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COMP.A.Nos.750 of 2015 etc.

IN THE HIGH COURT OF JUDICATURE AT MADRAS

RESERVED ON : 14.11.2025

PRONOUNCED ON : 09.01.2026

CORAM

THE HONOURABLE MR.JUSTICE N.SENTHILKUMAR

COMP.A.Nos.750 of 2015, 508 and 509 of 2017, 395 of 2022, 400 and 401 of 2023 and 199 and 200 of 2025

in

COMP.P.No.117 of 2004

COMP.A.No.750 of 2015:-

State Bank of India,
represented by its Chief Manager,
SAMB, No.1112, Rajaplaza, Avinashi Road,
Coimbatore -641 037

... Petitioner

-VS.-

1.M/s.Aruna Textiles and Exports Limited,
(in Liquidation)
represented by Official Liquidator,
High Court, Madras.

2.S.Karupiah

...Respondents

(The second respondent was impleaded vide order of this Court, dated 01.12.2023 in Comp.A.No.580 of 2023)

PRAYER: Application filed Order XIV Rule 8 of the Madras High Court Original Side Rules r/w Sections 9, 11(b) and 19 of the Company Court Rules,



COMP.A.Nos.750 of 2015 etc.

1959, to direct the Official Liquidator to release the sum of Rs.7.20 crores to the applicant bank representing the respective share in respect of the sale of the mortgaged property namely land and factory building together with plant and machinery situate at N.Paraipatti Kulathur Village, Vedasanthur Taluk, Dindigul District, comprised in S.No.966, 967 and 971 admeasuring an extent of 8.30 acres forthwith.

For Applicant :Mr.M.L.Ganesh

For R2 :Mr.C.S.K.Sathish
for Mr.A.Sivaji

COMP.A.No.508 of 2017:-

National Textile Worker's Union,
(Joint No.3357, Registration No.MDU 70),
Kamaraj Bhavan, No.53-A, V.M.R.Patty,
A.M.C.Road, Dindigul – 624 003.
represented by its District General Secretary.

... Petitioner

-vs.-

1.The Official Liquidator,
High Court, Madras,
as liquidator of
M/s.Aruna Textiles and Exports Limited

2.Aarnad Commercial Company Private Limited,
(a)Admin Office : 2E, Rose Wood Office
No.136, Nungambakkam High Road, Chennai - 600 034.

(b)Regd. Office: No.10, 14th Avenue,
Harrinton Road, Madras-600 031.
Site: N.Paraipatti Post, Karur Road,
Dindigul - 624 004.

...Respondents



COMP.A.Nos.750 of 2015 etc.

(The second respondent was impleaded vide order of this Court, dated 15.10.2019 in Comp.A.No.826 of 2017)

PRAYER: Application filed Order XIV Rule 8 of the Madras High Court Original Side Rules r/w Sections 9, 11(b) and 19 of the Company Court Rules, 1959, to direct the Official Liquidator not to disburse the amounts to the workers of the M/s.Aruna Textiles and Exports Limited, the first respondent in the above C.P.No.117 of 2004 alone till the claim of the workers of M/s.Selvamani Doubling Unit (i.e., Joint Unit of M/s.Aruna Textiles and Exports Limited) is considered and paid along with the workers of the said M/s.Aruna Textiles and Exports Limited, the first respondent in the above C.P.No.117 of 2004.

For Applicant	:Mr.C.S.K.Sathish for Mr.A.Sivaji
For R1	:Ms.B.Ambili Deputy Official Liquidator

COMP.A.No.509 of 2017:-

National Textile Worker's Union,
(Joint No.3357, Registration No.MDU 70),
Kamaraj Bhavan, No.53-A, V.M.R.Patty,
A.M.C.Road, Dindigul – 624 003.
represented by its District General Secretary. ... Petitioner

-VS.-

1.The Official Liquidator,
High Court, Madras,
as liquidator of
M/s.Aruna Textiles and Exports Limited



COMP.A.Nos.750 of 2015 etc.

2.Aarnad Commercial Company Private Limited,
(a)Admin Office : 2E, Rose Wood Office
No.136, Nungambakkam High Road, Chennai - 600 034.

(b)Regd. Office: No.10, 14th Avenue,
Harrinton Road, Madras-600 031.
Site: N.Paraipatti Post, Karur Road,
Dindigul - 624 004.

...Respondents

(The second respondent was impleaded vide order of this Court, dated 15.10.2019 in Comp.A.No.826 of 2017)

PRAYER: Application filed Order XIV Rule 8 of the Madras High Court Original Side Rules r/w Sections 9, 11(b) and 19 of the Company Court Rules, 1959, to direct the Official Liquidator to entertain and declare the dividend due to the workers of M/s.Selvamani Doubling Unit (ie., Joint Unit of M/s.Aruna Textiles and Exports Limited) from and out of the funds of the said M/s.Aruna Textiles and Exports Limited, the first respondent in the above C.P.No.117 of 2004 within a time to be stipulated by this Court.

For Applicant	:Mr.C.S.K.Sathish for Mr.A.Sivaji
For R1	:Ms.B.Ambili Deputy Official Liquidator

COMP.A.No.395 of 2022:-

National Textile Worker's Union,
(Joint No.3357, Registration No.MDU 70),
Kamaraj Bhavan, No.53-A, V.M.R.Patty,
A.M.C.Road, Dindigul – 624 003.
represented by its District General Secretary.... Applicant/3rd Party



COMP.A.Nos.750 of 2015 etc.

-VS.-

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1.The Official Liquidator,
High Court, Madras,
as liquidator of
M/s.Aruna Textiles and Exports Limited

2.Aarnad Commercial Company Private Limited,
Admin Office : 2E, Rose Wood Office
No.136, Nungambakkam High Road, Chennai - 600 034.

(b)Reg. Office: No.10, 14th Avenue,
Harrinton Road, Madras-600 031.
Site: N.Paraipatti Post, Karur Road,
Dindigul - 624 004.

...Respondents/Respondents

PRAYER: Application filed Order XIV Rule 8 r/w Order XVI Rule 4 of the
Madras High Court Original Side Rules,

(a)to issue subpoena to

(1)the Provident Fund Officer, No.16A, R.S.Road, Bava Lodge,
Building, Nagal Nagar, Dindigul-624 003;

(2)The Assistant Director Handloom and Textile, Dindigul;

(3)The Inspector of Factories, Dindigul; and

(4)The Deputy General Manager, REPCO Bank, Repco Towers, No.33,
North Usman Road, T.Nagar, Chennai – 600 017.

For Applicant	:Mr.C.S.K.Sathish for Mr.A.Sivaji
For R1	:Ms.B.Ambili Deputy Official Liquidator



COMP.A.Nos.750 of 2015 etc.

COMP.A.No.400 of 2023:-

The Recovery Officer,
Employees' Provident Fund Organization,
District Office, Dindigul.

... Applicant

-vs.-

The Official Liquidator,
High Court of Madras,
As a Liquidator of M/s.Aruna Textiles & Exports Limited,
Corporate Bhawan, 2nd Floor, Rajaji Salai,
Chennai - 600 001.

