



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

CWP-6740-2003 (O&M)

Dr. N.K. Rana and others

...Petitioners

Versus

State of Haryana and others

...Respondents

Reserved on: 29.01.2026

Pronounced on: 06.04.2026

Uploaded on: 06.04.2026

Whether only the operative part of the judgment is pronounced?

No

Whether full judgment is pronounced?

Yes

CORAM: HON'BLE MR. JUSTICE HARPREET SINGH BRAR

Present: Mr. K.D.S. Hooda, Advocate
for the petitioners.

Mr. Pritam Singh Sidhu, Senior Advocate
with Mr. Deepak Singh Saini, Advocate
for respondent No.2.

Mr. Piyush Khanna, Addl. A.G., Haryana.

HARPREET SINGH BRAR, J.

1. The present petition has been preferred under Articles 226/227 of the Constitution of India seeking issuance of a writ in the nature of *Certiorari* for quashing impugned orders/decisions (Annexures P-12, P-13, P-17, P-19 and P-20). Further, for issuance of a writ in the nature of *Mandamus* directing the respondents to implement decisions (Annexure P-3, P-3/A and P-4) and thereby treat the petitioners to have been permanently absorbed in the Irrigation Department or direct the respondents to absorb the petitioners in the said department.



2. Learned counsel for the petitioners *inter alia* submitted that the Irrigation Department had a unit known as the Underground Water Survey Division. Subsequently, respondent No.2- Haryana State Minor Irrigation (Tubewell) Corporation (HSMITC) was established in the year 1970, under the Companies Act, 1956. Notably, 100% of the shares of respondent No.2-HSMITC are held by the State Government. He further submitted that the assets and staff of the Underground Water Survey Division were transferred from the Irrigation Department to respondent No.2-HSMITC as well. However, the said Division was renamed as- 'Ground Water Directorate' in respondent No.2-HSMITC. It would be relevant to mention that respondent No.2-HSMITC was concerned with research, study and exploration related to groundwater, including stoppage of wastage caused by seepage in unlined water courses. It also sought to provide irrigation facility to farmers along with design fabrication and creation of lift irrigation pumps etc.

3. Learned counsel further argued that the Ground Water Directorate, being a research and development unit of the Irrigation Department, was funded by the said Department from 1970-71 to 1994-95, i.e. even after its transfer to the respondent-HSMITC. Vide memo 03.04.1997 (Annexure P-3), the Government of Haryana noted that the Ground Water Directorate is being funded by and is working on behalf of the Irrigation Department since the year 1970, and thus, should be transferred back to it. Thereafter, a meeting dated 04.09.1997 (Annexure P-3/A) was held under the Chairmanship of the Chief Minister of the State of Haryana, wherein a decision was taken to constitute a unified, independent 'State Ground Water Authority' by merging the Ground Water Directorate of the respondent No.2-HSMITC and Groundwater Cell of



the Agriculture Department. Consequent to the decision dated 03.04.1997 (Annexure P-3), the Managing Director, HSMITC passed an order dated 01.01.1998 (Annexure P-4), whereby the petitioners were transferred to the Irrigation Department on permanent basis. In compliance with the same, the petitioners submitted their joining report with the Irrigation Department on 07.01.1998 (Annexure P-5). Thus, even though the petitioners physically worked at the HSMITC premises, they were employees of the Irrigation Department.

4. Thereafter, the Managing Director, HSMITC sent a report dated 15.03.2002 (Annexure P-6) to the Government, recommending closure of respondent No.2-HSMITC, except for the Ground Water Directorate and Tubewell Drilling Cell, as the staff of the HSMITC was sitting idle. On the basis of the said recommendation, in the meeting dated 25.03.2002 (Annexure P-7), headed by the Chief Minister, a decision was taken to close HSMITC, however, the aspect of retention of staff of the Ground Water Directorate was overlooked. Subsequently, a meeting of the Board of Directors of the respondent-HSMITC was convened on 18.04.2002 (Annexure P-8) wherein it was decided that steps be taken to downsize the existing apparatus and adjust the staff before closure of the Corporation.

