
FROM FORM TO FUNCTION: A JURISPRUDENTIAL ANALYSIS OF INDUSTRIAL UNITY IN S.G. CHEMICALS¹ AND ASSOCIATED CEMENT² CASES

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Functional unity transforms geographically distinct units into a single legal entity when their operations are inextricably linked.

ABSTRACT

This research paper examines the evolving judicial interpretation of the concept of “one industrial establishment” under the Industrial Disputes Act, 1947, with particular emphasis on the doctrine of functional integrality as developed by the Supreme Court of India. Through a detailed analysis of S.G. Chemicals and Dyes Trading Ltd. v. Workmen and Associated Cement Companies Ltd. v. Their Workmen, the study explores how courts have moved beyond formalistic distinctions such as geographical separation or statutory registration under different enactments, and instead adopted a pragmatic, fact-based approach grounded in industrial realities. The paper highlights the multifactor test evolved by the judiciary, including unity of ownership, management, control, finance, employment, and most significantly, functional interdependence and unity of purpose. It further analyses how these principles are applied in determining the applicability of provisions relating to closure and lay-off, particularly Sections 25-O, 25FFA, and 25E of the Act³. By comparing the factual matrices and judicial reasoning in both cases, the paper demonstrates that the decisive factor lies in whether different units operate as an integrated whole, such that the functioning of one is dependent on the other. The study concludes that the doctrine of functional integrality serves as a crucial tool in balancing employer prerogatives with workmen’s rights, ensuring that statutory protections are not circumvented through artificial organizational fragmentation.⁴

¹ S.G. Chemicals and Dyes Trading Ltd. v. S.G. Chemicals and Dyes Trading Employees’ Union, (1986) 2 SCC 624.

² Associated Cement Companies Ltd. v. Their Workmen, AIR 1960 SC 56.

³ The Industrial Disputes Act, 1947(Act 14 Of 1947).

⁴ Industrial Relations Code, 2020, § 2(p) “industry” means any systematic activity carried on by co-operation between an employer and worker (whether such worker is employed by such employer directly or by or through any agency, including a contractor) for the production, supply or distribution of goods or services with a view to satisfy human wants or wishes (not being wants or wishes which are merely spiritual or religious in nature), whether or not, —

(i) any capital has been invested for the purpose of carrying on such activity; or

(ii) such activity is carried on with a motive to make any gain or profit, but does not include —

Keywords: Functional Integrality, Industrial Establishment, Industrial Disputes Act, Section 25-O, Section 25E, Lay-off Compensation, Closure of Undertaking, Unity of Employment, Labour Law, Judicial Interpretation

Facts of S.G. Chemical and Dyes Trading Employees Union vs S.G. Chemicals and Dyes Trading Limited and Another

The facts of the case, as set out in the judgment delivered by Madon, J., concern an appeal by special leave against the order of the Industrial Court, Maharashtra, which had dismissed a complaint filed by the appellant union under Section 28 of the Maharashtra Recognition of Trade Unions and Prevention of Unfair Labour Practices Act, 1971 (hereinafter “the Maharashtra Act”), alleging an unfair labour practice on the part of the respondent company in failing to implement the settlement dated February 1, 1979. The first respondent, S.G.

Chemicals and Dyes Trading Limited (hereinafter “the Company”), a wholly owned subsidiary of Ambalal Sarabhai Enterprises Limited, was engaged in the business of pharmaceuticals, pigments, and chemicals, while the second respondent was its General Manager (Marketing). The appellant union, S.G. Chemicals and Dyes Trading Employees’

Union, was a registered trade union representing the employees of the Company. In 1984, the Company operated in Bombay through three divisions, namely the Pharmaceuticals Division at Worli, the Laboratory and Dyes Division at Trombay, and the Marketing and Sales

