain as to why the food materials were not being supplied by it. Thus, the said show cause notices cannot be said to be in compliance of the principles of natural justice for passing the order of blacklisting. That apart, the respondent no. 2 has observed in the impugned order dated 04.11.2020 that the petitioner not only showed negligence and arbitrariness in not supplying the required food materials, but in the 2nd quarterly tender, it also knowingly quoted items rates lower than the market rate so as to put pressure on other contractors. So far as the allegation of quoting a low price in the tender of the 2nd quarter is concerned, the same was not alleged against the petitioner in the show cause notices and thus the impugned order has been passed in violation of the principles of natural justice on that aspect as well. The manner in which the respondent no. 2 proceeded to issue show cause notices to the petitioner and passed the impugned order of blacklisting against it, is in the teeth of the judgments rendered by the Hon'ble Supreme Court referred hereinabove.*

16. In view of the aforesaid discussion, the impugned Office Order as contained in memo no. 2274 dated 04.11.2020 issued under the signature of the respondent no. 2 - the Inspector General of Prison, Government of Jharkhand, Department of Home, Prison & Disaster Management, Ranchi, whereby the petitioner has been blacklisted for a period of five years as well as the consequential letter no. 964 dated 05.11.2020 issued by the respondent no. 4 - the Superintendent of Jail, Divisional Jail, Lohardaga communicating the said office order to the petitioner debarring it from supplying the materials to be supplied by it in Divisional Jail, Lohardaga during the

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fourth quarterly period of contract, are hereby quashed and set aside."

12. The Hon'ble Apex Court in case of ***Blue Dreamz Advertising Private Limited & Anr. Vs. Kolkata Municipal Corporation & Ors.*** reported in ***(2024) 15 SCC 264*** has observed as under:-

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*"**Reasons and conclusions***

21. *Blacklisting has always been viewed by this Court as a drastic remedy and the orders passed have been subjected to rigorous scrutiny. In Erusian Equipment & Chemicals Ltd. v. State of W.B. [Erusian Equipment & Chemicals Ltd. v. State of W.B., (1975) 1 SCC 70] , this Court observed that: (SCC p. 75, para 20)*

> *"20. Blacklisting has the effect of preventing a person from the privilege and advantage of entering into lawful relationship with the Government for purposes of gains. The fact that a disability is created by the order of blacklisting indicates that the relevant authority is to have an objective satisfaction."*

22. *In B.S.N. Joshi [B.S.N. Joshi & Sons Ltd. v. Nair Coal Services Ltd., (2006) 11 SCC 548], this Court held that: (SCC p. 565, para 41)*

> *"41. … When a contractor is blacklisted by a department he is debarred from obtaining a contract, but in terms of the notice inviting tender when a tenderer is declared to be a defaulter, he may not get any contract at all. It may have to wind up its business. The same would, thus, have a disastrous effect on him. Whether a person defaults in making payment or not would depend upon the context in which the allegations are made as also the relevant statute operating in the field. When a demand is made, if the person concerned raises a bona fide dispute in regard to the claim, so long as the dispute is not resolved, he may not be declared to be defaulter."*
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> *(emphasis supplied)*

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23. *This Court in Kulja Industries [Kulja Industries Ltd. v. Western Telecom Project BSNL, (2014) 14 SCC 731] after setting out the legal position governing blacklisting/debarment in USA and UK held that: (SCC pp. 743-44, paras 25-26)*

> *"25. Suffice it to say that "debarment" is recognised and often used as an effective method for disciplining deviant suppliers/contractors who may have committed acts of omission and commission or frauds including misrepresentations, falsification of records and other breaches of the regulations under which such contracts were allotted. What is notable is that the "debarment" is never permanent and the period of debarment would invariably depend upon the nature of the offence committed by the erring contractor.*
>
> *26. In the case at hand according to the respondent BSNL, the appellant had fraudulently withdrawn a huge amount of money which was not due to it in collusion and conspiracy with the officials of the respondent Corporation. Even so permanent debarment from future contracts for all times to come may sound too harsh and heavy a punishment to be considered reasonable especially when: (a) the appellant is supplying bulk of its manufactured products to the respondent BSNL, and (b) the excess amount received by it has already been paid back."*