...Respondent

PRAYER: Application filed Order XIV Rule 8 of the Madras High Court Original Side Rules r/w. Rule 9, 11(b) and 19 of the Company Court Rules, 1959, to set aside the order passed by the Official Liquidator in Claim No.439/117/2004/EPF claims dated 05.03.2019.

For Applicant	:Ms.R.Meenakshi for Mr.A.Sivaji
For Respondent	:Ms.B.Ambili Deputy Official Liquidator

COMP.A.No.401 of 2023:-

The Recovery Officer,
Employees' Provident Fund Organization,
District Office, Dindigul.

... Applicant

-vs.-

The Official Liquidator,
High Court of Madras,
As a Liquidator of M/s.Aruna Textiles & Exports Limited,



COMP.A.Nos.750 of 2015 etc.

Corporate Bhawan, 2nd Floor, Rajaji Salai,
Chennai - 600 001.

...Respondent

PRAYER: Application filed Order XIV Rule 8 of the Madras High Court Original Side Rules r/w. Rule 9, 11(b) and 19 of the Company Court Rules, 1959, to direct the respondent to pay the balance PF dues to the tune of Rs.2,04,54,924/- on priority over all other dues to the applicant herein forthwith.

For Applicant :Ms.R.Meenakshi
for Mr.A.Sivaji

For Respondent :Ms.B.Ambili
Deputy Official Liquidator

COMP.A.No.199 of 2025:-

National Textile Worker's Union,
(Joint No.3357, Registration No.MDU 70),
Kamaraj Bhavan, No.53-A, V.M.R.Patty,
A.M.C.Road, Dindigul – 624 003.
represented by its District General Secretary.

... Applicant

-vs.-

1.The Official Liquidator,
High Court, Madras,
as liquidator of M/s.Aruna Textiles and Exports Limited,
Corporate Bhawan, II Floor,
29, Rajaji Salai, Chennai - 600 001.

2.The Deputy Commissioner for Labour Welfare,
O/o.Assistant Commissioner of Labour,
Labour Office, Nehruji Nagar,
Dindigul, Tamil Nadu - 624 001.

...Respondents

(The second respondent was impleaded vide order of this Court, dated 17.10.2025 in Comp.A.No.261 of 2025)



COMP.A.Nos.750 of 2015 etc.

PRAYER: Application filed Order XIV Rule 8 of the Madras High Court Original Side Rules to vacate the order of stay passed by this Court, dated 04.10.2017 vide its Comp.Appln.No.508 of 2017 in C.P.No.117 of 2004 and permit the workers of the M/s.Aruna Textiles and Exports Limited to claim the amount.

For Applicant	:Mr.V.Balasubramani
For R1	:Ms.B.Ambili Deputy Official Liquidator
For R2	:Ms.R.Anitha Special Government Pleader

COMP.A.No.200 of 2025:-

National Textile Worker's Union,
(Joint No.3357, Registration No.MDU 70),
Kamaraj Bhavan, No.53-A, V.M.R.Patty,
A.M.C.Road, Dindigul – 624 003.
represented by its District General Secretary. ... Applicant
-vs.-

1.The Official Liquidator,
High Court, Madras,
as liquidator of
M/s.Aruna Textiles and Exports Limited,
Corporate Bhawan, II Floor-29,
Rajaji Salai, Chennai - 600 001.

2.The Deputy Commissioner for Labour Welfare,
O/o.Assistant Commissioner of Labour,
Labour Office, Nehruji Nagar,
Dindigul, Tamil Nadu - 624 001. ... Respondents

(The second respondent was impleaded vide order of this Court, dated 17.10.2025 in Comp.A.No.261 of 2025)



COMP.A.Nos.750 of 2015 etc.

PRAYER: Application filed Order XIV Rule 8 of the Madras High Court Original Side Rules to vacate the order of stay passed by this Court, dated 04.10.2017 vide its Comp.Appln.No.509 of 2017 in C.P.No.117 of 2004 and permit the workers of the M/s.Aruna Textiles and Exports Limited to claim the amount.

For Applicant	:Mr.V.Balasubramani
For R1	:Ms.B.Ambili Deputy Official Liquidator
For R2	:Ms.R.Anitha Special Government Pleader

COMMON ORDER

Comp.A.No.750 of 2015 has been filed by the State Bank of India, to direct the Official Liquidator to release the sum of Rs.7.20 crores to the applicant bank representing the respective share in respect of the sale of the mortgaged property namely land and factory building together with plant and machinery situate at N.Paraipatti Kulathur Village, Vedasanthur Taluk, Dindigul District, comprised in S.No.966, 967 and 971 admeasuring an extent of 8.30 acres forthwith.

2.Comp.A.No.508 of 2017 has been filed by National Textile Worker's Union, to direct the Official Liquidator not to disburse the amounts to the



COMP.A.Nos.750 of 2015 etc.

workers of the M/s.Aruna Textiles and Exports Limited, the first respondent in the above C.P.No.117 of 2004 alone till the claim of the workers of M/s.Selvamani Doubling Unit (i.e., Joint Unit of M/s.Aruna Textiles and Exports Limited) is considered and paid along with the workers of the said M/s.Aruna Textiles and Exports Limited, the first respondent in the above C.P.No.117 of 2004.

3.Comp.A.No.509 of 2017 has been filed by National Textile Worker's Union, to direct the Official Liquidator to entertain and declare the dividend due to the workers of M/s.Selvamani Doubling Unit (ie., Joint Unit of M/s.Aruna Textiles and Exports Limited) from and out of the funds of the said M/s.Aruna Textiles and Exports Limited, the first respondent in the above C.P.No.117 of 2004 within a time to be stipulated by this Court.

4.Comp.A.No.395 of 2022 has been filed by National Textile Worker's Union, to issue subpoena to (1)the Provident Fund Officer, No.16A, R.S.Road, Bava Lodge, Building, Nagal Nagar, Dindigul-624 003, (2)The Assistant Director Handloom and Textile, Dindigul, (3)The Inspector of Factories, Dindigul; and (4)The Deputy General Manager, REPCO Bank, Repco Towers,



COMP.A.Nos.750 of 2015 etc.

No.33, North Usman Road, T.Nagar, Chennai – 600 017.

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5.Comp.A.No.400 of 2023 has been filed by the Recovery Officer, Employees' Provident Fund Organization, District Office, Dindigul to set aside the order passed by the Official Liquidator in Claim No.439/117/2004/EPF claims, dated 05.03.2019.

6.Comp.A.No.401 of 2023 has been filed by the Recovery Officer, Employees' Provident Fund Organization, District Office, Dindigul, to direct the respondent to pay the balance PF dues to the tune of Rs.2,04,54,924/- on priority over all other dues to the applicant herein forthwith.

7.Comp.A.No.199 of 2025 has been filed by National Textile Worker's Union, to vacate the order of stay passed by this Court, dated 04.10.2017 vide its Comp.Appln.No.508 of 2017 in C.P.No.117 of 2004 and permit the workers of M/s.Aruna Textiles and Exports Limited to claim the amount.