5. Learned counsel further submitted that consequently, the Director, Ground Water Directorate wrote a letter dated 09.04.2002 (Annexure P-9) to the Managing Director, HSMITC, requesting him to implement the decisions (Annexure P-3 and P-4) to merge the Ground Water Directorate with Irrigation Department, at the earliest. However, soon after the meeting dated 18.04.2002, an application dated 30.04.2002 (Annexure P-10) under Section 25-O of the



Industrial Disputes Act, 1947 was filed by the respondent-HSMITC for its closure, citing lack of any major work and losses of Rs.115 crore as the reason.

6. The petitioners represented against the closure, however, on 27.06.2002 (Annexure P-12) an order was passed by respondent no.3, granting permission for the same. On 01.07.2002, a public notice was issued by the respondent-HSMITC in the newspaper- 'The Tribune' stating that all the workemen/staff are relieved from their duties. w.e.f. 30.06.2002. Individual orders (Annexure P-14) were also collected by the petitioners along with cheques for salary of June, 2002 and three month notice period. Aggrieved by the closure and termination, the petitioners filed **CWP No.12614 of 2002** before this Court seeking quashing of Annexures P-12 to P-14 and in the alternative, absorption in the Irrigation Department. By a composite order, on 26.09.2002, this Court disposed of all 41 connected writ petitions, directing the respondents to treat these writ petitions as applications for review within the meaning of Section 25-O of the Industrial Disputes Act, 1947. In purported compliance, respondent No.3 heard all the petitioners and their additional written representations. However, on 14.01.2003 (Annexure P-17), the review applications were dismissed with a slight modification that the closure would be effected from 30.07.2002 instead of 30.06.2002. Furthermore, in terms of order dated 26.09.2002 of this Court, the issue of closure was also reconsidered by the Board of Directors in its meeting held on 04.02.2003 and all affected employees submitted their objections to it. Surprisingly, on the same day i.e. 04.02.2003 (Annexure P-19), the Board of Directors rejected all the objections filed by the petitioners and other employees against the impending closure.

7. Learned counsel for the petitioners further submitted that the



petitioners have served the respondent-Corporation with utmost dedication for all these years and due to their dedicated efforts, the respondent No.2-HSMITC played a vital role in providing irrigation to the farmers of the State and also water conservation. Instead of acknowledging the efforts of the petitioners, the respondent No.2-HSMITC has abdicated its responsibility towards the petitioners, who have become overage to seek employment elsewhere, having served the respondent No.2-HSMITC in their twilight years. Further still, the State Government is the real employer of the petitioners as they control 100% shares of the respondent No.2-HSMITC and additionally, the Groundwater Directorate was ordered to be merged into the Irrigation Department. The State Government cannot take the shelter of the corporate veil merely because the respondent No.2-HSMITC has been established and registered the Companies Act, 1956. Further, he relied upon the judgment of the Hon'ble Supreme Court in ***S. Govinda Rajulu vs. The Andhra Pradesh State Constitution Corporation Ltd. AIR 1987 SC 1801*** and submitted that the surplus staff was required to be absorbed in other government departments post-closure. The judgment in ***S. Govinda Rajulu (supra)*** was also followed by a Division Bench of this Court in ***Haryana Tanneries Employees Union Regd Jind Haryana vs. State of Haryana and others CWP-9469-1988***.

8. Even prior to formation of respondent No.2-HSMITC on 01.04.1970, the petitioners were serving under the Irrigation Department in the Underground Water Survey Division. Thereafter, when the Groundwater Directorate was created in the respondent No.2-HSMITC, the entire financial liability including the pay of the petitioners was being shouldered by the Irrigation Department. Lastly, the Groundwater Directorate was not constituted



with the primary objective to earn profit, rather, right from the inception, it was intended to carry out research, study and exploration of the groundwater resources to conserve water and provide irrigation facilities to farmers. As such, the petitioners are deemed to be permanent employees of the Irrigation Department.

