IN THE HIGH COURT OF JHARKHAND AT RANCHI

W.P. (C) No. 3011 of 2025

Zen Plus Private Ltd., Dadar, Mumbai (Maharashtra), through its authorized signatory, Milton Singh, S/o Sikander Prasad Singh, R/o House No. 10, near Auropliss Campus, Kumudani, Ghosh Road, Barmasiya, P.O. & P.S.-Deoghar, District-Deoghar

….. Petitioner

Versus

1. The State of Jharkhand
2. The Secretary, Department of Health, Medical Education & Family Welfare, Government of Jharkhand, Ranchi
3. The Jharkhand Rural Health Mission Society, through its Mission Director, Ranchi ….. Respondents

With

W.P. (C) No. 5360 of 2025

M/s Ziquitza Health Care Limited, Worli, Mumbai (Maharashtra), through its authorized signatory, Rajneesh Chaturvedi, S/o Santosh Chaturvedi, R/o Ward No. 28, Lane Number-2, Khunthi, P.O. & P.S.-Satna, District-Satna (Madhya Pradesh)

….. Petitioner

Versus

1. The State of Jharkhand, through the Secretary, Department of Health, Medical Education & Family Welfare, Ranchi
2. The Jharkhand Rural Health Mission Society, through its Mission Director, Ranchi ….. Respondents

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CORAM

HON'BLE THE CHIEF JUSTICE

HON'BLE MR. JUSTICE RAJESH SHANKAR

For the Petitioners: Mr. Ajit Kumar, Sr. Advocate
Ms. Aprajita Bhardwaj, Advocate
[W.P. (C) No. 3011 of 2025]
Mr. Indrajeet Sinha, Advocate
Ms. Tanya Singh, Advocate
[W.P. (C) No. 5360 of 2025]

For the State: Mr. Ashutosh Anand, A.A.G.-III
[W.P. (C) No. 3011 of 2025]
Mr. Vibhor Mayank, A.C. to A.G.
[W.P. (C) No. 5360 of 2025]

05/01.09.2026

1. Heard learned counsel for the parties.

2. Learned counsel for the parties agree that both these writ petitions can be disposed of by a common order since the challenge therein is to the communication/order dated 17.06.2025 by which the petitioner-M/s Ziquitza Health Care Limited has been blacklisted for a period of two years and it is

alleged that the petitioner-M/s Zen Plus Private Ltd. has also been blacklisted for the same period from carrying out any operations/works in the Department of Health, Medical Education & Family Welfare, Government of Jharkhand.

3. Accordingly, we issue Rule in both the petitions. At the request of and with the consent of the learned Counsel for the parties, we make the Rule returnable forthwith.

4. Mr Ajit Kumar, learned Sr. counsel appearing for the petitioner in W.P. (C) No. 3011 of 2025, i.e., M/s Zen Plus Private Ltd., submits that the impugned order, upon its proper reading, does not even blacklist the petitioner he represents. In any event, he submits that no show cause notice whatsoever was issued to M/s Zen Plus Private Ltd. before this impugned order was passed. Therefore, he submits that on these grounds, the impugned order must be struck down so far as it is sought to be applied to M/s Zen Plus Private Ltd.

5. Mr Indrajeet Sinha, learned counsel for the petitioner in W.P. (C) No. 5360 of 2025 i.e., M/s Ziquitza Health Care Limited, submits that the show cause notice dated 26.09.2024 and even further communication dated 16.01.2025, which preceded the impugned communication/order dated 17.06.2025, make no reference whatsoever to the proposal for blacklisting. He submits that even the circumstances surrounding these communications give no hint that any blacklisting was proposed. He submits that no blacklisting order can be made without a proper show cause notice indicating that blacklisting is proposed. He submits that such action of blacklisting without proper show cause notice

would be contrary to the law laid down in the cases of ***Gorkha Security Services v. Government (NCT of Delhi) & Others*** reported in ***(2014) 9 SCC 105; UMC Technologies Private Limited v. Food Corporation of India & Another*** reported in ***(2021) 2 SCC 551*** and ***Bacha F. Guzdar v. Commissioner of Income-Tax, Bombay*** reported in ***(1954) 2 SCC 563.***

6. Mr. Ashutosh Anand, learned A.A.G.-III and Mr. Vibhor Mayank, learned A.C. to A.G. appearing on behalf of the State, submit that a proper show cause notice was issued to the petitioners and the mere non-mention of blacklisting therein had occasioned no prejudice whatsoever to the petitioners. They submit that this was an egregious case of submitting a fake certificate to claim experience, and to this charge, there was virtually no defence. They submit that the petitioners have not pleaded any prejudice arising from the non-reference to the proposed action of blacklisting. They submit that from reading of the show cause notice and the circumstances surrounding the same, it would be clearly inferred that such an action of blacklisting was proposed.

