



2026:DHC:901



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

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Date of Decision: 30th January, 2026

+ W.P.(C) 10713/2024, CM APPL. 44128/2024, CM APPL. 71743/2024
& CM APPL. 68268/2025

M/S VPSSR FACILITIES

.....Petitioner

Through: Mr. Pankaj Kumar Singh and Ms.
Bimla Sharma, Advocates.

versus

UNION OF INDIA & ORS.

.....Respondents

Through: Mr. Sanjib Kumar Mohanty and Mr.
Sarvesh P. Shrivastava, Advocates for
UoI.

CORAM:

HON'BLE MR. JUSTICE AMIT BANSAL

AMIT BANSAL, J. (Oral)

1. The present writ petition has been filed seeking the following reliefs:-

- i) Issue a Writ of Certiorari or any other appropriate Writ, seeking setting aside and quashing of the Impugned Termination Letter dated 11.07.2024 issued by the Respondents; and/or
- ii) Issue a Writ of Mandamus seeking stay/restraint on the operation of the Impugned Termination Letter dated 11.07.2024, till the pendency of the present Petition; and/or
- iii) Issue a Writ of Mandamus seeking stay/restraint on the operation of the Impugned Termination Letter dated 11.07.2024 to the extent that the petitioner has been debarred from future bids/tenders and the encashment of the Performance Guarantees till the pendency of the present Petition; and/or



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2. At the outset, Mr. Pankaj Kumar Singh, counsel appearing on behalf of the petitioner, submits that the petitioner is confining his challenge in the present writ petition only to the extent that the petitioner has been debarred from future bid/tenders conducted by the respondent/Railways.

3. The petitioner, being the successful bidder, was awarded a Contract by the Railways for performance of services/work for “*Mechanized cleaning of coaches of primary trains along with provisions of On Board Housekeeping Services (‘OBHS’) in trains including toiletries in AC coaches and depot complex cleaning at Coaching Depot, Amritsar (ASR) for period of 3 years (1095) days*” on “Outcome Basis” and the work was started by the petitioner from 1st July, 2022.

4. The petitioner deposited the requisite Performance Guarantee in the form of Bank Guarantee *vide* No. 04522IGL0000522 dated 21st June, 2021 for a value of Rs. 38,82,331/- in favour Sr. Divisional Finance Manager, Northern Railway, Firozpur Cantt. The contract was to be governed by the General Conditions of Contract for Services dated January, 2018, along with latest amendments, by the Ministry of Railways, Government of India (‘GCC’).

5. During the execution of the contract, the petitioner was issued performance notices by the respondents, to which the petitioner provided explanations and hence, no action was taken by the respondent no.4.

6. On 2nd July, 2024, another performance notice under Clause 7.4 of the GCC was given by respondent no.4 (Annexure P-14), giving the petitioner seven (7) days’ time to commence/improve the services. The notice further provided that in the event the petitioner committed default, action would be taken under Clause 7.4 of the GCC to terminate the contract. The relevant



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extracts from the aforesaid notice are set out below:-

“You are hereby given 07 days’ notice in terms of clause 7.4 of General condition of contract to commence/improve the service to make good the default. failing which further action as provided in clause 7.4 of General condition of contract viz. to terminate your contract and complete the balance services without your participation will be taken.

If your performance does not improve, on expiry of this period, a notice for termination of the above contract shall be issued to you under which your contract shall stand rescinded and the services under this contract will be carried out independently without your participation and your performance guarantee shall also be encashed/forfeited and consequences which may please be noted.”

[emphasis supplied]

7. The aforesaid notice was replied to by the petitioner on 8th July, 2024, giving an explanation on the issues raised in the notice.

8. A termination notice dated 11th July, 2024 (Annexure P-1) was issued by the Senior Divisional Mechanical Engineer, Northern Railways, Firozpur Cantt/respondent no.4 (‘termination letter’), terminating the contract of the petitioner as well as debaring the petitioner from participating in the bids for work tendered by the Railways for a period of two years. For the sake of convenience, the said termination letter is set out below:-

Seven days (7 days) notice was given to you under this office letter of even no. dated 02.07.2024, but your performance has not improved/ you have taken no action to improve the quality of the services to the specified standards.

Since the period of 7 days’ notice has already expired, the above contract stands rescinded in terms of Clause 7.4 of General Conditions of Contract and the balance services under this contract will be carried out independently without your participation. Your participation as well as participation of every member/partner in any manner as an individual or a partnership firm is hereby debarred from participation in the Bid for executing the balance services and your Performance Guarantee shall also be encashed/forfeited.

In addition, your participation as well as participation of every member/partner in any manner as an individual or a partnership firm is hereby debarred from participation in the bid for executing any work being tendered by the said Railway division for a period of two years from the date of issue of this letter.

Kindly acknowledge receipt.



