



**CWP-14469-2013 (O&M) 1**

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

**(269) CWP-14469-2013 (O&M)  
Date of Decision : July 31, 2025**

**M/s Pepsico India Holdings Pvt. Ltd .. Petitioner**

**Versus**

**State of Haryana and others .. Respondents**

**CORAM: HON'BLE MR. JUSTICE HARSIMRAN SINGH SETHI**

Present: Mr. Sumeet Mahajan, Senior Advocate, with  
Mr. Rohit Khanna, Advocate,  
Ms. Simran Sharma, Advocate  
Mr. Saurabh Gautam, Advocate  
Mr. Siddharth Kohli, Advocate  
Mr. Saksham Mahajan, Advocate and  
Mr. Shrey Sachdeva, Advocate, for the petitioner.

Mr. Naveen Singh Panwar, DAG, Haryana.

Mr. Arshad Ali, Advocate, for  
Ms. Amrita Nagpal, Advocate, (joined through VC)  
for respondents No. 4 to 9, 11, 13 and 15.

Mr. Amit Jhanji, Sr. Advocate, with  
Mr. Shashank Shekhar Sharma, Advocate,  
for respondent No.24.

Mr. Naveen Daryal, Advocate, for the respondent-workman.

**HARSIMRAN SINGH SETHI J. (ORAL)**

1. In the present writ petition, the challenge is to the Award dated 27.02.2013 (Annexure P-2) passed by the Labour Court by which, the liability under Section 25-FF of the Industrial Disputes Act, 1947 (hereinafter referred to as 1947 Act') to pay the retrenchment compensation to the respondents employees, who had not collected their retrenchment compensation before the transfer of the company M/s Dhilion Cool Drinks and Breweries Ltd to the petitioner i.e. M/s Pepsico India Holdings Pvt. Ltd

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on 31.12.2002, has been fixed upon the petitioner.

2. By the Award passed by the Labour Court dated 27.02.2013 (Annexure P-2), the petitioner-company has been directed to pay the compensation in lieu of the retrenchment compensation to the tune of Rs.1 lac to each of the workmen concerned, who were held entitled to the same.

3. Learned senior counsel for the petitioner-company submits that fastening of the liability to pay retrenchment compensation to the tune of Rs. 1 lac each upon the petitioner in the facts and circumstances of the present case is not correct as the liability to pay the retrenchment compensation or the compensation as assessed by the Labour Court, is of the previous employer i.e. respondent No.24 and therefore, the Award dated 27.02.2013 (Annexure P-2) passed by the Labour Court is contrary to the provisions of the 1947 Act.

4. Certain facts needs to be noticed for the correct appreciation of the issue in hand.

5. Respondent No.24 -company i.e. M/s Dhilion Cool Drinks and Breweries Ltd was involved in the manufacturer of soft drinks and was purchased by M/s Aradhana Soft Drinks Company which is the subsidiary of the petitioner-company herein vide agreement dated 31.12.2002. Prior to the said agreement, the workmen who were working with respondent No.24, were sought to be retrenched by the then management of respondent No.24 and retrenchment compensation was assessed qua all the workmen.

6. As per the facts, the respondent No.24 offered retrenchment compensation to all the workmen and except 19 workmen, the retrenchment compensation was accepted by all the other workmen before respondent

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No.24 was purchased by M/s Aradhana Soft Drinks Company on 31.12.2002. The remaining 19 workmen, did not accept the retrenchment compensation and ultimately, on 06.01.2003, their services were terminated, which termination was made the subject matter before the Labour Court. The workmen whose services were terminated on 06.01.2003, impleaded respondent No.24 as well as M/s Aradhana Soft Drinks Company and the M/s Pepsico India Holdings Pvt. Ltd to claim the relief of reinstatement, continuity in service along with full back wages.

