



**IN THE HIGH COURT OF PUNJAB AND HARYANA
AT CHANDIGARH**

CWP-12788-1997 (O&M)

Date of decision: 13.01.2026

Central State Farm Hisar

....Petitioner

Versus

State of Haryana and another

....Respondents

CORAM: HON'BLE MR. JUSTICE KULDEEP TIWARI

Present: Mr. Ajit Singh Lamba, Advocate,
for the petitioner.

Mr. Bhupender Singh, Addl. A.G., Haryana.

Mr. Raman Sharma, Advocate,
for respondent No.2.

KULDEEP TIWARI, J. (Oral)

1. The instant writ petition, filed under Articles 226/227 of the Constitution of India, assails the inspection report dated 12.12.1996 (Annexure P-3), as well as notices dated 13.01.1997 (Annexure P-5) and 04.02.1997 (Annexure P-7), vide which, the petitioner was directed to deposit an amount of Rs.2,79,401.12/- with the Welfare Fund, created in view of the Punjab Welfare Fund Rules, 1965 (for short, 'the Act of 1965').

2. Before proceeding with the matter, and penning down the submissions of the learned counsel for the parties, it would be essential to take note of the fact that vide order dated 24.12.2014, a Coordinate Bench, had dismissed this petition, thereby, holding that the petitioner



would be covered within the definition of “factory”, which, in turn, would fit in the larger expression of “establishment”. Consequently, even the contention that petitioner had transferred the unpaid wages to the welfare of the workers, and therefore, there was no requirement to remit the said amount to the welfare fund, was also rejected, on the ground that there existed no provision for an establishment to transfer its own unpaid wages to a fund created by such establishment, and claim exemption from transferring the amount in the welfare fund, in the manner contemplated under Section 3.

3. Dissatisfied, the petitioner challenged the said order by instituting an intra-Court appeal (LPA-618-2015), asserting that Section 26 of the Punjab Labour Welfare Fund Act, 1956, upon which, the Coordinate Bench relied upon while dismissing the writ petition, already stood omitted, but this fact was not brought to its notice. Considering the abovesaid assertion, the Division Bench set aside the order dated 24.12.2014 (supra), and remitted the matter, for decision afresh, in view of the altered position of law. That is how, this Court is seized of the matter.

4. Learned counsel for the petitioner submits that the Act of 1965 has been amended, vide the Haryana Act No. 7 of 2007 (the Punjab Labour Welfare Fund [Haryana Amendment] Act, 2007), and Section 26 of the Principal Act has been omitted. Therefore, the petitioner, which is a Company owned by the Central Government, does not fall within the purview of the word “establishment”, as elaborated under the Principal Act of 1965. The next contention, in line, is that the petitioner is, in fact,



covered under the Industrial Employment (Standing Orders Act), 1946, (for short, 'the Act of 1946') and accordingly, it is strictly adhering to the provisions thereof. In this view of the matter, there is no occasion for the petitioner, being a centrally owned Company, to comply with the provisions of the Act of 1965, which operate in the same field.

5. While further unfolding his submissions, it is contended that by way of amendment in the petition, it is sought to be urged that the unpaid wages have already been transferred by the petitioner-company itself for welfare of the workers, and thus, the same are not required to be transferred in the Welfare Fund, as ordered by the authorities. It is next asserted that the inspection report is put to challenge on the ground that the inspection was undertaken in the year 1996, but the demand, as regards unutilized wages, was raised up to 1989, therefore, there is an inordinate delay on the part of the authorities concerned. Not only that, even the modus of inspection is questioned, as the same was not in consonance with the Act of 1965. Concluding his arguments, it is urged that no explanation or reasons were assigned by the authorities, while directing the petitioner to deposit the unpaid wages. Accordingly, the instant writ petition merits acceptance, by setting aside the impugned inspection report, and the notices.

6. *Per contra*, learned counsel for the respondents, in a bid to put a fierce defence, jointly submit that omission of Section 26 would have no impact on the impugned notices, as the petitioner was covered under the Principal Act, and continues to be covered under the Amended Act, as well. Therefore, the plea of omission of Section 26 would not



come to the rescue of the petitioner to exclude it from complying with the impugned notices. Further, it is averred that both the Acts, i.e. Act of 1946 and Act of 1965, indeed, operate in different fields, therefore, the petitioner-company is under obligation to strictly adhere to the provisions thereof. While referring to the definition of unpaid accumulations, as enunciated in Section 2(10) of the Act of 1965, it is urged that inspection was carried out, in order to identity the unpaid accumulated amount. Accordingly, no question of any delay on the part of the authorities concerned arises, for the unpaid accumulations have to be considered after two years from the date, on which, they become due. Finally, they submit that the petitioner is unable to point out any error in the computation of the amount, which is required to be paid by it. Hence, the instant writ petition is liable to be dismissed.