8.Comp.A.No.200 of 2025 has been filed by National Textile Worker's Union, to vacate the order of stay passed by this Court, dated 04.10.2017 vide



COMP.A.Nos.750 of 2015 etc.
its Comp.Appln.No.509 of 2017 in C.P.No.117 of 2004 and permit the workers
of M/s.Aruna Textiles and Exports Limited to claim the amount.

9.With the consent of all the parties, all these applications are taken up
for hearing and considered by way of this common order.

10.The facts in nutshell, which led to the filing of these applications, are
as follows:-

(1) M/s.Aruna Textiles and Exports Limited was a registered Company
involving in the business of mixing raw cotton materials, guarding, drawing,
spinning and producing as thread. The said Company had 321 workers and 6
staffs and the said textile unit was shut down on 28.02.1998, pursuant to the
order passed by this Court, dated 05.01.2007 in C.P.No.117 of 2004. The said
Company, namely, M/s.Aruna Textiles and Exports Limited (hereinafter
referred to as “the company under liquidation”) was ordered to be wound up
and it is now represented by the Official Liquidator.

(2)It is claimed that M/s.Selvamani Doubling Unit (hereinafter referred
to as “doubling unit”), was involved in the business of doubling the thread
received from the company under liquidation. The doubling unit has employed



COMP.A.Nos.750 of 2015 etc.

210 workers separately. The workers of the doubling unit claimed that the doubling unit is a sister concern of the company under liquidation and it is functioning within the same premises. As per the report of the official liquidator, the assets of the company under liquidation in S.Nos.966, 967 and 971 in N.Periapatti Kulathur Village, Vedasanthur Taluk, Dindugul District, Palani admeasuring an extent of 8.30 acres, have been sold, pursuant to the order of this Court in C.A.No.137 of 2012, dated 29.10.2013.

(3)Further, by an order, dated 11.12.2014 in Comp.A.No.1055 of 2014, the Official Liquidator called for claims from the workmen creditors of the company under liquidation by fixing 16.12.2015 as the last date for receipt of claims before the Official Liquidator.

11.Comp.A.No.750 of 2015 has been filed by State Bank of India, as a Secured Creditor to direct the Official Liquidator to release the sum of Rs.7.20 crores to the applicant bank representing the respective share in respect of sale of the mortgaged property, namely land and factory building together with plant and machinery of the company under liquidation situated at N.Paraipatti Kulathur Village, Vedasanthur Taluk, Dindigul District, comprised in S.No.966, 967 and 971 admeasuring an extent of 8.30 acres forthwith. According to the



COMP.A.Nos.750 of 2015 etc.

National Textile Workers Union, the Official Liquidator has already released a sum of Rs.2,00,00,000/- to the applicant/State Bank of India.

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Comp.A.Nos.508 and 509 of 2017 and 395 of 2022:-

12.M/s.National Textiles Workers Union, who is a third party to the Company Petition, represented by District General Secretary has filed the above application claiming that the company under liquidation and the doubling unit were under the same management. In these applications, it is stated that the workers of both the units were paid salary, bonus, provident fund and LIC from and out of the funds of the company under liquidation. After the winding up order in the company petition, the learned Official Liquidator took steps to get the details of the payment dues also from the workers of the doubling unit alongwith the workers of the company under liquidation. The workers of both the units submitted their respective claim form in time. However, the Official Liquidator is not taking into account the claims of the workers of the doubling unit.

13.The applicant union along with two other Unions jointly represented to the Regional Textile Commissioner, Coimbatore, claiming the rehabilitation



COMP.A.Nos.750 of 2015 etc.

fund of Rs.250/- per month on account of the pitiable conditions of the workers. The Director of Handloom and Textiles, Chennai-108, by his letter, dated 17.11.2011 addressed a communication to the Labour Commissioner, Chennai-6, to take follow up action for the disbursement of the rehabilitation fund sanctioned by the Central Government. The fund of Rs.250/- per month per worker provided by the State Government for both the units were paid for a period of 18 months from 2001.

14.It is further stated that the properties of the doubling unit were sold and after realising the sale proceeds, the Official Liquidator is not taking positive steps to ascertain the dues of the workers of the doubling unit. According to the Applicant, the claims made by the workers of the company under liquidation were ascertained and the dividend due to them were also quantified without considering the claim made by the workers of the doubling unit. Hence, Comp.A.Nos.508 and 509 of 2017 have been filed seeking for the following directions:

(a)to direct the Official Liquidator not to disburse the amounts to the workers of M/s.Aruna Textiles and Exports Limited, the first respondent in C.P.No.117 of 2004 alone till the claim of the workers of M/s.Selvamani



COMP.A.Nos.750 of 2015 etc.

Doubling Unit (i.e., Joint Unit of M/s.Aruna Textiles and Exports Limited) is considered and paid along with the workers of the said M/s.Aruna Textiles and Exports Limited, the first respondent in C.P.No.117 of 2004.

(b)to direct the Official Liquidator to entertain and declare the dividend due to the workers of M/s.Selvamani Doubling Unit (ie., Joint Unit of M/s.Aruna Textiles and Exports Limited) from and out of the funds of the said M/s.Aruna Textiles and Exports Limited, the first respondent in C.P.No.117 of 2004 within a time to be stipulated by this Court.

15.As per the directions of this Court, on behalf of the applicant/ M/s.National Textiles Workers Union, PW-1 was examined and certain documents were marked as Ex-A1 to Ex-A23 and cross examination was also over on 28.06.2022 and in order to prove their claim, an application was filed in **Comp.A.No.395 of 2022** to issue subpoena to (1)the Provident Fund Officer, No.16A, R.S.Road, Bava Lodge Building, Nagal Nagar, Dindigul-624 003; (2)The Assistant Director of Handloom and Textile, Dindigul; (3)The Inspector of Factories, Dindigul; and (4)The Deputy General Manager, REPCO Bank, Repco Towers, No.33, North Usman Road, T.Nagar, Chennai – 600 017.



COMP.A.Nos.750 of 2015 etc.

16.In Comp.A.Nos.508 and 509 of 2017 in C.P.No.117 of 2004, this

Court had passed the following order on 04.10.2017:

“At the request of the learned Official Liquidator, post on 25.10.2017. In the meantime, Official Liquidator is directed not to disburse any amount to the other worker's of the M/s.Aruna Textiles and Exports Limited.”

17.The workers of the company under liquidation had filed two applications through M/s.National Textiles Workers Union in **Comp.A.Nos.199 and 200 of 2025** seeking a direction to vacate the order of stay passed by this Court, dated 04.10.2017 in Comp.A.Nos.508 and 509 of 2017 in C.P.No.117 of 2004 and permit the workers of M/s.Aruna Textiles and Exports Limited to claim the amount.

Comp.A.Nos.400 and 401 of 2023:-

18.The Recovery Officer of Employees Provident Fund Organisation, District Office, Dindigul, contended that M/s.Aruna Textiles and Exports Limited and M/s.Selvamani Doubling Unit, a contractor of M/s.Aruna Textiles and Exports Limited had failed to pay the dues for various period and claimed a



COMP.A.Nos.750 of 2015 etc.
sum of Rs.2,04,54,924/- as dues pertaining to the company under liquidation and the doubling unit. The applicant filed a claim application and the Official Liquidator, vide impugned order in Claim No.439/117/2004/EPF claims, dated 05.03.2019, had allowed the claim only to an extent of Rs.35,19,355/- as against the total claim of Rs.1,39,25,578/- by rejecting the amount of Rs.1,04,06,223/- and also rejected the additional claim of Rs.2,04,54,924/-.

