



W.P(MD)Nos.3500 of 2022 and 35652 of 2025

WEB COPY BEFORE THE MADURAI BENCH OF MADRAS HIGH COURT

DATED : 29.06.2026

CORAM:

THE HONOURABLE MR.JUSTICE M.DHANDAPANI

W.P(MD)Nos.3500 of 2022 and 35652 of 2025

and

WMP (MD) No.3070 of 2022 & 28254 of 2025

WP (MD) No.3500 of 2022

M/s.The Kanyakumari District Cooperative
Spinning Mills Limited
Aralvoymozhi,
Kanyakumari District
Rep. by its Managing Director.

... Petitioner(s)

vs.

The Regional Provident Fund
Commissioner II,
Employees Provident Fund Organization
Sub-Regional Office 65-A,
Water Tank Road,
Nagercoil,
Kanyakumari District.
(Respondent substituted vide order of this Court
dated 28.10.2025)

... Respondent(s)

PRAYER : Writ Petition filed under Article 226 of the Constitution of India,
praying this Court to issue a Writ of Certiorari calling for the records made in



W.P(MD)Nos.3500 of 2022 and 35652 of 2025

WEB COPY EPFA No.289/2017/ A.T.A.No. 367(13) /2006 dated 27.12.2021 passed by the Honble Central Government Industrial Tribunal Cum Labour Court, Chennai and quash the same.

For Petitioner : Mr.M.Elanchezhian

For Respondent : Mr.A.John Xavier, Standing Counsel

WP (MD) No.35652 of 2025

The Central Board of Trustees of EPFO
Rep. by the Regional Provident Fund
Commissioner II,
Employees Provident Fund Organization
Regional Office 65-A,
Water Tank Road,
Nagercoil,
Kanyakumari District.

... Petitioner(s)

vs.

M/s.The Kanyakumari District Cooperative
Spinning Mills Limited
Aralvoymozhi,
Kanyakumari District
Rep. by its Managing Director.

... Respondent(s)

PRAYER : Writ Petition filed under Article 226 of the Constitution of India, praying this Court to issue a Writ of Certiorari calling for records relating to the impugned order made by the Employees Provident Fund Appellate Tribunal, Chennai (CGIT Cum Labour Court, Chennai) in EPFA No.289/2017 (ATA No.



W.P(MD)Nos.3500 of 2022 and 35652 of 2025

WEB 367 (13) of 2006 dated 27.12.2021 and quash the same as illegal.

For Petitioner : Mr.R.Rameez Ajmal Khan

For R1 : Mr.M.Elanchezian

COMMON ORDER

Since the issue involved in both the writ petitions is one and the same, they were heard together and are being disposed of by this common order.

2. These writ petitions have been filed challenging the order dated 27.12.2021 passed by the Appellate Tribunal. W.P.(MD) No.3500 of 2022 has been filed by the Kanyakumari District Cooperative Spinning Mills Limited (hereinafter referred to as "the Cooperative Mill"), and W.P.(MD) No.35652 of 2025 has been filed by the Central Board of Trustees of EPFO (hereinafter referred to as "the EPFO").

3. The petitioner/Cooperative Mill is being run under the control of the Government of Tamil Nadu through the Director of Handlooms and Textiles. The Cooperative Mill was established to provide employment opportunities to



W.P(MD)Nos.3500 of 2022 and 35652 of 2025

WEB COPY

unemployed local youth, economically weaker sections and Sri Lankan repatriates and to supply cotton yarn to the handloom sector at affordable prices. Initially, the Cooperative Mill operated with marginal profits, however, over time it suffered severe financial distress due to sharp increases in raw material costs, power tariffs, machinery and spare-part expenses and employee wages. The difficult market conditions resulted in heavy cash losses (approximately Rs.700 lakhs), making the unit financially unviable and leading it to become a sick industrial undertaking. To sustain operations, protect employment and avoid closure, the Government of Tamil Nadu continued supporting the Cooperative Mill by permitting operations through credit purchases and deferral of certain statutory liabilities. Though the petitioner had previously remitted Employees' Provident Fund (EPF) contributions regularly, the mitigating circumstances during 2000–2001 and 2001–2002 caused delays in payment of wages and EPF contributions. The petitioner subsequently remitted the EPF dues along with applicable interest. Thereafter, the respondent authority, by order dated 20.04.2005 under Section 14B of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (for brevity, hereinafter referred to as “the Act”), imposed damages of Rs.31,20,481/-, along with 12% simple interest per annum under Section 7Q of



