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Sindhu Resettlement Corporation Ltd. v. The Industrial Tribunal of Gujarat & Ors. (1967): A Critical Summary

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Introduction

The landmark 1967 Supreme Court case of Sindhu Resettlement Corporation Ltd. v. The Industrial Tribunal of Gujarat & Ors. provides a crucial examination of corporate employment law and the jurisdictional boundaries of the Industrial Tribunal under the Industrial Disputes Act, 1947.

The dispute centres on the employment status and termination rights of an employee (Respondent No. 3) who was transferred from the Appellant, the parent company, to its subsidiary.

Ultimately, the judgment delineated strict requirements regarding how an “industrial dispute” must be raised with management before the Government can lawfully refer it for adjudication, particularly focusing on claims for reinstatement versus compensation.

Facts

The pivotal issue in this case concerned Respondent No. 3 (R-3), an Accounts Clerk and permanent employee initially employed by the Appellant, Sindhu Resettlement Corporation Ltd. (SRC Ltd.).

R-3 was subsequently transferred from the parent company to its subsidiary, Sindhu Hotchief (India) Ltd., where his services were confirmed after a probationary period.

The essential complication arose when the subsidiary terminated his employment; R-3 responded by accepting retrenchment compensation from Sindhu Hotchief, an act the Supreme Court later viewed as a decisive step confirming the end of his employment relationship with the subsidiary.

Critically, the formal grievance R-3 submitted to the management of the original employer (SRC Ltd.) was confined strictly to claiming retrenchment compensation. No demand was formally

raised with the management challenging the validity of his termination or demanding reinstatement.

Despite this narrow scope of dispute, the appropriate Government of Gujarat, based on a failure report from the conciliation process, referred a significantly broader industrial dispute to the Industrial Tribunal, specifically concerning R-3's reinstatement and back wages—issues that were never the subject of an actual, prior conflict between R-3 and SRC Ltd.'s management.

Arguments of Parties

The Appellant, Sindhu Resettlement Corporation Ltd. (SRC Ltd.), presented a two-pronged challenge against the Tribunal's jurisdiction and findings:

1. Employment Status Defense: SRC Ltd. argued that R-3's confirmation of service with the subsidiary, Sindhu Hotchief, coupled with his acceptance of compensation from that entity, constituted a legal severance of his ties with the parent company. Consequently, SRC Ltd. asserted it could not be held liable for any claim, including reinstatement, against an individual who was no longer its employee.
2. Jurisdictional Flaw: The Appellant contended that the Government's reference of the dispute concerning reinstatement was jurisdictionally flawed. Since R-3's demand notice to the management was limited exclusively to retrenchment compensation and did not include a demand for reinstatement, no "industrial dispute" regarding reinstatement existed between the parties at the time of the reference, rendering the referral incompetent under the Industrial Disputes Act, 1947.

The Respondents and the Tribunal defended the jurisdiction by asserting:

1. The Government's administrative decision to refer the dispute, even if based on conciliation materials, should not be subject to judicial scrutiny regarding the factual correctness of its opinion.
2. The Government was competent to refer a dispute that was either existing or merely "apprehended".

Held by Court

The Supreme Court allowed the appeal filed by Sindhu Resettlement Corporation Ltd., thereby setting aside the award passed by the Industrial Tribunal. The Court delivered a judgment based on dual findings.

On the merits of employment, the Court unequivocally ruled that R-3 had ceased to be an employee of the parent company, SRC Ltd., upon the confirmation of his appointment with, and the subsequent acceptance of retrenchment compensation from, the subsidiary. Consequently, SRC Ltd. was immune from any liability for R-3's reinstatement or additional compensation.

More importantly, the Court held that the referral of the dispute by the Government of Gujarat concerning reinstatement was outside the bounds of its authority and thus incompetent. The Tribunal was found to have committed a manifest error by adjudicating and granting a remedy (reinstatement) related to an issue where the workman had not raised a legitimate industrial dispute with the management prior to the referral.

Reasoning Behind Decision

The core reasoning was rooted in a strict interpretation of the prerequisites for an "Industrial Dispute" under the Industrial Disputes Act, 1947, which mandates the existence of a real difference or conflict.

The Court established a critical procedural rule: for a matter to be lawfully referred to the Tribunal under Section 10(1) of the Industrial Disputes Act, 1947, the workman must first raise a demand or difference directly with the management, and the management must refuse it, resulting in a demonstrable disagreement.

The Court clarified that a mere request forwarded to the Government or the Conciliation Officer, without the subject matter having been previously presented to and rejected by the employer, constitutes only a "demand" and not an existing "industrial dispute".

R-3's limited demand for compensation, without challenging the termination, implied an acceptance of the termination itself, legally foreclosing the later demand for reinstatement from attaining the status of a referable industrial dispute.

Furthermore, the employment analysis solidified the corporate separation: the confirmation in Sindhu Hotchief and R-3's acceptance of compensation from that entity meant he had legally ratified the termination of his connection with the appellant corporation.

Relevancy and Implications

The judgment in Sindhu Resettlement Corporation Ltd. has enduring relevance, cementing two fundamental principles of Indian labour jurisprudence.

Firstly, it provides clarity regarding corporate liability in transfers, establishing that the confirmation of an employee in a subsidiary generally severs the legal employer-employee relationship with the parent company.

This limits the scope for retrospective claims against the parent entity once a transfer is finalized. Secondly, and most significantly, the case acts as a mandatory procedural safeguard governing the jurisdiction of Industrial Tribunals.

It asserts that the Tribunal's power is confined to adjudicating disputes that truly exist between the parties, mandating that workers attempt resolution directly with management before the Government can lawfully intervene via referral.

While subsequent rulings, notably ***Shambu Nath Goyal v. Bank of Baroda***, acknowledged the Government's power to refer an "apprehended" dispute and relaxed the rigidity of the formal written demand requirement , Sindhu Resettlement remains the decisive authority for the principle that a Tribunal cannot create a dispute where the workman's own actions (such as explicitly limiting the claim to compensation) clearly show that a core disagreement (like reinstatement) was non-existent or waived at the time of the initial engagement with the management.