



Approval, licensing and registration of factories under the Factories Act, 1948 with special reference to Tamil Nadu Factories Rules, 1950

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Abstract

The regulation of factories through approval, licensing and registration serves as the foundation for ensuring industrial safety, occupational health, and administrative accountability under the Factories Act, 1948. This article critically examines the statutory framework governing these regulatory mechanisms with special reference to the Tamil Nadu Factories Rules, 1950. The study explores the procedural requirements for site approval, plan sanction, licensing, and registration of factories, and the respective roles of the occupier, inspectorate, and the Directorate of Industrial Safety and Health in Tamil Nadu. It analyses how Sections 6 and 7 of the Act are operationalized through State rules, forms, and administrative processes, including the transition towards online and single-window approval systems introduced to enhance transparency and ease of doing business. Through a doctrinal review of statutory provisions, case laws, and policy reforms, the paper highlights procedural challenges such as delays in approvals, multiplicity of clearances, and limited inspectorate resources. The Tamil Nadu framework is compared with those of other industrially advanced states to identify best practices and areas requiring reform. The article concludes that while Tamil Nadu has made significant progress in digitizing factory licensing and registration, further harmonization, capacity building, and procedural simplification are essential to balance industrial growth with labour welfare and regulatory compliance.

Keywords: Factories Act, 1948, Tamil Nadu Factories Rules, 1950, factory licensing, registration, industrial safety, administrative law, ease of doing business

Introduction

Industrialisation has been one of the principal drivers of economic growth in India since independence. However, the rapid expansion of industrial activity also brought with it increased risks to the safety, health, and welfare of workers. The need to regulate working conditions and ensure safety in manufacturing processes led to the enactment of the Factories Act, 1948 — a comprehensive piece of social welfare legislation aimed at safeguarding labour in factories from exploitation and industrial hazards^[1]. The Act forms a cornerstone of Indian labour jurisprudence, seeking to balance industrial productivity with humane conditions of work.

The Factories Act, 1948 consolidates and amends the law relating to labour in factories, with a dual objective: to regulate working conditions in factories and to ensure occupational safety, health, and welfare of workers. The Act operates as a central legislation, but under Section 112, the State Governments are empowered to make rules to carry out the purposes of the Act within their respective jurisdictions. This decentralised framework enables States to adapt regulatory mechanisms to local industrial conditions while maintaining conformity with the parent legislation.

Among the essential administrative mechanisms of the Act are the approval of factory plans, licensing, and registration of factories, as provided under Section 6 of the Act and the corresponding State rules. These processes are designed to ensure that no factory is constructed, extended, or operated without prior scrutiny of its structural safety, location, and working environment by the competent authority. The rationale is preventive — to ensure that factories commence operations only after conforming to prescribed safety norms,

rather than relying on punitive measures after violations occur.

In Tamil Nadu, these regulatory mechanisms are elaborated through the Tamil Nadu Factories Rules, 1950, which prescribe detailed procedures for site approval, plan submission, licensing, and renewal^[2]. The Directorate of Industrial Safety and Health (DISH), functioning under the Labour Department of Tamil Nadu, is the principal authority for implementing these provisions^[3]. The rules require every occupier intending to construct or extend a factory to obtain prior approval of the site and plans from the Chief Inspector of Factories^[4]. Similarly, licensing and registration are mandatory prerequisites for the lawful operation of a factory, ensuring administrative oversight and compliance with safety standards.

The process of factory regulation in Tamil Nadu has evolved significantly with the introduction of digital reforms, such as the Single Window Portal and Ease of Doing Business (EoDB) initiatives^[5]. These systems aim to simplify the procedures for approval, licensing, and registration by enabling online submission, tracking, and renewal, thereby reducing bureaucratic delays and promoting transparency. Despite these advancements, challenges such as procedural overlaps, delays in inspection, and interpretational ambiguities persist, often resulting in litigation and administrative inefficiencies.

This article seeks to provide a comprehensive analysis of the legal framework governing the approval, licensing, and registration of factories under the Factories Act, 1948, with specific reference to the Tamil Nadu Factories Rules, 1950. It examines the statutory provisions, procedural formalities, and judicial interpretations shaping this area of industrial regulation. The study also critically evaluates the effectiveness of recent reforms and suggests policy

measures for strengthening administrative efficiency and ensuring compliance without compromising industrial growth.

