

**IN THE HIGH COURT FOR THE STATE OF TELANGANA AT
HYDERABAD**

HON'BLE SRI JUSTICE NAGESH BHEEMAPAKA

WRIT PETITION No. 6276 OF 2025

05.03.2026

Between:

J.V. Nrupender Rao

.. Petitioner

And

Regional P.F. Commissioner-II,
Regional Office & others.

.. Respondents

ORDER:

Petitioner states that he was a contributory member under the Employees' Provident Fund Organization under the 1st Respondent. It is stated, at the relevant point of time, the 3rd Respondent company - M/s Pennar Industries Limited bearing EPF Code No. AP/PTC/6330, was an exempted establishment having its own Provident Fund Trust duly approved by the Provident Fund Authorities, ie. the 4th Respondent. Petitioner states that his provident fund contributions along with the employer's contributions, were accumulated and maintained in the account of the 4th Respondent Trust.

1.1. Petitioner is stated to have resigned from his position as Chairman and Director of the 3rd Respondent company in 2023 consequent to his ill health. Subsequent thereto, he was appointed as Chairman Emeritus of the 3rd Respondent company. Since then, he has been continuously pursuing Respondents 3 and 4 for settlement of his provident fund accounts and release of the amounts lawfully due to him. It is stated, by letter dated 20.04.2023 addressed to the 3rd Respondent, he requested payment of his provident fund dues lying in accumulation with the Trust. After considerable persuasion, the 4th Respondent Trust passed the resolution dated 20.07.2023 resolving to release Rs. 2,50,00,000/- towards his provident fund contributions. According to Petitioner, balance amount of Rs. 70,00,000/- was to be realized from and out of bonds of Yes Bank Limited which were lying frozen pursuant to directives issued by the Reserve Bank of India and orders passed by the Hon'ble Supreme Court of India. In view of his ill health, petitioner is stated to have agreed to abide by the said condition and accept phased payment. Petitioner further states that he is informed that Respondents 3 and 4 communicated the said resolution to the EPFO authorities and

that the authorities accepted the same and did not raise any objection at that point of time.

1.2. By letter dated 21.07.2023, a sum of Rs. 2,50,33,598/- being part of the EPF contributions was remitted to petitioner's account, which he duly acknowledged. The said amount represents both his contribution and the contribution made by the 3rd Respondent company, and that he is admittedly entitled to the same. The balance of Rs. 70,00,000/- in Yes Bank bonds is yet to be released to him and that he continues to await the same. Petitioner contends that while matters stood thus, he was shocked to receive the impugned notice dated 17.02.2025 issued by the 2nd Respondent directing to remit Rs. 2,50,33,598/- together with interest at 12% per annum within seven days to the 1st Respondent. The ostensible reason assigned in the notice is that the 4th Respondent Trust had surrendered exemption to the Provident Fund Authorities and that the remittance made to him was not in compliance with the provisions of the EPF Act and the Scheme framed thereunder.

1.3. Petitioner states that the amount received by him is towards his own EPF contributions and is justly and lawfully due to him as an employee and member of the Fund. Neither the 1st nor the 2nd Respondent has any lien, charge or right over

the said amount and that they have no manner of authority to demand return or refund of the same. In fact, he is entitled to a further amount of Rs. 70,00,000/- which is presently blocked in deposits with M/s Yes Bank Limited due to freezing by statutory authorities. The said amount ought also to have been remitted to him by the 4th Respondent but for his agreeing to receive the same after de-freezing of the bonds. This concession was made by him in view of his past position as Chairman of the company, which he resigned in 2023, and with a view not to inconvenience the Trust or the company. Petitioner contends that Respondents are now seeking to take undue advantage of this situation by demanding refund of amounts which are admittedly due and payable to him and have been paid only in part.

1.4. It is stated, no notice whatsoever was issued to him by the Respondent authorities prior to issuance of the impugned demand. Respondents have no manner of right to demand remittance of any money received by him from his EPF contributions, which belong to him, as an employee of the company. There is no provision under the EPF Act or the Scheme which enables the authorities to recover any amount from an employee in such circumstances. Petitioner states that

the impugned notice has been issued without affording any prior notice or personal hearing and is therefore wholly illegal, arbitrary and unsustainable, being in violation of the principles of natural justice.