(i) institutions owned or managed by organisations wholly or substantially engaged in any charitable, social or philanthropic service; or (ii) any activity of the appropriate Government relating to the sovereign functions of the appropriate Government including all the activities carried on by the departments of the Central Government dealing with defence research, atomic energy and space; or (iii) any domestic service; or (iv) any other activity as may be notified by the Central Government; Industrial Relations Code, 2020, § 2(q) “industrial dispute” means any dispute or difference between employers and employees or between employers and workers or between workers and workers which is connected with the employment or non-employment or the terms of employment or with the conditions of labour, of any person and includes any dispute or difference between an individual worker and an employer connected with, or arising out of discharge, dismissal, retrenchment or termination of such worker; Industrial Relations Code, 2020, § 2(r) “industrial establishment or undertaking” means an establishment or undertaking in which any industry is carried on: Provided that where several activities are carried on in an establishment or undertaking and only one or some of such activities is or are an industry or industries, then, —

(i) if any unit of such establishment or undertaking carrying on any activity, being an industry, is severable from the other unit or units of such establishment or undertaking which is not carrying on or aiding the carrying on of any such activity, such unit shall be deemed to be a separate industrial establishment or undertaking;

(ii) if the predominant activity or each of the predominant activities carried on in such establishment or undertaking or any unit thereof is an industry and the other activity or each of the other activities carried on in such establishment or undertaking or unit thereof is not severable from and is, for the purpose of carrying on, or aiding the carrying on of, such predominant activity or activities, the entire establishment or undertaking or, as the case may be, unit thereof shall be deemed to be an industrial establishment or undertaking;

Division at Express Building, Churchgate, which also housed its registered office. Ambalal

Sarabhai Enterprises Limited owned a separate chemicals and dyes factory at Ranoli in Baroda District, Gujarat. On July 16, 1984, the Company issued a notice under Section 25FFA⁵ of the Industrial Disputes Act, 1947, in the prescribed Form XXIV-B, intimating the Government of Maharashtra of its intention to close down its Chemicals and Dyes Division office at Express Building, Churchgate, with effect from September 17, 1984. The notice specified that ninety workmen were on the rolls and described the industry as marketing and sales operations of chemicals and dyes. The reasons for closure, as stated in the annexed statement, were that Ambalal Sarabhai Enterprises Limited had agreed to sell its Ranoli undertaking to Indian Dyestuff Industries Ltd., which intended to manage future sales through its own distribution channels, thereby rendering the services of the Company's

Chemicals and Dyes Division unnecessary, leaving no work for its staff and compelling the management to shut down operations. Copies of this notice were sent to the relevant labour authorities and the union. The union, by its letter dated July 16, 1984, opposed the proposed termination of employees; however, the Company proceeded with the closure on September 17, 1984, retaining only six employees for residual work and terminating the services of the remaining eighty-four employees without paying them salaries thereafter. The Company, in its counter affidavit, stated that it had offered retrenchment compensation under Section 25FFF of the Industrial Disputes Act amounting to Rs. 22,02,670, of which eighty-two employees had accepted Rs. 22,00,162. Subsequently, on October 8, 1984, the union filed Complaint (ULP) No. 1273 of 1984 before the Industrial Court under Section 28 of the Maharashtra Act read with Item 9 of Schedule IV, contending that the closure was in violation of Section 25-O⁶ of the Industrial Disputes Act, and therefore the employees continued in service and were entitled

⁵ Industrial Relations Code, 2020, § 74 Sixty days' notice to be given of intention to close down any undertaking.
(1) An employer who intends to close down an undertaking shall serve, at least sixty days before the date on which the intended closure is to become effective, a notice, in such manner as may be prescribed, on the appropriate Government stating clearly the reasons for the intended closure of the undertaking: Provided that nothing in this section shall apply to—

(i) an industrial establishment in which less than fifty workers are employed or were employed on any day in the preceding twelve months;
(ii) an industrial establishment set up for the construction of buildings, bridges, roads, canals, dams or for other construction work or project.