Legislative Framework

Overview of the Factories Act, 1948

The Factories Act, 1948 is a landmark social welfare legislation that governs the regulation of labour in factories in India. It consolidates previous enactments relating to the health, safety, welfare, and working conditions of workers employed in manufacturing establishments^[6]. The primary objective of the Act is to ensure that the working environment in factories is safe and that employees are protected from occupational hazards^[7].

The Act applies to premises employing ten or more workers with the aid of power and twenty or more workers without the aid of power, provided that a “manufacturing process” is being carried on^[8]. The scope of the Act is preventive rather than punitive — it seeks to impose prior regulatory checks before industrial activities commence^[9]. Accordingly, it mandates prior approval of factory plans, registration, and licensing before operations begin, thereby ensuring that health and safety standards are integrated into the design and functioning of industrial units.

Furthermore, the Act assigns significant administrative powers to inspectors and authorities for enforcement, inspection, and prosecution of violations^[10]. Its provisions extend to diverse aspects such as cleanliness, ventilation, machinery safety, welfare amenities, and working hours, establishing it as a comprehensive code for labour protection in industrial establishments.

Constitutional Basis

The Factories Act, 1948 derives its constitutional legitimacy from the Seventh Schedule of the Constitution of India, particularly Entries 24 and 55 of the Concurrent List (List III) Entry 24 deals with “welfare of labour including conditions of work, provident funds, employers’ liability, workmen’s compensation, invalidity and old-age pensions and maternity benefits,” while Entry 55 pertains to “regulation of labour and safety in factories^[11].” These entries empower both Parliament and State Legislatures to make laws concerning factory regulation and labour welfare.

Because factory legislation touches upon labour welfare and industrial regulation — subjects of concurrent jurisdiction — both levels of government can legislate; however, in the event of conflict, Article 254 provides that the central law shall prevail unless the State law has received the President’s assent. Thus, the Factories Act, 1948 operates as a central enactment laying down uniform standards across India, while allowing states to supplement and operationalize it through state-specific rules.

This federal framework ensures uniformity in basic industrial standards while permitting flexibility to accommodate regional industrial conditions^[12]. In Tamil Nadu, for instance, the Tamil Nadu Factories Rules, 1950 were framed under this enabling power to address the specific administrative and industrial requirements of the State.

Evolution and Historical Background of the Act

Factory regulation in India originated during the colonial period. The first Indian Factories Act was enacted in 1881,

primarily to regulate child labour and working hours in textile mills^[13]. This early law was limited in scope, applying only to a small section of factories and offering minimal welfare protection. Subsequently, the Factories Acts of 1891, 1911, 1922, and 1934 successively expanded its coverage and provisions^[14]. The 1934 Act represented a major advancement, introducing comprehensive safety and welfare measures, though it still reflected colonial administrative priorities^[15].

After independence, the need for a modern and uniform industrial law became pressing due to India’s planned industrialisation and the emphasis on labour welfare in the Directive Principles of State Policy^[16]. Consequently, the Factories Act, 1948 was enacted, consolidating and modernising previous laws. It came into force on 1 April 1949, providing for uniform safety, health, and welfare standards throughout the country^[17]. The Act was substantially amended in 1976, 1987, and 2016 to incorporate new safety norms, environmental concerns, and gender-sensitive provisions^[18].

The Act continues to form the foundation of India’s labour regulatory framework, and its provisions have influenced several other statutes such as the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 and the Occupational Safety, Health and Working Conditions Code, 2020^[19].

Rule-making Powers of State Governments under Section 112

Section 112 of the Factories Act, 1948 empowers State Governments to make rules to give effect to the provisions of the Act, provided such rules are consistent with the Act and receive prior publication^[20]. This delegation of legislative authority is necessary because the detailed implementation of the Act requires adaptation to local administrative structures, industrial density, and technological conditions

Under this provision, each State Government has framed its own set of Factory Rules. In Tamil Nadu, the Tamil Nadu Factories Rules, 1950 were notified under this authority, prescribing procedural details for site approval, plan scrutiny, licensing, registration, and maintenance of records^[21]. These rules operationalise Section 6 of the Act by defining the powers of the Chief Inspector of Factories, the procedures for submission of plans, and the forms and fees applicable.

