IN THE HIGH COURT OF JUDICATURE AT MADRAS
DATED: 11.08.2025

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THE HONOURABLE Mr. JUSTICE P.DHANABAL

W.P. No.31947 of 2023
and W.M.P. No.31526 of 2023

The Management of
Godrej & Boyce Manufacturing Co. Ltd.,
No.1, SIDCO Industrial Estate,
Ambattur, Chennai-98. …. Petitioner.

Vs.

The Secretary,
United Labour Federation,
C.J. Complex, 4th Floor, Chennai. … Respondent

PRAYER: The Writ petition is filed under Article 226 of the Constitution of India praying to issue a Writ of Certiorari to call for the records connected with Industrial Dispute No.21 of 2025 on the file of the Industrial Tribunal, Chennai and to quash the award dated 04.09.2023..

For petitioner : Mr. Sanjay Mohan
For Mr. S. Ramasubramaniam and Associates.

For Respondent : Ms. D. Christopher.

ORDER

This Writ petition has been preferred as against the order passed by the Industrial Tribunal, Chennai in I.D. No.21 of 2025 dated 04.09.2023, wherein the respondent Union herein have raised an industrial dispute before the Labour Court and the same was allowed. Aggrieved by the said Award, the present Writ petition has been filed by the Management.

2. The respondent Union have raised an industrial dispute alleging that the petitioner Management is engaged in the business of manufacturing storage solutions, Beam, Angle, Upright, Panels and supplies to leading companies and more than 600 workers were employed out of which 115 workers were treated as permanent employees, 70 workers were treated as trainees, 80 workers were treated as Apprentices and the rest of the workers were treated as contract labourers. The Management is paying meagre wages to its workers and during the year 2013-2014, earned huge profit, but paid only minimum bonus of 8.33% to the workers. The workers were not given bonus considering the higher production given. Therefore, the respondent Union raised an industrial dispute and conciliation proceedings failed, thereby, the Government referred the dispute for adjudication that whether the demand of the respondent Union for 20% bonus for the accounting year 2013-2014 is justified or not.

2.1. The Management denied the allegations and according to the petitioner Management, they are governed by the Payment of Bonus Act and 110 workers are governed by the provision of Production Incentive based on their individual performance (PP) and team award based on Economic Value Added (EVA) and business performance. The two schemes were extended to the employees as part of their service conditions and the amounts were paid in lieu of bonus. The PP Scheme is based on actual performance, which is evaluated in each fiscal year and payments were made according to the performance. As far as EVA assessment is concerned, the performance is evaluated in each fiscal year and payments are made according to the performance. Therefore, the payments have to be reckoned to be covered under Section 31A of the Payment of Bonus Act and therefore, the dispute is not maintainable according to the Management.

2.2 . Before the Labour Court, on the side of the respondent Union, no one was examined as witness and no any documents were marked. On the side of the petitioner Management, they examined two witnesses and Ex.M.1 to Ex.M.20 were marked. Thereafter, the Labour Court adjudicated the dispute and passed an Award that the workers are entitled to a maximum bonus of 20% for the accounting year 2013-2014 over and above the annual variable remuneration paid to the workers under the PP and EVA scheme for the said accounting year. Aggrieved by the said order, the Management filed the present Writ petition.

3. The learned counsel appearing for the Writ petitioner Management would submit that the petitioner Management is engaged in the manufacturing of refrigerators, compressors, washing machines, office and home furniture etc., The persons who are employed in the Management Cadre are governed by the Contract of Employment (Appointment Letter) and the policies framed by the petitioner / Management from home to home. The employees covered under this dispute have been selected and working in the entry level Management Cadre – knowledge Band (K-Band) of the organizational set up of the company in the capacity of Senior Technical Staff Associates / Associate Officers after completion of selection process, having accepted all the terms and conditions and salary structure applicable to the Management Cadre, since their date of joining. All the 110 employees who have raised the present dispute are governed by the provisions of Production Incentive based on their individual performance and Team award based on EVA and business performance and Team EVA is calculated on the business performance for all employees who are part of the business. The above two schemes for the purpose of EVA and Performance pay which were introduced in the year 2008 and have been in vogue ever since. At the time of announcing the performance pay and EVA, the petitioner Management has informed all the

employees that performance pay and EVA is inclusive of statutory bonus, if any, payable under the Payment of Bonus Act. The practice of announcing Performance Pay and EVA on a year-to-year basis commenced on and from 2007-2008 and the said practice has been followed by the petitioner Management consistently till date. All the employees have accepted the payments towards performance pay and EVA without any protest whatsoever. They are governed by the provisions of the Payment of Bonus Act subject to Section 31A of the Act. Right from inception of the two schemes, they had been receiving these payments based upon the said two schemes i.e., Performance Pay and EPA, in lieu of bonus payable in accordance with the provisions of the Payment of Bonus Act.