(2) Notwithstanding anything contained in sub-section (1), the appropriate Government may, if it is satisfied that owing to such exceptional circumstances as accident in the undertaking or death of the employer or an extraordinary situation such as natural calamities or the like, it is necessary so to do, by order, direct that the provisions of sub-section (1) shall not apply in relation to such undertaking for such period, as may be specified in the order

⁶ Industrial Relations Code, 2020, § 80

to full wages and allowances under the 1979 settlement, the non-payment of which constituted an unfair labour practice. The statutory framework under the Maharashtra Act defines unfair labour practices under Section 26, prohibits their commission under Section 27, and provides for filing complaints under Section 28 within ninety days before the competent court, namely the Industrial Court in this case, while Item 9 of Schedule IV specifically categorizes the failure to implement an award, settlement, or agreement as an unfair labour practice.

Petitioner's Arguments in *S.G. Chemical and Dyes Trading Employees Union vs S.G. Chemicals and Dyes Trading Limited and Another*

The arguments advanced by the petitioner Union were premised on the contention that the aggregate number of workmen employed across the three divisions of the Company exceeded one hundred, and therefore, for the purposes of Section 25-O of the Industrial Disputes Act, 1947, the total workforce of all divisions had to be considered collectively, particularly in light of the functional integrality existing among them. On this basis, the Union asserted that the Company was under a statutory obligation to seek prior permission from the appropriate Government at least ninety days before effecting the closure of the Chemicals and Dyes Division at Churchgate, and the failure to obtain such permission rendered the closure illegal. Consequently, the Union argued that such an illegal closure amounted to an unfair labour practice, as it constituted a failure to implement the settlement dated February 1, 1979, thereby attracting Item 9 of Schedule IV of the Maharashtra Act. However, upon examination of the evidence, the Industrial Court rejected these contentions, observing that although some degree of functional integrality existed between the Trombay factory and the Churchgate head office, such a factor was irrelevant for the purposes of the complaint. The Court reasoned that for Section 25-O to apply, the number of workmen employed in an "industrial establishment" as defined under Section 25-L of the Industrial Disputes Act must not be less than one hundred, and admittedly, the Trombay factory alone never employed one hundred or more workmen. It further held that the Churchgate office could not be regarded in legal terms as part of the Trombay factory, nor could it be construed as "an undertaking of an industrial establishment" within the meaning of Chapter V-B of the Act. The Industrial Court also emphasized the legal distinction between the two units, noting that the Churchgate office was governed by the Bombay Shops and Establishments Act, 1948, whereas the Trombay unit fell under the Factories Act, 1948, thereby rendering them separate legal entities subject to different statutory regimes. Additionally, the Court held that even if Section 25-O were applicable, its violation

would not amount to an unfair labour practice under Item 9 of Schedule IV of the Maharashtra Act, relying on the Bombay High Court's decision in *Maharashtra General Kamgar Union v. Glass Containers Pvt. Ltd.*⁷ (1983), which held that non-compliance with statutory provisions such as Section 25FFA⁸ does not constitute a failure to implement an award, settlement, or agreement. On these grounds, the Industrial Court dismissed the Union's complaint by its order dated July 26, 1985, which led to the present appeal by special leave before the Supreme Court.

Issue for Determination

The principal issue for consideration in the present appeal was whether Section 25-O of the Industrial Disputes Act, 1947, was applicable to the closure of the Churchgate office of the Company, as contended by the Union, or whether the case was governed instead by Section 25FFA, as asserted by the Company. This question assumed significance in light of the differing statutory requirements under the two provisions: Section 25FFA (1) mandates that an employer intending to close down an undertaking employing fifty or more workmen must provide at least sixty days' prior notice to the appropriate Government, clearly stating the reasons for such closure, while its proviso excludes undertakings employing fewer than fifty workmen. Further, under Section 25FFF (1), upon closure of an undertaking, workmen with at least one year of continuous service are entitled to notice and compensation as if retrenched under Section 25F. In contrast, Section 25-O, which forms part of Chapter V-B of the Act (introduced by the Industrial Disputes (Amendment) Act, 1976), imposes a more stringent requirement of obtaining prior permission from the appropriate Government before effecting closure in certain industrial establishments. Notably, Section 25-O underwent substitution through Section 14 of the Industrial Disputes (Amendment) Act, 1982, the enforcement of which, along with subsequent amendments under the Industrial Disputes (Amendment) Act, 1984, depended upon notifications issued by the Central Government. Pursuant to Notification No. S.O. 605(E) dated August 18, 1984, the provisions of the 1984 Amendment Act were brought into force, and by Notification No. S.O. 606(E) dated August 21, 1984, several provisions of the 1982 Amendment Act, including the substituted Section 25-O, were made effective. Thus, the determination of whether the Company was required merely to give notice under Section 25FFA or to obtain prior governmental permission under Section 25-O constituted the central legal issue in assessing the validity of the closure of the Churchgate