7. This Court has heard the rival submissions advanced on behalf of the parties, and perused the records.

8. Principally, the entire case of the petitioner is predicated upon the plea that the order dated 24.04.2014 (supra), was set aside by the Division Bench, only on the ground that omission of Section 26, by virtue of the Amendment Act of 2007, was not considered by the learned Single Judge. Therefore, it would be expedient to evaluate the effect of omission of Section 26, during the pendency of this petition, in the first round.

9. To begin with, as per Section 2 (4) [of the Principal Act], the meaning of word “establishment”, used to be:-

- (i) *a factory;*
- (ii) *a motor omnibus service; or*



(iii) any establishment, including a society registered under the Societies Registration Act, 1860, and charitable or other trust, which carries on any business or trade or any work connected therewith or ancillary thereto and has been employing on any working day during the preceding twelve months more than twenty persons.”

10. Likewise, Section 26 would deal with applicability of the Act to certain establishments of Central and State Government:-

“This Act shall apply to such establishments belonging to the Central government or any State Government as are referred to in sub-clauses (i) and (ii) of clause (4) of section 2.”

11. A perusal of the Section, extracted hereinabove, indicates that the same is applicable upon all the establishments of Central Government or any State Government, as covered in sub-clauses (i) and (ii) of clause (4) of Section 2.

12. With the efflux of time, by virtue of Section 5 of the Amended Act, Section 26 has been omitted:-

13. *“Section 26 of the principal Act shall be omitted.”*

As a consequence, the definition of establishment has also been substituted:-

“‘establishment’ means a factory and includes any premises including the precincts thereof wherein and in any part of which any industry within the meaning of Clause (j) of section 2 of the Industrial Disputes Act, 1947 (Act 14 of 1947), is carried on and also includes a shop or a commercial establishment within the meaning of the Punjab Shops and Commercial Establishment Act, 1958 (Punjab Act



15 of 1958), in which, on any day, ten or more employees are employed or were employed during the preceding the twelve months”

14. A conjoint perusal of the abovesaid definitions contained in the Amended Act, makes it vivid that the scope of word ‘establishment’ has been enlarged, and which now means, a factory, and includes any premises, including precincts thereof, and in any part of which any industry within the meaning of clause (i) contained in Section 2 of the Industrial Disputes Act of 1947, is carried on. It also includes a shop or commercial establishment within the meaning of Punjab Shops and Commercial Establishment Act, 1958, in which, on any date, ten or more employees are employed during preceding 12 months.

15. At this juncture, it is pertinent to look at the status of the petitioner. Earlier, the Government of India has set up a number of Central State Farms for the primary purpose of production of improved varieties of seeds in different parts of the country. **Essentially, such farms were commercial organizations, and had been running as departmental organisations.** However, the Government did not find the arrangement satisfactory, and therefore, decided to create a Company under the Company Law, which shall take over and run the existing Farms as well as any Central State Farms to be set up in future. Accordingly, the State Farms Corporation of India Limited has been set up by the Government of India, for this purpose. And, it was further resolved to transfer the full administrative control of the existing State Farms to the State Farms Corporation Limited (newly established Company). Indisputably, the petitioner-Company was also one of the



Central State Farms, which was transferred to the abovesaid newly established State Farm Corporation Limited, vide Resolution dated 15.07.1969.

16. A thorough analysis of the abovesaid resolution makes it clear that the Central Government divulged that the State Farms are essentially **commercial organizations**. Further, the Memorandum of Association of the State Farms Corporation of India Limited contains the exhaustive objects sought to be achieved, and the relevant objects germane to the matter in issue, are extracted hereinbelow:-

“1. To set up and run agricultural farms for the production primarily of seeds of foodgrains, fibre crops, plantation crops, oilseeds, vegetables and fruits as well as study of these crops in the various parts of the country and for that purpose, in the first instance, to acquire from the Government of India the State Farms at Suratgarh (Rajasthan), Jetsar (Rajasthan), Jharsuguda (Orissa), Jullundur (Punjab) and Hissar (Haryana) together with such of their assets and liabilities as may be mutually agreed to.

2. To set up poultry, sheep, pig and other cattle breeding farms either as independent units or as part of agricultural farms.

3. To undertake development, reclamation and improvement of lands required for or under the farms belonging to the Company.

4. To undertake development, reclamation and improvement of land belonging to private parties on payment by these parties of the full cost of these operations.

5. To carry on all or any of the business of farmers, producers, processors, exporters, packers and importers of



agricultural produce of all kinds including dairy, poultry, garden and horticulture produce.

