

Coverage: Clubbing of units together

- 1) Examine whether both / all the units concerned are independent legal entities.
- 2) If so, examine whether there is
 - a) Financial integrity,
 - b) Managerial integrity or
 - c) Functional integrity between / among the units.

The High Court of Chennai has upheld clubbing two units together if “the financial, managerial and functional integrity of the two units of the employer have been established” (A. Gangadharan Vs. Govt. of India – 1978 (2) LLJ 317). It is enough if you could establish at least one of the three aspects of integrity.

- 3) Demand and obtain the Partnership Deed, Memorandum and Articles of Association, License under the Shops and Establishments Act, etc., from all the concerned units under survey.
- 4) Examine whether the work which is carried on by all the units are inter-connected/ inter-related/ identical. Explain the facts.
- 5) Examine whether the employees employed in all the units are interchangeable.
- 6) Examine whether the Manager/Accountant/Watchman are common for all the units. If so, examine whether the salaries/wages of these persons are booked in the accounts of one unit only or in the accounts of all the units.
- 7) Examine the procedure adopted by the units in purchasing raw materials from the suppliers. Explain whether they purchase individually or jointly. Verification of ledger entries would help detect the procedure followed by the employers. If only one unit is purchasing raw materials for all the establishments, the functional integrity can be established very clearly. Examine also the invoices and the consignment vouchers in this regard as they would give better picture of the case.

- 8) Examine whether there is any godown in addition to these units in addition to the business premises. If so, find out who the owner of the godown is. Examine whether all the units store goods in the same godown. If the godown is the property of one of the units, or one of the partners, examine whether the other units pay any rent to the owner. There must be journal and ledger entries duly supported by vouchers and intimation to the municipal authorities. All the units are duty-bound to provide you all the records and documents as demanded by you.
- 9) Examine the title to the ownership of the premises in which the units are functioning. If only one unit or only one of the persons involved is the owner, examine whether the others pay rent to the owners. There must be necessary entries to that effect in the ledgers and cashbooks of all the units.
- 10) Examine whether the usage of power is common. Examine in whose name does the power-connection stands. Examine which of the units is actually paying the electricity charges. If only one unit is paying the charges for all the units, examine the ledgers, cashbooks and vouchers and find out whether the other units are reimbursing any portion of the electricity charges to the unit that has already paid rent. Examine whether it is legally permissible for one unit to supply electricity to the other units without the concurrence of the electricity department.
- 11) In the case of these units functioning in rented premises, examine the share of rent paid by all the units. The tenancy agreement has to be examined to ascertain whether the landlord was really aware of there being two or more independent legal entities as tenants in his building.
- 12) Examine who is paying the advertisement charges, as per account books. Examine also whether the other units are sharing the expenditure and, if so, the mode of sharing. Your findings must be with reference to the records of these units.
- 13) Examine the trade name used in such advertisements and send your report in detail.
- 14) Examine whether the principal employers of all these units are coparceners of a Joint Hindu Family.
- 15) Any single but tangible evidence collected during the survey to establish the existence of more than the inter-trade relationship between / among the units is enough to club both / all the units together for the purpose of coverage.

By R. Natarajan