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## **H.L. TREHAN V. UNION OF INDIA (1989) 1 SCC 764: AIR 1989 SC 568**

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Shreya Lal, Symbiosis Law School, Nagpur

### **ABSTRACT**

This case comment dives into the landmark ruling of H.L. Trehan v. Union of India (1989), a significant moment in Indian administrative law that addresses the concept of natural justice, especially the importance of pre-decisional hearings. The issue began when the Board of Directors of CORIL, a company taken over by the government, made unilateral changes to employee service conditions via a circular on March 8, 1978, without any prior discussion or agreement. The Delhi High Court invalidated this circular, stating it breached the principles of natural justice, particularly the doctrine of audi alteram partem. The Supreme Court supported this decision, asserting that post-decisional hearings cannot replace the constitutional requirement for a fair hearing before any negative administrative action. The Court highlighted that any changes to employee rights must be executed lawfully, with procedural fairness, and in line with Section 11(2) of the Caltex Act, 1977. This comment critically examines the judicial reasoning, its connection to Article 14 of the Indian Constitution, and the wider implications for employee rights and administrative fairness. The case reinforces the idea that procedural justice is a vital part of the rule of law, not just a formality.

## INTRODUCTION

*"Natural justice is the foundation of all judicial processes. It ensures that decisions are made impartially and that every person has a fair chance to be heard."*

Caltex Oil Refinery (India) Ltd or CORIL, a private company was acquired by Central government company and the date of acquisition was 30<sup>th</sup> of December 1976. When the government company took over CORIL, the employees were transferred from the private company to the government company. On 23<sup>rd</sup> April 1977 the ***“Undertakings in India of Caltex Act”*** was passed mentioning the terms and conditions along with other statutory rules of the service of the employees. Sections which are pertinent for the discussion of the present case are reiterated here in the law:

According to Section 3, the Central Government received a transfer of shares and vested ownership of the CORILS's capital on December 30, 1976.

According to Section 5, that on the designated day, Caltex (India) Ltd.'s rights, title, and interest with regard to its Indian undertakings were vested in and passed on to the Central Government.

According to Section 9, the Government Company shall acquire the right, title, and interest of Caltex (India) Ltd. on the date of the notification or, if stated in the notification, on any earlier or later date that is not the appointed day. This authority may be exercised by the Central Government by notification.

According to Section 11(2), all full-time officers and other CORIL employees shall, on the day of designation, continue to be officers with the same criteria and terms along with the same entitlements to pension, gratuity etc. The employee will also keep this position until CORIL officially terminates his job or until CORIL properly amends his terms of service and remuneration.

Later, without obtaining any consent from the employees the ***“Board of Directors”*** of ***“CORIL”*** issued an impugned circular dated 8<sup>th</sup> March 1978 and changed the terms and conditions of the services of the employees as were mentioned in the ***“Undertakings in India Of Caltex Act”***. This circular caused havoc in the company resulting in the split of the employees into two groups- firstly, the ones who benefitted from this circular and wanted to maintain its maintainability and secondly, who did not benefit from the circular However, when

the government company had realised the fact that they have violated the principle of Natural Justice, it allowed the employees to be heard (Post-decisional Hearing). Aggrieved by this employees (non-befitting) filed a civil writ petition in the Delhi HC and challenged the validity of the circular. The court quashed the circular and made a decision in favour of the employees. The other employees who were unhappy with the decision of the HC made an appeal to the Supreme Court through Special Leave Petition (SLP). After hearing both sides, SC dismissed the appeal reinforcing the decision of the HC and ultimately quashing the impugned circular. On May 9, 1978, the CORIL Undertaking was vested in and transferred to Hindustan Petroleum Corporation Ltd.

Therefore, the present case deals with Post-Decisional Hearing and whether it complies with the Principles of Natural Justice or not. This case further deals with the question of whether the Circular passed violates A14 of the Indian Constitution and S3, S5, S9, S11(2) of the Caltex Act 17 of 1977.

## BACKGROUND

The petitioner filed a Civil Writ Petition in the Delhi High Court. The High Court, interpreted the situation differently, holding that the ***“Board of Directors of CORIL”*** acted unlawfully and against the principles of natural justice, especially against the Doctrine of Audi Alteram Partem which means- ***“Let the other side be heard”*** or without a fair trial where all parties are given the chance to refute the evidence used against them, no one should be condemned. They violated this principle as no chance was provided to the company's employees prior to the contested circular's issuance. Based on this interpretation, the High Court quashed the contested circular. They also violated the principle of reasonableness and fairness, an important feature of administrative function.