3.1. However, the respondent Union raised an industrial dispute before the Labour Court claiming 20% bonus for the accounting year 2013-2014 and the Labour Court, without considering the evidences adduced on the Management side, erroneously allowed the petition. The quantum of Performance Pay and EVA was equivalent to or more than the statutory bonus payable to the employees under the Payment of Bonus Act and the Management had filed documentary evidences in support of the said contention, which was ignored by the Labour Court. Since they governed under the Performance Pay / EVA, they have not claimed any bonus from 2007-2008 till 2013-2014. The Management also issued Performance Pay by noting that the above payment shall be deemed to be inclusive of the statutory bonus, if any, payable or which may become payable to the employees by the company under the provisions of the Payment of Bonus Act, 1965 and the amendments thereto made applicable to the accounting year ended March 2013. Therefore, the Labour Court failed to consider the above aspects and erroneously allowed the petition and the same is liable to be set aside.

4. The learned counsel appearing for the respondent Union would submit that the Management engaged more than 600 workers. Out of which, 115 workers were treated as permanent employees, 70 workers were treated as Trainees, 80 workers were treated as Apprentices. During the year 2013-2014, the Management earned huge profit and only paid minimum bonus at the rate of 8.33% and the workers were not given bonus considering the higher production given. Therefore, the Union raised an industrial dispute and the conciliation proceedings were ended in failure. Thereafter, the matter was referred for adjudication before the Industrial Tribunal. Thereafter, the Tribunal after taking into consideration all the evidences adduced on both sides, correctly allowed the dispute and directed the Management to pay 20% bonus. As far as the Schemes of Performance Pay and EVA are concerned,

those Schemes cannot be considered as Bonus under Section 31-A of Payment of Bonus Act. There is no yardstick as to how the Performance Pay and EVA have been fixed. As per Section 31-A of the Payment of Bonus Act, there must be an agreement or settlement between the employer and employees to pay bonus linked with productivity and there must be a settlement or agreement between the employer and employees every year if the bonus is to be linked with the productivity. But in this case, there is no such agreement or settlement between the parties in respect of bonus. Therefore, merely paying Performance Pay cannot be equated with bonus. For the year 2013-2014, there was a huge profit by the company and to that effect, the Management have also produced Ex.M.15 series and the Management witnesses, in their evidences, have categorically admitted that the workers are entitled for maximum bonus of 20% for the said accounting year. Therefore, the Labour Court has correctly adjudicated the industrial dispute by directing the petitioner Management to pay 20% of amount as per Section 11 of the Payment of Bonus Act over and above the amounts paid to the workers as incentive / remuneration / any other nomenclature under the Performance Pay and EVA Scheme for the accounting year 2013-2014. Therefore, there is no perversity found in the order passed by the Labour Court and the present Writ petition is liable to be dismissed.

5. Heard both sides and perused the entire materials available on record.

6. In this case, there is no dispute between the parties as 'employer' and 'workman'. The workmen raised an industrial dispute in respect of the payment of bonus for the accounting year 2013-2014. According to the Writ petitioner, they introduced two Schemes, one is production of incentives based on their individual performance (PP) and team award based on EVA (Economic Value Added) and business performance. Therefore, as per terms of 31-A of the Payment of Bonus Act, they introduced the above said Schemes and the respondent Union is not entitled to any bonus. The said Schemes were introduced in the year 2008 itself, thereby, the respondent Union had not claimed any bonus for the above said period and they claimed for the period 2013-2014. For the subsequent periods also, they have not claimed any bonus. Therefore, the conduct of the respondent shows that they were awarded Bonus under Performance Pay and EVA Schemes in terms of Section 31-A of the Payment of Bonus Act. The respondent denied the above said bonus stating that no bonus awarded in terms of Section 31-A of the Payment of Bonus act and that is only an incentive and that cannot be equated

with bonus.