7. Vide Award dated 27.02.2013 (Annexure P-2), the Labour Court by appreciating the facts and material evidence brought before the Labour Court recorded a finding that the services of the workmen were terminated in violation of Section 25-F of 1947 Act and as, the reinstatement cannot be ordered, the compensation to the tune of Rs. 1 lac was awarded to the workmen who were able to prove their employment with respondent No.24 and the liability to pay the said compensation was fixed upon M/s Aradhana Soft Drinks Company and the petitioner herein.

8. By recording a finding that the same is to be paid by M/s Aradhana Soft Drinks Company and petitioner herein being successor in interest of respondent No.1 i.e. respondent No.24 in the present petition.

9. Learned senior counsel appearing on behalf of the petitioner argues that without appreciating the provisions of the 1947 Act especially Section 25-FF, the liability has been fixed upon the petitioner-company and M/s Aradhana Soft Drinks Company whereas, at no given point of time, the workmen were working under the petitioner or M/s Aradhana Soft Drinks Company and they were the employees of respondent No.24 and hence,

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respondent No.24 is liable to pay the said compensation as awarded vide impugned Award dated 27.02.2013.

10. Learned senior counsel for the petitioner submits that the liability to pay the retrenchment compensation is of respondent No.24, who was the employer of the respondent-workmen.

11. Upon notice of motion, the respondents have appeared and learned senior counsel appearing on behalf of respondent No.24 submits that once the respondent No.24-company was transferred in favour of the M/s Aradhana Soft Drinks Company on 31.12.2002 and the services of the respondent-workmen were terminated on 06.01.2003, on which date, the ownership of the company was with the petitioner and M/s Aradhana Soft Drinks Company, hence, the Labour Court while recording the findings has fixed rightly the liability upon the petitioner-company and M/s Aradhana Soft Drinks Company being the successor of M/s Dhilion Cool Drinks and Breweries Ltd.

12. Learned senior counsel for the respondent No.24 further submits that the services of the workmen were terminated during the time when the respondent No.24-company was under the management of the petitioner-company and therefore, claiming that the liability to pay the retrenchment compensation to the tune of Rs. 1 lac to each workman as assessed by the Labour Court by the impugned Award dated 27.02.2013 (Annexure P-2) is upon respondent No.24, is incorrect and the writ petition may kindly be dismissed.

13. I have heard learned counsel for the parties and have gone through the record with their able assistance.

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14. The question which arise is as to whether, the workmen in whose favour the retrenchment compensation has been awarded vide impugned Award dated 27.02.2013 (Annexure P-2), are to be treated as employees of the petitioner or employees of respondent No.24 so as to decide the liability to pay the retrenchment compensation as per the direction of the Labour Court in the impugned Award dated 27.02.2013 (Annexure P-2).

15. It is a conceded fact before this Court that keeping in view the material evidence brought on record before the Labour Court as well as before this Court that prior to 31.12.2002 when the respondent No.24-company was purchased by the petitioner-company, the workmen who are working with respondent No.24, were retrenched en bloc by respondent No.24. Out of the total 93 workmen, except 19, everybody else accepted the retrenchment compensation but 19 workmen did not accept the retrenchment compensation despite being offered to them by respondent No.24. This fact clearly shows that the workmen were retrenched prior to the period when the respondent No.24-company was transferred to the petitioner on 31.12.2002. That being so, the retrenchment of the workmen was done prior to the taking over of the respondent No.24-company by the petitioner on 31.12.2002 hence, the liability has to be assessed keeping in view the said fact.

16. Learned senior counsel appearing on behalf of respondent No.24 has not been able to dispute the fact that the workmen working prior to the transfer of respondent No.24-company to the petitioner, were retrenched and the compensation was assessed and paid except to the 19

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workmen who did not accept the same and had gone to the Labour Court for claiming reinstatement, continuity in service along with full back wages.

17. Keeping in view the said undisputed fact, the retrenchment of the workmen was done prior to the date when the respondent No.24-company was taken over by the petitioner hence, the said relevant fact has been ignored by the Labour Court while fastening the liability to pay the compensation to the tune of Rs. 1 lac upon the petitioner.