1.5. In view of his precarious health condition and his present status only as Chairman Emeritus of the 3rd Respondent company, the demand for such a substantial amount, which in fact belongs to him, causes grave mental tension and adversely affects his financial resources, which are necessary for meeting his medical and other personal requirements, contends petitioner. Respondent authorities have no manner of right to jeopardize his financial stability and personal well-being by issuing such an arbitrary demand. Petitioner, in the above circumstances, prays to allow the Writ Petition.

2. Impugned proceedings dated 17.02.2025 is suspended by order dated 03.03.2025 initially for a limited time and thereafter, the said order was extended from time to time.

3. Respondent No. 1 filed counter contending that the Employees Provident Funds and Miscellaneous Provisions Act, 1952 (hereinafter referred to as "the Act") and the Schemes framed thereunder are meant to provide social security in the

form of Provident Fund, Pension and Insurance to all employees covered under the provisions of the Act. Respondent authorities are enforcing a welfare statute enacted for the benefit of employees of private and public undertakings and are rendering services to members of the fund constituted to provide statutory social security benefits. It is further contended that M/s Pennar Industries Limited bearing EPF Code No. AP/PTC/6330 was covered with effect from 01.08.1981 as an exempted establishment and that the said establishment surrendered its exemption with effect from 01.03.2023.

3.1. It is stated, the establishment itself came forward to surrender the exemption with effect from 01.03.2023 *vide* its resolution dated 10.02.2023 and agreed to abide by all the terms and conditions governing surrender of exemption. It is stated that the office of Respondents 1 and 2 consented to such surrender of exemption and undertook to provide social security benefits to the members of the Trust with effect from the date of surrender, i.e. 01.03.2023. After surrender of exemption, the 4th Respondent Trust settled the claim of Petitioner on 21.07.2023. It is specifically contended that as per Paragraph 28(1)(ii) of the EPF Scheme, 1952, upon surrender or cancellation of exemption, the employer is required to transfer the total

accumulations standing to the credit of subscribers in relation to each factory within ten days of application of the Scheme or cancellation of exemption in case of liquid cash in bank and within thirty days in case of securities. In the instant case, exemption stood surrendered with effect from 01.03.2023 and therefore, the entire past accumulations ought to have been transferred to the EPFO within the stipulated time.

3.2. Instead of transferring the total past accumulations, the Trust transferred only part of the past accumulations by way of Demand Draft dated 21.07.2023 and informed the Respondent office that it had passed a resolution and entered into a mutual agreement with Sri J.V. Nrupender Rao, Ex-Chairman of M/s Pennar Industries Limited, to settle an amount of Rs. 3,42,30,504/-, out of which Rs. 2,50,33,598/- was paid to him by way of Demand Draft dated 21.07.2023. It is emphasized that such payment was made after surrender of exemption by the establishment. Respondent No.1 contends that as per the extant statutory provisions, once exemption is surrendered, the Trust is not authorized to make any settlements and that the entire past accumulations available as on the date of surrender must be transferred to the EPFO. It is contended that in the present case, instead of transferring the

total past accumulations of Rs. 8,51,98,967/- to the EPFO, the Trust processed a partial settlement of Rs. 2,50,33,598/- to the Petitioner post-surrender, which is contrary to and in violation of Paragraph 28(1)(ii) of the EPF Scheme, 1952 and the provisions of the Act and the Scheme framed thereunder.

3.3. Respondent No.1 further contends, in reply to the averments of Petitioner, that the assertion that EPFO authorities accepted the resolution of the Trust is incorrect. It is specifically stated that Respondent office never communicated any acceptance to settle the provident fund amount to Sri J.V. Nrupender Rao after surrender of exemption. It is also contended that the 4th Respondent did not inform the Respondent authorities about the balance amount of Rs. 70,00,000/- invested in Yes Bank bonds at the time of surrender of exemption and that such information was disclosed only later after continuous persuasion by the Respondent authorities. It is further contended that it was subsequently informed that the said bonds were frozen pursuant to directions of the Reserve Bank of India and the Hon'ble Supreme Court, and that the earlier non-disclosure amounted to misleading the statutory authority. Hence, it is

contended that Petitioner's submissions in this regard are devoid of merit.

