



CGHC010271272026

2026:CGHC:30849-DB
NAFR

HIGH COURT OF CHHATTISGARH AT BILASPUR

WPC No. 3783 of 2026

M/s. Dynami Enterprises A Registered Partnership Firm Having Office At -
65, Globus Town Ship, Near Indralok Nagar, Ratlam, Madhya Pradesh
Represented Through Its Partner, Shri Shivram Meena Aged About 62
Years, Having Office At 65- Globas Township, Near Indralok Nagar,
Ratlam (Madhya Pradesh)

... Petitioner

versus

- 1** - Union Of India Represented Through Its General Manager, South East
Central Railways, Bilaspur, Chhattisgarh
2 - Senior Divisional Mechanical Engineer (Freight) , Bhilai, South East
Central Railway, Raipur, Chhattisgarh
3 - Senior Divisional Mechanical Engineer (Freight), Bhilai, South East
Central Railway, Bhilai, Chhattisgarh

... Respondents

(Cause-title taken from Case Information System)

For Petitioner	:	Mr. Abhishek Vinod Deshmukh, Advocate
For Respondents	:	Mr. Ramakant Mishra, Deputy Solicitor General

Hon'ble Shri Ramesh Sinha, Chief Justice
Hon'ble Shri Ravindra Kumar Agrawal, Judge

Order on Board

Per Ramesh Sinha, Chief Justice

21.07.2026

- 1.** Heard Mr. Abhishek Vinod Deshmukh, learned counsel for the
petitioner as well as Mr. Ramakant Mishra, learned Deputy
Solicitor General, appearing for the respondents.

2. Though the matter is listed as a fresh case, considering the submission of learned counsel appearing for the respondents that no reply is required to be filed in the present matter as the agreement contains an arbitration clause and that no show-cause notice has been issued to the petitioner, accordingly, with the consent of learned counsel for the parties, the matter is heard finally at the admission stage itself.
3. By filing the present petition under Article 226 of the Constitution of India, the petitioner calls in question the termination letter dated 01.04.2026, whereby its contract has been terminated and it has also been debarred/blacklisted from participating in future tenders for a period of two years. The petitioner has prayed for following relief(s) :-

“1] That, this Hon'ble Court may kindly be pleased to writ/writs, order/orders, direction/directions quashing the termination notice dated 01.04.2026 issued by the Respondent No. 3, whereby the Contract of the Petitioner has been terminated and the Petitioner has been debarred for a period of 2 years from participating in the bids;

2] That, this Hon'ble Court may kindly be pleased to grant any other relief(s), which is deemed fit and proper in the aforesaid facts and circumstances of the case.”

4. Briefly stated, the petitioner is a partnership firm engaged in providing services to the Indian Railways. The respondents issued

a Notice Inviting Tender for hiring two diesel-operated 3T forklifts along with operators at ROH Depot, PP Yard, Bhilai for a period of two years. The petitioner participated in the tender process and, having emerged as the successful bidder, was awarded the contract vide agreement dated 26.05.2025 for execution of the said work.

5. Pursuant to the award of the contract, the petitioner deployed the requisite machinery, operators and supervisory staff and commenced execution of the work. According to the petitioner, it kept the respondents informed regarding deployment of equipment, appointment of personnel, readiness to commence operations and other operational requirements. It is further the petitioner's case that whenever any difficulty arose during execution of the contract, including repair of machinery or submission of requisite documents, the same was duly intimated to the respondents and necessary permissions were sought. The petitioner also claims to have brought to the notice of the respondents instances of unauthorized use of the deployed vehicles and sought permission to install CCTV cameras for effective monitoring.
6. It is the petitioner's case that while the contract was being performed, the respondents issued a performance notice dated 27.02.2026 alleging deficiencies in execution of the work. Thereafter, without issuing the mandatory seven days' notice contemplated under the General Conditions of Contract and without affording any opportunity to explain the alleged deficiencies or to

show cause against the proposed debarment/blacklisting, the respondents issued the impugned termination letter dated 01.04.2026, whereby the contract of the petitioner was terminated and the petitioner was debarred/blacklisted from participating in any tender floated by the concerned Railway Division for a period of two years.