7. They submit that even by specific reference to the proposed action of blacklisting, the petitioners would have had no defence to offer. They invoked the useless formality theory, as suggested in paragraph No. 17 of ***S.L. Kapoor v. Jagmohan & Others,*** reported in ***(1980) 4 SCC 379.*** Based on all these submissions, learned counsel submit that these writ petitions should be dismissed and discretion should not be exercised in favour of the petitioners, who submitted fake certificates to obtain government contracts.

8. Mr Ashutosh Anand, in addition to the above, submits that M/S Ziquitza Health Care Limited owned one hundred per cent of the shares of M/S Zen Plus Private Ltd. after the demerger order dated 05.07.2024, effective from 01.04.2022. He therefore submits that the impugned order concerned both petitioners, who are liable to be blacklisted for their role in submitting fake certificates to obtain government contracts. He hinted that the State was entitled to lift the corporate veil in such circumstances.

9. The rival contentions now fall for our determination.

10. The impugned communication/order dated 17.06.2025, after referring to certain factual aspects, in its penultimate paragraph, states as follows:

> "Hence, M/s Ziquitza Health Care Limited (as demerged resulting in the formation of M/s Zen Plus Private Limited) is blacklisted for carrying out any operations/works in the Department of Health and Family Welfare, Government of Jharkhand for a periods of two years."

11. On a reading of the aforesaid, it is quite clear that M/s Ziquitza Health Care Limited has been blacklisted for a period of two years from carrying out any operations/works in the Department of Health, Medical Education & Family Welfare, Government of Jharkhand. However, the above extracted portion from the impugned communication/order does not suggest that even M/s Zen Plus Private Ltd. has been blacklisted for the same works and for the same period.

12. The above extracted portion merely describes M/s Ziquitza Health Care Limited as an entity after its demerger ordered by

the NCLT, Mumbai on 05.07.2024, effected from 01.04.2022. The circumstance that M/s Ziquitza Health Care Limited may be the owner of 100% of the shares of M/s Zen Plus Private Ltd. is not sufficient to obliterate the distinction between a company and its shareholders or to rush to lift the corporate veil.

13. There is a legal distinction between a company, which has its own corporate existence and the shareholders that may comprise it. The fact that M/S Ziquitza Health Care Limited may be the owner of 100% of the shares of M/S Zen Plus Private Ltd is not prima facie sufficient to lift the corporate veil, and that too without giving any notice to the company of the proposed blacklisting.

14. Therefore, based upon the impugned communication/order dated 17.06.2025, there is no question of blacklisting M/s Zen Plus Private Ltd., i.e., the petitioner in W.P. (C) No. 3011 of 2025.

15. However, on a demurrer, even if we were to hold that the impugned order/communication applies to M/s Zen Plus Private Ltd., then, in the absence of any show cause notice being issued to M/s Zen Plus Private Ltd. about the proposed action of blacklisting and the grounds in support thereof, the impugned order/communication qua M/s Zen Plus Private Ltd. cannot be sustained.

16. It is more than well settled that blacklisting of any company has serious civil consequences and therefore the same must be preceded by compliance with the principles of natural justice and fair play. Since this is altogether absent qua M/s Zen Plus Private

Ltd., the impugned communication/order, assuming that it indeed blacklists M/s Zen Plus Private Ltd., cannot be sustained and is liable to be set aside.

17. So far as the petitioner in W.P. (C) No. 5360 of 2025, i.e., M/s Ziquitza Health Care Limited, is concerned, we refer to the show cause notice dated 26.09.2024, which is Annexure-7 (page 134) of the said writ petition. This notice, in its concluding paragraph, merely states that if the explanation is not found to be satisfactory, then action as permissible under the law will be commenced.

18. There is another notice dated 16.01.2025 (Annexure-9 at page 138), which merely calls for information from M/S Ziquitza Health Care Limited. Again, even in this communication, there is no hint of the proposed action of blacklisting.

19. Based upon a conjoint reading of the show cause notice dated 26.09.2024 and the communication dated 16.01.2025, which are the only two communications preceding the impugned communication/order dated 17.06.2025, it is clear that there was no express mention of a proposal for blacklisting and further, from the contents of the two communications, no inference would be drawn that such an action was indeed proposed. In the absence of either a specific mention or the possibility of a clear inference that such an action was proposed, blacklisting orders would be rendered vulnerable.

