IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED : 21.07.2025

CORAM

THE HONOURABLE Ms. JUSTICE P.T. ASHA

W.P.No.26265 of 2025
and
WMP.No.29566 of 2025

M/S.Sri Sakthi Papers(India) P Ltd
Rep. By its Director, P.Swaminathan, Kotha Mangalam (PO),
Sathiyamangalam,
Erode- 638 451. ... Petitioner

Vs.

Regional Provident Fund Commissioner- II
Employees Provident Fund Organisation,
District Office, Raj Majestic, No.351/5,
1st Floor, Cauvery Road,
Karungalpalayam, Erode- 638 003.
...Respondent

Prayer:- Writ petition filed under Article 226 of the Constitution of India praying for issuance of a writ of Certiorarified Mandamus, calling for records of Impugned Notice of Demand vide RRC No.SLM-ED- 25-171/CBSLM/ 70484/ 29/ 05/ 2025/ 351 dated 29.05.2025 to quash the same and allow us to pay the amount of Rs.5,02,145/- (Rupees Five Lakhs Two Thousand One Hundred and Forty Five Only) in 18 equal monthly installments.

For Petitioner : Mr.P.Thangaraju

For Respondent : M/s.R.Meenakshi, Standing Counsel for the sole respondent

ORDER

This Writ Petition has been filed for the following reliefs:-

"calling for records of Impugned Notice of Demand vide RRC No.SLM-ED- 25- 171/CBSLM/ 70484/ 29/ 05/ 2025/ 351 dated 29.05.2025 to quash the same and allow us to pay the amount of Rs.5,02,145/- (Rupees Five Lakhs Two Thousand One Hundred and Forty Five Only) in 18 equal monthly installments.."

2. It is the contention of the petitioner that it is a Micro Small and Medium Enterprise (MSME) engaged in the manufacturing and trading of paper products. It has a production unit located at Sathyamangalam, Erode District with its corporate office at Coimbatore. The company specialises in recycled paper products using waste paper as raw material. Their products include Kraft paper, cream wove, maplitho and other value added paper variants.

3. In 2015, the petitioner undertook a major expansion project

involving the installation of a co-generation power plant and a kraft paper manufacturing unit supported by term loans from the State Bank of India. The plant's capacity on expert’s advice was increased mid-way by an additional 30 TPD which resulted in huge cost overruns. Compounding to their woes was the delay in the disbursement of the sanction funds and the increased interest rate in the credit facilities from 12% to 15%. The introduction of GST also added to the burden. As a result, the new units became inoperative and unviable. Consequently, it was only the white paper unit that was the sole operational arm and over time, proved insufficient to sustain the company. This constrained the company to seek resolution under the Insolvency and Bankruptcy Code (herein after referred to as the "IBC Code") and was ultimately admitted into CIRP before the NCLT, Chennai in 2019.

4. While the company was under the insolvency proceedings, action was initiated by the respondent under Section 14B of the Employees Provident Fund & Miscellaneous Provisions Act, 1952 (herein after called as the "Act") levying damages and interest for delayed provident fund contributions.

5. The petitioner would submit that the enquiry had commenced on

25.07.2024 and the company was represented during the hearing on 26.08.2024. The company had already paid a sum of Rs.2,57,802/- as interest for the period prior to 2017 and that it was undergoing CIRP under the supervision of NCLT. Meanwhile, the company's sole secured creditor State Bank of India approved a one time settlement and in view of the substantial compliance with its terms, the NCLT passed an order dated 16.01.2023 releasing the company from CIRP and restoring its management. The entire resolution was Court monitored and the Insolvency Proceeding were closed as settled out of Court.

6. The petitioner would further submit that the petitioner company would qualify as the sick industrial unit under the spirit of the IBC 2016, similar to the earlier BIRF classifications under SICA. The petitioner therefore sought time to settle the remaining dues. However, without issuing a formal and reasoned order under Section 7Q of the Act, the impugned notice of demand dated 29.05.2025 has been issued. Under the said notice, a sum of Rs.14,03,027/- was demanded, including Rs.9,00,882/- under Section 14B of the Act and Rs.5,02,145/- under Section 7Q of the Act as an interest.

7. The petitioner would submit that the issuance of the recovery

notice without a speaking order under Section 7Q of the Act is in violation of the principles of natural justice as it did not give an opportunity to the petitioner to contest the 7Q interest computation and without affording this opportunity recovery proceedings under Section 8F of the Act has been initiated. The petitioner would further submit that the order under Section 14B of the Act was challenged by the petitioner under Section 7-I of the Act before the EPF Appellate Tribunal, Chennai on 03.07.2025. However, since there is no appellate remedy under the Act to challenge Section 7Q interest order, the petitioner has filed the present Writ Petition.

8. Heard the learned counsel on either side.

9. The only request made by the learned counsel for the petitioner is that the petitioner be permitted to pay the demand made under Section 7Q of the Act in installments. There is no serious objection from the respondent to this request.

10. Accordingly, the Writ Petition is disposed of with a direction to the petitioner to pay the due amount ie. a sum of Rs.5,02,145/- in five equal monthly installments commencing from the 1st of September 2025. No costs. Consequently, the connected Miscellaneous Petition is closed.

21.07.2025

(shr)
Index : Yes/No
Speaking Order: Yes/No
Neutral Citation : Yes/No

To

1.The Regional Provident Fund Commissioner- II
Employees Provident Fund Organisation,
District Office, Raj Majestic, No.351/5,
1st Floor, Cauvery Road,
Karungalpalayam, Erode- 638 003.

P.T. ASHA. J.,

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