7. Learned counsel for the petitioner submits that the impugned order of termination coupled with the order of debarment/blacklisting is ex facie arbitrary, illegal and violative of the principles of natural justice. It is contended that the respondents have acted in complete disregard of the procedure prescribed under the General Conditions of Contract. Though a performance notice dated 27.02.2026 was issued, the mandatory seven days' notice contemplated under Clause 7.4.2 of the Contract was never served upon the petitioner before issuance of the final termination order. It is, therefore, submitted that the termination itself is contrary to the contractual stipulations and is liable to be set aside.
8. It is further submitted that the respondents have also debarred/blacklisted the petitioner for a period of two years without issuing any specific show-cause notice proposing such action or affording an effective opportunity of hearing. Learned counsel argues that blacklisting visits a contractor with serious civil and commercial consequences and, therefore, strict adherence to the principles of natural justice is mandatory. In support of the said contention, reliance is placed upon the decisions of the Hon'ble

Supreme Court in ***Gorkha Security Services v. Government (NCT of Delhi)***, (2014) 9 SCC 105 and ***UMC Technologies (P) Ltd. v. Food Corporation of India***, (2021) 2 SCC 551, wherein it has been held that a valid show-cause notice must specifically indicate the proposed action of blacklisting and an order travelling beyond the scope of such notice is unsustainable in law.

9. Learned counsel lastly submits that although the dispute arises out of a contract, the writ petition is maintainable as the respondents, being instrumentalities of the State within the meaning of Article 12 of the Constitution of India, are required to act fairly, reasonably and in accordance with law. It is argued that where the decision-making process is arbitrary, unreasonable or violative of the principles of natural justice, this Court, in exercise of its jurisdiction under Article 226 of the Constitution of India, can judicially review such action notwithstanding the contractual relationship between the parties.
10. On the other hand, learned counsel appearing for the respondents opposes the writ petition and submits that the impugned action has been taken strictly in accordance with the terms and conditions governing the contract. It is contended that the petitioner had failed to perform its contractual obligations satisfactorily and committed repeated defaults during execution of the work, which adversely affected the functioning of the Railway administration. It is submitted that despite being afforded sufficient opportunities to rectify the deficiencies, the petitioner failed to improve its

performance, compelling the competent authority to invoke the relevant clauses of the contract and pass the impugned order of termination. It is argued that the decision has been taken after due consideration of the petitioner's overall performance and does not warrant interference in exercise of writ jurisdiction.

- 11.** Learned counsel further submits that the relationship between the parties is purely contractual and the rights and obligations of the parties are regulated by the terms of the agreement. The petitioner seeks adjudication of disputed questions of fact relating to performance of contractual obligations, which cannot conveniently be examined in proceedings under Article 226 of the Constitution of India. It is argued that judicial review in contractual matters is limited to examining the decision-making process and not the merits of the decision itself. In the absence of any allegation of mala fides, arbitrariness or violation of any statutory provision, no interference is called for with the impugned action.
- 12.** It is further submitted that the dispute arises out of a contract containing an arbitration clause and, therefore, the writ petition is not maintainable. It is also submitted that no show-cause notice has been issued to the petitioner. Learned counsel further submits that the order debarring the petitioner from participating in future tenders has been passed by the competent authority keeping in view the petitioner's unsatisfactory performance and in larger public interest so as to ensure efficient execution of public contracts. It is contended that the respondents have acted fairly, reasonably and

within the four corners of the contract, and the impugned order neither suffers from any procedural infirmity nor violates the principles of natural justice.

- 13.** We have heard learned counsel for the parties at length, considered their rival submissions with due care and perused the pleadings and documents available on record.
- 14.** The controversy involved in the present writ petition lies in a narrow compass. The petitioner calls in question the order dated 01.04.2026 whereby the respondents have terminated the contract awarded in favour of the petitioner for hiring two diesel-operated forklifts at ROH Depot, PP Yard, Bhilai and have simultaneously debarred/blacklisted the petitioner from participating in future tenders of the Railway Division for a period of two years. The principal contention of the petitioner is that though a performance notice dated 27.02.2026 was issued, the respondents, without adhering to the contractual procedure prescribed under the General Conditions of Contract and without issuing any specific show-cause notice proposing blacklisting, proceeded to terminate the contract and impose the additional penalty of debarment. The respondents, on the other hand, contend that the petitioner committed repeated defaults in performance and, therefore, the competent authority was fully justified in invoking the contractual provisions and passing the impugned order.
- 15.** Before advertng to the rival submissions on merits, it is necessary

to deal with the preliminary objection regarding maintainability of the writ petition. Learned counsel appearing for the respondents submits that Clause 8.2 of the agreement provides for resolution of disputes through arbitration and, therefore, the petitioner ought to be relegated to the contractual remedy. It is true that where parties have consciously agreed upon an arbitral mechanism, the Court would ordinarily decline to exercise its extraordinary jurisdiction under Article 226 of the Constitution in matters arising purely out of contractual obligations. However, it is equally well settled that the existence of an arbitration clause does not by itself operate as an absolute bar to the exercise of writ jurisdiction where the action of the State or its instrumentalities is alleged to be arbitrary, unreasonable, violative of the principles of natural justice or where the challenge is directed to the decision-making process rather than to the merits of the contractual dispute. The Supreme Court has consistently held that contractual dealings of the State continue to possess a public law element requiring fairness and non-arbitrariness and, therefore, judicial review under Article 226 is not completely excluded merely because the contract contains an arbitration clause.