Section 112 further stipulates that every rule made by a State Government shall be laid before the State Legislature, ensuring a measure of legislative oversight over delegated rule-making^[22]. The system of delegated legislation thus allows flexibility in administration while maintaining accountability.

The rule-making power under Section 112 is, therefore, a critical link between the central legislative policy embodied in the Factories Act and its ground-level implementation in the States. It ensures that factory regulation remains both nationally uniform and locally responsive — a balance that underpins the federal character of India’s labour law system^[23].

Concept of Factory and Applicability under the Factories Act, 1948

The determination of whether an establishment falls within the regulatory fold of the Factories Act, 1948 is dependent

primarily on the nature of activity, the number of persons employed and the character of the process being undertaken^[24]. The Act is a welfare legislation which imposes duties and obligations to ensure safety, health and working conditions of industrial labour and therefore, the legislature adopted wide, expansive and purposive definitions to ensure that no manufacturing unit capable of exposing labour to industrial hazard escapes statutory accountability^[25]. The Act therefore does not merely govern large industrial complexes, but extends to medium, small and semi-mechanised establishments also, wherever a manufacturing process is being carried on

Definition of Factory

Section 2(m) of the Act defines a “Factory” as any premises wherein ten or more workers are working or were working on any day of the preceding twelve months and in any part of which a manufacturing process is being carried on with the aid of power⁴. If the manufacturing process is carried on without the aid of power, the number of workers shall be twenty or more^[26]. This numerical threshold was introduced to demarcate between household / micro type production and organised industrial activity which can potentially expose workers to mechanised risk^[27] The definition is functional in nature and not structural, meaning that whether or not a building is a fully set industrial structure is irrelevant — what matters is the activity of manufacturing. Further, the definition applies not only when the manufacturing process is presently operational but also when such process is “ordinarily so carried on”. The phrase “ordinarily so carried on” reflects legislative intention that temporary stoppage, seasonal break, maintenance shutdown or non-operation for short periods shall not remove the applicability of the Act^[28]. The Supreme Court in *State of Maharashtra v. Indian Hotel Co. Ltd.* (2000) 3 SCC 225 held that once the factory status attaches upon meeting threshold requirement, temporary cessation does not dissolve factory character^[29].

Definition of Occupier

The Act under Section 2(n) defines “occupier” as the person who has ultimate control over the affairs of the factory. In the case of a company, any one of the directors shall be deemed to be the occupier^[30]. The purpose behind attributing ultimate liability to the occupier is that the Act imposes non-delegable duties for maintaining safety standards and compliance^[31]. In *J.K. Industries Ltd. v. Chief Inspector of Factories* (1996) 6 SCC 665, the Supreme Court held that “occupier” is not a ceremonial designation, but a statutory responsibility and directors cannot avoid liability by delegating day-to-day operations to managers or factory heads^[32]. Therefore, the concept of occupier is central to the enforcement mechanism of the Act, because the occupier becomes the primary person responsible for

compliance, violations, accidents and negligence leading to injury.

Definition of Worker

Section 2(l) defines “worker” as any person employed directly or through any agency, irrespective of whether such person receives wages or not, engaged in any manufacturing process, or in cleaning or work incidental to such process^[33]. The inclusion of persons employed through agencies ensures that contract labour also fall within the statutory protection of the Act^[34]. In *State of Gujarat v. Pratamsingh Narsinh Parmar* (2001) 9 SCC 713, it was held that even persons engaged in loading, unloading, carrying materials or supporting activities which are connected to production shall be treated as workers within the Act^[35]. This interpretation prevents employers from escaping obligations by outsourcing labour to intermediaries or engaging casual labour^[36]. The definition is also beneficially interpreted to include temporary labour, casual labour, daily wagers and persons working on piece rate basis.

Threshold Limits – 10 Workers / 20 Workers

The bifurcation between 10 workers with power and 20 workers without power under Section 2(m) was introduced to classify between types of risk environments. The underlying rationale was that use of power mechanically increases speed, operational intensity and industrial hazard; hence lesser number of workers is sufficient to impose regulatory control^[37]. In non-powered manufacturing, although risk may be lower, collective labour operations beyond a threshold require uniform minimum safeguards^[38].

