
(2025) 10 GAU CK 1155
In the Gauhati High Court
Case No : WP(C) Of 5763 Of 2025

Manipur Industrial Development Corporation Ltd	APPELLANT
Vs	
Union Of India And 2 Ors	RESPONDENT

Date of Decision : 28-10-2025

Acts Referred:

Citation : (2025) 10 GAU CK 1155

Hon'ble Judges : Devashis Baruah, J

Bench : Single Bench

Advocate : HS Paonam, R Sekhar

Final Decision : Disposed Of

Judgement

Devashis Baruah, J

1. Heard Mr. HS Paonam, the learned Senior Counsel assisted by Mr. R Sekhar, the learned counsel who appears on behalf of the petitioner. Ms. A Gayan, the learned CGC, who appears on behalf of the Union of India as well as the respondent Nos.2 and 3.

2. The petitioner herein has assailed the communication dated 18.08.2025 whereby the contract with the petitioner was terminated and the petitioner was further blacklisted with immediate effect. Taking into account that there is an arbitration clause, Mr. HS Paonam, the learned Senior Counsel appearing on behalf of the petitioner submitted that the challenge to the communication dated 18.08.2025 is limited to blacklisting of the petitioner only and not to the termination of the contract. The learned Senior Counsel further submitted that as regards the termination, the petitioner would take recourse to arbitration proceedings, if so advised.

3. In the backdrop of the above, it is the submission of the learned Senior Counsel that vide the impugned communication dated 18.08.2025, the petitioner was blacklisted with immediate effect, that too, without any opportunity of

hearing being given to the petitioner. The learned Senior Counsel further submitted that blacklisting in the manner in which it has been sought to be done is contrary to the settled principles of law, inasmuch as, the blacklisting cannot be for a period indefinite. In that regard, the learned Senior Counsel has placed before this Court the judgment of the Supreme Court in the case of Gorkha Security Services Vs. Govt. of NCT Of Delhi & Ors. reported in (2014) 9 SCC 105 as well as the judgment of the Supreme Court in the case of M/s. Kulja Industries Ltd. Vs. Chief General Manager Western Telecom Project BSNL & Ors., reported in (2014) 14 SCC 731.

4. It is seen that the respondents herein have duly filed the affidavit-in-opposition. On 17.10.2025, when the matter was taken up, this Court while passing the order observed that the respondent authorities shall bring on record the affidavit indicating as to whether any proceedings were initiated prior to passing of the order of blacklisting against the petitioner by giving the petitioner due notice.

5. Ms. A Gayan, the learned counsel who appears on behalf of the respondents submitted that the blacklisting is permissible as per the terms of the contract. However, she submitted that the said order of blacklisting was not preceded by any show cause notice. Under such circumstances, the learned counsel appearing on behalf of the respondents submits that taking into account the judgments as referred to by the learned Senior Counsel appearing on behalf of the petitioner, this Court, if interferes with the order of blacklisting, may give the liberty to the respondents to take action by following the due procedure of law.

6. This Court finds it very pertinent upon hearing the learned counsels appearing on behalf of the parties to take note of the judgment of the Supreme Court in the case of Gorkha Security Services (supra) wherein the Supreme Court at paragraph Nos. 16 and 20 categorically observed that there is a requirement of issuance of a show cause notice prior to taking a decision to blacklist. In paragraph Nos. 21 and 22 of the said judgment, the Supreme Court further emphasized what should be the contents of the show cause notice. Taking into account the above, this Court finds it pertinent to reproduce the paragraph Nos.16, 20, 21 and 22 as under:

".....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 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.

20. Thus, there is no dispute about the requirement of serving show-cause notice. We may also hasten to add that once the show-cause notice is given and opportunity to reply to the show-cause notice is afforded, it is not even necessary to give an oral hearing. The High Court has rightly repudiated the appellant's attempt in finding foul with the impugned order on this ground. Such a contention was specifically repelled in Patel Engineering.

Contents of 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 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 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 does not satisfactorily meet the grounds on which an action is proposed. To put it otherwise, we are of the opinion that in order to fulfill 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 on 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."

7. Considering the admitted position that the impugned order dated 18.08.2025 insofar as the blacklisting of the petitioner was not preceded by any show cause notice, it is, therefore, the opinion of this Court that the blacklisting of the petitioner by the impugned order dated 18.08.2025 requires interference. It is also the opinion of this Court that as this Court is inclined to interfere with the order of blacklisting on the ground of non-issuance of show cause notice, the

respondents should be given the liberty, if so advised, to take action in accordance with law.

8. Considering the above, the instant writ petition, therefore, stands disposed of with the following observation(s) and direction(s):

(i). The order of blacklisting vide the communication dated 18.08.2025 is set aside and quashed.

(ii). The setting aside of the order dated 18.08.2025 insofar as the blacklisting of the petitioner shall not preclude the respondents to initiate and take action for blacklisting the petitioner by following the mandate as laid down by the Supreme Court in case of Gorkha Security Services (*supra*).

(iii). It is clarified that this Court has not set aside the communication dated 18.08.2025 insofar as the termination of the contract is concerned.

(iv). The petitioner herein would be at liberty to take such recourse insofar as the termination of the contract, if so permissible, in accordance with law.