7. At this juncture, the learned counsel appearing for the petitioner also relied upon the Performance Pay issued to the workmen, individual PP letters of employees and the copy of EVA Scheme and the EVA Reward. On perusal of those documents, they revealed that the Performance Pay for the year 2013-2014 in the footnote mentioned as follows:-

> *"Please Note that the above payment shall be deemed to be inclusive of the statutory bonus, if any, payable or which may become payable to you by the Company under the provisions of the Payment of Bonus Act, 1965 and the amendments thereto made hereafter and made applicable to the accounting year ended March 31, 2014. Your Salary is personal and confidential and you are expected to maintain confidentiality regarding the same. The Company shall seriously view any breach of confidentiality with regard to the above".*

On a bare reading of the above said portion, it is clear that the respondent company paid some money to the workmen in the name of Performance Pay and EVA Reward and the same shall be deemed to be inclusive of the statutory bonus. As per Section 31-A of the Payment of Bonus Act, there should be an agreement or settlement entered between the employer and employee for payment of bonus linked with production or productivity, but in the case on hand, no any settlement or agreement between the parties in respect of bonus linked with production or productivity.

8. At this juncture, it is relevant to rely upon the judgment of High

Court of Gujarat in ***S.G. Pharmaceuticals v. Sarabhai Chemical Staff Association and others reported in 1999 LLR 291 (Guj.),*** wherein the High Court of Gujarat has held that "Section 31-A is creating an exception to ordinary and general rule of the payment of bonus on the basis of the profits earned by an industrial undertaking Section 31A is titled as a "Special Provision with respect to payment of bonus linked with production or productivity". In order to claim a bonus linked with productivity the claimant must fulfil the requirement of Section 31-A. To attract Section 31-A, there must be an agreement or settlement between the employer and the employees to pay bonus linked with productivity and the provisions of Sections 10, 11 and 31A are read together then it would be quite clear that bonus is to be determined in every accounting year and there must be a settlement or agreement between the employer and employees every year if the bonus is to be linked with the productivity. Therefore, in terms of the above said judgment, payment made as per the Scheme of Performance Pay and EPA cannot be termed as agreement or settlement exists between the workers and the Management for the bonus linked with production in terms of Section 31-A of the Payment of Bonus Act. Therefore, the contentions of the learned counsel appearing for the petitioner that the Management has already paid bonus linked with the production or productivity under Section 31-A of the

Payment of Bonus Act is not acceptable.

9. As far as the entitlement of maximus bonus is concerned, **as per Section 11 of the Payment of Bonus Act, the maximum bonus for the accounting year is 20%.** The Writ petitioner, before the Labour Court, has not disputed the earnings for the accounting year 2013-2014. As per the claim petition filed by the workmen before the Industrial Tribunal, they admitted that for the year 2013-2014, the workers were paid only minimum bonus at 8.33%. Therefore, the workers are entitled to the maximum bonus of 20% for the year 2013-2014 and after deducting 8.33% of minimum bonus. In this context, the Labour Court has not discussed about the admission made by the workers as about the minimum bonus paid @ 8.33%. Therefore, the petitioner Management has to pay bonus of 20% after deducting the minimum bonus @ 8.33% already paid as admitted in the petition. In all other aspects, the Labour Court has passed an elaborate order after discussing about the issues raised in this case and there is no perversity or illegality found in the order passed by the Labour Court and there are no any grounds to interfere with the order passed by the Labour Court .

10. Therefore, in view of the above observations, this Court is of the opinion that this Writ petition has no merits and deserves to be dismissed.

11. Accordingly, the Writ petition is ***dismissed.*** There shall be no order as to costs. Consequently, the connected miscellaneous petition is closed..

11.08.2025

Index : Yes/No
Speaking order/non-speaking order
mjs

To
1. The Presiding Officer,
The Industrial Tribunal,
Chennai.

2. The Secretary,
United Labour Federation,
C.J. Complex, 4th Floor, Chennai.

P.DHANABAL, J.,

mjs

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