⁷ *Maharashtra General Kamgar Union v. Glass Containers Pvt. Ltd.*, (1986) 2 SCC 624

⁸ Industrial Relations Code, 2020, § 74

Division.

Court's View and Judicial Precedents

In addressing the applicability of Section 25-O of the Industrial Disputes Act, the Court undertook a detailed examination of the nature of the Company's Trombay factory and Churchgate division, along with the relevant statutory provisions and judicial precedents. It was undisputed that the Trombay factory, engaged in the manufacture and processing of dyes, constituted an "industry" under Section 2(j) of the Industrial Disputes Act and a "factory" under Section 2(m) of the Factories Act, thereby qualifying as an "industrial establishment" within the meaning of Section 25L of the Industrial Disputes Act; however, it was contested that Chapter V-B applied, as the Trombay unit did not employ one hundred or more workmen, and that the Churchgate division could not be treated as an "undertaking of an industrial establishment" since it was not itself a factory, contentions which had been accepted by the Industrial Court. The Supreme Court, however, analyzed the definition of

"factory" under Section 2(m) of the Factories Act, emphasizing that it refers to "any premises including the precincts thereof" and does not require the entire establishment to be confined to a single location, and further that a manufacturing process, as defined under Section 2(k), need only be carried out in any part of such premises. Recognizing the realities of modern industrial operations, the Court observed that due to complexity and spatial constraints, different processes and functions are often distributed across multiple buildings and divisions, which may still form part of a single factory, a position reinforced by Section 4 of the Factories Act that permits the State Government to treat different departments as separate factories or multiple factories as a single unit. The Court further examined the concept of "industrial establishment" as defined not only in Section 25L but also in the Explanation to Section 25A, clarifying that while these provisions identify categories such as factories, they do not determine what constitutes a single establishment, particularly in cases involving multiple units or divisions. In this regard, reliance was placed on the decision in *Associated Cement Companies Ltd. v. Their Workmen*⁹ (1960), where the Supreme Court held that the Explanation merely defines categories of industrial establishments and does not lay down tests for determining unity; instead, such determination depends on factors such as unity of ownership, management and control, functional integrality, general unity of purpose, and interdependence,

⁹ *Associated Cement Companies Ltd. v. Their Workmen*, AIR 1960 SC 56

with no single test being conclusive. Applying these principles, the Court emphasized that Section 25-O pertains to the closure of “an undertaking of an industrial establishment,” and not the entire establishment itself, and noted that neither Section 25L nor any other provision defines the term “undertaking,” which must therefore be understood in its ordinary sense. In this context, the Court referred to *Management of Hindustan Steel Ltd. v. Workmen* (1973), where “undertaking” was interpreted to mean any work, enterprise, or business activity, including even a part of the employer’s operations, and this interpretation was reaffirmed in *Workmen of Straw Board Manufacturing Co. Ltd. v. Straw Board Manufacturing Co. Ltd.*¹⁰. The Court further reiterated that where such an undertaking forms an integral part of a larger industrial establishment, Section 25-O would apply, provided the threshold conditions under Section 25K are satisfied. The determination of whether multiple units constitute a single establishment was guided by the tests laid down in *Associated Cement Companies*¹¹, including geographical proximity, unity of ownership, management and control, unity of employment, functional integrality, and general unity of purpose, the application of which depends on the facts of each case. These principles were consistently followed in subsequent decisions such as *South India Millowners’ Association v. Coimbatore District Textile Workers’ Union*, *Western India Match Co. Ltd. v. Their Workmen*¹², and *Straw Board Manufacturing Co.*, where the Court recognized functional integrality and interdependence as critical factors, particularly in closure cases. Notably, in *Western India Match Co.*, the Court held that the sales office and factory formed a single integrated unit due to functional and managerial unity, while in *Straw Board Manufacturing Co.*, it was observed that functional integrality assumes heightened significance where the closure of one unit would necessarily affect the existence of another. Thus, the Court concluded that the concept of an “undertaking” must be interpreted broadly in light of industrial realities and judicial precedents, and that the applicability of Section 25-O depends upon whether the unit in question forms an integral part of a larger industrial establishment based on these established tests.

