IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 26TH DAY OF MARCH, 2026

BEFORE

THE HON'BLE MR. JUSTICE ANANT RAMANATH HEGDE

WRIT PETITION NO. 35416 OF 2016 (L-TER)

BETWEEN:

1. SRI. ASHWATHANARAYANA,
S/O SRI MALLAPPA,
AGED ABOUT 40 YEARS,
WORKING AS SANDERLING MACHINE OPERATOR,
M/S S.A.ENGINEERING WORKS (INDIA) PVT.LTD.,
AND R/AT HOUSE NO.136, H NAGASANDRA
POST,GAURIBIDANUR TALUK,
CHIKKABALLAPUR DISTRICT.

2. SRI SUBRANAMYA K,
S/O SRI KRISHNAPPA,
AGED ABOUT 35 YEARS,
WORKING AS BENDING MACHINE OPERATOR,
M/S S.A ENGINEERING WORKS (INDIA) PVT.LTD.,
R/AT BACHENAHALLI VILLAGE,
ANDHRAHALLI POST, DODDABALLAPUR TALUK,
BENGALURU RURAL DISTRICT.

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Location: HIGH COURT OF KARNATAKA

3. SRI S SURESH,
S/O SRI SEETHAPPA,
AGED ABOUT 30 YEARS,
WORKING AS WELDING MACHINE OPERATOR,
M/S S.A.ENGINEERING WORKS (INDIA) PVT.LTD.,
R/AT HOUSE NO.938, NELAMANGALA ROAD,
BEHIND GARADI HOME, SANJAYNAGAR,
DODDABALLAPUR TOWN,
BENGALURU RURAL DISTRICT.

4. SRI SREENATH REDDY,
S/O SRI N T BABU REDDY,
AGED ABOUT 40 YEARS,
WORKING AS WELDING MACHINE OPERATOR,

M/S S.A.ENGINEERING WORKS (INDIA) PVT. LTD.,
R/AT H NAGASANDRA POST,
GAURIBIDANUR TALUK,
CHIKKABALLAPUR DISTRICT.

5. SRI SHIVAKUMAR Y S,
S/O SRI SUBBARAYAPPA,
AGED ABOUT 35 YEARS,
WORKING AS WELDING MACHINE OPERATOR,
M/S S.A. ENGINEERING WORKS (INDIA) PVT.LTD.,
R/AT VYCHAKOORAHALLI, RAMAPURA POST,
HOSUR HOBLI, GAURIBIDANUR TALUK,
CHIKKABALLAPUR DISTRICT.

…PETITIONERS

(BY SRI L MURALIDHAR PESHWA, ADVOCATE)

AND:

M/S. S A ENGINEERING WORKS (I) PVT. LTD.,
UNIT NO.17/15/04, TIPPAPURA,
KASABA HOBLI, ARALUMALLIGE POST,
DODDABALLAPUR TALUK,
BENGALURU RURAL DISTRICT,
REP. BY ITS MANAGING DIRECTOR,
HAVING ITS OFFICE AT NO.88, 3RD MAIN,
1ST BLOCK, R.T.NAGAR, BENGALURU-560 032.

…RESPONDENT

(BY SRI SOMASHEKAR, ADVOCATE)

THIS WRIT PETITION IS FILED UNDER ARTICLES 226 AND 227 OF THE CONSTITUTION OF INDIA PRAYING TO CALL FOR THE ENTIRE RECORDS IN ID NO.86/2013, 81/2013, 85/2013, 18/2014 AND OTHER CONNECTED CASES ON THE FILE OF THE PRESIDING OFFICER PRL. LABOUR COURT, BENGALURU AND ETC.

THIS PETITION HAVING BEEN HEARD AND RESERVED FOR ORDERS ON 16TH FEBRUARY, 2026 AND COMING ON FOR PRONOUNCEMENT THIS DAY, THE COURT PRONOUNCED THE FOLLOWING:

CORAM: HON'BLE MR. JUSTICE ANANT RAMANATH HEGDE

CAV ORDER

Five petitioners have assailed the award dated 29.01.2016 in I.D.Nos.86/13, 81/13, 84/13, 85/13 and 18/14.

2. The Labour Court has passed a common award in the said proceedings. The Labour Court has directed reinstatement of the petitioners however, denied the backwages from 2015 till the date of reporting to duty.

3. The Labour Court directed that the petitioners are entitled to the benefits conferred under the settlement marked at Ex.M.13. Petitioners are before this Court assailing that part of the award which has denied the backwages, continuity of service and other consequential benefits. The respondent-Establishment has accepted the impugned award.