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9. Against the said termination letter, the petitioner filed an appeal on 13th July, 2024 before Senior Divisional Mechanical Engineer, Northern Railways, Firozpur Cantt/respondent no.4. The said appeal is stated to be pending.

10. Mr. Singh submits that the debarment order passed by the respondents is *ex facie* illegal as the same was passed without giving any Show Cause Notice to the petitioner that showed the intention of the respondents to debar/blacklist the petitioner. It is further stated that in the notices issued by the respondent no.4, there was no contemplation of debarment or blacklisting.

10.1 In this regard, counsel has relied upon the judgments of the Supreme Court in *Gorkha Security Services v. Government (NCT of Delhi) & Ors., (2014) 9 SCC 105* ('*Gorkha Security Services*') and *UMC Technologies Pvt. Ltd. v. Food Corporation of India & Anr., (2021) 2 SCC 551* ('*UMC Technologies*').

11. Counter affidavit is stated to have been filed on behalf of respondents.

11.1 However, the same is not on record.

11.2 Photocopy of the same is handed over by the counsel for the respondents and the same is taken on record.

12. Mr. Sanjib Kumar Mohanty, counsel appearing on behalf of the respondent, submits that the respondent has acted strictly in terms of the provisions of the GCC. It is further submitted that repeated notices were sent to the petitioner complaining about the quality of services being rendered by the petitioner. However, the petitioner failed to improve their services. Hence, the impugned termination letter dated 11th July, 2024 was issued by the respondent no.4.



13. The present petition came up for hearing on 5th August, 2024, when, while issuing notice, this Court directed that no adverse action shall be taken against the petitioner.

14. The law with regard to blacklisting/debarment of an entity has been elucidated by the Supreme Court in various judgments. The Supreme Court in *Gorkha Security Services* (supra) has made the following observations with regard to blacklisting of persons from government contracts:-

“Necessity of serving show-cause notice as a requisite of the principles of natural justice

16. *It is a common case of the parties that the blacklisting has to be preceded by a show-cause notice. Law in this regard is firmly grounded and does not even demand much amplification. The necessity of compliance with the principles of natural justice by giving the opportunity to the person against whom action of blacklisting is sought to be taken has a valid and solid rationale behind it. With blacklisting, many civil and/or evil b consequences follow. 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.*

Contents of the show-cause notice

21. *The central issue, however, pertains to the requirement of stating the action which is proposed to be taken. The fundamental purpose behind the e 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.

22. The High Court has simply stated that the purpose of show-cause notice is primarily to enable the noticee to meet the grounds on which the a action is proposed against him. No doubt, the High Court is justified to this extent. However, it is equally important to mention as to what would be the consequence if the noticee docs not satisfactorily meet the grounds on which an action is proposed. To put it otherwise, we are of the opinion that in order to fulfil the requirements of principles of natural justice, a show-cause notice should meet the following two requirements viz:

(i) The material/grounds to be stated which according to the department necessitates an action;

(ii) Particular penalty/action which is proposed to be taken. It is this second requirement which the High Court has failed to omit.

We may hasten to add that even if it is not specifically mentioned in the show-cause notice but it can clearly and safely be discerned from the reading thereof, that would be sufficient to meet this requirement.

15. The aforesaid judgment was followed by the Supreme Court in **UMC Technologies**. The relevant extracts from the said judgment are set out below:-

“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 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.”

[emphasis supplied]

16. In light of the aforesaid judgments by the Supreme Court, it is no longer *res integra* that before blacklisting a person from Government tenders, a prior Show Cause Notice has to be given to the entity to enable it to put forth with its defence. The Show Cause Notice must clearly state the intention to blacklist the entity so that it can put forth his defence. It has further been observed that decisions of blacklisting entail grave consequences on the entity being blacklisted and therefore, issuance of Show Cause Notice is critical.

17. When the facts of the present case are analysed in light of the aforesaid legal position, it is clear that in the present case respondents have proceeded to blacklist the petitioner without issuance of any Show Cause Notice indicating that the respondents intend to blacklist/debar the petitioner. A reading of the aforesaid notice dated 2nd July, 2024 does not suggest that an action of blacklisting/debarment is contemplated against the petitioner. In fact, the aforesaid notice of 2nd July, 2024 states that the



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respondents propose to terminate the contract under Clause 7.4 of the GCC.

18. In view of the aforesaid discussion, the action of the respondents is clearly opposed to the principles of natural justice and the *dicta* of the Supreme Court judgments discussed above.

19. Accordingly, the impugned termination letter dated 11th July, 2024 to the extent it debars the petitioner from participating in bids in respect of projects being tendered by the Railways, Firozpur Cantt is hereby quashed.

20. The interim order dated 5th August, 2024 shall continue till the appeal/representation filed by the petitioner before the respondent no.4 is decided.

21. The writ petition is disposed of in the aforesaid terms.

22. All pending applications stand disposed of.

AMIT BANSAL, J

JANUARY 30, 2026

Vivek/-