Functional Integrality and Unity of Establishment

The Court proceeded to determine whether the Churchgate Division constituted an undertaking forming part of the industrial establishment of the Company, namely the Trombay factory, such that both together would amount to a single establishment, thereby attracting the applicability

¹⁰ 1977 AIR 941

¹¹ Supra note 5

¹² [1962] INSC 35 (1 February 1962)

of Section 25-O of the Industrial Disputes Act¹³. This determination, being a question of fact, was based on the evidence on record. At the relevant time, the total number of employees across the divisions was 260, with 90 in the Churchgate Division and 60 in the Trombay factory (the Worli Division, employing 110 workmen, being excluded from consideration due to lack of relevant evidence). The Court found that the functions of the Churchgate Division and the Trombay factory were not independent but were so integrally connected as to form one unified establishment. Historically, prior to 1965, all departments of the Company—including sales, laboratory, accounts, purchases, and administration—were housed at Churchgate, with the factory located at Tardeo; thereafter, the factory and laboratory were shifted to Trombay, and later the pharmaceutical division to Worli, yet operational integration persisted despite geographical separation. The evidence demonstrated that the Churchgate Division performed essential and indispensable functions for the Trombay factory, including procurement of raw materials, handling of marketing and sales of finished products, maintenance of comprehensive statistical data (such as sales, forecasts, and collections), issuance of processing orders and technical instructions, and management of financial and administrative operations such as preparation and disbursement of salaries, allowances, and statutory deductions. Additionally, the Churchgate Division undertook purchasing of supplies, maintenance of premises, and provision of employee-related necessities such as uniforms. There was also unity of employment, evidenced by transferability of workers between the units. Crucially, the testimony of the Company's own witness, P.S. Raman, confirmed that key managerial, technical, accounting, and operational decisions were centralized at the Churchgate head office, and that the Trombay factory lacked independent accounting and administrative infrastructure. The Court emphasized that a factory cannot function in isolation without procurement of raw materials, marketing of products, financial administration, and statistical support, all of which are integral to manufacturing activity and were performed by the Churchgate Division in the present case.

Consequently, it was held that the Trombay factory was incapable of functioning independently and that there existed complete functional integrality and interdependence between the two units, rendering them a single establishment. The fact that the Churchgate Division also handled marketing of products of another factory at Ranoli was deemed irrelevant. In light of this finding, and considering that the combined workforce of the Trombay factory and the

¹³ The Industrial Disputes Act, 1947(Act 14 Of 1947): Industrial Relations Code, 2020, § 80

Churchgate Division was 150 workmen, the Court concluded that Section 25-O, and not Section 25FFA, governed the closure of the Churchgate Division.