4. Certain facts are admitted:

4.1 The petitioners were the employees of the respondent-Establishment. The respondent laid off the petitioners and some other workmen, in all totaling 35 vide notice dated 15.10.2013. The petitioners claim that the procedure relating to lay-off has not been followed and the compensation payable was not paid. The respondent contends

that all the procedures are followed and the compensation was paid by crediting the same to the petitioners' individual account.

4.2 On 15.11.2013, the petitioners claim that without following the procedure, the respondent has retrenched 35 workmen. Petitioners allege that the procedure relating to retrenchment is not followed and the prior permission required from the Appropriate Government before retrenching the workmen is not obtained and as a consequence of non-compliance of mandatory procedure, the retrenchment is null and void.

4.3 The respondent contends that notice relating to retrenchment was issued. The respondent agreed to pay the retrenchment compensation. Petitioners raised two separate Industrial Disputes, one relating to retrenchment and another relating to lay-off. The impugned award is arising from the dispute relating to retrenchment.

4.4 Before the Labour Court, both parties led evidence. The respondent-Establishment raised a contention that during the pendency of the dispute before the Labour Court, the respondent-Establishment and the Union to which the

petitioners were members, entered into a settlement dated 18.08.2014 and out of 35 workmen who are retrenched, 20 workmen agreed to the settlement and reported to duty.

4.5 The respondent contends that in view of the settlement under Section 2(p) read with Section 18(1) of the Industrial Disputes Act, 1947 (for short 'Act, 1947'), the settlement binds the petitioners and urged to reject the reference.

4.6 The Reference Court has held that in view of the settlement, the claim relating to the illegal retrenchment does not survive for consideration and further held that the settlement dated 18.08.2014 marked at Ex.M.13 binds the petitioners and directed reinstatement in terms of the settlement dated 18.08.2014. The Labour Court noticed that the petitioners did not accept the offer made in the settlement, as a consequence of that, the petitioners are not entitled to the backwages.

5. Aggrieved by the denial of backwages and other consequential benefits, the petitioners are before this Court.

6. Learned counsel appearing for the petitioners would urge the following contentions:

(i) The Labour Court could not have denied the backwages as the petitioners have demonstrated that the retrenchment is illegal;

(ii) No retrenchment compensation is paid and that being a mandatory requirement, the retrenchment is void *ab-initio* and it has to be deemed that the petitioners' were never retrenched and they were in employment and in that event, they are entitled to full backwages.

(iii) The petitioners are not the signatories to the settlement dated 18.08.2014 and the said settlement does not bind the petitioners and it binds only 20 workmen who have accepted the offer made by the respondent-Establishment and the Labour Court ought to have considered the petitioners' claim relating to illegal retrenchment.

7. Learned counsel for the respondent-Establishment would urge the following:

(a) The settlement entered into between the respondent-Establishment and the Union binds the petitioners as there is no dispute that the petitioners were the members of the said Union.

(b) Under Section 18(1)(d) of the Act, 1947, the settlement entered into between the respondent-Establishment and the Union binds all the members of the Union and the petitioners' cannot claim any exception to the said settled position of law.

(c) In the statement of objection filed before the Labour Court, the respondent has made a categorical statement that the respondent-Establishment is willing to extend the benefit of settlement to the petitioners like it did to the 20 workmen who accepted the offer made by the respondent-Establishment and this being the position, the Labour Court has rightly held that the settlement binds the petitioners as well.

(d) The Labour Court has rightly held that the petitioners are not entitled to the backwages as the petitioners have refused the offer made by the respondent.

8. The Court has considered the contentions raised at the Bar and perused the records.

9. It is noticed from the records that the Government referred two disputes for adjudication i.e., one is relating to the legality or otherwise of the retrenchment dated 15.11.2013 and

the second one is relating to the legality or otherwise of the lay-off dated 15.10.2013. The award which is impugned in the present petition refers to the reference relating to the retrenchment.

10. Though the respondent-Establishment issued notice, no records are placed to show that the retrenchment compensation is paid to the workmen. This being the position, absolutely there is no difficulty in holding that the retrenchment is not in accordance with law.

11. Now the question is, 'whether the petitioners are entitled to the retrenchment compensation in the background of subsequent developments viz., settlement dated 18.08.2014'?

12. There is no dispute that there was a settlement between the respondent-Establishment and the Union and said settlement is marked at Ex.M.13. It is again not in dispute that when the settlement took place, no conciliation proceeding was pending before the Conciliation Officer. The terms of the settlement marked at Ex.M.13 among other things, provided for reopening of the manufacturing unit with effect from

18.08.2014 and providing work to the workers whose names are mentioned in the list.