- 16.** Tested on the aforesaid principles, this Court finds that the present petition cannot be rejected at the threshold solely on the basis of Clause 8.2 of the agreement. The grievance of the petitioner is not confined merely to enforcement of contractual rights. The challenge is directed against the manner in which the respondents have

exercised their power by terminating the contract and simultaneously blacklisting the petitioner for a period of two years. The latter consequence undoubtedly visits the petitioner with serious civil and commercial consequences extending far beyond the four corners of the contract. The issue, therefore, involves examination of compliance with the principles of natural justice and fairness in administrative action, which squarely falls within the ambit of judicial review under Article 226 notwithstanding the availability of an arbitral remedy. The arbitration clause may govern disputes arising out of performance of contractual obligations, but it cannot be construed as excluding judicial scrutiny where the impugned action is alleged to be arbitrary or violative of fundamental procedural safeguards.

17. Having held that the writ petition is maintainable to the aforesaid extent, the challenge to the impugned order deserves to be examined under two distinct heads, namely, (i) termination of the contract, and (ii) debarment/blacklisting of the petitioner for a period of two years. Though both consequences have been incorporated in a composite order dated 01.04.2026, they stand on different legal footings and require independent examination. While termination of the contract is essentially governed by the contractual stipulations agreed between the parties, the order of blacklisting carries independent penal and stigmatic consequences affecting the petitioner's right to participate in future Government contracts and, therefore, must satisfy the requirements of fairness and natural

justice recognised by law.

- 18.** At the outset, this Court deems it appropriate to consider the objection regarding maintainability of the writ petition in view of the existence of an arbitration clause contained in Clause 8.2 of the agreement. It is true that disputes arising purely out of contractual obligations are ordinarily required to be resolved through the dispute resolution mechanism agreed upon between the parties. The law is well settled that where parties have consciously incorporated an arbitration clause, the Court would normally be slow in exercising jurisdiction under Article 226 of the Constitution of India in matters involving adjudication of disputed questions of fact relating to performance of contractual obligations. At the same time, it is equally settled that the existence of an arbitration clause does not operate as an absolute bar to the exercise of writ jurisdiction where the action of the State or its instrumentalities is alleged to be arbitrary, unreasonable, violative of the principles of natural justice, or where the challenge is directed to the decision-making process itself.
- 19.** Tested on the aforesaid principles, this Court finds that the challenge raised by the petitioner requires examination under two distinct compartments, namely, (i) termination of the contract, and (ii) debarment/blacklisting of the petitioner for a period of two years. Though both consequences have been incorporated in the composite order dated 01.04.2026, they stand on different legal footings. Termination of the contract is essentially governed by the

terms and conditions of the agreement and disputes relating thereto may ordinarily fall within the ambit of Clause 8.2 of the agreement. However, the order of debarment/blacklisting is not merely a contractual consequence; it carries independent penal and stigmatic civil consequences affecting the petitioner's future right to participate in Government contracts. Therefore, proceedings relating to termination and blacklisting cannot be conflated and each action must satisfy its own legal requirements. The Supreme Court has recently reiterated that blacklisting proceedings stand on a distinct footing and demand stricter adherence to the principles of natural justice.

- 20.** Insofar as the termination of the contract is concerned, the respondents contend that the petitioner failed to satisfactorily perform its obligations and, therefore, the competent authority was justified in invoking the relevant contractual provisions. The petitioner, on the other hand, disputes the allegations and asserts that the mandatory procedure prescribed under the General Conditions of Contract was not followed, inasmuch as after issuance of the performance notice dated 27.02.2026, no seven days' notice as contemplated under the contract was issued before passing the final order dated 01.04.2026. Such disputes, involving interpretation of contractual clauses and determination of factual aspects relating to performance of obligations, ordinarily fall within the realm of contractual adjudication and are amenable to the mechanism contemplated under Clause 8.2 of the agreement. This

Court, while exercising jurisdiction under Article 226 of the Constitution, would ordinarily refrain from entering into disputed questions relating purely to performance of contractual obligations, particularly when an agreed arbitral mechanism is available to the parties.