19.Hence, the Recovery Officer, has filed the above two applications, namely, Comp.A.Nos.400 and 401 of 2023, to set aside the order passed by the Official Liquidator in Claim No.439/117/2004/EPF claims dated 05.03.2019 and to direct the respondent to pay the balance PF dues to the tune of Rs.2,04,54,924/- on priority over all other dues to the applicant herein forthwith.

Submissions made on the side of the applicants:-

Comp.A.No.750 of 2025:-

20.Mr.M.L.Ganesh, learned Counsel for the applicant in Comp.A.No.750 of 2025 has submitted that the company under liquidation had availed various credit facilities from the State Bank of India as against the collateral security of



COMP.A.Nos.750 of 2015 etc.

immovable properties, which includes land and factory building together with plant and machinery situated in N.Paraipatti Kulathur Village, Vedasanthur Taluk, Dindigul District comprised in S.Nos.966, 967 and 971 admeasuring an extent of 8.30 acres.

21.He further submitted that pursuant to the winding up order, this Court had passed an order, dated 08.10.2013 to auction the mortgaged property belonging to the company under liquidation and accordingly, the property was auctioned for a sum of Rs.7,22,00,000/-. He further contended that the Official Liquidator had subsequently sent a letter on 04.06.2014 and e-mail on 15.10.2014 directing the Bank to hand over five original title deeds of the company under liquidation and the originals were handed over to the Official Liquidator vide letter, dated 20.10.2014.

22.He also submitted that the Bank has sent letters to the Official Liquidators on 29.11.2013, 29.01.2014 and 29.05.2014 requesting to release the share of sale proceeds to the Bank. However, the Official Liquidator has not released the said amount, Thus, he prayed that the Official Liquidator may be directed to release a sum of Rs.7.20 crores to the State Bank of India in respect



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of the sale of mortgage property.

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Comp.A.Nos.508 and 509 of 2017:-

23.Mr.C.S.K.Sathish, learned Counsel for the applicant in Comp.A.Nos.508 and 509 of 2017, submitted that the doubling unit is a sister concern of the company under liquidation and both the units were closed on 28.02.1998 and the workers of both the units were paid salary, bonus, provident fund and LIC by the same management. He also submitted that after the winding up proceedings, the claim made by the workers of the company under liquidation alone has been considered, as the Official Liquidator has submitted a report stating that the doubling unit is a lessee and that the claim of the workers of the company under liquidation has alone been considered.

24.In order to establish that the doubling unit is the sister concern of the company under liquidation and the doubling unit is situated in the same premises, the learned Counsel for the applicant relied upon a communication sent by one Embee Textiles (P) Limited to the Assistant Commissioner for Labour Welfare, Dindigul, Nil.06.1994 to the effect that M.P.Textiles and Rathinavel Subramani Textiles were sold to Aruna Company, Chennai and had



COMP.A.Nos.750 of 2015 etc.

paid all the dues of EPFO, ESI and LIC till date.

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25.He also relied upon the communication sent by the company under liquidation, dated 02.02.2000 to the Assistant Commissioner for Labour Welfare, Dindigul, requesting to take action to grant the ex-gratia payment of Rs.250/- per month to the labours of M/s.Aruna Textiles Exports Limited and its sister concern M/s.Selvamani Doubling Unit, which were running in the same campus.

26.He also relied upon the communication of the Assistant Inspector of Industry, Dindigul, addressed to the General Secretary, Dindigul Anna Maavatta Panajaalai Dravidar Tholilalar Sangam, to the effect that Rathinavelu Subramaniam Textiles (P) Limited was running in the name of M/s.Aarunadu Commercial Company (P) Limited from the year 1992 and from the year 1996, it is running in the name of Selvamai Doubling Unit and from 28.02.1998, the said doubling unit is closed.

27.He also relied upon the copy of time card of the workers issued by the company under liquidation as well as M/s.Aarunadu Commercial Company (P)



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Limited. He further relied upon the communication sent by the doubling unit addressed to the President, Desia Panchalai Thozhilar Sangam as well as to the General Secretary, Dindigul Anna District Periyar Dravida Thozhilalar Sangam, to the effect that M/s.Aarunadu Commercial Company (P) Limited will be renamed as Selvamani Doubling Unit and will continue under the same management.

28.The learned Counsel for the applicant submitted that entertaining the claim of the company under liquidation and rejecting the similar claim of the workers of the doubling unit is wholly unjust, arbitrary, discriminatory and without any basis. He also submitted that a sum of Rs.7,22,00,000/- is available with the Official Liquidator and that the dividend claimed by the workers numbering about 187, has got priority over others and hence, the Official Liquidator may be directed to declare the dividend due to the workers of M/s.Selvamani Doubling Unit within a time period as may be prescribed by this Court.

Comp.A.No.395 of 2022:-

29.Mr.C.S.K.Sathish, learned Counsel for the applicant submitted that



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the applicant union has to prove that the company under liquidation and the doubling unit were under the same management and the assets of the doubling unit were also taken over and sold by the Official Liquidator. He also submitted further that the company under liquidation has paid the provident fund contribution for both the companies and after the winding up proceedings, the provident fund has not been paid to the workers of the doubling unit and that the material records available with the Recovery Officer, Employees' Provident Fund Organization, Dindigul, is necessary to prove their claim.

30.He also relied upon the Textile Rehabilitation Fund Proforma-A prepared for M/s.Aruna Textiles and Exports Limited and its joint unit, M/s.Selvamani Doubling Unit which were closed on 28.02.1998 in the presence of the Assistant Director of Handloom and Textile, Dindigul under Section 25(O) of the Industrial Disputes Act. Hence, he contended that the record from the Assistant Director of Handloom and Textiles, Dindigul is absolutely necessary for proving the applicant's claim.

31.He also submitted that the company under liquidation and the doubling unit were closed in the presence of Inspector of Factories, Dindigul



COMP.A.Nos.750 of 2015 etc.

and that the records from them is absolutely necessary for proving the claims/dues of the applicant union.

Comp.A.Nos.400 and 401 of 2023:-

32.Ms.R.Meenakshi, learned Counsel for the applicant submitted that the company under liquidation was brought under the provisions of the Employees Provident Fund Act, 1952 by registering under the Code No.MD/MDU/16255/A with effect from 03.05.1995. It is her further submission that the company under liquidation defaulted in remittance of PF dues, damages and interest for various period, as mentioned below:

PF contribution under Section 7A of the Act	12/1996-07/1997 and 12/1997-02/1998
Damages under Section 14B of the Act	03/1994 to 02/1998
Interest under Section 7Q of the Act	03/1996 to 02/1998

33.She also submitted that the doubling unit, who is a contractor of the company under liquidation also defaulted in remittance of PF dues, damages and interest for various period, as mentioned below:



COMP.A.Nos.750 of 2015 etc.