13. Admittedly, there are 20 workers whose names are mentioned in the list annexed to the settlement. None of the petitioners' names is found in the list annexed to the settlement. The settlement would also provide that the company has to pay one month's salary as *exgratia* to each of the workmen whose names are found in the list annexed. 50% of the said one month's salary will have to be paid to the workmen in the month of October, 2014 and remaining 50% shall be paid to the workmen in December, 2014.

14. From the terms and conditions in the settlement marked at Ex.M.13, it is apparent that, apart from the payment of one month's salary as *exgratia*, there is no other obligation on the part of the respondent-Establishment to pay the wages from the date of retrenchment till the date of closure.

15. Though the settlement does not provide that the workmen are not entitled to retrenchment compensation, from the overall reading of the terms and conditions of the settlement and also the background in which the settlement is entered into, it is evident that the respondent-Establishment

had agreed to restart the manufacturing activity which was closed for want of demand for its product from the customers.

16. From the terms and conditions in the settlement, there is no difficulty in holding that the Company is under no obligation to pay the backwages. However, the question is, *"whether the settlement binds the petitioners?"*

17. There is no dispute that the settlement is entered into otherwise during the course of conciliation proceeding. There is no dispute that the petitioners are the members of the Union. If the settlement is entered into by the Union, during the course of conciliation proceeding, such settlement is recognized as a collective bargain on behalf of the members of the Union and also the workmen of the establishment. Such settlement cannot be held to be not binding on the members of the Union. This principle also applies when the Union raises a dispute on the behalf of the individual workman. However, if the dispute is raised under Section 2A of Act, 1947, the settlement cannot be without the consent of the individual workman who has raised a dispute. Thus, a settlement by the Union representing other workmen in the establishment relating to the similar cause, does

not bind the individual workman who raised a dispute under Section 2A of the Act, 1947.

18. The Labour Court failed to take note of this aspect. Labour Court proceeded to hold that, the settlement to which the petitioners who has raised a dispute under Section 2A of the Act, 1947 is binding. Since, the petitioners have raised the dispute under Section 2A of the Act, 1947 and as there was no conciliation proceeding pending between the Union and the Establishment, the settlement does not bind the petitioners.

19. It is noticed from the statement of objection that the respondent has offered the employment to the petitioners on the same terms as incorporated in the settlement. However, same is not accepted by the petitioners as it was a conditional offer. Thus, the Court cannot hold that the petitioners refused to join employment as such acceptance will take away the claim for backwages.

20. Thus, the Labour Court could not have denied backwages.

21. It is also relevant to notice that along with the statement of objections, petitioners have also produced the records relating to closure of the industry. The respondent-

Establishment has produced the notice issued by BESCOM wherein it is stated that arrears of electricity charges are not paid by the respondent and the electricity supply will be disconnected.

22. It is also noticed from the records that State Bank of India to which the respondent-Establishment owed money put the property for auction and it is also brought to the notice of the Court that the Establishment is closed. This being the position and in view of the subsequent development, the award for reinstatement does not survive and same has to be modified.

23. Though the Court has held that the retrenchment is illegal, in the peculiar facts of this case where it is demonstrated that the establishment stopped functioning within a short span of 2 years, and later closed, and its assets are sold, the Court instead of awarding 100% backwages directs 75% backwages from the date of statement of objection i.e. 23.10.2014 where the respondent/employer has offered reinstatement (though with certain deductions in financial benefits) till the date of closure. The aforementioned circumstances would indicate that the respondent/establishment was indeed in difficult financial situation. The petitioners are however entitled to full backwages

from the date of retrenchment till the date of statement of objection.

24. In addition, the Court directs payment of closure compensation as applicable under law.

25. Hence the following:

ORDER

(i) Writ Petition is ***allowed in part.***

(ii) The award dated 29.01.2016 on the file of the Principal Labour Court, Bengaluru is modified.

(iii) The petitioners are entitled to 100% backwages from 15.11.2013 i.e., the date of retrenchment till 23.10.2014 the date of filing of the statement of objection.

(iv) The petitioners are entitled to 75% backwages from 23.10.2014 i.e., date of filing of the statement of objection till closure of the establishment.

(v) Petitioners are entitled to the closure compensation.

(vi) Since, there are no materials to determine the closure compensation, liberty is reserved to the petitioners to claim closure compensation by

filing an application under Section 33C(2) of The Industrial Disputes Act, 1947.

(vii) No order as to costs.

Sd/-
(ANANT RAMANATH HEGDE)
JUDGE

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