9. *Per contra*, learned counsel for respondent No.2-HSMITC submitted that the working of the respondent No.2-HSMITC was actively under review from time to time since it was running into huge losses. After weighing all the pros and cons, it was decided to close down the respondent No.2-HSMITC and retrench the service of all employees including the petitioners in terms of Article 135 of the Articles of Association. Further, under Article 105, the Managing Director of the HSMITC was duly authorized by the Board of Directors to take appropriate decisions to close down the respondent No.2-HSMITC. After completing all the legal formalities under Section 25-O of the Industrial Disputes Act, 1947, the appropriate authority passed a well-reasoned speaking order allowing the closure. It is not a case where the petitioners were not heard or their objections were not considered. Moreover, the petitioners who fall under the definition of 'workman' as provided under Section 2(s) of the Industrial Disputes Act, 1947, have already been provided retrenchment compensation as stipulated by Section 25-O (8) of the said Act. Further, the petitioners who were covered under the applicable Service By-laws were provided 03 months' salary in lieu of notice, as per Clause 8.2 thereof. Learned counsel further relied on the judgment rendered by a Division Bench of this Court in ***D.K. Chawla vs. State of Haryana 2001 (3) RSJ 589*** to submit that no employee can claim absorption in any other department as a matter of right.



Therefore, the present writ petition deserves to be dismissed.

10. The respondent No.2-HSMITC had sustained losses in 27 out of the 31 years of its existence. The claim of the petitioners that the losses incurred are majorly due to waiving off lining charges of Rs.113 crore are unfounded as neither were they waived off, nor were these charges the only source of loss. Moreover, the respondent No.2-HSMITC did not have sufficient source of income to pay salary to its 3916 employees. It was only after thoroughly examining the possibility of saving the respondent No.2-HSMITC that a decision was taken to close the same. The Appropriate Authority had allowed the application for closure as per law and the services of the employees of the respondent No.2-HSMITC were also lawfully dispensed with. Learned counsel also categorically denies the assertion that the Groundwater Directorate was functioning under the aegis of the Irrigation Department. Consequent to the formation of respondent No.2-HSMITC, the assets and liabilities relating to Groundwater Directorate were also transferred to the HSMITC. The Groundwater Directorate was not an exclusive Research and Development unit of the Irrigation Department and, formed a part of the HSMITC and thus is covered under the closure carried out under the Industrial Disputes Act, 1947.

11. Having heard learned counsel for the parties and after perusing the record with their able assistance, it transpires that the petitioners were working in respondent No.2-HSMITC, a company incorporated in the year 1970 under the Companies Act, 1956. It appears that the respondent No.2-HSMITC had suffered a loss of Rs.11,536.82 lakh as against paid up share capital of Rs.10.89 crore, as on 31.03.2001. Since the respondent No.2-HSMITC did not have a significant enough source of income, it became unviable to continue running



the said Corporation. In fact, it could not even shoulder the annual wage bill of Rs.35.53 crore. Left with no other option, proceedings were initiated under Section 25-O of the Industrial Disputes Act, 1947 and respondent No.2-HSMITC was eventually closed.

12. Section 25-O of the Industrial Disputes Act, 1947 reads as follows:

“25-O. Procedure for closing down an undertaking.—

(1) An employer who intends to close down an undertaking of an industrial establishment to which this Chapter applies shall, in the prescribed manner, apply, for prior permission at least ninety days before the date on which the intended closure is to become effective, to the appropriate Government, stating clearly the reasons for the intended closure of the undertaking and a copy of such application shall also be served simultaneously on the representatives of the workmen in the prescribed manner: Provided that nothing in this sub-section shall apply to an undertaking set up for the construction of buildings, bridges, roads, canals, dams or for other construction work.