21. The position, however, stands on a substantially different footing insofar as the order of debarment/blacklisting is concerned. Blacklisting is not a mere administrative formality or an incidental consequence of termination of a contract. It is a serious punitive measure having the effect of debarring a person from participating in future Government contracts and casts a stigma on the commercial reputation of the contractor. The Supreme Court in ***Gorkha Security Services*** (supra) and thereafter in ***UMC Technologies Private Limited*** (supra), has held that blacklisting entails grave civil consequences and that a valid show-cause notice must specifically disclose not only the allegations but also the proposed action of blacklisting so as to afford an effective opportunity of hearing. The Supreme Court has described blacklisting as being akin to “civil death” inasmuch as it deprives a person of the opportunity to participate in Government contracts.
22. In the case at hand, the material placed on record indicates that though a performance notice dated 27.02.2026 alleging deficiencies in execution of the contract was issued, there is nothing on record to demonstrate that the petitioner was ever specifically put to notice that debarment/blacklisting for a period of

two years was one of the proposed actions. A notice alleging deficiencies in performance or proposing termination of the contract cannot, by itself, be treated as a substitute for a notice proposing blacklisting unless such penal consequence is specifically disclosed therein. The requirement of a specific and unambiguous notice is not an empty formality but a substantive safeguard intended to ensure fairness in administrative action. In absence of such notice, the petitioner was deprived of a meaningful opportunity to explain why the extreme consequence of debarment ought not to be imposed.

23. This Court also finds that the impugned order is a composite order whereby two distinct consequences, namely termination of the contract and debarment/blacklisting for a period of two years, have been imposed simultaneously. However, the order does not disclose any independent reasoning as to why the petitioner's conduct was of such gravity as to warrant the penal consequence of blacklisting. Proceedings for termination of contract and proceedings for blacklisting operate in different fields. While termination is primarily governed by contractual stipulations, blacklisting carries wider civil consequences and requires an objective assessment, independent application of mind and stricter compliance with the principles of natural justice. The absence of such consideration renders the order vulnerable to judicial review to the extent of the penal consequence of debarment.

24. In view of the aforesaid discussion, this Court is of the considered

opinion that disputes relating to termination of the contract, involving questions of contractual performance and interpretation of contractual clauses, may appropriately be agitated by the petitioner by resorting to the remedy available under Clause 8.2 of the agreement. However, insofar as the order debarring/blacklisting the petitioner for a period of two years is concerned, the same cannot be sustained in law for want of a specific show-cause notice and non-compliance with the principles of natural justice. Consequently, while leaving it open to the petitioner to avail the contractual remedy in respect of termination of the contract, the portion of the impugned order relating to debarment/blacklisting deserves to be and is accordingly set aside.

- 25.** Consequently, the writ petition succeeds in part. The challenge to the impugned order dated 01.04.2026, insofar as it relates to termination of the contract, is not entertained in exercise of the extraordinary jurisdiction of this Court under Article 226 of the Constitution of India, as the dispute pertains to enforcement of contractual obligations and the agreement contains an arbitration clause under Clause 8.2, providing an efficacious alternative remedy. It is, however, made clear that this Court has expressed no opinion on the merits of the rival claims relating to termination of the contract, and it shall be open to the petitioner to invoke the remedy available under Clause 8.2 of the agreement. In the event such proceedings are initiated, the same shall be decided independently and uninfluenced by any observations made in this

order.

- 26.** However, insofar as the impugned order debarring/blacklisting the petitioner for a period of two years is concerned, this Court finds that the same has been passed in violation of the principles of natural justice, as admittedly no specific show-cause notice proposing the penalty of blacklisting was ever issued to the petitioner. The order of debarment, therefore, cannot be sustained in law and is accordingly quashed. Nevertheless, this order shall not preclude the respondents from initiating fresh proceedings for debarment/blacklisting, if so advised, strictly in accordance with law, after issuing an appropriate show-cause notice specifically indicating the proposed action and after affording the petitioner a reasonable opportunity of hearing.
- 27.** Resultantly, the writ petition is **partly allowed** in the aforesaid terms. The impugned order dated 01.04.2026 is upheld to the extent it terminates the contract, leaving it open to the petitioner to avail the contractual remedy under Clause 8.2 of the agreement. However, the impugned order is set aside to the extent it debars/blacklists the petitioner for a period of two years.
- 28.** No order as to costs.

Sd/-
(Ravindra Kumar Agrawal)
Judge

Sd/-
(Ramesh Sinha)
Chief Justice