



CNR: KAHC010004392021

NC: 2026:KHC:52076
WP No. 2985 of 2021

IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 22ND DAY OF SEPTEMBER, 2026

BEFORE

THE HON'BLE MR. JUSTICE H.T. NARENDRA PRASAD

WRIT PETITION NO. 2985 OF 2021 (L-PF)

BETWEEN:

KARNATAKA STATE FINANCIAL CORPORATION
BY ITS ASST GENERAL MANAGER (LEGAL)
HO /1/1 THIMMAIAH ROAD
BENGALURU-52.

...PETITIONER

(BY SRI. MALIPATIL P S., ADVOCATE)

AND:

1. RECOVERY OFFICER
AND ASST. PROVIDENT FUND COMMISSIONER
MANGALURU-574 142.

2. M/S MANGALORE SPRINGS
NO. K.N 20007, NAGORI, ALAPE
MANGALURU -574 142
BY ITS MANAGING DIRECTOR.

...RESPONDENTS

(BY SMT. NALINI VENKATESH, ADVOCATE FOR R1:
R2 IS SERVED AND UNREPRESENTED)

THIS WRIT PETITION IS FILED UNDER ARTICLES 226
AND 227 OF THE CONSTITUTION OF INDIA PRAYING TO
QUASH THE ORDER BEARING NO: KNMLR/20007/WP/24607
/19/RECOVERY/20/72 DATED 3.11.2020 PASSED BY R-1 VIDE
ANNEXURE-C AND ETC.

THIS PETITION, COMING ON FOR PRELIMINARY
HEARING, IN 'B' GROUP THIS DAY, ORDER WAS MADE
THEREIN AS UNDER:

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HAREKOPPA THIMMANNA GOWDA





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CORAM: HON'BLE MR. JUSTICE H.T. NARENDRA PRASAD

ORAL ORDER

1. The petitioner has filed this petition under Articles 226 and 227 of the Constitution of India, challenging the impugned order dated 03.11.2020 issued by respondent No.1 vide Annexure-C, whereby the petitioner was directed to pay the outstanding due amount with interest within two weeks, failing which, the said amount would be recovered from the petitioner under Sections 8B to 8G of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (hereinafter referred to as 'Act, 1952' for short).

2. Brief facts of the case are that respondent No.2 had borrowed a certain amount for the purpose of establishment of an industry. The petitioner advanced a loan for the purchase of plant and machinery. The respondent No.2 established the industry and committed default in repayment of the loan amount. In view of the default, the petitioner, by enforcing the mortgage and



security documents, sold the plant and machinery and the land and building by exercising power under Section 29 of the State Financial Corporations Act, 1951, (hereinafter referred to as 'SFC Act' for short) in the year 2007, recovered Rs.30,00,000/- and adjusted the amount towards the loan account. It is submitted that respondent No.1 issued a certificate/demand notice for payment of PF from 1997 to 2003, claiming a total sum of Rs.86,789/- under Sections 7A and 14B of the Act, 1952 to the petitioner. Aggrieved by the said notice, the petitioner filed W.P.No.24607/2019 before this Court to set aside the said demand notice dated 21.03.2019. This Court, by order dated 22.07.2019, allowed the writ petition and directed the petitioner to file objection before the competent authority and directed to dispose of the case after considering the objection in accordance with law.

3. Since the entire assets of respondent No.2 had been sold by the petitioner by exercising the power under Section 29 of the SFC Act, the respondent No.1 issued the



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impugned order dated 03.11.2020 vide Annexure-C, directing the petitioner to pay the outstanding provident fund dues amounting to Rs.86,789/. It was further stated that, if the said amount was not paid, the same would be recovered under Sections 8B to 8G of the Act, 1952.

4. It is not disputed by the petitioner that they had sold the plant and machinery of respondent No.2 under Section 29 of the SFC Act in order to adjust the amount due under the loan account, and that the same had been sold for a sum of Rs.30,00,000/-.

5. Section 11(2) of the Act, 1952, reads as under:

"11. Priority of payment of contributions over other debts.—

(1) xxxxxx

(2) *Without prejudice to the provisions of sub-section (1), if any amount is due from an employer whether in respect of the employee's contribution (deducted from the wages of the employee) or the employer's contribution, the amount so due shall be deemed to be the first charge on the assets of the establishment, and shall, notwithstanding anything*

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HAREKOPPA THIMMANNA GOWDA



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*contained in any other law for the time being force,
be paid in priority to all other debts."*

6. As per Section 11(2) of the Act, 1952, if any amount is due from an employee's contribution, the amount so due shall be deemed to be the first charge on the assets of the establishment. Therefore, the respondent No.1 has rightly issued the impugned order at Annexure-C dated 03.11.2020.

7. There is no illegality in the impugned order issued by the respondent No.1 at Annexure-C. Therefore, the petition is liable to be dismissed and is accordingly dismissed.

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HAREKOPPA THIMMANNA GOWDA

(H.T. NARENDRA PRASAD)
JUDGE