6. To carry on the business keepers, breeders, importers, exporters and traders of poultry and cattle of all kinds.

7. To give on hire machinery belonging to the Company to State and Central Governments, Corporate bodies, Co-operative Societies and private individuals.

8. To function as seeds-men, nurserymen and to buy, sell and trade in any goods associated with the activities Company.

111 (B). The objects incidental or ancillary to the main objects are:-

1. To purchase, process, manufacture, distribute and sell farm and food machinery, tools and implements and food packing materials.

2. To open sales depots and to acquire, build, construct, equip and maintain godowns, ware-houses, sheds and other buildings necessary or expedient for the purposes of the Company.

3. To acquire, build, construct, equip and maintain workshops for the repair of Farm equipment and machinery and transport vehicles.

4. To train, instruct and equip or procure the training, instruction and equipment of employees of the Company or of any person or persons in any branch of industry or business connected with or relating to the objects of the Company and calculated directly or indirectly to advance the Company's interests.

5. To acquire, establish, construct, provide, maintain and administer workshops, factories, townships, estates, railway sidings, building-yards, wells, water reservoirs, channels, pumping installations, purification plants, pipe lines, landing grounds, hangars, garages, storage sheds and



accommodation of all description connected with the business of the Company.

6. To carry on any other business which may be calculated directly or indirectly to advance the interests of the Company and to enhance the value of or render profitable any of the Company's property or rights.

7. To acquire and undertake the whole or any part of the business, assets, goodwill and liabilities of any person or company carrying on any business which the Company is authorised to carry on and to acquire and possess any property of any person or company suitable for the purposes of this Company.

xx xx xx xx”

17. A bare glance at the objects, which are mentioned in the abovesaid Memorandum, compels this Court to denote that the Company involves in commercial transactions, which include production of seeds of foodgrains, fibre crops, plantation crops, oilseeds, vegetables and fruits as well as study of these crops in various parts of the country. The seed production involves activities that come under the purview of “manufacturing process”, such as, activities of finishing, packing, washing, cleaning, breaking up or otherwise treating the seeds, for sale transport, delivery or disposal. To dive deeper into the matter, it would be relevant to have a glimpse of Section 2(k) of the Factories Act, 1948, which elucidates the Manufacturing Process:-

"Manufacturing process" means any process for –

(i) making, altering, repairing, ornamenting, finishing, packing, oiling, washing, cleaning, breaking up, demolishing, or otherwise treating or adapting any article



or substance with a view to its use sale, transport, delivery or disposal, or

(ii) pumping oil, water, sewage or any other substance; or

(iii) generating, transforming or transmitting power; or

(iv) composing types for printing, printing by letter, press, lithography, photogravure or other similar process or book binding; or

(v) constructing, reconstructing, repairing, refitting, finishing or breaking up ships or vessels; or

(vi) preserving or storing any article in cold storage.”

18. As an inevitable outcome of the abovesaid connotations and definitions, this Court has no hesitation to observe that the petitioner, in no uncertain terms, does fall within the ambit of word ‘Factory’, and therefore, is an establishment, as defined in both the Acts, i.e. the Principal Act and the Amended Act. Accordingly, it is distinct that omission of Section 26, which earlier restricted the applicability of an Act only upon sub-clauses (i) and (ii) of clause (4) of Section 2, would have no bearing.

19. In view of the abovesiad, the superfluous contention that since the petitioner has been complying with the provisions of the Act of 1946, it is not obliged to adhere to the provisions of the Act of 1965, as the same is not applicable upon it, was noted for the purpose of rejection only.

20. The laudable objects of the Act of 1946 can be gathered from its preamble, per which, it was enacted to require employers in



industrial establishments to define with sufficient precision the conditions of employment under them, and to make the workmen aware of the said conditions. As per Section 1(3) thereof, the Act applies to every industrial establishment wherein one hundred or more workmen are employed, or were employed on any day of the preceding twelve months. Further, Section 2 (d) postulates that “employer” is the owner of an industrial establishment to which this Act, for the time being, applies and includes any person in a factory, named under clause (f) of sub-section (1) of Section 7 of the Factories Act, as manager of the factory. Likewise, meaning of ‘industrial establishment’ has been defined in sub-clause (e) of Section 2, which reads as under:-

“(e) “industrial establishment” means

(i) an industrial establishment as defined in clause (ii) of Section 2 of the Payment of Wages Act, 1936, or

(ii) a factory as defined in clause (m) of Section 2 of the Factories Act, 1948, or]

(iii) xx xx xx xx

(iv) xx xx xx xx”

21. Likewise, Section 4 postulates with the conditions for certification of standing orders. According to which, the standing orders shall be certifiable, if the provision is made therein for every matter set out in the Schedule, as applicable to the industrial establishment. Further, the standing orders are otherwise in conformity with the provisions of the Act. And, the schedule attached therewith also embodies the matters to be provided under the Act:-

“4. Conditions for certification of standing orders.--

Standing orders shall be certifiable under this Act if--



(a) provision is made therein for every matter set out in the Schedule which is applicable to the industrial establishment, and

(b) the standing orders are otherwise in conformity with the provisions of this Act.....”

