



IN THE HIGH COURT OF PUNJAB & HARYANA AT
CHANDIGARH

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CWP-11707-2026 (O&M)
Date of Decision: 23.04.2026

**THE FRIENDS WORK SQUAD CO-OPERATIVE LABOUR &
CONSTRUCTION SOCIETY LIMITED** Petitioner

Versus

STATE OF HARYANA AND OTHERSRespondents

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

Present:- Mr. Varun Singh Dhanda, Advocate
for the petitioner.

Mr. Sukhdeep Parmar, for respondents No.2 to 7.

DEEPAK SIBAL, J. (Oral)

Briefly noticed, the facts are that through memo dated 04.08.2025, the work of 'Cleaning and Desilting of sewer line by bucket machine in Patel Nagar and Housing Board in Ward No.27 under MC, Gurugram' was allotted to the petitioner. On account of certain complaints with regard to the petitioner's performance, a penalty was imposed on it but even when thereafter, there was no improvement in the execution of the allotted work in question, through order dated 25.03.2026 (Annexure P-11) not only was the petitioner's contract terminated, the petitioner was also debarred from participating in further tendering processes of MC, Gurugram for the next 02 years. The order dated 25.03.2026 is the subject matter of challenge through this petition.

2. At the outset, learned counsel for the petitioner restricts his claim only to the challenge to the petitioner's debarment from participating



in the tendering processes of MC, Gurugram for the next two years on the ground that prior to such debarment, no specific notice in this regard was issued to the petitioner.

3. Learned counsel for the respondent-Municipal Corporation, Gurugram (for short – the MC) fairly concedes that prior to debarring the petitioner from participating in the future tendering processes of the MC, no specific notice in this regard had been issued to it.

4. Learned counsel for the parties have been heard and with their able assistance, the record of the case has been perused.

5. The penalty of debarment or as it is commonly referred to as blacklisting results in civil death of an entrepreneur. It greatly impacts its reputation for the present as also for the future. Therefore, debarment of an entrepreneur cannot be sustained if the same is not preceded by a specific notice in that regard.

6. Our view, as above, finds support from a judgment of the Supreme Court in **UMC Technologies Private Limited vs. Food Coporation of India and another** – (2021) 2 SCC 551:-

“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)

7. Our view, as above, also finds support from a judgment of the Supreme Court in **Gorkha Security Services vs. Government (NCT of Delhi) and others – (2014) 9 SCC 105:-**

"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.”

8. In the light of the above discussion and the law laid down by the Supreme Court, the impugned order dated 25.03.2026 (Annexure P-11) passed by the respondent-MC, only to the extent of debarring the



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petitioner from participating in the future tendering process for a period of 02 years, is set aside.

9. It is clarified that the disposal of this petition shall not preclude the respondent-MC from taking a fresh decision with regard to debarment/blacklisting of the petitioner, in accordance with law.

10. The petition is allowed in the above terms.

11. Pending application(s), if any, shall stand disposed of.

**[DEEPAK SIBAL]
JUDGE**

23.04.2026

Jyoti Thakur

**[LAPITA BANERJI]
JUDGE**

Whether speaking/reasoned:

Yes/No

Whether reportable:

Yes/No