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Is the Right to Shut Down a Business a Fundamental Right?

Ruchika Mohapatra · 10 Nov 2025

Supreme Court confirms conditional right to shut down business, favors Harinagar Sugar Mills in a landmark ruling.

In a landmark ruling, the Supreme Court of India has clarified that the right to shut down a business is not an absolute or standalone fundamental right under the Constitution.

The judgment, delivered by Justice Sanjay Karol and Justice Prashant Kumar Mishra, comes amid growing debates over the balance between individual economic freedoms and regulatory oversight in India's evolving commercial landscape.

The case in question involved a challenge to government restrictions placed on the closure of a medium-sized manufacturing firm. The company had claimed that being prevented from shutting down operations violated its constitutional right to carry on any occupation, trade, or business under Article 19(1)(g) of the Indian Constitution.

In its verdict, the Apex Court acknowledged that while the freedom to conduct a business includes the right not to carry it on indefinitely, this does not imply an unfettered right to shut down operations in disregard of legal obligations, particularly those concerning employees, creditors, and public interest.

The Supreme Court of India has ruled that while businesses do enjoy a constitutional right to cease operations under Article 19(1)(g), this right is not absolute and must comply with reasonable restrictions laid out in labour laws.

The ruling came in a long-running dispute involving Harinagar Sugar Mills Ltd. (HSML), which had sought to shut down its Biscuit Division factory in Mumbai following the termination of its exclusive contract with Britannia Industries in 2019.

"The Constitution guarantees the right to carry on a trade or business, but this right is subject to reasonable restrictions," the Court said. "The decision to close a business must comply with applicable laws, including labour codes, environmental obligations, and other statutory frameworks.”

In this particular case, HSML had filed an application on August 28, 2019, seeking permission to close its Mumbai unit. The company explained that it operated solely for Britannia, had no independent infrastructure, and could not secure any new clients despite efforts.

Although the Court ruled in favor of HSML’s right to close the business, it took a balanced approach by ensuring worker compensation.

Legal experts say the ruling will have significant implications for companies operating in highly regulated sectors, especially where closure affects large workforces or public services.

The Court also emphasized that any abrupt or arbitrary shutdown could not be insulated from scrutiny simply by invoking constitutional protections. The judgment reiterated that the state retains the power to regulate economic activity in the broader public interest.

This decision is being seen as a reaffirmation of the principle that economic rights, though protected under the Constitution, are not absolute and must be exercised responsibly within the limits of law.

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