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PF contribution under Section 7A of the Act	12/1996 to 07/1997
Damages under Section 14B of the Act	11/1990 to 12/1990, 02/1991, 03/1995 to 07/1995, 09/1995, 10/1995 and 12/1995, 12/1996 to 07/1997
Interest under Section 7Q of the Act	12/1996 to 07/1997

34.She further submitted that the applicant originally filed a claim for a sum of Rs.1,88,01,474/- in Form 66, dated 08.08.2025 including PF contribution and thereafter, a revised claim in Form-66, dated 07.08.2015, 19.12.2018 and 22.03.2022 to the Official Liquidator and the revised amount was Rs.1,90,59/567.64/- for the company under liquidation and a further sum of Rs.13,95,356.65/- for the doubling unit, in total, a sum of Rs.2,04,54,924/-. However, vide impugned order, dated 05.03.2019, the Official Liquidator allowed claim only for an amount of Rs.35,19,355/-, which is *per se* illegal and against the provisions of Section 11 of the Employees Provident Funds and Miscellaneous Provisions Act, 1952.

35.She also submitted that as per Section 11 of the Act, it is clear that the dues payable by the employer/establishment to provident fund organisation has



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to be paid in priority over all other debts of the company and such amount due by the company shall be deemed to be the first charge on the assets of the establishment, notwithstanding anything contained in any other law for the time being in force.

36.To strengthen her arguments, she relied upon the judgment of the Hon'ble Supreme Court in the case of ***Maharashtra State Co-operative Bank Limited vs the Employees' Provident Fund Organization and others***, reported in **2009 (10) SCC 123**, wherein, the Hon'ble Supreme Court has held as follows:

“43. In the light of the above dictionary and legal meanings of the word ‘assets’ and jurisprudential concept of the word ‘property’, it has to be seen whether the sugar bags pledged with the appellant-bank constituted assets of the establishment for the purpose of Section 11(2) of the Act. We have already held that even though symbolic custody of the sugar bags was given to the appellant-bank as security for repayment of loan etc., the Sugar Mills continued to be owner thereof. In other words, the sugar bags pledged with the appellant-bank continued to be movable property i.e. assets of the establishment, which could be attached and sold by the Recovery Officer in terms of Section 8B or by adopting alternative modes of recovery enumerated in Section 8F.

44. At the cost of repetition, it is apposite to mention that Section 11 is declaratory in nature. Sub- section (2) thereof declares that any amount due from an employer shall be deemed to be first charge on the assets of the establishment and shall be paid in priority to all other debts. For recovery of the amount due from an employer which is



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treated as arrear of land revenue, the Recovery Officer or any other authorized officer has to take recourse to the provisions contained in Section 8 read with Sections 8B and 8F. The recovery can be effected by attachment or sale of the movable or immovable property of the establishment or, as the case may be, the employer, or by arrest of the employer and his detention in prison or by appointing a receiver for the management of the movable or immovable properties of the establishment or, as the case may be, the employer or by taking action in the manner laid down in the Third Schedule to the Income-tax Act, 1961.”

37.The learned counsel submitted that the rights of the EPFO in respect of all its claim under Sections 7A, 7Q and 14B of the Act have got first and paramount charge as against the properties belonging to and mortgaged by the company under liquidation in respect of payment of statutory dues to EPFO. It is her further submission that the impugned order of the official liquidator overlooks Section 8A of the EPF act, which clearly stipulates the liability of the principal employer to deduct and pay the sums payable by the contractors. The learned counsel contended that there is no whisper about any of the contentions of the applicant in the impugned order. She also submitted that the impugned order is a non speaking order as there are no reason of any nature whatsoever for rejecting the claim of the applicant. Hence, the impugned order is liable to be set aside.



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Comp.A.Nos.199 and 200 of 2025:-

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38.Mr.V.Balasubramani, learned Counsel for the applicant submitted that there was no interconnection between the company under liquidation and the doubling unit. However, on the basis of the submissions made by the workers of the doubling unit, this Court had passed an interim order of stay dated 04.10.2017, and that the workers of the company under liquidation are not in a position to get their legitimate claim from the Official Liquidator. Hence, he seeks appropriate orders to vacate the interim order, dated 04.10.2017.

Reply by the Official Liquidator:-

39.The Official Liquidator has filed a report on 12.07.2017, contending that pursuant to the winding up order, the assets of the company under liquidation has been auctioned and a sum of Rs.7,22,00,000/- is available with the Official Liquidator. It is also stated that as sufficient funds are available in the hands of the Official Liquidator, permission was granted by this Court, vide order, dated 11.12.2014 to call for the claims from the creditors of the company under liquidation and others and in response to the same, the Official Liquidator has received 538 claims from the workmen and other creditors, in which 348 claims were received from the workers of the company under



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liquidation, 186 claims were received from the workers of the doubling unit, one claim was received from the ESI and one claim was received from EPFO and two claims were received from the secured creditors, namely, State Bank of India and Karur Vysya Bank.

40.In the report, it is further stated that the statement of affairs of the company filed by the ex-management is silent about the doubling unit and no information was furnished in the statement of affairs with regard to the doubling unit and that there is no valid document produced by the applicant in Comp.A.Nos.508 and 509 of 2017 and 395 of 2022 to prove that the doubling unit is a sister concern of the company under liquidation.

41.In the said report, it is also stated that the Official Liquidator vide letter, dated 01.06.2017 addressed to the Regional Provident Fund Organization, Madurai asking for a clarification, whether M/s.Selvamani Doubling Unit is part of M/s.Aruna Textiles and Exports Limited and whether workers of M/s.Selvamani Doubling Unit are also the workers of M/s.Aruna Textiles and Exports Limited, the company under liquidation. The Provident Fund Authority had given a reply to the said query on 07.07.2017 stating that



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M/s.Selvamani Doubling Unit is a lessee and joint unit of M/s.Aruna Textiles and Exports Limited.

42.The Official Liquidator has filed another report in the month of December 2017. In the said report, it is stated that pursuant to the order passed by this Court, dated 23.03.2016, the Official Liquidator has already paid a sum of Rs.2,00,00,000/- to the State Bank of India on 31.03.2016. Further, it is stated that the Official Liquidator has received 322 claims out of which two claims are secured creditors' claims. The Official Liquidator has adjudicated and admission notice was sent to 273 workmen and admitted a sum of Rs.2,74,34,613/- and balance 48 claims are in the process of adjudication. It is further stated that as the Official Liquidator has to adjudicate the claim of the workmen, EPFO, ESI and Karur Vysya Bank, the application filed by the State Bank of India in Comp.A.No.750 of 2017 may be dismissed.