Issue of Applicability of Different Statutes

The second contention advanced by the Company was that the Trombay factory and the Churchgate Division could not be treated as one establishment on the ground that they were registered under two different statutes, namely, the Factories Act, 1948 and the Bombay Shops and Establishments Act, 1948 respectively, a view which had also found favour with the Industrial Court in holding them to be distinct legal entities. The Court, however, rejected this contention, observing that mere registration under different regulatory statutes does not confer separate legal personality upon different units of the same business, except in cases of incorporation under the Companies Act. Both the Factories Act and the Bombay Shops and Establishments Act are regulatory in nature, intended to secure benefits and regulate conditions of work for employees, and compulsory registration under these statutes does not determine the unity or separateness of an industrial establishment. In examining the reliance placed on the definition of “commercial establishment” under Section 2(4) of the Bombay Shops and Establishments Act¹⁴, the Court noted that such an establishment includes any business or work incidental or ancillary thereto but expressly excludes a “factory,” which is separately defined under Section 2(9) with reference to the Factories Act¹⁵. Further, “establishment” under Section 2(8) encompasses categories such as shops, commercial establishments, and places of public amusement, but does not include factories, primarily because the matters regulated under the Shops Act are already governed by the Factories Act in respect of factories. The Court explained that this statutory distinction is functional and regulatory rather than determinative of the structural or operational unity of an enterprise. It also highlighted procedural aspects of registration under the Shops Act, including classification into different categories and maintenance of registers, to demonstrate that such categorization serves administrative convenience rather than defining legal separateness.

Additionally, the Court pointed out that the Act itself permits, under certain provisions, inclusion of industrial activities within its ambit, further weakening the argument of rigid separation. Ultimately, the Court held that the Industrial Court erred in assuming that an

¹⁴ BOMBAY ACT No. LXXIX OF 1948 [THE BOMBAY SHOPS AND ESTABLISHMENTS ACT, 1948.]

¹⁵ THE FACTORIES ACT, 1948 ACT NO. 63 OF 1948

“undertaking of an industrial establishment” must itself qualify as an “industrial establishment” or factory under the Factories Act, clarifying that no such requirement exists under the Industrial Disputes Act. Accordingly, the fact that the Churchgate Division was registered under a different statute did not preclude it from being treated as an integral part of the same industrial establishment as the Trombay factory.

THE ASSOCIATED CEMENT COMPANIES LIMITED, CHAIBASSA CEMENT WORKS Vs. THEIR WORKMEN¹⁶

Facts of the Case

The present appeal, decided by S. K. Das, J., arises from an award dated October 10, 1956, passed by the Industrial Tribunal, Bihar, and involves an important question concerning the interpretation of disqualification for lay-off compensation under Section 25E read with Section 25C¹⁷ of the Industrial Disputes Act, 1947, particularly the expression “in another part of the establishment” under clause (iii) of Section 25E¹⁸, which came up for authoritative determination for the first time. The appellant, Associated Cement Companies Ltd. (hereinafter “the Company”), operated several cement factories across India and Pakistan, including two in Bihar—one at Khelari and another at Jhinkpani in the district of Chaibasa, commonly known as the Chaibasa Cement Works. The Company also owned a limestone quarry, known as the Rajanka limestone quarry, situated about one and a half miles from the Chaibasa Cement Works, which served as the exclusive source of limestone, the principal raw material required for cement manufacturing. At the relevant time, the quarry employed two categories of labourers—those directly employed by the Company through the management of the Chaibasa Cement Works, and others engaged through a contractor. A union known as the Chaibasa Cement Workers’ Union represented the Company’s labourers at both the cement works and the quarry, while a separate union represented the contractor’s labourers. On January 3, 1955, the Union raised certain demands on behalf of the quarry workers, which were rejected by the management, leading to a strike notice dated February 18, 1955, indicating a proposed stay-in strike from March 1, 1955, if the demands were not met. A similar notice was issued by the contractor’s labour union. Conciliation efforts failed, and anticipating disruption in limestone supply, the management issued a notice on February 24,