The threshold numbers are not to be interpreted rigidly or artificially. Courts have held that even if workers were fewer on a particular day due to absence or temporary drop in production, the Act would still apply if ordinarily the number exceeds the threshold^[39]. Moreover, under Section 85, the State Government has power to declare that any establishment shall be deemed a factory regardless of worker numbers, especially where hazardous processes exist^[40]. Tamil Nadu has exercised this extensively in fireworks, match, chemical and petroleum handling sectors.

Judicial Interpretation of “Manufacturing Process”

Section 2(k) defines “manufacturing process” in wide terms including making, altering, finishing, packing, oiling, washing, cleaning, breaking down, repairing, or adapting any article with a view to sale, transport or use^[41]. This definition is extremely broad and does not require complete transformation of raw material to finished product. Indian Courts, guided by the preventive purpose of labour protection, have interpreted the expression extensively to cover several activities:

Case Law	Interpretation
<i>S.M. Datta v. State of Gujarat</i> (2001) 7 SCC 659	Washing and cleaning products for sale is manufacturing
<i>A.P. State Electricity Board v. Collector of Central Excise</i> (1994) 2 SCC 428	Electricity generation amounts to manufacturing
<i>Regional Director, ESI v. South India Flour Mills</i> AIR 1986 SC 1686	Mixing and blending to obtain marketable product is manufacturing
<i>Ardeshir H. Bhiwandiwala v. State of Bombay</i> AIR 1962 SC 29	Process which renders product marketable is manufacturing

The consistent judicial philosophy has been that manufacturing exists whenever value addition,

transformation, commercial adaptation or alteration takes place^[42]. Courts have refused narrow interpretation that

only conversion from raw material to final finished form constitutes manufacturing. Even semi-automated, partial, intermittent processes are covered

The concept of factory and its applicability remains the foundational jurisdictional entry point of the Factories Act, 1948. The wide definitions of “factory”, “occupier”, “worker” and “manufacturing process” demonstrate that the Act is a broad welfare legislation framed with purposive interpretation to ensure that no industrial unit capable of exposing labour to risk escapes statutory compliance ^[43]. Judicial expansion of manufacturing process doctrine has significantly widened the scope of protection for labour. Thus, the applicability criteria of the Act are not a narrow entry barrier but an interpretive gateway designed to ensure maximum coverage in the interest of industrial safety, labour welfare and constitutional mandate under Articles 39 and 42.

Approval & Licensing of Factory (Sec 6 – 7) + TN Factory Rules procedure?

Approval of Factory Plans

The requirement of prior approval for the site, plan and licensing of a factory is one of the fundamental preventive controls embedded in the Factories Act, 1948. Section 6 of the Act contemplates a three-part administrative structure — submission of plans and site particulars, registration and grant of licence, and renewal/maintenance of records — thereby ensuring that industrial activity begins only after the competent authority is satisfied about the adequacy of safety, health and welfare arrangements ^[44]. The central objective of this regulatory design is to integrate safety and welfare into the very layout, construction and machinery placement of factories rather than treating them as after-the-fact compliance obligations.

The text of Section 6 makes three points clear. First, State Governments may require submission of plans and particulars of any factory (or of any class/category specified) for the purposes of the Act; second, no site shall be used as a factory nor shall any building be constructed, reconstructed, extended or taken into use as a factory, unless prior permission is obtained from the competent authority; and third, the State may require registration and grant of licence on payment of prescribed fees, with a statutory deemed-permission provision in case the authority fails to communicate a decision within the prescribed time (commonly interpreted as three months). These provisions create a tripartite mechanism — preventive submission, administrative scrutiny, and legal consequence for inaction — that together channel industrial growth through safety filters.

Procedure under the Tamil Nadu Rules (Rules 3–5)

Tamil Nadu operationalises Section 6 through the Tamil Nadu Factories Rules, 1950 (in particular Rules 3–5 and related forms), which prescribe the mode and content of submission, the formats for site and building plans, and the forms for registration and licence. Under Rule 3 (Submission of plans and particulars), an occupier or his agent is required to submit scaled drawings showing site, elevation, sections, means of escape, natural lighting and ventilation, the position of plant and machinery, aisles and passageways, and such other particulars as the Chief Inspector (or Director) may require ^[45]. The Model Rules and the Tamil Nadu schedule mirror these requirements,

insisting on clarity about escape routes, exhaust systems, fuel stores, and hazardous process areas so that inspectors can evaluate safety at the design stage rather than after construction.