43.The Official Liquidator has filed another report, dated 15.12.2021. In the said report, it is stated that the Official Liquidator had conducted a meeting on 10.03.2021 with the Assistant Provident Fund Commissioner/Recovery Officer, EPFO, Dindigul. In the said meeting, the Assistant Provident Fund



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Commissioner/Recovery Officer, stated that there was a lease agreement between the company under liquidation and the doubling unit. However, the Assistant Director of Provident Fund Commissioner could not produce the said lease agreement. Further, in the meeting held on 09.04.2021, the Assistant Director of Provident Fund Commissioner/Recovery Officer, had submitted an un-registered lease agreement between M/s.Aruna Textiles and Exports Limited and M/s.Selvamani Doubling Unit, but, the officials have not signed the minutes of the meeting and an e-mail, dated 23.04.2021 was sent to the officials of the EPFO for signing of the minutes of the meeting and the officials have not signed it till date. Hence, there is no proof to show that the doubling unit is a sister concern of the company under liquidation.

44.The Official Liquidator further filed a report, dated 13.10.2022. In the said report, it is stated that the Official Liquidator has already adjudicated the claim of the applicant and allowed the claim to an extent of Rs.9,62,08,732/- which is more than the amount sought by the State Bank of India and that the Official Liquidator could not disburse the dividend to any creditor including the State Bank of India and only after the disposal of the applications in Comp.Nos.508 and 509 of 2015, the Official Liquidator can disburse the



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amount to the creditors.

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45.The Official Liquidator has filed another report, dated 25.01.2022, wherein, it is stated that the Official Liquidator had adjudicated 301 claims of workers out of 348 claims from the workers of M/s.Aruna Textiles and Exports Limited allowing a sum of Rs.2,99,25,697/- and 186 claims from M/s.Selvamani Doubling Unit. In the said report, the Official Liquidator has mentioned the documents filed by the applicant in Comp.A.Nos.508 and 509 of 2017 and based on the said documents, the Official Liquidator had stated that there is no material to establish that M/s.Aruna Textiles and Exports Limited, the company under liquidation and M/s.Selvamani Doubling Unit are either one and the same or subsidiary unit or that there exist a jural relationship between the entities.

46.The Official Liquidator has also filed a report, dated 25.04.2024, wherein, it has been stated that in the balance sheet as on 30.06.1996 filed by the company under liquidation with Ministry of Corporate Affairs, there is no mention about M/s.Selvamani Doubling Unit and as per the statement of affairs, dated 20.06.2007 filed by the ex-directors of the company under



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liquidation, neither the name of M/s.Selvamani Doubling Unit or the details of such unit/workers has been mentioned.

47.The Official Liquidator in their report, dated 01.09.2023, had stated that in compliance of the order, dated 14.04.2020 made in Comp.A.No.63 of 2020, the Official Liquidator has paid a sum of Rs.35,19,355/- to the Employees Provident Fund Organisation, Madurai, through RTGS on 15.07.2021 and that by suppressing the same, the applicant in Comp.A.Nos.400 and 401 of 2023 had submitted the revised Form No.66 with the Official Liquidator on 24.03.2022 for a sum of Rs.2,04,54,924/-.

48.In a memo filed by the Official Liquidator on 07.08.2025, the Official Liquidator had reiterated that M/s.Selvamani Doubling Unit has not produced any balance sheet.

49.In the report of the Official Liquidator, dated 23.10.2025, it is stated that the Official Liquidator has received 507 claims excluding 31 duplicate claims of workmen/creditors as against the company under liquidation and the Official Liquidator has given the following tabulation:



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Sl.No.	NATURE OF CLAIM	AMOUNT CLAIMED		
		Company in Lign.	Selvamani Doubling Unit	Total
1	EPFO (Excluding duplicate claims & belated revised claim)	1,36,40,457	2,85,121	1,39,25,578
2.	State Bank of India	29,36,75,559	--	29,36,75,559
3.	Workmen creditors (Excluding duplicate claims)	11,96,11,327	8,04,24,529	20,00,35,856
4.	Karur Vysya Bank	6,52,20,000	--	6,52,20,000
5.	ESI	21,06,598	--	21,06,598
	Total	49,42,53,941	8,07,09,650	57,40,63,591

50.The Official Liquidator has filed another, report, dated 11.07.2025, the Official Liquidator has stated that this Court may vacate the interim stay granted vide order, dated 04.10.2017 in Comp.A.Nos.508 and 509 of 2017 and permit the Official Liquidator to declare the dividend @ 30% as proposed to SBI and workers of the company under liquidation.

51.Heard the learned Counsel for the respective applicants and Ms.B.Ambili, for the Official Liquidator.



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52. With regard to the claim made by the State Bank of India, it is not in dispute that the loan was availed by M/s. Aruna Textiles and Exports Limited, which is under liquidation. Further, the Official Liquidator has reported that in an application filed by the State Bank of India, this Court has already directed the Official Liquidator to pay a sum of Rs.2,00,00,000/- and pursuant to which, the Official Liquidator has also paid a sum of Rs.2,00,00,000/- to the State Bank of India on 31.03.2016. It is to be noted that the Official Liquidator has to adjudicate the claims of workmen, EPFO, ESI and Karur Vysya Bank, apart from the State Bank of India.

53. With regard to the claim made by the Recovery Officer, EPFO, Dindigul, in Comp.A.Nos.400 and 401 of 2023, from a perusal of the report filed by the Official Liquidator as well as the impugned order, dated 05.03.2019, it is clear that in a claim filed by the applicant in Form No.66 for a sum of Rs.1,39,25,578/-, a sum of Rs.35,19,355/- was adjudicated and allowed and a sum of Rs.1,04,06,223/- was rejected as amount claimed towards 7A and 7Q is in respect of doubling unit. Further, it is to be noted that pursuant to the order passed by this Court, dated 14.04.2020, the Official Liquidator has paid a sum of Rs.35,19,355/- to the applicant/EPFO through RTGS on 15.07.2021. It



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is also be noted that no document has been produced by the applicant to prove that the doubling unit is a sister concern of the company under liquidation.

54. With regard to the applications filed by the applicant in Comp.A.Nos.508 and 509 of 2017 and 395 of 2022, while examining the reports of the Official Liquidator as well as the documents filed by the Official Liquidator, it is clear that only the property of the company under liquidation is being liquidated and in the register of companies, only the name M/s.Aruna Textiles and Exports Limited is reflected and not the name of M/s.Selvamani Doubling Unit. The claim made by the workers of M/s.Selvamani Doubling Unit has to be legally sustained and there should be ample material to show that M/s.Selvamani Doubling Unit was also liquidated.

55. Further, it is also to be noted that lot of confusion has been created based on two proceedings, one by the Assistant Commissioner for Labour Welfare, Dindigul, dated 02.02.2000, stating that M/s.Aruna Textiles and Exports Limited and the workers of M/s.Selamani Doubling Unit are one and the same and also the Employees Provident Fund Organization had written a letter, dated 03.07.2017, to the official liquidator that M/s.Aruna Textiles and



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Exports Limited and M/s.Selvamani Doubling Unit are one and the same or under the same management.

