



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

**CWP No. 9680 of 2025(O&M)  
Date of Decision: 24.09.2025.**

**Kei Industries Limited**

**.....Petitioner**

Versus

**Punjab State Power Corporation Limited**

**..... Respondent**

**CORAM:- HON'BLE MRS.JUSTICE LISA GILL**

**HON'BLE MRS. JUSTICE MEENAKSHI I. MEHTA**

Present: Mr. Akshay Bhan, Sr. Advocate  
with Mr. Manish Jain, Advocate  
Mr. S.S.Sobti, Advocate  
for petitioner.

Mr. Ferry Sofat, Advocate  
for the respondent.

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**LISA GILL, J.**

1. Prayer in this writ petition is for setting aside order dated 13.08.2024, passed by respondent-Punjab State Power Corporation Limited (for short 'PSPCL'), blacklisting the petitioner for a period of one (01) year and directing that security and other pending payments in addition to PEMD/EMD be forfeited against supply-cum-work order dated 12.07.2022.
2. Brief facts necessary for adjudication of the matter are that petitioner claims to have been constituted in the year 1968 with primary focus on production of rubber cables for house wiring and as of now provides comprehensive wire and cable solutions in over 55 countries

having 5000 employes spread across 38 branch offices and 23 warehouses. Pursuant to notice dated 14.03.2022 issued by respondent-PSPCL inviting bids against Tender # TSQ-1125/TD-III/2022-23 for 'Design, Manufacture, Supply, Testing, Laying & Commissioning of 66 KV Single Core XPPE (Copper) U/G cables works on Turnkey Basis', petitioner submitted its bid which was accepted. Letter of award dated 07.07.2022 was issued to petitioner with work order-cum-contract agreement dated 12.07.2022 being issued as well. Letter of Acceptance dated 12.07.2022 was submitted by petitioner. It is submitted that Supply-cum-Work Order dated 12.07.2022 comprised of Package A1 to Package A-5 while supply of cables was confined/included in Package A-1 to Package A-3 only. Subject of writ petition relates to Package A-1. Joint Route Survey was conducted by representatives of petitioner as well as respondent followed by making up of Route Drawing as well as Single Line Diagram (SLD) which were duly approved by respondent. Said Supply-cum-Work Order was amended whereby quantity of cables required for Package A-1 was reduced from 1936 meters to 1932 meters on 13.09.2022. Petitioner thus manufactured and supplied 1932 meters of cable.

2.1 As per terms and conditions of Agreement, petitioner was required to supply the entire 1932 meters of cable at the office/site of the respondent and thereafter consume the same as per requirement at the time of laying the cable. Actual quantity of cable laid at the site came to be 1856 meters i.e., it was reduced by 76 meters during the process of laying, erection and/or installation. This reduction was due to rising of cables at both ends and the issue pertaining to Bending. Petitioner vide e-mail dated 08.06.2023 (Annexure P-4) communicated to respondent that in the wake of

only 1856 meters of cable being used, it would not claim/charge any amount for 76 meters of cable. Petitioner was then called upon to certify that despite non-user of 76 meters underground cable, design, quality of 66 KV line had not been abdicated and that both ends loop of 66 KV line underground cable had been properly bridged. Such certification was issued.

2.2. The project, it is stated, was energized on 13.01.2023 and charged on load basis on 14.01.2023. Project, is statedly fully operational since, without any problem and/or complaint regarding its performance.

2.3. However, despite clarification, show cause notice dated 06.09.2023 was issued to petitioner stating that 76 meters cable had not been laid by firm and work has not been executed as per Joint Survey and Terms and Conditions of Work Order. Petitioner was instructed to make good;

“the failure/neglect/ contravention this work as per the approved Route Drawing, approved specifications/ drawing and terms & conditions of Work Order TSVV-1248/TSQ-1125/TD-III dated 12.07.2022 Amendment No. 1 Dated 13.09.2022 within 21 days of issue of this letter under clause no. 10 “Default & Negligence” of supply cum work order.”

2.4. It is further stated in the show cause notice that respondent-PSPCL would take suitable action as per provisions of the Supply-cum-Work Order in case of failure of petitioner to comply with above instructions. Reply dated 10.09.2023 (Annexure P-8) was submitted with the petitioner re-affirming that there were no alterations in the cable route. Detailed response on the aspect of less utilization of 76 meters cable was also explained while specifically mentioning that this cable had been taken in custody by concerned official of the respondent for purposes of returning to the store and petitioner had in-fact been coerced by Junior Engineer (JE)

of the respondent into admitting that petitioner had taken possession of the cable in question. It is asserted in its reply that when misappropriation of cable was brought to light, Sr. Xen and SDO who pressurized petitioner's representative and officials in question, were since placed under suspension. It is pleaded that in order to give quietus to the matter and purely as a gesture of goodwill, besides the instructions in communication dated 06.09.2023 asking the petitioner to make good the failure/neglect/contravention, petitioner offered the following to respondent:-

- “1. 100 meters additional cable, free of cost;
2. warrant period of 72 months (as against 36 months)
3. Increased performance security deposit for a period of 72 months (s against 36 months).”