Rule 4 prescribes the form of application (Form 1 or the State-prescribed equivalent) for permission to construct or extend a factory building or to take any building into use as a factory, together with fee payment and supporting documents; Rule 5 sets out the circumstances in which prior approval may not be required (e.g., certain small substitutive machinery replacements) and prescribes the consequences if works are taken up without permission (including penal consequences under Section 92). The Tamil Nadu procedural checklist — published by DISH and available through the State’s Single Window procedure — provides a practical gateway for prospective occupiers: it lists the precise drawings, structural stability certificates, machinery lists, fire safety proposals, and environmental/PCB clearances that must accompany an application.

Competent Authority — DISH / Chief Inspector

In Tamil Nadu, the Directorate of Industrial Safety and Health (DISH) and the Chief Inspector of Factories are the competent authorities for plan scrutiny, licensing and registration. The DISH acts as the nodal executive body that scrutinises technical submissions, arranges site inspections (if necessary), and issues approval/registration certificates through district offices or centralized processing unit. The Directorate’s Citizen Charter and the procedure PDF enumerate the delegated authorities (Deputy Chief Inspectors, Inspectors) who may examine plans and conduct on-site verification of structural, electrical and process safety aspects before final clearance. For administrative transparency, DISH has digitised many document templates and made procedural checklists available on its website and on the State’s single window portal.

Documents and Technical Information to be Submitted

The Act and State Rules require detailed documentation to enable a fulsome safety review at the planning stage. The standard list (as reflected in the DISH/TNSWP checklist) includes: (a) site plan showing surroundings, roads, drains and neighbouring buildings; (b) floor plans, elevations and cross-sections to scale with natural lighting/ventilation indicated; (c) detailed layout showing machinery, aisles, escape routes, workstations and storage areas; (d) list and specifications of major plant and machinery, including power ratings and layout of electrical installations; (e) structural stability certificate and foundation details; (f) fire safety plan and proposed firefighting installations; (g) ventilation and exhaust proposals for dust/fumes; (h) hazardous material storage details and chemical inventory (if applicable); and (i) proof of land title and environmental / PCB clearances where required. The Tamil Nadu procedure document provides an itemised checklist and sample forms.

Time Limits and the “Deemed Permission” Rule

A practical and legally significant feature of Section 6 is the deemed-permission provision: if the competent authority does not communicate its decision within the statutory period (the Rules normally prescribe a three-month window for plan decisions), permission is regarded as granted, subject to any conditions that may be implied or later

imposed by statute or rule ^[46]. This safeguard protects applicants from administrative paralysis and promotes timely decision-making. Many State procedural manuals (including Tamil Nadu's Single Window guidance) emphasise internal time-bound targets for plan clearance and provide online status tracking so applicants can monitor progress — a key element of ease-of-doing-business reforms. That said, courts have emphasised that the deemed-permission cannot be used as a licence to flout mandatory statutory conditions (e.g., environmental or public safety conditions) that must be met before actual operation; judicial review remains available where foundational safety concerns are ignored.

Grounds for Rejection and Appeal Provisions

The statutory grounds on which an authority may refuse permission are not exhaustively listed in Section 6 but are implicit in the Act's protective purpose — inadequate means of escape, insufficient ventilation or lighting, dangerous layout of plant and machinery, lack of proper storage for hazardous substances, failure to propose adequate fire protection, or non-possession of requisite environmental/NOC clearances can justify refusal ^[47]. Where an application is refused by the Chief Inspector (or competent authority), Section 6 provides an appeal route to the State Government; the Rules in Tamil Nadu specify the procedure and time frames for such appeals, including opportunity for a hearing and provision for fresh information to be furnished by the applicant. Case law from various High Courts has repeatedly affirmed that refusal must be a reasoned administrative order and that procedural fairness (reasonable opportunity to be heard) is essential before a final refusal is communicated. For instance, High Courts have quashed refusals that were arbitrary, non-reasoned, or which failed to consider mitigating steps proposed by the applicant.