22. At this juncture, this Court cannot skip to take note of the object of the Punjab Labor Welfare Fund Act, 1965 (as amended), which is defined in its preamble, i.e. to provide for the constitution of a Fund for the financing of activities to promote welfare of labour in the State of Punjab, and conducting such activities and for certain other purposes.

23. To begin with, Section 2(10) defines ‘unpaid accumulations’ to mean that the payments due to the employees, but not remitted to them within two years from its becoming due, whether before or after the commencement of the Act, including wages, bonus and gratuity etc.:-

“(10) ‘unpaid accumulations’ means all payments due to the employees but not made to them within a period of 3[two years] from the date on which they become due, whether before or after the commencement of this Act, including the wages, bonus and gratuity legally payable, but not including the amount of contribution, if any, paid by an employer to a provident fund established under the Employees Provident Fund Act, 1952”

24. Similarly, Section 3 imposes an obligation upon the State Government to constitute a Fund, termed as the Labour Welfare Fund, and all the unpaid accumulations be paid to the Board, which, in turn, shall keep a different account till the claims are decided in the manner



provided in Section 9, and the sums specified in sub-section (2) shall be paid into the Fund:-

“3. Welfare Fund —(1) The State Government shall constitute a Fund called the Labour Welfare Fund and, notwithstanding anything contained in any other law for the time being in force or in any contract or instrument, all unpaid accumulations shall be paid to the Board which shall keep a separate account therefore until claims thereto have been decided in the manner provided in section 9, and the other sums specified in sub-section (2) shall be paid into the Fund:-

3. Welfare Fund —(1) The State Government shall constitute a Fund called the Labour Welfare Fund and, notwithstanding anything contained in any other law for the time being in force or in any contract or instrument, all unpaid accumulations shall be paid to the Board which shall keep a separate account therefore until claims thereto have been decided in the manner provided in section 9, and the other sums specified in sub-section (2) shall be paid into the Fund:

(2) The Fund shall consist of—

(a) all fines realised from the employees;

(b) unpaid accumulations transferred to the Fund under section 9;

(c) grants and subsidies to the Board made by the State Government;

(d) all voluntary donations;

(e) any fund transferred under sub-section (5) of section 10;[X]1

(f) any sum borrowed under section 11 2’[;and]

[(g) any contribution of employers and employees.]



(3) The sums specified in sub-section (2) shall be collected by such agencies and in such manner and the accounts of the Fund shall be maintained and audited in such manner as may be prescribed.

Xx xx xx xx”:

25. A study survey of the provisions, as extracted above, enables this Court to comprehend emphatically that both the Acts, the Act of 1946 and the Act of 1965, hold different fields. Therefore, even if the petitioner is making compliance to the Act of 1946, still it cannot be absolved of its obligation to ensure adherence of the Act of 1965, which, as stated above, is a State Legislation.

26. Taking the matter at hand a step ahead, this Court has also analysed the inspection report, which unambiguously depicts all the descriptions. And, as per the ledge of the petitioner, an amount of Rs.2,79,401.12/- was found to be unpaid up to December, 1989. Hence, a direction was passed upon it, to deposit the abovesaid amount, with the Welfare Commissioner, Haryana, within seven days.

27. The contention of the petitioner that the disputed amount has been utilized for the welfare of the workers is apparently untenable, for the Act, which obliges creation of funds, does not extend any exemption to an establishment to transfer its own unpaid wages to another welfare fund, but to deposit in the account of the Welfare Fund, as constituted by virtue of Section 3 of the Act of 1965. As a sequel of the above, this Court also finds no substance in the plea that the authorities had undertaken inspection at a belated stage, which resulted in consequent delay, in issuing the impugned notices. Needless to express that the

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petitioner has not been able to point out any error in the computation of the amount, as required to be remitted, vide impugned notices.

28. In the wake of the abovesaid discussion, the only and the inevitable conclusion that could be reached: the instant writ petition must fail.

29. In summa, the instant writ petition stands **dismissed**.

(KULDEEP TIWARI)
JUDGE

13.01.2026
Ak Sharma

Whether speaking/reasoned	Yes
Whether reportable	Yes/No