3.4. Respondent No. 1 contends that exemption under the Act is granted subject to strict compliance with conditions imposed upon the establishment and the Trust, and that similar conditions were applicable to M/s Pennar Industries Limited. The Trust could have settled the provident fund dues of Petitioner prior to surrender of exemption. However, once exemption was surrendered with effect from 01.03.2023, the Trust was statutorily obligated under Paragraph 28(1)(ii) of the EPF Scheme, 1952 to transfer the total accumulations standing to the credit of subscribers within ten days in case of liquid cash and within thirty days in case of securities. It is contended that the Trust and the employer failed to transfer the entire past accumulations and instead effected a settlement in favour of the Petitioner on 21.07.2023, which constitutes a complete violation of the Act and the Scheme.

3.5. Respondent No.1 further contends that when the 4th Respondent approached the Respondent office regarding surrender of exemption, it was clearly informed that all settlements of left-out employees must be cleared prior to surrender of exemption and that once surrender was intimated,

the establishment must abide by the statutory terms and conditions governing such surrender. It is stated that the 4th Respondent agreed to these conditions and submitted the resolution dated 10.02.2023 for surrender of exemption with effect from 01.03.2023. Despite such agreement, it was subsequently noticed that the claim of the Ex-Chairman was settled on 21.07.2023 while submitting the Demand Draft towards past accumulations, which is stated to be in complete violation of the provisions of the EPF Act and the Schemes framed thereunder. Consequently, the Respondent office was constrained to initiate necessary corrective action in accordance with the provisions of the Act.

3.6. Respondent No.1 states that in view of the above violations, this office issued notice dated 17.02.2025 directing Sri J.V. Nrupender Rao to remit the settled amount of Rs. 2,50,33,598/- within seven days of receipt of the letter together with interest at the rate of 12% per annum calculated from the date of payment by the Trust till the date of refund. It is contended that the action taken by Respondents 1 and 2 is legal, in strict compliance with the applicable statutory provisions and necessitated due to the violation committed by the establishment and the Trust. Respondent No.1 contends

that the contentions raised by the Petitioner are untenable and have been made only for the purpose of filing the present writ petition and that the same are liable to be rejected. It is further contended that Respondent authorities have followed due process of law and have done nothing to affect the life and liberty of Petitioner.

4. Heard Sri A.Narasimha Rao, learned counsel for petitioner as well as Sri Vijhay K. Punna, learned Standing Counsel for Respondents 1 and 2.

5. The controversy essentially turns upon the legal consequences flowing from surrender of exemption by an establishment under the Employees Provident Funds and Miscellaneous Provisions Act, 1952 and the EPF Scheme, 1952, and the permissibility of fastening liability upon an employee for an alleged breach committed by the employer/Trust in the course of such surrender. It is not in dispute that M/s Pennar Industries Limited bearing EPF Code No. AP/PTC/6330 was an exempted establishment under the Act and that it surrendered exemption with effect from 01.03.2023 pursuant to resolution dated 10.02.2023. It is further not in dispute that prior to surrender of exemption, the provident fund accumulations of the Petitioner were maintained by the 4th Respondent Trust

constituted by the exempted establishment and duly approved by the Provident Fund authorities,

6. Respondents have placed reliance upon Paragraph 28(1)(ii) of the EPF Scheme, 1952, which mandates that upon surrender or cancellation of exemption, the employer shall transfer the total accumulations standing to the credit of subscribers within ten days in case of liquid cash in bank and within thirty days in case of securities. There can be no quarrel with the proposition that the statutory obligation to affect such transfer is cast squarely upon the employer and the Trust managing the fund of the exempted establishment. The language of the provision is clear and mandatory in character.