56.On perusal of the records, these communications from the Assistant Commissioner for Labour Welfare, Dindigul, dated 02.02.2000, and the Employees Provident Fund Organization, dated 03.07.2017 are not based on any documentary evidence and are circulated without any reference and the communication is being forwarded to the Official Liquidator himself. These two applications have created so much confusions with regard to the rights of workers attached to M/s.Selvamani Doubling Unit. However, not even a single document has been produced before this Court or before the labour authority by M/s.Selvamani Doubling Unit to show that they were functioning under the same management, as that of M/s.Aruna Textiles and Exports Limited or M/s.Selvamani Doubling Unit is a part of M/s.Aruna Textiles and Exports Limited. There is no semblance of evidence or material to prove the legal claim in favour of the workers of M/s.Selvamani Doubling Unit that they are part of M/s.Aruna Textiles and Exports Limited in whatsoever arrangement it may be. Therefore, M/s.Aruna Textiles and Exports Limited alone is liquidated and not M/s.Selvamani Doubling Unit.



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57. With regard to issuance of subpoena, which was sought in Comp.A.No.395 of 2022, Mr.C.S.K.Sathish, learned Counsel for the applicant had relied upon the judgment of the Hon'ble Supreme Court in Civil Appeal No.9540 of 2018, dated 15.07.2025 in the case of ***M/s.Torino Laboratories Private Limited vs Union of India and others***, wherein, the Hon'ble Supreme Court has held as follows:

“2.3 However, the factory of the appellant was set up and business of production of tablets and later liquid syrups was set up at Plot No. 65/1, Sector-1, Pithampur, Dhar, Madhya Pradesh. It is also undisputed that Vindas was covered under the EPF Act.

2.12 On 17.02.2006, the APFC passed an order rejecting the contentions of the appellant, including the contention on the locus standi of the Trade Union which had raised the issue of the two units being the same by holding that the issue of locus standi was immaterial if otherwise a case for clubbing was established. The APFC found the following common factors:—

- a) that both the units dealt with products of pharmaceutical industry;*
- b) that both worked from the same premises with the common entry and without any visible demarcation with addresses of the appellant being Plot No. 65/1, Sector-1, Pithampur and of Vindas - Respondent No. 3 being Plot No. 65, Sector-1, Pithampur, District Dhar;*
- c) that the telephone nos. of both the appellant and Vindas-respondent No. 3 were common and the order set out the actual telephone no. That the entire factory was guarded by the same security personnel, namely, M/s Benaras Security Services;*
- d) that both the companies maintained their common Administrative Office at 102, Prabhudeep Apartment, 11 Indrapuri Colony, Indore and the Administrative Office had common telephone nos. and facsimile no.;*



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e) That the two companies shared the same website and same e-mail IDs;

f) that the Registered Office of the appellant at 210, Adamji Building, 413, Narsi Natha Street, Masjid Bunder Road, Mumbai was the Head Office of Respondent No. 3-Vindas with same telephone no. and facsimile no.

g) That there was commonality of some Directors and that too belonging to the same Hindu Undivided Family.;

h) That the source of finance was the same Hindu Undivided Family in the name of Director, Creditor or Shareholder;

2.13 In view of this, the APFC found that there was Unity of Purpose and Functional Integrality as there was common factory, common administration/Head Office/Registered Office, common e-mail ID/website and common source of finance. The APFC disregarded the aspect of separate registration with the Registrar of Companies and different Government Departments and held that the two units are one and the same for the purpose of the EPF Act.

QUESTION FOR CONSIDERATION : -

8. The question that arises for consideration is whether the EPF Authorities were justified in treating the appellant and the Vindas-Respondent No. 3 as one unit for the purpose of the EPF Act?

LAW ON CLUBBING:—

11. The crucial issue that arises for consideration in this case is - whether the authorities were justified in treating the appellant and Vindas-respondent No. 3 as one unit for the purpose of the EPF Act and were the correct tests to determine the same applied? Section 2-A of the EPF Act reads as under:—

“2A. Establishment to include all departments and branches.—For the removal of doubts, it is hereby declared that where an establishment consists of different departments or has branches, whether situate in the same place or in different places, all such departments or branches shall be treated as parts of the same establishment.”

12. The argument of the learned Senior Counsel for the appellant that since the appellant and Vindas-respondent No. 3 are two different juristic entities and that would not be covered within the sweep of



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Section 2A is only stated to be rejected. While Section 2A sets out that the establishment will include all departments and branches it does not deal with a scenario as to the tests for determining whether two juristic entities are set up as an artificial device and subterfuge to sidestep the provisions of the Act.

13. The question in this case has to be answered by applying the well-established theories to determine what would constitute unity of ownership or unity of management and control and the features that will demonstrate the presence of functional integrality. This issue is no longer res integra and has been settled by a long line of judgments of this Court.

14. The earliest case where this issue was discussed was in Associated Cement Companies Ltd. (supra) where this Court had to examine the question whether the lay off of the workers in certain sections of the Chaibasa Cement Works due to a strike on the part of the workmen at the Rajanka limestone quarry was justified under Section [25-E \(iii\)](#) of the [Industrial Disputes Act, 1947](#). Section 25-E (iii) of the I.D. Act stated that no compensation was to be paid to workmen who have been laid off due to a strike or slowing-down of production on the part of workmen in another part of establishment. In the process of examining the said question, this Court held as under:—

“11. The Act not having prescribed any specific tests for determining what is ‘one establishment’, we must fall back on such considerations as in the ordinary industrial or business sense determine the unity of an industrial establishment, having regard no doubt to the scheme and object of the Act and other relevant provisions of the [Mines Act, 1952](#), or the [Factories Act, 1948](#). What then is ‘one establishment’ in the ordinary industrial or business sense? The question of unity or oneness presents difficulties when the industrial establishment consists of parts, units, departments, branches etc. If it is strictly unitary in the sense of having one location and one unit only, there is little difficulty in saying that it is one establishment. Where, however, the industrial undertaking has parts, branches, departments, units etc. with different locations, near or distant, the question arises what tests should be applied for determining what constitutes ‘one establishment’. Several tests were referred to in the course of arguments before us, such as, geographical proximity, unity of ownership, management and control, unity of employment and conditions of service, functional integrality, general



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unity of purpose etc. To most of these we have referred while summarising the evidence of Mr Dongray and the findings of the Tribunal thereon. It is, perhaps, impossible to lay down any one test as an absolute and invariable test for all cases. The real purpose of these tests is to find out the true relation between the parts, branches, units etc. If in their true relation they constitute one integrated whole, we say that the establishment is one; if on the contrary they do not constitute one integrated whole, each unit is then a separate unit. How the relation between the units will be judged must depend on the facts proved, having regard to the scheme and object of the statute which gives the right of unemployment compensation and also prescribes disqualification therefor. Thus, in one case the unity of ownership, management and control may be the important test; in another case functional integrality or general unity may be the important test; and in still another case, the important test may be the unity of employment. Indeed, in a large number of cases several tests may fall for consideration at the same time. The difficulty of applying these tests arises because of the complexities of modern industrial organisation; many enterprises may have functional integrality between factories which are separately owned; some may be integrated in part with units or factories having the same ownership and in part with factories or plants which are independently owned. In the midst of all these complexities it may be difficult to discover the real thread of unity. In an American decision (*Donald L. Nordling v. Ford Motor Company*, (1950) 28 AIR, 2d 272 there is an example of an industrial product consisting of 3800 or 4000 parts, about 900 of which came out of one plant; some came from other plants owned by the same Company and still others came from plants independently owned, and a shutdown caused by a strike or other labour dispute at any one of the plants might conceivably cause a closure of the main plant or factory.”