2.5. However, respondent proceeded to blacklist the petitioner for a period of one year vide impugned order dated 13.08.2024 in an absolutely unjustified and illegal manner. Hence aggrieved, present writ petition was filed.

3. Learned counsel for petitioner vehemently argued that blacklisting of petitioner is an absolutely illegal and arbitrary act on the part of respondent-PSPCL. Respondent-PSPCL could not travel beyond the show cause notice issued to it wherein there is no mention of blacklisting.

3.1. Furthermore, the Committee of Director Generation and Director Finance, constituted by Whole Time Directors in its meeting held on 03.04.2024 for affording personal hearing to representative of petitioner on considering the facts and circumstances did not recommend blacklisting of petitioner to Whole Time Directors.

3.2. It was argued that as per instructions in communication dated

06.09.2023, petitioner, despite not being at fault, but as a gesture of goodwill and with a view to give quietus to the matter had offered free cable, extended warranty and performance guarantee but that has been incorrectly presumed to be an admission of guilt on the part of petitioner in an unfortunate manner. Respondent has already forfeited the bank guarantee and PEMD amounting to Rs.1.22 Crores. Final invoice does not include the cost of 76 meters of cable.

3.3. It was contended that in this backdrop, blacklisting of petitioner is clearly unwarranted and not called for. Reference was made by learned counsel for petitioner to judgments of Hon'ble the Supreme Court in **M/s Techno Prints Vs. Chattisgarh Textbook Corporation, 2025 INSC 236** and **Blue Dreams Advertising Private Limited Vs. Kolkata Municipal Corporation, 2024 INSC 589**. It was thus prayed that this writ petition be allowed as prayed for.

4. Learned counsel for respondent refuted the arguments as raised on behalf of petitioner. It was submitted that admittedly 76 meters of cable was not laid by petitioner in the project in question. Show cause notice had been duly issued to petitioner in accordance with law. Clause 10 of Work Order-cum-Contract Agreement dated 12.07.2022 clearly provides for blacklisting of the firm in case of any contravention, failure or neglect on the part of the contractor. It is duly mentioned in Show Cause Notice dated 06.09.2023 that steps should be taken by petitioner to make good the neglect/contravention within 21 days, in terms of Clause 1-'Default & Negligence' of supply-cum-work order. Blacklisting of petitioner was, thus, carried out in accordance with law, after affording due opportunity of hearing to petitioner, therefore, no ground whatsoever is made out for

interference in the present case. It was submitted that no procedural lapse whatsoever was pointed out by learned counsel for petitioner, therefore petition being devoid of any merit should be dismissed.

5. We heard learned counsel for the parties at length and have carefully perused the file.

6. Award of Work Order dated 12.07.2022 to the petitioner is a matter of record. Controversy in question revolves around 76 meters of cable which according to respondent-PSPCL was not laid by petitioner. Perusal of show cause notice dated 06.09.2023 reveals that petitioner was instructed to make good the failure/neglect contravention in terms of Clause 10 of Supply-cum-Work Order as alleged i.e., 76 meters cable not being laid and work not executed as per Joint Survey and terms and conditions of Work Order.

7. It is a matter of record and not denied that the project in question was successfully commissioned and charged on 25.10.2017 and the circuit is running satisfactorily till date. Pursuant to show cause notice dated 06.09.2023, asking petitioner to make good the neglect/default, petitioner had duly proposed as under:-

- “1. 100 meters additional cable, free of cost;
2. warrant period of 72 months (as against 36 months)
3. Increased performance security deposit for a period of 72 months (s against 36 months).”

8. In terms of Clause 10 of the Work Order-cum-Contract Agreement dated 12.07.2022, respondent was well within its right to take necessary action in a given fact situation upon finding contravention of the provisions of the Purchase Order/Contract. Clause 10 of the Work Order-cum-Contract Agreement dated 12.07.2022 reads as under:-

**“Clause 10.0: Negligence and Default**

In case of any negligence on the part of a Supplier/Contractor to execute the Purchase-order/Contract with due diligence and expedition and to comply with any reasonable orders, pertaining to any contravention to the provisions of the Purchase-order/Contract, given in writing by the purchaser, the purchaser may give a 21 days-notice in writing to the Supplier/Contractor to failure/neglect/contravention. make the good In the event the Supplier/Contractor fails to comply with the notice within a timeframe considered to be reasonable by the purchaser the business dealings shall be suspended/terminated with the firm by the purchaser for a minimum period of three Years or in extreme cases, the firm shall be blacklisted forever by the purchaser.

