



Aakash Sashindran
Associate

LABOUR COURT MUST CONFINE ITSELF STRICTLY TO THE TERMS OF THE REFERENCE

The Kerala High Court (HC), in the *Lunar Rubbers and Viking Rubbers*¹ case, held that the Labour Court (LC) must confine its adjudication strictly to the dispute referred to it and cannot adjudicate upon matters beyond the scope of such reference.

Brief Facts

Lunar Rubbers and Viking Rubbers (**Petitioners**) shut down their establishments due to a lack of sufficient workmen. Closure notices were issued to the remaining workmen along with compensation and gratuity. The workmen (**Respondents**) who refused to accept the same were treated as retrenched for the purpose of compensation but refused to accept the statutory payments offered to them.

The Respondents subsequently raised an industrial dispute, and the Labour Court (LC) held that the termination was unjustified and directed reinstatement in any of the Petitioners' business units along with back-wages. Aggrieved by this decision, the Petitioners filed a writ petition before the HC challenging the LC's order.

Petitioners' Contentions

- A plain reading of the relevant provisions of the Industrial Disputes Act, 1947 (**ID Act**) reveals that Section 25FFF merely provides for compensation in terms of Section 25F, and no other consequences flowing therefrom.²
- The LC's direction to reinstate the Respondents in other units is improper, as it is well established that where a unit of an establishment is closed, the workmen are entitled only to compensation as provided under Section 25FFF of the ID Act.³
- Once the factum of closure is established, the LC cannot question the motive of the management in deciding to close down the establishment.⁴
- The reference made was limited to determining whether the retrenchment was justified, and therefore, the LC had no jurisdiction to examine the legality or validity of the closure itself.⁵

¹ *Lunar Rubbers and Viking Rubbers v. Kerala Head Load and Timber Workers and Factory Workers Union and Ors.* 2026 SCC OnLine Ker 1285.

² Paragraph No. 5.1 of the Judgement.

³ Paragraph No. 5 of the Judgement.

⁴ Paragraph No. 5.2 of the Judgement.

⁵ Paragraph No. 5.3 of the Judgement.

Respondent's Contentions.

- The closure of the establishment was not genuine or *bona fide*.⁶
- They were selectively targeted and retrenched, while other workers were retained and transferred to the Petitioners' sister concerns.⁷
- The statutory compensation offered was declined as the retrenchment itself was illegal and not in compliance with the provisions of the ID Act.⁸
- The Petitioners' establishments consistently remained financially profitable, and the plea of financial loss or inability to continue business is entirely fabricated.⁹

Judgment & Reasoning.

The HC:

- Observed that the question referred for adjudication to the LC was whether the retrenchment of the Respondents was justified and, if not, what relief they would be entitled to.
- Clarified that it is essential for a reference made by the appropriate government under Section 10 of the ID Act to accurately capture the real and foundational dispute between the parties.¹⁰
- Found that where the core dispute raised by the workmen is that the closure of the establishment is a sham or is illusory, but the reference is framed on a different and narrower basis, such reference fails to reflect the true nature of the dispute and suffers from a jurisdictional defect that goes to its root.¹¹
- Held that once a reference is made, the jurisdiction of the LC or Industrial Tribunal is strictly confined to the specific points of dispute referred and matters incidental thereto, and it cannot enlarge or alter the scope of the reference.¹²
- Reiterated that it is a well-settled principle that where the closure of an undertaking is real and genuine, the LC has no jurisdiction to sit in judgment over the propriety, justification, or wisdom of the employer's decision to close down the undertaking.¹³
- Allowed the writ petition and directed the appropriate government to reframe the reference for adjudication before the LC.¹⁴

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⁶ Paragraph No. 9 of the Judgement.

⁷ Paragraph No. 3.2 of the Judgement.

⁸ Paragraph No. 3.3 of the Judgement.

⁹ *Ibid.*

¹⁰ Paragraph No. 11 of the Judgement.

¹¹ *Ibid.*

¹² Paragraph No. 12 of the Judgement.

¹³ Paragraph No. 16 of the Judgement.

¹⁴ Paragraph No. 20 of the Judgement.