24. *What is significant is that while setting out the guidelines prescribed in USA, the Court noticed that comprehensive guidelines for debarment were issued there for protecting public interest from those contractors and recipients who are non-responsible, lack business integrity or engage in dishonest or illegal conduct or are otherwise unable to perform satisfactorily. The illustrative cases set out also demonstrate that debarment as a remedy is to be invoked in cases where there is harm or potential harm for public interest particularly in cases where the person's conduct has demonstrated that debarment as a penalty alone will protect public interest and deter the person from repeating his actions which have a tendency to put public interest in jeopardy. In fact, it is common knowledge that in notice inviting tenders, any person blacklisted is*

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rendered ineligible. Hence, blacklisting will not only debar the person concerned from dealing with the employer concerned, but because of the disqualification, their dealings with other entities also is proscribed. Even in the terms and conditions of tender in the present case, one of the conditions of eligibility is that the agency should not be blacklisted from anywhere.

25. *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 ostracised resulting in serious consequences for the person and those who are employed by him.*

26. 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."

13. The Hon'ble Apex Court in case of ***Kulja Industries Limited Vs. Chief General Manager, Western Telecom Project Bharat Sanchar Nigam Limited & Ors.*** reported in ***(2014) 14 SCC 731*** has observed as under:-

"***17.*** *That apart, the power to blacklist a contractor whether the contract be for supply of material or equipment or for the execution of any other work whatsoever is in our opinion inherent in the party allotting the contract. There is no need for any such power being specifically conferred by statute or reserved by contractor. That is because "blacklisting" simply signifies a business decision by which the party affected by the breach decides not to enter into any contractual relationship with the party committing the breach. Between two private parties the right to take any such decision is absolute and untrammelled by any constraints whatsoever. The freedom to contract or not to contract is unqualified in the case of private parties. But any such decision is subject to judicial review when the same is taken*

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by the State or any of its instrumentalities. This implies that any such decision will be open to scrutiny not only on the touchstone of the principles of natural justice but also on the doctrine of proportionality. A fair hearing to the party being blacklisted thus becomes an essential precondition for a proper exercise of the power and a valid order of blacklisting made pursuant thereto. The order itself being reasonable, fair and proportionate to the gravity of the offence is similarly examinable by a writ court.

18. *The legal position on the subject is settled by a long line of decisions rendered by this Court starting with Erusian Equipment & Chemicals Ltd. v. State of W.B. [(1975) 1 SCC 70] where this Court declared that blacklisting has the effect of preventing a person from entering into lawful relationship with the Government for purposes of gains and that the authority passing any such order was required to give a fair hearing before passing an order blacklisting a certain entity. This Court observed: (SCC p. 75, para 20)*

> *"20. Blacklisting has the effect of preventing a person from the privilege and advantage of entering into lawful relationship with the Government for purposes of gains. The fact that a disability is created by the order of blacklisting indicates that the relevant authority is to have an objective satisfaction. Fundamentals of fair play require that the person concerned should be given an opportunity to represent his case before he is put on the blacklist."*

Subsequent decisions of this Court in Southern Painters v. Fertilizers & Chemicals Travancore Ltd. [1994 Supp (2) SCC 699 : AIR 1994 SC 1277] ; Patel Engg. Ltd. v. Union of India [(2012) 11 SCC 257 : (2013) 1 SCC (Civ) 445] ; B.S.N. Joshi & Sons Ltd. v. Nair Coal Services Ltd. [(2006) 11 SCC 548] ; Joseph Vilangandan v. Executive Engineer (PWD) [(1978) 3 SCC 36] among others have followed the ratio of that decision and applied the principle of audi alteram partem to the process that may eventually culminate in the blacklisting of a contractor.