18. Further, it may be noticed that Section 25-FF of the 1947 Act comes into play when the company is purchased by another entity. Section 25-FF of the 1947 Act is as under:-

***“25-FF. Compensation to workmen in case of transfer of undertakings*** - *Where the ownership or management of an undertaking is transferred, whether by agreement or by operation of law, from the employer in relation to or that undertaking to a new employer, every workman who has been in continuous service for not less than one year in that undertaking immediately before such transfer shall be entitled to notice and compensation in accordance with the provisions of section 25-F, as if the workman had been retrenched:*

*Provided that nothing in this section shall apply to a workman in any case where there has been a change of employers by reason of the transfer, if-*

*(a) the service of the workman has not been interrupted by such transfer;*

*(b) the terms and conditions of service applicable to the workman after such transfer are not in any way less favourable to the workman than those applicable to him immediately before the transfer; and*

*(c) the new employer is, under the terms of such transfer or otherwise, legally liable to pay to the workman, in the event of his retrenchment, compensation on the basis that his service*

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*has been continuous and has not been interrupted by the transfer.”*

19. A bare perusal of the above reproduction would show when Section 25-FF of the 1947 Act is applied in the facts of the present case, the workmen who were working with the respondent No.24-company before being taken over by the petitioner, their services automatically come to an end immediately upon the purchase of the said company and the workmen are to be treated as having been retrenched. The said retrenchment is subject to certain proviso which have been mentioned in Section 25-FF of the 1947 Act such as where it is agreed between the seller and the purchaser that the employees will continue in service without there being any change in the service conditions.

20. In the present case, as stated earlier, there is no such agreement entered into between the petitioner and respondent No.24 keeping in view the agreement dated 31.12.2002 so as to continue the workmen in service. Rather the workmen working had already been reinstated and the compensation assessed and paid except 19 workmen where fact has already been brought on record, as stated hereinbefore, that prior to the transfer of respondent No.24 company in favour of the petitioner, the employees of respondent No.24-company had already been retrenched and therefore, continuance of the workmen with the newly purchaser does not arise. Hence, prior the sale of respondent No.24 on 31.12.2002, the services of the workmen had come to an end.

21. Even otherwise when the services of the employees are retrenched keeping in view Section 25-FF of the 1947 Act, the liability to pay the retrenchment compensation is on the transferor and will not be



transferred to the purchaser. The said question has been answered by the Hon'ble Supreme Court of India while deciding **Civil Appeal No.224 of 1962 titled as Anakapalle Cooperative Agricultural and Industrial Society Limited vs. Workmen and others, decided on 23.10.1962**. The paragraph 16 which is relevant, which gives the interpretation to Section 25-FF of the 1947 Act, is as under:-

*“16. The Solicitor-General contends that the question in the present appeal has now to be determined not in the light of general principles of industrial adjudication, but by reference to the specific provisions of Section 25-FF itself. He argues, and we think rightly, that the first part of the section postulates that on a transfer of the ownership or management of an undertaking, the employment of workmen engaged by the said undertaking comes to an end, and it provides for the payment of compensation to the said employees because of the said termination of their services, provided, of course, they satisfied the test of the length of service prescribed by the section. The said part further provides the manner in which and the extent to which the said compensation has to be paid. Workmen shall be entitled to notice and compensation in accordance with the provisions of [Section 25-F](#), says the section, as if they had been retrenched. The last clause clearly brings out the fact that the termination of the services of the employees does not in law amount to retrenchment and that is consistent with the decision of this Court in [Hariprasad's](#) case. The Legislature, however, wanted to provide that though such termination may not be retrenchment technically so-called, as decided by this Court nevertheless the employees in question whose services are terminated by the transfer of the undertaking should be entitled to compensation, and so, Section 25-FF provides that on such termination compensation would be paid to them as if the said termination*