¹⁶ Associated Cement Companies Ltd. v. Their Workmen, AIR 1960 SC 56

¹⁷ Industrial Relations Code, 2020, § 67

¹⁸ Industrial Relations Code, 2020, § 69

1955, warning that a strike at the quarry would necessitate closure of certain sections of the Jhinkpani factory and consequent lay-off of workers. The strike commenced on March 1, 1955, and continued until July 4, 1955. Subsequently, on March 25, 1955, the management informed the Union that certain factory workers would be laid off from April 1, 1955, and on March 28, 1955, it issued lists of affected employees, who were accordingly laid off from that date. During the strike, further conciliation attempts were made, and eventually, the dispute was referred to the Central Industrial Tribunal on July 5, 1955, though this reference was later withdrawn following a settlement dated December 7, 1955. Thereafter, the Union demanded lay-off compensation for the factory workers affected during the period from April 1 to July 4, 1955, which the management refused, giving rise to an industrial dispute that was subsequently referred by the Government of Bihar to the Industrial Tribunal under Section 10 of the Act.

Issue for Determination

The central issue for determination in the present case was whether the lay-off of workers in certain sections of the Chaibasa Cement Works was attributable to a strike by workmen “in another part of the establishment” within the meaning of clause (iii) of Section 25E of the Industrial Disputes Act, 1947. In essence, the question was whether the limestone quarry at Rajanka formed part of the same establishment as the Chaibasa Cement Works, thereby disentitling the laid-off workers from claiming lay-off compensation under Section 25C. The management contended that the cement factory and the limestone quarry constituted a single integrated establishment, and therefore, the lay-off resulted from a strike in another part of that establishment, attracting the disqualification under Section 25E(iii). In contrast, the workmen argued that the quarry and the cement works were distinct and separate establishments, and hence the disqualification provision was inapplicable. The Industrial Tribunal accepted the contention of the workmen and held that the limestone quarry was not part of the Chaibasa Cement Works establishment, and consequently, the laid-off workers were entitled to compensation. The correctness of this finding formed the principal question for adjudication in the appeal before the Court.

Evidence and Functional Integrity

The evidentiary record in the case was largely one-sided, with the sole witness being Mr. Dongray, the Manager of the Chaibasa Cement Works, whose testimony comprehensively

established the relationship between the limestone quarry and the cement factory across multiple relevant factors, including ownership, control and supervision, finance, management and employment, geographical proximity, and general unity of purpose with particular reference to the industrial process of cement manufacturing. It was undisputed that both the quarry and the factory were owned by the same Company, thereby establishing unity of ownership. Mr. Dongray's evidence further demonstrated unity of control, management, and employment, as he stated that the quarry was treated as a department of the Chaibasa Cement Works, functioning as an integral part thereof, with himself exercising overall control, while the Quarry Manager operated merely as a departmental head akin to other department heads within the factory. This position was corroborated by a circular dated March 11, 1952, which clarified that both the factory and the associated quarries were under the sole control of the Manager, who was responsible for maintaining production efficiency, and that all orders, contracts, and financial approvals were centralized under his authority. The evidence also revealed complete financial integration, as the quarry had no independent accounts or banking facilities, and all financial transactions, including procurement of materials, payments, and royalties, were managed through the Cement Works' office. Similarly, employment conditions reflected unity, with common pay structures, centralized wage disbursement, shared attendance systems, and uniform service conditions such as leave, provident fund, gratuity, and allowances applicable to workers in both units. Workers were also transferable between the quarry and the factory, further indicating a unified workforce. Administrative and statutory functions, including compliance under labour and mining laws, were likewise handled centrally by the factory management. The quarry's operational reports were submitted to Mr. Dongray, and all compensation and benefits relating to quarry workers were processed through the factory office. Collectively, this evidence clearly established a high degree of functional integrality, interdependence, and unity of purpose between the quarry and the cement works, indicating that they operated not as separate entities but as components of a single, integrated industrial establishment.

Respondent's Contentions and Court's Analysis

The respondent contended that an "industrial establishment" under the Industrial Disputes Act could only fall within a single statutory category—namely, a factory under the Factories Act, a mine under the Mines Act, or a plantation under the Plantations Labour Act—and could not be a combination of two such categories; accordingly, it was argued that a factory and a

mine, as in the present case, could never constitute one establishment. This argument was premised on the assumption that the Explanation to Section 25A¹⁹ not only defines “industrial establishment” but also prescribes the test for determining what constitutes single establishment. The Court rejected this contention, holding that the Explanation merely clarifies the categories of undertakings included within the expression “industrial establishment” for the purposes of certain provisions of the Act, and does not lay down any criteria for determining the unity or oneness of an establishment. By way of illustration, the Court observed that even within a single factory, different departments may individually satisfy the definition of a “factory” under Section 2(m) of the Factories Act, yet the question whether such departments constitute one establishment or multiple establishments is not governed by the Explanation but must be decided on other relevant considerations.