19. *Even the second facet of the scrutiny which the blacklisting order must suffer is no longer res integra.*

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The decisions of this Court in Radhakrishna Agarwal v. State of Bihar [(1977) 3 SCC 457 : (1977) 3 SCR 249]; E.P. Royappa v. State of T.N. [(1974) 4 SCC 3 : 1974 SCC (L&S) 165]; Maneka Gandhi v. Union of India [(1978) 1 SCC 248]; Ajay Hasia v. Khalid Mujib Sehravardi [(1981) 1 SCC 722 : 1981 SCC (L&S) 258]; Ramana Dayaram Shetty v. International Airport Authority of India [(1979) 3 SCC 489] and Dwarkadas Marfatia and Sons v. Port of Bombay [(1989) 3 SCC 293] have ruled against arbitrariness and discrimination in every matter that is subject to judicial review before a writ court exercising powers under Article 226 or Article 32 of the Constitution.

20. *It is also well settled that even though the right of the writ petitioner is in the nature of a contractual right, the manner, the method and the motive behind the decision of the authority whether or not to enter into a contract is subject to judicial review on the touchstone of fairness, relevance, natural justice, non-discrimination, equality and proportionality. All these considerations that go to determine whether the action is sustainable in law have been sanctified by judicial pronouncements of this Court and are of seminal importance in a system that is committed to the rule of law. We do not consider it necessary to burden this judgment by a copious reference to the decisions on the subject. A reference to the following passage from the decision of this Court in Mahabir Auto Stores v. Indian Oil Corpn. [(1990) 3 SCC 752] should, in our view, suffice: (SCC pp. 760-61, para 12)*

> "12. It is well settled that every action of the State or an instrumentality of the State in exercise of its executive power, must be informed by reason. In appropriate cases, actions uninformed by reason may be questioned as arbitrary in proceedings under Article 226 or Article 32 of the Constitution. Reliance in this connection may be placed on the observations of this Court in Radhakrishna Agarwal v. State of Bihar [(1977) 3 SCC 457 : (1977) 3 SCR 249] . … In case any right conferred on the citizens which is sought to be interfered, such action is subject to Article 14 of the Constitution, and must be reasonable and can be taken only upon lawful and relevant grounds of public interest.

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> Where there is arbitrariness in State action of this type of entering or not entering into contracts, Article 14 springs up and judicial review strikes such an action down. Every action of the State executive authority must be subject to rule of law and must be informed by reason. So, whatever be the activity of the public authority, in such monopoly or semi-monopoly dealings, it should meet the test of Article 14 of the Constitution. If a governmental action even in the matters of entering or not entering into contracts, fails to satisfy the test of reasonableness, the same would be unreasonable. … It appears to us that rule of reason and rule against arbitrariness and discrimination, rules of fair play and natural justice are part of the rule of law applicable in situation or action by State instrumentality in dealing with citizens in a situation like the present one. Even though the rights of the citizens are in the nature of contractual rights, the manner, the method and motive of a decision of entering or not entering into a contract, are subject to judicial review on the touchstone of relevance and reasonableness, fair play, natural justice, equality and non-discrimination in the type of the transactions and nature of the dealing as in the present case."

14. The Co-ordinate Bench of this Court in case of ***M/s Ram Mohan Verma Enterprises Vs. Rajasthan Rajya Vidyut Prasaran Nigam Limited in (S.B. Civil Writ Petition No.2960/2026)*** decided on ***16.02.2026*** has observed as under:-

> "9. The aforesaid provision clearly shows that a bidder debarred under sub-section (1) of Section 46 of the RTPP Act shall not be eligible to participate in a procurement process of any procuring entity.
> 10. The "procuring entity" has been defined in Sub-section (xvi) of Section 2, which means an entity referred to in Sub-section (2) of Section 3 of the RTPP Act.

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11. Sub-section (2) of Section 3 of the RTPP Act reads as under :-

> *"(2) For the purposes of this Act, "procuring entity" means,-*
>
> *(a) any department of the State Government or its attached or subordinate office;*
>
> *(b) any State Public Sector Enterprise owned or controlled by the State Government;*
>
> *(c) any body established or constituted by the Constitution whose expenditure is met from the Consolidated Fund of the State;*
>
> *(d) any body or board or corporation or authority or society or trust or autonomous body (by whatever name called) established or constituted by an Act of the State Legislature or a body owned or controlled by the State Government;*
>
> *(e) any other entity which the State Government may, by notification, specify to be a procuring entity for the purpose of this Act, being an entity that receives substantial financial assistance from the State Government in so far as the utilisation of such assistance towards procurement is concerned. "*

12. On a conjoint reading of Section 46(2), Sub-section (xvi) of Section 2 and Sub-section (2) of Section 3 of the RTPP Act clearly show that if a person/firm is debarred from participating any procurement process by one procuring entity, then he/it is not eligible to participate in procurement process as initiated by any other procuring entity which is covered under Sub-section (2) of Section 3 of the RTPP Act.