W.P(MD)Nos.3500 of 2022 and 35652 of 2025

WEB COPY

the Act, on the petitioner for delayed remittance of EPF contributions. The petitioner challenges the levy of damages contending that the delay was unavoidable and caused by severe financial hardship and the sick status of the undertaking. Aggrieved by the levy of 100% damages under Section 14B fixed by the EPFO, the petitioner Cooperative Mill preferred an appeal before the EPF Appellate Tribunal.

4. The EPF Appellate Tribunal, by order dated 27.12.2021 in ATA No.367 of 2006, partly allowed the appeal and reduced the damages from 100% to 40%, in respect of the amount of Rs.31,20,481/-. Aggrieved by the said order, both the Cooperative Mill and the EPFO have filed the present writ petitions.

5. The learned Standing Counsel appearing for the Assistant PF Commissioner submitted that the Appellate Tribunal erred in reducing the damages to 50% in the absence of any material establishing the alleged financial difficulties suffered by the Cooperative Mill. It was contended that no documentary evidence was produced before the EPF Appellate Tribunal to substantiate the plea of financial hardship and therefore, the reduction of damages



W.P(MD)Nos.3500 of 2022 and 35652 of 2025

WEB COPY

under Section 14B was unsustainable. Accordingly, it was prayed that the writ petition filed by the Cooperative Mill be dismissed.

6. Per contra, the learned counsel appearing for the Cooperative Mill submitted that the Cooperative Mill had preferred an appeal in ATA No.367 of 2006 challenging the order dated 12.08.2011 passed under Section 14B of the Act imposing damages of Rs.31,20,481/-. Taking note of the severe financial hardship faced by the Society, the Appellate Tribunal rightly reduced the damages to 40%. It was further submitted that the delay in remittance of provident fund contributions was not intentional but was solely on account of the mitigating circumstances suffered by the Cooperative Mill. Though the Cooperative Mill had sought complete waiver of damages, the Appellate Tribunal granted only partial relief. It was therefore contended that this Court may further reduce or waive the damages in view of the mitigating circumstances.

7. Heard the learned counsel appearing for the Cooperative Mill and the learned Standing Counsel appearing on behalf of the EPFO and also perused the award passed by the Appellate Tribunal.



W.P(MD)Nos.3500 of 2022 and 35652 of 2025

WEB COPY

8. Admittedly, the Cooperative Mill is under liquidation. The said Mill was established with the objective of providing employment opportunities to unemployed local youth, economically weaker sections and Sri Lankan repatriates, as well as supplying cotton yarn to the handloom sector at affordable prices. Cooperative Mills are not run with a profit motive, unlike private enterprises. Therefore, the benefits applicable to other establishments that operate solely for profit cannot be applied to Cooperative Mills by adopting the same yardstick. Cooperative Mills must be treated differently. The Cooperative Mill established before the Appellate Tribunal that it is under liquidation and that even a reduction of 40% in the damages would not be financially feasible for it to pay. A similar issue has already been dealt with by this Court in ***Ramanathapuram District Cooperative Spinning Mills Ltd. v. Central Board of Trustees of EPF Organisation***, in a batch of writ appeals in W.A.(MD) No.228 of 2011, by judgment dated 11.03.2014.

9. Therefore, for the aforesaid reasons, the impugned order is set aside and the damages levied under Section 14B of the Act upon the petitioner



W.P(MD)Nos.3500 of 2022 and 35652 of 2025

WEB COPY

Cooperative Mill is reduced to 25% of the ordered amount. Accordingly, these writ petitions stand disposed of. No costs. Consequently, the connected miscellaneous petitions are closed.

29.06.2026

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

To

The Regional Provident Fund
Commissioner II,
Employees Provident Fund Organization
Sub-Regional Office 65-A,
Water Tank Road,
Nagercoil,
Kanyakumari District.



WEB COPY



W.P(MD)Nos.3500 of 2022 and 35652 of 2025

M.DHANDAPANI,J.

PKN

**ORDER MADE IN
W.P(MD)Nos.3500 of 2022 and 35652 of 2025**

DATED : 29.06.2026