(2) Where an application for permission has been made under sub-section (1), the appropriate Government, after making such enquiry as it thinks fit and after giving a reasonable opportunity of being heard to the employer, the workmen and the persons interested in such closure may, having regard to the genuineness and adequacy of the reasons stated by the employer, the interests of the general public and all other relevant factors, by order and for reasons to be recorded in writing, grant or refused to grant such permission and a copy of such order shall be communicated to the employer and the workmen.

(3) Where an application has been made under sub-section (1) and the appropriate Government does not communicate the order granting or refusing to grant permission to the employer within a period of sixty days from the date on which such application is made, the permission applied for shall be deemed to have been granted on the expiration of the said period of sixty days.



(4) An order of the appropriate Government granting or refusing to grant permission shall, subject to the provisions of sub-section (5), be final and binding on all the parties and shall remain in force for one year from the date of such order.

*(5) The appropriate Government may, either on its own motion or on the application made by the employer or any workman, review its order granting or refusing to grant permission under sub-section (2) or refer the matter to a Tribunal for adjudication: *

Provided that where a reference has been made to a Tribunal under this sub-section, it shall pass an award within a period of thirty days from the date of such reference.

(6) Where no application for permission under sub-section (1) is made within the period specified therein, or where the permission for closure has been refused, the closure of the undertaking shall be deemed to be illegal from the date of closure and the workmen shall be entitled to all the benefits under any law for the time being in force as if the undertaking had not been closed down.

(7) Notwithstanding anything contained in the foregoing provisions of this section, the appropriate Government may, if it is satisfied that owing to such exceptional circumstances as accident in the undertaking or death of the employer or the like it is necessary so to do, by order, direct that the provisions of sub-section (1) shall not apply in relation to such undertaking for such period as may be specified in the order.

(8) Where an undertaking is permitted to be closed down under sub-section (2) or where permission for closure is deemed to be granted under sub-section (3), every workman who is employed in that undertaking immediately before the date of application for permission under this section, shall be entitled to receive compensation which shall be equivalent to fifteen days' average pay for every completed year of continuous service or any part thereof in excess of six months"



Notably, the petitioners have not raised any arguments against the procedure followed in furtherance of the application under Section 25-O of the Industrial Disputes Act, 1947. Further still, the relevant authorities have duly considered adequacy of reasons for closure and its effect of public welfare, after providing an opportunity of personal hearing to the petitioners and other stakeholders. While this Court can sympathise with the personal loss caused to the petitioners, the same cannot form a reason to set aside the closure since it was accomplished in alignment with the established procedure. A perusal of impugned orders/notices (Annexures P-12, P-13, P-17, P-19 and P-20) indicates that they have been passed by the appropriate authority after considering all the objections raised by the stakeholders and by providing reasons which is indicative of due application of mind.

13. Further still, it has been emphatically argued that the petitioners worked in the Groundwater Directorate that is essentially a unit of the Irrigation Department. A perusal of the record indicates that vide memo dated 03.04.1997 (Annexure P-3), it was decided that the Groundwater Directorate shall be transferred back to the Irrigation Department. However, the operation of memo dated 03.04.1997 (Annexure P-3) was stayed by respondent-HSMITC vide office order dated 13.01.1998 (Annexure R-2/6). Further still, vide letter dated 11.05.1999 (Annexure R-2/7), it was categorically decided that the respondent No.2-HSMITC cannot be integrated with the Irrigation Department. These aforementioned decisions (Annexure R-2/6 and R-2/7) have not been challenged by the petitioners.

14. Additionally, while the State OF Haryana holds a 100% of the shares of the respondent No.2-HSMITC, the latter remains a separate juristic



entity, being incorporated under the Companies Act, 1956. A two-Judge bench of the Hon'ble Supreme Court in ***Heavy Engineering Mazdoor Union vs. State of Bihar 1970 AIR SC 82*** emphasized that a government company is distinct from its shareholders. Speaking through Justice J.M. Shelat, the following was held:

“4. ...An incorporated company, as is well known, has a separate existence and the law recognises it as a juristic person separate and distinct from its members. This new personality emerges from the moment of its incorporation and from that date the persons subscribing to its memorandum of association and others joining it as members are regarded as a body incorporate or a corporation aggregate and the new person beings to function as an entity. [cf. ***Saloman v. Saloman and Co., 1897 AC 22***]. Its rights and obligations are different from those of its shareholders. Action taken against it does not directly affect its shareholders. The company in holding its property and carrying on its business is not the agent of its shareholders. An infringement of its rights does not give a cause of action to its shareholders. Consequently, it has been said that if a man trusts a corporation he trusts that legal persona and must look to its assets for payment; he can call upon the individual shareholders to contribute only if the Act or charter creating the corporation so provides. The liability of an individual member is not increased by the fact that he is the sole person beneficially interested in the property of the corporation and that the other members have become members merely for the purpose of enabling the corporation to become incorporated and possess only a nominal interest in its property or hold it in trust for him. (cf. ***Halsbury's Laws of England, 3rd Ed. Vol. 9, p. 9***). Such a company even possesses the nationality of the country under the laws of which it is incorporated, irrespective of the nationality of its members and does not cease to have that nationality even if in times of war it falls under enemy control. (cf. ***Janson v. Driefontain Consolidated Mines, 1902 AC 484*** and ***Kuenigl v. Donnersmarck, 1955 (1) QB 515***.) The company so incorporated derives its powers and



functions from and by virtue of its memorandum of association and its articles of association. Therefore, the mere fact that the entire share capital of the respondent-company was contributed by the Central Government and the fact that all its shares are held by the President and certain officers of the Central Government does not make any difference. The company and the share-holders being, as aforesaid distinct entities the fact that the President of India and certain officers hold all its shares does not make the company an agent either of the President or the Central Government. A notice to the President of India and the said officers of the Central Government, who hold between them all the shares of the company would not be a notice to the company; nor can a suit maintainable by and in the name of the company be sustained by or in the name of the President and the said officers.”

15. As such, there is no justification to the claim of the petitioners that they be considered employees of the State Government, which owned all the shares of the respondent No.2-HSMITC, especially since their assertion that the Groundwater Directorate is a unit of the Irrigation Department has been dismantled. Furthermore, evidently, the employer-employee relationship only persisted between the petitioners and respondent No.2-HSMITC, and not the State Government by means of the Irrigation department. A two-Judge bench of the Hon'ble Supreme Court in ***A.K. Bindal vs. Union of India, 2003(2) SCT 957***, speaking through Justice G.P. Mathur, highlighted the difference between an employee of a Government and an employee of a Government Company in the following manner:

“17. The legal position is that identity of the Government Company remains distinct from the government. The Government Company is not identified with the Union but has been placed under a special system of control and conferred certain privileges by virtue of the provisions



*contained in Sections 619 and 620 of the Companies Act. Merely because the entire share holding is owned by the Central Government will not make the incorporated company as Central Government. It is also equally well settled that the employees of the Government Company are not civil servants and so are not entitled to the protection afforded by Article 311 of the Constitution (See **Pyare Lal Sharma v. Managing Director (1989) 3 SCC 448**).”*

As such, in the absence of a duly enacted policy covering the same, the petitioners cannot claim absorption into the Irrigation department as a matter of right.

16. The respondent No.2-HSMITC was closed because of financial distress. Even though the State held 100% of the shares in HSMITC, if it has been so decided that it cannot shoulder the cost of continuing business, in absence of a strong argument regarding procedural impropriety or gross harm to public interest, this Court cannot issue directions to undo the said closure for benefit of a few employees at such a belated stage. At the most, the petitioners can claim compensation, which admittedly, they have already received in terms of the statutory scheme and the applicable by-laws.

17. Accordingly, the present petition is dismissed being bereft of any merit.

18. Pending miscellaneous application(s), if any, shall also stand disposed of.

(HARPREET SINGH BRAR)
JUDGE

06.04.2026

Neha

Whether speaking/reasoned : Yes/No
Whether reportable : Yes/No