## ANALYSIS

Subsequent to the quashing of the circular by the HC, the other employees who were not pleased with the rulings of the HC made an appeal in the Supreme Court by filing a Special Leave Petition. The legality of a circular was again questioned in the honourable SC made by.

But the SC dismissed the appeal appreciating the decision of the HC and further pointed out 3 main factors:

## **I. Violation of Natural Justice**

The SC appreciated the points highlighted by the HC and pointed out that the disputed circular which the BOD Of CORIL passed breached the Natural Justice principles. The fact that the employees were not given a chance or even heard before the circular was passed and thus especially violated the Doctrine of Audi Alteram Partem. The court also upheld that there must be reasonableness and fairness in administrative proceedings which lacked here, particularly when the circular was affecting the rights and benefits of employees related to their terms and conditions of service. The court stated that if any change is to be made regarding the terms and conditions of service then the employees must be heard beforehand only, which means there should be Pre-Decisional hearing and not Post-Decisional hearing.

## **II. Post- Decisional Hearing**

The SC also noted that a Post-Decisional Hearing is not a replacement of Pre-Decisional Hearing. It is frequently difficult for the parties impacted by a decision to change the result through representation once the decision has been made. The court reiterated the idea that the right of hearing must be granted prior to a decision being made. The court further noted that Post-Decisional hearings are less helpful since they fail to tackle the underlying procedural inequity because there is very little chance that the decision making authority will alter its mind after it has been made.

## **III. Lawful exercise of power under S11 of the Act**

The arguments concerning the arbitrary use of power under S 11 of the act were also taken up by the SC. It was confirmed that although the Act allowed for modifications to the management and operations, these adjustments had to be carried out in a way that complied with the law, and which included upholding the rights of those who already existed and use fair procedures. The court emphasised that in order to, prevent arbitrariness, any modification in an employee's terms and conditions must follow legal and procedural requirements. In S11(2) of the Act the word "duly" has been mentioned to imply that modifications must be made correctly and in line of the established principles by following the principles of reasonableness and fairness.

Additionally, there is a breach of Article 14 of the Indian Constitution due to:

- arbitrary changes made to the terms of employment.

- discrimination between employees.
- Infraction of procedural justice.
- inability to adhere to established protocol.

The SC while delivering the judgement also mentioned the case, “**K.I. Shephard & Ors. V Union of India & Ors. 1987**”<sup>1</sup>, related to how post-decisional hearing does not comply with the principles of Natural Justice.

In this case, three private banks were combined into bigger state-owned banks, such as. The merger was carried out by following the legal rules and schemes set out in S45 of the Banking Regulation Act of 1949. Some staffs were not included in the new banks when they merged or when the state institutions bought the private banks, and they were fired without even being given the opportunity to be heard. So, the aggrieved employees challenged the decision in the High Court of Kerala.

The High Court of Kerala was firstly of the opinion that the employees should be given the chance to be heard after their jobs were terminated but later the Division Bench of the same court rejected the idea of the post-decisional hearing. An appeal was made in the SC and the SC agreed with the decision of the Division bench.

## CONCLUSION

This landmark judgment in administrative law is a very significant ruling. It adds more meaning to the execution of the principle of natural justice. Before making the final decision, there should be a fair chance for one to be listened to. Otherwise, they would contravene natural justice principles of fairness in hearing others especially who are aggrieved within the system or process.

The Supreme Court ruling in the case is aptly protecting constitutional principles and guaranteeing procedural fairness in administrative actions that influence the rights of employees. However, one possible gap here is that no detailed procedural rules are given regarding the manner in which hearings are to be held prior to taking such decision. While pre-

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<sup>1</sup> K.I. Shephard & Ors V. Union of India & Ors (1987) 4 SCC 431

decisional hearings were emphasized by the court, there could be more specific guidelines on what constitutes adequate opportunity and procedure fairness. Also, the judgement did not specify any particular remedy or compensation that would be given to the affected employees.

In light of individual rights and the need to ensure that all parties have a fair chance to be heard before a judgement that could have a negative result is made, the decision upholds legal standards.