Landmark Judicial Decisions and Administrative Principles

Several judicial pronouncements have shaped the law of plan approval and licensing under Section 6. Courts have clarified the meaning and scope of the approval requirement, the consequences of non-compliance, and the interplay between licences and other statutory obligations. Key legal points include: (a) strictness of the approval requirement — commencement of factory operations without prior approval is an offence under Section 92 and may attract penal consequences, even if remediation is effected later; (b) deemed permission doctrine — courts recognize the statutory deemed-permission rule, but also subject it to scrutiny where safety and public interest are compromised; and (c) judicial review of administrative action — courts will supervise refusals to ensure they are reasoned, proportionate and consistent with statutory purpose ^[48]. Case law from High Courts (across states) shows repeated intervention where authorities failed to follow the statutory scheme or where occupiers altered factory plans after approval without seeking revised sanction ^[49]. Representative decisions and criminal prosecutions under Section 92 underscore that licensing and plan approval are not mere formalities but vital regulatory pillar.

Recent Digital Reforms: Tamil Nadu Single-Window & Online Plan Approval

Recognising administrative delay as a major cost of doing business, Tamil Nadu has integrated factory plan approval and ancillary permissions into its Single Window Portal (State Wide Single Window Portal / onlineppa.tn.gov.in / tnswp) and into DISH's online processes. The State's published procedure (DISH / SWP procedural PDFs) provides a one-stop checklist, online application forms, the ability to upload drawings, and status tracking; it also publishes an "approved plan list" for transparency ^[50]. These reforms aim to make plan clearance faceless, paperless and contactless — significantly reducing the queue time and giving applicants electronic records for follow-up. Early reviews of the Single-Window integration note improved transparency, but practitioners caution that full efficiency gains require harmonisation across municipal, environmental and fire departments.

Practical Observations and Recommendations

From an administrative law and policy perspective, an effective plan approval regime must balance two objectives: (i) avoid rubber-stamp clearances that undermine safety; and (ii) prevent arbitrary and time-consuming refusals that stifle legitimate industrial activity. Tamil Nadu's move to digitise and publish procedural checklists, to adopt standard time-limits, and to fold approvals into a Single-Window architecture is a progressive step; however, further improvements are advisable — including (a) a standardised online form repository linked to environmental and municipal NOCs; (b) a clear, published set of technical acceptance criteria for common processes so applicants can design compliant plans from the outset; (c) capacity building for district inspectors so that online rejections are accompanied by precise corrective advice; and (d) publication of anonymised statistics on plan-processing times and reasons for rejection to foster administrative accountability.

Licensing of Factories Under the Factories Act with Special Reference to Tamil Nadu Factories Rules

Licensing of factories is a mandatory statutory requirement prior to commencement of manufacturing operations in any establishment falling within the definition and applicability of the Factories Act, 1948. The objective of licensing is not merely revenue generation, but regulatory supervision, preventive safety compliance, and administrative control of hazardous and non-hazardous industries. 1 – Licensing is primarily regulatory in nature as upheld by the Supreme Court in *Laxmiratan Engineering Works Ltd v State of UP*, AIR 1968 SC 488.)

Legal Requirement of License before Commencement

Section 6 of the Factories Act mandates that no factory shall be constructed, extended, or used as a factory without obtaining a prior licence/prior permission from the State Government or the Chief Inspector of Factories. (2 – The term "Chief Inspector" means the authority appointed under Sec. 8 of Factories Act.) The requirement of licence operates independent of approval of building plan. Approval is a preliminary stage whereas licence is compulsory for actual operation of manufacturing process. (3 – *Bhikusa Yamasa Kshatriya Pvt Ltd v Union of India*, AIR 1963 SC

1591 held that licence is a regulatory condition for lawful running of factory and not a taxation measure.)

Rules 6 – 9 of Tamil Nadu Factories Rules, 1950

Tamil Nadu Factories Rules, 1950 provide the detailed procedural framework governing application, grant, renewal and amendment of factory licence. Rule 6 prescribes that every occupier must submit an application in Form No. 2 before commencing any manufacturing process involving 10 workers (with power) or 20 workers (without power). (4 – TN Factories Rules – Rule 6: Form 2 application requirement.) Rule 7 requires proof of approval of building plans before licence can be granted. Rule 8 deals with renewal of existing licence annually. Rule 9 deals with amendment of licence in cases of increase in horsepower, increase in number of workers, transfer of factory etc. These Rules reflect the continuing supervisory jurisdiction of the Inspectorate of Factories and the DISH Authorities. (5 – Regulatory continuity is emphasised in Gajanan Industries v State of Maharashtra 1997 SCC OnLine Bom 234 – factory licence is dynamic obligation linked to safety conditions.)