22. Hence, it is very clear that while the test of functional integrality, namely, the test whether one unit can exist without the other may be important in some cases, it may not be stressed in every case without having regard to the relevant facts of the case and it is not the correct legal position that absent functional integrality the units have to be necessarily concluded as separate. Thereafter, applying the law to the facts, this Court held as under:—



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“Let us then consider the relevant facts in the present dispute. It is common ground that wherever the employer runs a restaurant and a wine shop, the persons interested in the trade are the same partners. The capital supplied to both the units is the same. Prior to 1956, wine shops and restaurants were not conducted separately, but after 1956 when partial prohibition was introduced in New Delhi, wine shops had to be separated because wine cannot be sold in restaurants. But it is significant that the licence for running the wine shop is issued on the strength of the fact that the management was running a wine shop before the introduction of prohibition. In fact, LII licence to run wine shops has been given in many cases to previous restaurants on condition that the wine shops are run separately according to the prohibition rules. It is true that many establishments keep separate accounts and independent balance-sheets for wine shops and restaurants; but that clearly is not decisive because it may be that the establishments want to determine from stage to stage which line of business is yielding more profit. Ultimately, the profits and losses are usually pooled, together. Thus, generally stated, there is unity of ownership, unity of finances, unity of management and unity of labour; employees from the restaurant can be transferred to the wine shop and vice versa. Besides, it is significant that in no case has the establishment registered the wine shops and the restaurants separately under Section 5 of the [Delhi Shops and Establishments Act, 1954 \(7 of 1954\)](#). In fact, when Mr Nirula, the Secretary of the Employers' Association, was called upon to register his wine shop separately, he protested and urged that separate registration of the several departments was unnecessary; and that clearly indicated that wine shop was treated by the establishment as one of its departments and nothing more. The failure to register a wine shop as a separate establishment is, in our opinion, not consistent with the employers' case that wine shops are separate and independent units. Having regard to all the facts to which we have just referred, we do not think it would be possible to accept Mr Pathak's argument that the Tribunal was in error in holding that the wine shops and restaurants form part of the same industrial establishments.”

31. Hence, it will be clear from this judgment that the contention of the appellant herein that once there are two separate juristic entities, theory of clubbing cannot be invoked is completely untenable and is only stated to be rejected. It is common knowledge that artificial



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devices, subterfuges and facades are commonly resorted to, to create a smokescreen of separate entities for a variety of purposes. The Court of law faced with such a scenario has a duty to lift the veil and see behind applying the well-established tests to determine whether the entities are really separate entities or are they really a single entity. Myriad fact situations may arise. Hence, the contention that Section 2A cannot be applied if ostensibly two separately registered entities under the Companies Act are involved, has only to be stated to be rejected. This is especially so when the Court is interpreting a beneficial legislation like in the present case, namely, the EPF Act.

34. A survey of the cases cited hereinabove reveal that it will be impossible to lay down any one test as an absolute and invariable test for all cases. The real purpose of the test is to find out the true relation between the Parts, Branches and Units. If in their true relation they constitute one integrated whole, it could be said that establishment is one and if not, they are to be treated as separate units. Each case has to be decided on its own peculiar facts, regard being had to the scheme and object of the statute under consideration and in the context of the claim. In a given case, unity of ownership, management and control may be the important test, while in certain other cases Functional Integrality or general unity may be the determinative consideration. In some instances, unity of employment could be the most vital test. Several tests may fall for consideration at the same time since the mandate of the law is that the facts will have to be viewed as a whole. While each aspect may not by itself be conclusive, what is important is to consider cumulatively the facts while applying the different tests. The employer/management's own conduct in mixing up or not mixing up the capital, staff and management could in a given case be a significant pointer. Mere separate registration under the different statutes cannot be a basis to claim that the units are separate. Similarly, maintenance of separate accounts and independent financial statement is also not conclusive. The onus lies on the employer/management to lead necessary evidence to bring home their contention.

58. In the judgment cited supra, the Hon'ble Supreme Court held that “*If in their true relation they constitute one integrated whole, it could be said that*



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establishment is one and if not, they are to be treated as separate units. Each case has to be decided on its own peculiar facts, regard being had to the scheme and object of the statute under consideration and in the context of the claim.” It is also further held that “the onus lies on the employer/management to lead necessary evidence to bring home their contention.”

59. It is relevant to note that neither M/s.Selvamani Doubling Unit nor M/s.Aruna Textiles and Exports Limited had filed any application before the Registrar of Companies with regard to M/s.Selvamani Doubling Unit to show that they are the sister concern of M/s.Aruna Textiles and Exports Limited. In none of the documents filed by M/s.Aruna Textiles and Exports Limited before the Registrar of Companies, the said M/s.Selvamani Doubling Unit is mentioned as its sister concern. Admittedly, neither M/s.Aruna Textiles and Exports Limited nor M/s.Selvamani Doubling Unit had produced any evidence to establish that both the entities are functioning under the same management or M/s.Selvamani Doubling Unit is a sister concern of M/s.Aruna Textiles and Exports Limited. Therefore, the judgment relied upon by the learned Counsel for the applicant is not applicable to the facts and circumstances of this case.



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60.The above analysis make it clear that the claim raised by the Recovery Officer, EPFO, by including the dues pertaining to M/s.Selvamani Doubling unit in the dues payable by M/s.Aruna Textiles and Exports Limited cannot be entertained. The applicant/EPFO is entitled to recover dues pertaining to M/s.Aruna Textiles and Exports Limited, if any.

61.As the claims of the workers/creditors of M/s.Aruna Textiles and Exports Limited were adjudicated by the Official Liquidator, the Official Liquidator is directed to make payments proportionate to the claim made by 1)EPFO; 2)workers of M/s.Aruna Textiles and Exports Limited; and thereafter, secured creditors, namely, State Bank of India and other creditors. The Official Liquidator shall disburse the claim amount of the workers of M/s.Aruna Textiles and Exports Limited within a period of two months from the date of receipt of a copy of this order by following due process of law as contemplated under the Companies Act.

62.In fine:

(i)Comp.A.Nos.750 of 2015 filed by the State Bank of India is disposed of.



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(ii)Comp.A.Nos.508 and 509 of 2017 and 395 of 2022 are

dismissed.

(iii)Comp.A.Nos.400 and 401 of 2023 are disposed of.

(iv)Comp.A.Nos.199 and 200 of 2025 are allowed and the order of stay passed by this Court in Comp.A.Nos.508 and 509 of 2017, dated 04.10.2017 stands vacated.

09.01.2026

Internet	:Yes/No
NCC	:Yes/No
Index	:Yes/No

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N.SENTHILKUMAR, J.

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Pre-delivery order made in
COMP.A.Nos.750 of 2015, 508 and 509 of 2017, 395 of 2022, 400 and 401 of
2023 and 199 and 200 of 2025
in
COMP.P.No.117 of 2004

09.01.2026