Apart from the suspension/termination of business dealings/blacklisting of the supplier/ contractor, the purchaser shall also forfeit the security & other pending payments of the Purchase Order/Contract against which the supplier has defaulted, in addition to PEMD/EMD lying with the concerned organization.”

9. In its reply dated 14.05.2025, the involvement of the officials of the respondent is duly mentioned by petitioner. We take note of the fact that during course of arguments as well, it was candidly admitted by learned counsel for respondent that officials in questions were placed under suspension and departmental proceedings initiated against them were pending in respect to said 76 meters of cable. Whole Time Directors of respondent in the meeting held on 03.04.2024, resolved that a Committee of Director Generation and Director Finance would be authorized to give personal hearing to representative of petitioner. This Committee after affording opportunity of personal hearing to petitioner (its authorized representative) recommended as under:-

- “i. KEI shall supply additional 100 meters of cable free of cost to PSPCL in addition to cost of 76 meters of cable already recovered by PSPCL. Further, CE/TS may decide either to accept additional 100 meter cable or its equivalent price, keeping in view the requirement/usage of this cable in PSPCL.
- ii. KEI shall increase the warranty period to 272 months as against the contractual period of 36 months.
- iii. KEI shall increase the performance security deposit period to 72 months as against the contractual period of 36 months.

Besides above, committee recommends to issue letter of warning to the firm to remain vigilant and faithful toward the purchaser as per terms and conditions of the work order/contract.”

10. However, Whole Time Directors, in impugned order 13.08.2024, held that petitioner has indulged in misappropriation of PSPCL material and that firm’s offer indicates an admission of negligence and default, therefore, it was decided to blacklist the petitioner for a period of one year and forfeit the security and other pending payments in addition to PEMD and EMD.

11. At this juncture, it is to be noted that a decision to blacklist a contractor is indeed a drastic step and is not to be resorted to in routine. Hon’ble the Supreme Court in case of **M/s Techno Prints Vs. Chattiasgarh Textbook Corporation (supra)** held that power to blacklist cannot be resorted to when grounds for the same are only breach or violation of a term or condition of a particular contract and for which there may be legal modes of redress. Relevant portion of the said decision reads as under:-

“33. As observed by this Court in *Erusian Equipment & Chemicals Ltd. Vs. State of W.B.* reported in (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.

35. Usually, while participating in a tender, the bidder is required to furnish a statement undertaking that it has not been blacklisted by any institution so far and, if that is not the case, provide information of such blacklisting. This serves as a record of the bidder's previous experience which gives the purchaser a fair picture of the bidder and the conduct expected from it.”

12. Hon’ble the Supreme Court in case of **Blue Dreamz Advertising Private Limited Vs. Kolkata Municipal Corporation (supra)**, has reiterated that any decision to blacklist should fall strictly within the parameters of law and has to comport with the principle of proportionality. In the instant matter, petitioner upon receipt of Show Cause

Notice dated 16.09.2023, admittedly made the offer as has been detailed in foregoing paras. Said offer made by petitioner pursuant to show cause notice dated 16.09.2023 is indeed indicative of a goodwill gesture and a measure of making good the default/neglect, if any. There is indeed no material on record to substantiate the stand of respondent that such offer is indicative of fault and default on the part of petitioner. Conclusion drawn by respondent that petitioner indulged in misappropriation of PSPCL material is again not borne out from the record. To the contrary, it is not understandable as to how such a conclusion has been drawn, once respondent itself admittedly is proceeding against its own officials in respect to misappropriation of this very cable. In this factual matrix, order dated 13.08.2024 blacklisting the petitioner is clearly unwarranted. Petitioner's conduct can by no stretch of imagination be termed to be so deviant or aberrant so as to warrant such a punitive measure.

13. At this stage, we take note of the fact that period of blacklisting has indeed come to an end as on date. Be that as it may, we deem it appropriate to set aside blacklisting of petitioner in order to ensure that the same may not come as a hurdle or blockade for participation in further tenders wherein there is a clause seeking declaration from bidders of not having been blacklisted on earlier occasions. We also take note of the submission made by learned counsel for petitioner during the course of hearing that petitioner in order to protect its name and goodwill would be satisfied if the order of blacklisting is set aside and it would also not claim the amount forfeited vide impugned order dated 13.08.2024. In the given facts and circumstances, order dated 13.08.2024 is set aside while holding that concession of petitioner as above shall not be construed to be an

admission of guilt or negligence. Respondent shall thus be permitted to retain the said amount in view of abovesaid statement on behalf of petitioner before us.

14. Writ petition is accordingly allowed. Pending application(s), if any, stand(s) disposed of accordingly.

**(LISA GILL )  
JUDGE**

**(MEENAKSHI I. MEHTA)  
JUDGE**

**September 24, 2025.**  
s.khan

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