*was retrenchment. The words "as if " bring out the legal distinction between retrenchment defined by Section 2 (oo) as it was interpreted by this Court and termination of services consequent upon transfer with which it deals. In other words, the section provides that though termination of services on transfer may not be retrenchment, the workmen concerned are entitled to compensation as if the said termination was retrenchment. This provision has 'been made for the purpose of calculating the amount of compensation payable to such workmen; rather than provide for the measure of compensation over again, Section 25-FF makes a reference to Section 25-F for that limited purpose, and, therefore, in all cases to which Section 25-FF- applies, the only claim which the employees of the transferred concern can legitimately make is a claim for compensation against their employers. No claim can be made against the transferee of the said concern."*

22. A bare perusal of the above would show that after interpreting Section 25-FF of the 1947 Act, the Hon'ble Supreme Court of India has held that the services of the workmen stands terminated automatically consequent upon the transfer of the company and the liability to pay the compensation which will be treated as retrenchment compensation, will be of the transferor and not the transferee. That being so, under all circumstances, the liability to pay the retrenchment compensation remains with respondent No.24 and not with the petitioner-company, which settled principle of law has been ignored by the Labour Court while passing the impugned Award dated 27.02.2013 (Annexure P-2) so as to fastening the liability upon the petitioner-company and upon M/s Aradhana Soft Drinks Company being the successor of respondent No.24 so as to pay compensation to the employees of respondent No.24.

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23. Learned senior counsel for respondent No.24 submits that the facts have to be seen according to the fact that especially when the services of the workmen were terminated on 06.01.2003 and not on 31.12.2002 when the agreement was entered.

24. It may be noticed that once prior to 31.12.2002 i.e. when petitioner stepped in, the then management of respondent No.24 had already retrenched the services of the workmen en bloc and had offered every workman working the retrenchment compensation, the 19 workmen who did not accept the said compensation, they were told on 06.01.2023 that their services have already come to an end. Hence, merely that the workmen were told about the termination of their services on 06.01.2003 will not change the liability of respondent No.24 keeping in view the provisions of Section 25-FF of the 1947 Act as interpreted by the Hon'ble Supreme Court of India in ***Anakapalle Cooperative Agricultural and Industrial Society' case (supra)*** as well as the fact that even prior to the taking over of respondent No.24-company by the petitioner, workmen had already been retrenched.

25. Further, it has been brought to the notice of this Court that the 19 workmen who did not accept the retrenchment compensation granted by respondent No.24, were dealt with by respondent No.24 even upto the year 2005 and by a mutual agreement some of them were paid the lump sum compensation. This fact has not been rebutted by the learned counsel for respondent No.24. Such agreements reached between the workmen and respondent No.24-company were brought to the notice of this Court as well by learned senior counsel for respondent No.24.

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26. Once even after 2003, the employees who were in employment upto 31.12.2002, were being dealt by respondent No.24 and they were given full and final settlement even in the year 2005 hence, it cannot be said that the liability to pay the other employees who were working prior to 31.12.2002 will be of petitioner.

27. The Labour Court has also ignored such facts while passing the impugned Award dated 27.02.2013 (Annexure P-2) so as to hold the petitioner-company liable for payment of compensation to the tune of Rs.1 lac in lieu of retrenchment compensation as entitled by them keeping in view the provisions of Section 25-FF of the 1947 Act.

28. No other argument was raised.

29. Keeping in view the totality of the facts and circumstances mentioned hereinbefore, the relief given to the workmen holding the petitioner-company liable to pay the retrenchment compensation of Rs. 1 lac each of the entitled workmen is perverse not only the facts and material evidence brought on record but also to the settled principle of law noticed hereinbefore hence, the same cannot be upheld. The relief paragraph is accordingly modified that the liability to pay the compensation as assessed by the Labour Court to the tune of Rs. 1 lac to the entitled workmen will be of respondent No.24 instead of the petitioner or M/s Aradhana Soft Drinks Company.

30. The present writ petition is allowed in above terms.

**July 31, 2025**

*harsha*

**(HARSIMRAN SINGH SETHI)**

**JUDGE**

Whether speaking/reasoned : Yes

Whether reportable : No