



W.A(MD)No.2634 of 2024

BEFORE THE MADURAI BENCH OF MADRAS HIGH COURT

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DATED: 18.07.2025

CORAM

**THE HONOURABLE MR.JUSTICE G.R.SWAMINATHAN
and
THE HONOURABLE MR.JUSTICE K.RAJASEKAR**

**W.A(MD)No.2634 of 2024
and
C.M.P(MD)No.18322 of 2024**

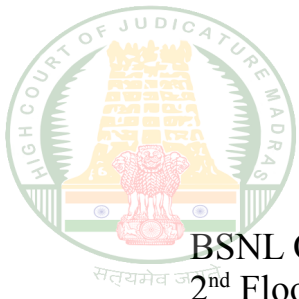
M/s.Balakrishnan & Co.,
Modern Rice Mill,
Represented by its
Managing Director,
B.Sivakumar,
No.43/2A3, Rajamaan Nagar,
Chinthamani Road,
Madurai – 625 009.

... Appellant /
Petitioner

Vs.

1.The Managing Director,
Tamil Nadu Civil Supplies
Corporation Limited,
Chennai Metro Railways Campus,
Poonamallee High Road,
Koyembedu,
Chennai – 600 107.

2.The Regional Manager,
Tamil Nadu Civil Supplies
Corporation Limited,



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BSNL Office, 4th Block,
2nd Floor, Thallakulam,
Madurai – 625 002.

3.The Manager (Quality Control),
Tamil Nadu Civil Supplies
Corporation Limited,
Madurai Region,
Madurai.

... Respondents /
Respondents

Prayer: Writ Appeal filed under Clause 15 of the Letters Patent to set aside the order passed by this Court dated 22.11.2024 made in W.P(MD)No.28022 of 2024 on the file of this Court and allow the above Writ Appeal.

For Appellant : Mr.B.Saravanan
Senior Counsel
for M/s.B.Saravanan Associates

For Respondents : Mr.Veera.Kathiravan
Additional Advocate General
Assisted by
Mr.G.Mohan Kumar
Standing Counsel

JUDGMENT

(By G.R.SWAMINATHAN, J.)

Heard both sides.

2.The appellant was appointed as a hulling agent on 22.08.2023. Vide order dated 01.10.2024, the Regional Manager, Tamil Nadu Civil Supplies



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Corporation, Thallakulam, Madurai cancelled the appellant's agency and also blacklisted him. The bank guarantee earlier furnished by the appellant was also encashed. Challenging the said proceeding, the appellant filed W.P(MD)No. 28022 of 2024. The learned single Judge vide order dated 22.11.2024 dismissed the writ petition. Aggrieved by the same, this Writ Appeal has been filed.

3.The learned Additional Advocate General endeavoured to convince us that the impugned order does not call for interference. He drew our attention to the Clauses 36 and 37(b) of the agreement dated 23.08.2023 to drive home his point that in view of the default committed by the appellant, the agency stood automatically terminated. He also would add that 390 metric tons of paddy supplied by the corporation had been sold by the appellant in the open market and that a significant shortfall was noticed during inspection. He would also claim that the appellant had admitted his misdemeanor. A typed set of paper was filed by the Corporation and the learned Additional Advocate General submitted that show cause notice was already issued on 05.09.2024 and that thus the principles of natural justice were duly complied with.

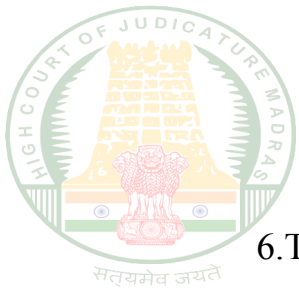


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4. We are not swayed by the submissions of the learned Additional Advocate General. Vide order dated 01.10.2024, the appellant had been blacklisted. The Hon'ble Supreme Court in the decision reported in **(1975) 1 SCC 70 (M/s.Erusian Equipment & Chemicals Limited Vs State of West Bengal & Another)** had held that an order of blacklisting has very serious civil consequences for the contractor and that therefore it cannot be imposed without complying with the principles of natural justice.

5. Admittedly, the Corporation has not issued any show cause notice proposing to blacklist the appellant. Therefore, the order dated 01.10.2024 has to be interfered with to that extent. It is further noted that the appellant's agency has also been terminated. The show cause notice dated 05.09.2024 only calls upon the appellant to hand over the resultant rice. The order dated 01.10.2024 is based on an alleged inspection conducted on the same day, which purportedly revealed a significant shortfall in paddy. In other words, the show cause notice dated 05.09.2024 and the order dated 01.10.2024 do not go together. It is well settled that a final order will have to necessarily rest on the premises set out in the show cause notice. We, therefore, hold that the order dated 01.10.2024 constitutes a clear breach of the principles of natural justice.

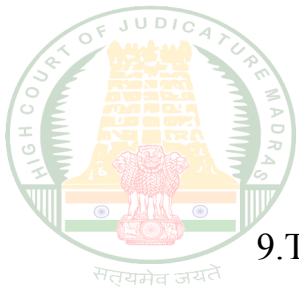


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6.The learned Senior Counsel appearing for the appellant would assert that no inspection took place on 01.10.2024 as claimed by the Corporation, and that the inspection was actually conducted on 02.10.2024. It is further claimed that the dispute was only over the quality of the paddy / rice and not the quantity.

7.We cannot go into this factual aspect at all. When there is a factual dispute, some kind of summary enquiry must be held before such orders are passed. However, we find a considerable merit in the contention of the learned Additional Advocate General that the invocation of bank guarantee was inevitable. Admittedly, the bank guarantee was set to expire on 04.10.2024. Two weeks before that, the Corporation had called upon the appellant to renew the bank guarantee. The appellant failed to do so. In these circumstances, we do not fault the corporation for having encashed the bank guarantee. We, however, state that the encashment shall abide by the outcome of the inquiry. .

8.We set aside the order impugned in the writ petition and remand the matter to the file of the second respondent herein to issue show cause notice and after complying with the principles of natural justice, pass order on merits and in accordance with law.



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9.This Writ Appeal is allowed accordingly. There shall be no order as to

costs. Consequently, connected miscellaneous petition is closed.

[G.R.S., J.] [K.R.S., J.]
18.07.2025

NCC : Yes / No

Internet : Yes / No

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MGA

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