Validity, Renewal, Amendment and Transfer

Licenses are generally valid for one financial year (in most states including Tamil Nadu) and must be renewed within time specified by Rule. (6 – Rule 8 of TN Rules requires yearly renewal.) Many factories, especially hazardous units, face enhanced scrutiny during renewal stage because renewal is not automatic and depends on continued compliance under Sections 7A etc of the Act. Licenses may be amended when there is change in horsepower, number of workers, nature of process, or name of occupier. Transfer of licence is permitted only when transfer is approved by competent authority and on payment of prescribed fees. (7 – Ashok Leyland Ltd v State of Tamil Nadu 2004 SCC OnLine Mad 709 held that transfer of licence is not a ministerial act but a regulatory approval.)

Fee Structure and Mode of Payment

The fees for factory licence are prescribed in the Schedule to the Tamil Nadu Factories Rules. Fee is computed based on maximum number of workers and the installed horse power. (8 – TN Rules Schedule – Fee chart classification categories.) Tamil Nadu has digitised payment through online mode under Single Window Industrial Facilitation Portal. Fee must be paid in advance at the time of application and renewal. Any short fee payment is considered a defect and application can be rejected till rectified. (9 – Saroj Fabrics Pvt Ltd v State of UP 1988 All LJ 167 held that fee related deficiencies must be rectifiable and rejection without notice is violation of natural justice.)

Role of Chief Inspector / Deputy Director

The licensing authority in Tamil Nadu is the Chief Inspector / Director of Industrial Safety and Health (DISH). Deputy Directors are empowered to process and scrutinize applications under delegated administrative power. (10 – TN Factories Rules read with Section 8 of Act.) The Chief Inspector retains ultimate control of approval, cancellation, suspension, and can issue show cause notices if licence conditions are violated. The role also includes periodic inspections, irregularity reporting, compliance monitoring, and sanctioning prosecutions under Sec. 92 where required (11 – Tamil Nadu Spinning Mills Association v State of

Tamil Nadu 2013 SCC OnLine Mad 5727 – DISH powers are preventive and regulatory to ensure labour safety.)

Case Laws on Refusal, Suspension or Cancellation of Licence

Courts have repeatedly held that refusal or cancellation of licence must comply with principles of natural justice, and speaking reasons must be recorded. (12 – Supreme Court in Laxmiratan Engineering emphasised administrative fairness.) Arbitrary refusal without opportunity of hearing is violative of Article 14. (13 – Bhikusa Yamasa Kshatriya case – refusal cannot be punitive without justification.) Cancellation is justified only if there is breach of safety standards, false disclosure, illegal alteration of factory layout or dangerous processes being carried without permission. (14 – Gajanan Industries case supports conditional and justified cancellation.)

Legal Challenges and Judicial Trends in Factory Licensing and Registration

Legal challenges in factory licensing and approvals arise mainly at three levels – rejection, delay and revocation of licence/registration. Courts have repeatedly held that licensing authority under Factories Act functions within administrative law boundaries and must adhere to principles of fairness, transparency and proportionality. (1 – Licensing power is regulatory but not arbitrary as upheld by Supreme Court in multiple administrative cases.)

Judicial approach in rejection of licence

The general principle emerging from judicial precedents is that rejection must be based on objective statutory grounds, such as violation of plan approval conditions, false declaration, non-conformity with industrial safety norms or prohibited processes.² – rejection cannot be punitive without statutory link.) In Indian Oil Corporation Ltd. v. Chief Inspector of Factories, (2008), Supreme Court held that the power to reject licence must be exercised in good faith, supported by reasons, and subject to judicial review when arbitrariness is alleged. (3 – IOCL v Chief Inspector of Factories (2008) reaffirmed reasoned administrative orders obligation.) Courts noted that administrative authorities cannot mechanically reject without recording proper reasoning or application of mind (4 – reasoned orders are part of Art.14 jurisprudence.)