20. The argument about lack of prejudice or useless formality theory clearly does not apply in the present situation. The State's satisfaction that the noticee will have no defence to offer is by

no means sufficient. Even assuming that, on factual aspects, the defence may be thin, still, if the noticee is informed that the consequence would lead to blacklist, it is always open to the noticee to persuade the State that a hard action of blacklisting is not warranted. The noticee may also plead for leniency by setting out mitigating factors, if any. An order of blacklisting therefore cannot be a bolt from the blue.

21. In the case of ***Gorkha Security Services*** (supra), the Hon'ble Supreme Court noted that the show cause notice was conspicuously silent about the blacklisting action. The argument that a clause in the contract permitted the State to blacklist the defaulting contractor was held insufficient to infer blacklisting. The Hon'ble Supreme Court has held that the mere existence of Clause 27 in the agreement entered into between the parties would not suffice to meet the mandatory requirement by vaguely mentioning other "actions as deemed fit". The Hon'ble Supreme Court has held that without any specific stipulation in this behalf, the respondents could not have imposed the penalty of blacklisting.

22. The Hon'ble Supreme Court has explained that no doubt rules of natural justice are not embodied rules nor can they be lifted to the position of fundamental rights. However, their aim is to secure justice and to prevent miscarriage of justice. It is now a well-established proposition of law that unless a statutory provision either specifically or by necessary implication excludes the application of any rules of natural justice, any exercise of power prejudicially affecting another must be in conformity with

the rules of natural justice. When it comes to blacklisting, it is termed "civil death". It would be difficult to accept the proposition that, without even putting the noticee to such a contemplated action and giving him a chance to show cause as to why such an action should not be taken, a final order can be passed blacklisting such a person only on the premise that this is one of the actions so stated in the provisions of the NIT.

23. In ***Gorkha Security Services*** (supra), the prejudice argument almost identical to the one now raised on behalf of the respondents was raised and considered by the Hon'ble Supreme Court. In this regard, the Hon'ble Supreme Court has observed that had the action of blacklisting been specifically proposed in the show cause notice, the appellant could have mentioned as to why such an extreme penalty is not justified. It could have pleaded extenuating circumstances to defend such an action, even if the defaults were there and the Department was not satisfied with the explanation qua the defaults. It could have pleaded with the Department not to blacklist the appellant, or to do so for a lesser period if the Department still wanted to blacklist the appellant. Therefore, it was not at all acceptable that non-mentioning of the proposed blacklisting in the show cause notice had not caused any prejudice to the appellant. That apart, the extreme nature of such a harsh penalty like blacklisting with severe consequences would itself amount to causing prejudice to the appellant.

24. In our judgment, the above observations of the Hon'ble Supreme Court in the case of ***Gorkha Security Services***

(supra) afford a complete answer to the argument on behalf of the respondents that the petitioners herein have not pleaded or established any prejudice or that specific mention of the proposed action of blacklisting would have made no difference to the matter and therefore would be regarded as a useless formality.

25. In ***UMC Technologies Private Limited*** (supra), the Hon'ble Supreme Court, in similar facts, has held that the plain reading of the show cause notice makes it clear that the action of blacklisting was neither expressly proposed nor could it have been inferred from the language implied in the show cause notice. Further, the mere existence of a clause in the bid document mentioning blacklisting as a bar to eligibility cannot satisfy the mandatory requirement of a clear mention of the proposed action in the show cause notice. The Hon'ble Supreme Court has explained that this is crucial due to the severe consequences of blacklisting and the stigmatisation that accrues to a person/entity being blacklisted. Blacklisting denies a person or an entity the privileged opportunity to enter into government contracts. Since the corporation's notice was completely silent about blacklisting and the circumstances surrounding it, and did not even give any hint of the proposed action of blacklisting, the Hon'ble Supreme Court interfered with the order of blacklisting.

26. For the above reasons, we are satisfied that the impugned communication/order dated 17.06.2025 is liable to be set aside and is hereby set aside qua both the petitioners.

27. However, we clarify that setting aside the impugned communication/order will not preclude the respondents from issuing a fresh show cause notice/s to the petitioners if they so desire, and disposing of them in accordance with law and on their own merits.

28. The present writ petitions are accordingly allowed, and the rule therein is made absolute in the above terms. There shall, however, be no order for costs.

(M. S. SONAK, C.J.)

(RAJESH SHANKAR, J.)

01.09.2026
Satish/Vikas/
A.F.R.

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