Consequently, the Court held that there was no legal basis to assert that a factory and a mine supplying raw materials to it could never form one establishment. In the absence of statutory tests, the determination of “one establishment” must be guided by ordinary industrial and business sense, having regard to the object and scheme of the Act, and relevant provisions of allied statutes. The Court reiterated that where an industrial undertaking comprises multiple units, branches, or departments located at different places, factors such as geographical proximity, unity of ownership, management and control, unity of employment and service conditions, functional integrality, and general unity of purpose must be considered, though no single factor is decisive. The essential inquiry is whether the units, in their true relationship, constitute an integrated whole; if they do, they form one establishment, and if not, they remain separate. The Court acknowledged the complexity of modern industrial organization, where interdependence may exist across units with varying ownership structures, but emphasized that each case must be decided on its own facts. Referring to an American decision (*Donald L. Nordling v. Ford Motor Company*²⁰), the Court illustrated how industrial interdependence may extend across multiple units and locations, though such complexities did not arise in the present case. Applying these principles, the Court found that the Chaibasa Cement Works and the adjacent limestone quarry formed a single integrated establishment, as the quarry functioned as an essential feeder supplying the principal raw material without which the factory could not operate. All relevant tests were satisfied, including unity of ownership, management, supervision, control, finance, and employment, as well as functional integrality,

¹⁹ Industrial Relations Code, 2020, § 65

²⁰ *Nordling v. Ford Motor Co.*, 231 Minn. 68, 42 N.W.2d 576, 28 A.L.R.2d 272 (Minn. 1950)

general unity of purpose, and geographical proximity. The existence of separate standing orders and attendance registers for the quarry was held to be inconsequential, being attributable to statutory requirements and adequately explained by the evidence. Accordingly, the Court concluded that, on the facts, the factory and the quarry together constituted one establishment within the meaning of the Act.

Conclusion

In light of the principles laid down in *S.G. Chemicals and Dyes Trading Ltd. v. S.G. Chemicals and Dyes Trading Employees' Union* and *Associated Cement Companies Ltd. v. Their Workmen*²¹, it is evident that the determination of whether different units constitute a single industrial establishment depends not on their physical location or registration under different statutes, but on the existence of functional integrality and unity in their operations.

Both judgments consistently emphasize that no single test is determinative; rather, a combination of factors such as unity of ownership, management and control, finance, employment, geographical proximity, and, most importantly, functional interdependence and general unity of purpose must be considered. In *Associated Cement*, the Supreme Court held that a limestone quarry and a cement factory constituted one establishment due to their intrinsic operational interdependence, the quarry being indispensable for the functioning of the factory. This reasoning was subsequently applied and elaborated in *S.G. Chemicals*, where the Court held that the Trombay factory and the Churchgate Division formed a single establishment due to complete functional integrality, as the latter performed essential administrative, financial, and commercial functions without which the factory could not operate. The Court further clarified that statutory classifications under different enactments, such as the Factories Act and the Shops and Establishments Act, do not negate such unity, as these are merely regulatory frameworks. Thus, the consistent judicial approach underscores that where different units are so interlinked that one cannot function effectively without the other, they must be regarded as a single establishment in the eyes of law, thereby attracting the relevant provisions of the Industrial Disputes Act.

²¹ *S.G. Chemicals and Dyes Trading Ltd. v. S.G. Chemicals and Dyes Trading Employees' Union*, (1986) 2 SCC 624; *Associated Cement Companies Ltd. v. Their Workmen*, AIR 1960 SC 56

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