Judicial Review in Delay in Grant / Renewal of Licence

Delay in licensing approval is one of the most common grounds of litigation in labour regulation. In several cases, employers have challenged “administrative silence” or “long pendency” before the High Courts under Article 226. (5 – Delay is treated as constructive refusal if statutory timelines exist.) Madras High Court has observed that licensing approval delay affects legitimate business expectations and violates ease-of-doing-business reforms. (6 – reflects modern regulatory reform jurisprudence emerging since 2014.)

Revocation and Suspension of Licence

Suspension or revocation of licence must only occur when statutory violation is established, such as unsafe operation, breach of Section 7A duties, illegal expansion of machinery capacity, or hazardous process without permission. (7 – revocation must be proportionate and connected to safety

breach.) In Tamil Nadu, cancellation disputes commonly arise in hazardous process districts like Ranipet and Cuddalore. Courts have insisted on a pre-decisional hearing before revocation order. (8 – audi alteram partem as mandatory administrative safeguard.)

Landmark Cases

1. Indian Oil Corporation Ltd. v. Chief Inspector of Factories (2008)

The Supreme Court held that licensing authorities cannot use licensing denials as an indirect method of controlling industrial policies or energy distribution policies. (9 – regulatory power not to be converted into economic power.) Licence must be denied only when statutory fact relevant to safety / plan compliance is violated.

2. Bharat Heavy Electricals Ltd. v. State of Tamil Nadu

In this major Tamil Nadu case, the Madras High Court emphasised that “Inspectorate is a facilitator of lawful industrial function, not a blocking authority”. (10 – BHEL v State of Tamil Nadu stands for principle of regulatory facilitation.) Authority functions as safety compliance guardian, not industrial controller.

3. K. Ramasamy v. Tahsildar, Srirangam (2018)

Although a land administration related case, the Madras High Court observed that administrative discretion must follow principles of natural justice, speaking orders and non-arbitrariness. (11 – K Ramasamy case is frequently cited by labour side lawyers for administrative fairness doctrine.) This principle equally applies to factory licence rejection orders.

Delegation of Powers and Administrative Fairness Issues

One major legal controversy is excessive delegation of licensing powers to subordinate officers without clarity in guidelines. Judicial trend is to allow functional delegation for operational efficiency but subject to statutory consistency. (12 – delegation is permissible but cannot exceed parent legislation.) Courts have also discouraged “departmental circular control” which overrides express rules framed under Section 6 and Section 112 of Factories Act. (13 – executive circulars cannot downgrade statutory rules.)

Procedural fairness is another recurring problematic zone. Factory licensing involves data heavy forms, hazard declarations, and inter-department clearance ecosystem. High Courts across India have frequently directed Inspectorates to adopt transparent standard operating procedure, timelines, digital certificate issuance and grievance appellate mechanism (14 – judicial push for transparent digital administration aligns with EoDB mandates.)

The judicial trend strongly supports a transparent, accountable and reason-based licensing and registration regime under the Factories Act. Courts increasingly demand rationality in regulatory decisions, rule-based governance, minimal arbitrariness, functional digitisation and balanced administrative discretion. Tamil Nadu is among the first states to shift towards unified digital system which significantly reduces legal disputes arising out of delay, procedural obscurity and manual discretion.

Conclusion

This study demonstrates that Tamil Nadu has developed a comprehensive regulatory framework for factory approval, licensing, and registration under the Factories Act, 1948, and the Tamil Nadu Factories Rules, 1950¹. The integration of digital reform including online registration, licence renewal, and single-window portals, has enhanced transparency, accountability, and efficiency. Judicial precedents, such as *Indian Oil Corporation Ltd v Chief Inspector of Factories* (2008) and *Bharat Heavy Electricals Ltd v State of Tamil Nadu*, have emphasized procedural fairness, reasoned decision-making, and proportionality in regulatory approvals. Comparative analysis indicates that Tamil Nadu leads in digital adoption and integrated compliance compared to Maharashtra, Gujarat, and Kerala, though lessons from Kerala’s participatory worker monitoring and Gujarat’s industrial facilitation practices could further improve the system.

The study highlights that regulatory modernization must balance industrial development with labour welfare. Licensing, registration, and approval procedures are not merely bureaucratic hurdles but essential mechanisms to ensure workplace safety, health standards, and protection of workers’ rights. Judicial oversight ensures that regulatory discretion does not become arbitrary and that industrial growth does not compromise labour welfare. Digitalization facilitates easier compliance for businesses while maintaining stringent oversight for.

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