13. In view of the aforesaid discussion, the Court finds no merit in the writ petition as there is no illegality or perversity in the impugned letter dated 30.01.2026.

14. Accordingly, the present writ petition is dismissed."

15. Learned counsel appearing for the respondent No.1-AVVNL has referred the order passed in case of ***M/s Ram Mohan Verma Enterprises (supra).*** The issue which is under

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consideration in the present writ petition is quite different from the issue considered in the case of ***M/s Ram Mohan Verma Enterprises (supra).***

16. In view of the observations of the various judgments as quoted above, the conclusion is that before taking any action or passing any order adverse to a person or firm, a show-cause notice is required to be issued with the specific action to be taken against that firm so that the person or firm effected, may submit proper explanation and material so as to defend their case.

On perusal of the show-cause notice dated 20.09.2024 said to have been issued to the petitioners-firm before issuing the order of debarment, it is revealed that the show-cause notice is limited to the extent of some panel action to be taken against the firm for alleged erroneous act. After the show-cause notice, a letter dated 04.03.2025 (Annexure-R/8) is said to have been issued to the petitioners-firm for recovery of some amount then again a letter was issued on 20.03.2025, asking the petitioners-firm to deposit the certain amount as alleged to be recoverable against it. Another letter dated 28.04.2025 is also said to be issued to the petitioners-firm for recovery of the alleged due amount.

As per the available record, the meeting of CE Level Committee held on 21.05.2025 for finalization of Risk & Cost and action to be taken against the petitioners-firm and a decision was taken to recommend to CLPC to debar the petitioners-firm for two years with immediate effect. The CLPC meeting was held on

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19.06.2025 and the members of CLPC decided to debar the petitioners-firm for a period of three years with immediate effect. No any show-cause notice is said to be served to the petitioners-firm either after the CE Level Committee recommended the CLPC for debarring the petitioners-firm or before the CLPC meeting decided to debar the petitioners-firm.

17. The case law sited above, clearly speaks of requirement of issuing a specific show-cause notice in respect of the action to be taken against a person or firm. In the cases sited above, it has been clearly observed that the cases where an order of blacklisting is proposed, then a specific show-cause notice is required to be served upon the concerned firm or person as regards proposal of blacklisting the same, which shows that there must be a specific show-cause notice issued before passing any order of blacklisting and debarring.

18. In the instant case, no any specific show-cause notice regarding proposed action of debarment of firm has been ever served upon the petitioners-firm.

19. In view of the observations of the Hon'ble Apex Court and the facts on record, this Court can safely hold that the respondent-AVVNL has not issued any specific show-cause notice regarding any proposed action of debarring the petitioners-firm before passing the impugned order of debarment. Hence, the impugned order of debarment of the petitioners-firm is in gross violation of principle of natural justice.

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20. In view of the discussion made above, the present writ petition deserves to be allowed and accordingly the same is allowed. The impugned order dated 11.07.2025 (Annexure-5) passed by the respondent No.1-AVVNL, is hereby, quashed and set aside with all consequential effects.

21. However, it is made clear that in case the respondent-AVVNL is desirous of taking any action of debarment in view of the allegations against the petitioners-firm, they would be free to pass afresh order after following due process of law as provided under the provisions of RTPP Act by serving a specific show-cause notice to the petitioners-firm. It is also made clear that in case any fresh order of debarment is passed against the petitioners-firm, subject to leave of remedy available to the petitioners-firm and the period from 11.07.2025 up till date of passing of this order shall be inclusive of the period for which the fresh order for debarment is passed.

22. In view of the order passed in the main petition, the stay application as well as pending application, if any, also stands disposed of.

(GANESH RAM MEENA),J

Ashish Kumar/

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