7. In the present case, exemption stood surrendered with effect from 01.03.2023. It is also not in dispute that on 21.07.2023, the 4th Respondent Trust settled a sum of Rs. 2,50,33,598/ in favour of Petitioner towards his provident fund accumulations. Respondents contend that instead of transferring the total past accumulations of Rs. 8,51,98,967/- to EPFO as required under Paragraph 28(1)(ii), the Trust effected a partial settlement to the Petitioner post-surrender and thereby acted in violation of the statutory mandate. It is further their case that exemption was surrendered subject to

compliance with statutory conditions and that the Trust could have settled the dues prior to surrender, but having failed to do so, it was bound to transfer the entire past accumulations to EPFO.

8. Petitioner, on the other hand, contends that he was a contributory member of the Fund; his accumulations consisted of his own contribution and that of the employer; that the settlement made on 21.07.2023 was towards amounts lawfully standing to his credit; he neither committed any fraud nor misrepresentation; and that no provision of the Act authorises recovery from an employee in such circumstances. He further contends that the impugned notice was issued without prior show cause notice or opportunity of hearing.

9. The question therefore arises is whether, assuming that there has been non-compliance with Paragraph 28(1)(ii) of the EPF Scheme, 1952 by the employer/Trust, Respondent authorities are empowered to demand refund of the amount from the Petitioner who received settlement of his provident fund accumulations.

10. The Act is a beneficial and welfare legislation intended to secure social security benefits to employees. The scheme of the Act consistently places obligations upon the

employer in matters relating to contribution, maintenance of funds, compliance with conditions of exemption and transfer of accumulations upon surrender of exemption. The liability to transfer the entire past accumulations to EPFO upon surrender of exemption with effect from 01.03.2023 squarely rests upon the establishment and the Trust. The statutory design does not, on the face of it, shift that obligation onto an employee who is a beneficiary of the Fund.

11. Respondents have not brought to the notice of this Court any specific provision under the Act or the Scheme which authorises direct recovery from an employee of provident fund accumulations received by him, merely because the employer/Trust failed to transfer the total accumulations to EPFO within the stipulated time. The Act, undoubtedly, provides machinery for recovery of dues from employers and for proceeding against establishments for non-compliance. However, the impugned notice is not directed against the establishment or the Trust but seeks to fasten liability upon the Petitioner.

12. It is also relevant to note that Rs. 2,50,33,598/- was paid to Petitioner on 21.07.2023 towards his provident fund accumulations. There is no allegation in the impugned notice

that Petitioner procured the said amount by fraud, misrepresentation, suppression of material facts or collusion. The entire basis of the impugned action is the alleged statutory violation committed by the Trust after surrender of exemption. Further, the impugned notice dated 17.02.2025 directs Petitioner to remit the amount within seven days along with interest at 12% per annum calculated from the date of payment by the Trust till the date of refund. The record does not disclose that any show cause notice was issued to the Petitioner or that any opportunity of hearing was afforded prior to issuance of such demand. A direction entailing serious civil consequences, including recovery of a substantial amount with interest, must conform to the principles of natural justice unless expressly excluded by statute. No such statutory exclusion has been demonstrated.

13. This Court is mindful of the contention of the Respondents that the establishment agreed to abide by all terms and conditions of surrender of exemption and that Respondent office had informed the Trust that all settlements must be cleared prior to surrender. Respondents are fully empowered to enforce compliance with the Act and the Scheme and to take appropriate proceedings against the establishment and/or the

Trust for failure to transfer the total past accumulations of Rs. 8,51,98,967/- upon surrender of exemption with effect from 01.03.2023.

14. However, enforcement of statutory obligations must be directed against the person upon whom the statute casts such obligation. In the absence of an express statutory provision enabling recovery from an employee in the facts of the present case, and in the absence of compliance with principles of natural justice, the impugned notice cannot be sustained in its present form. At the same time, this Court does not consider it appropriate to render any finding that may foreclose the statutory powers of the Respondents if such powers are otherwise available under the Act. If Respondents are of the view that under any specific provision of the Act, liability can be fastened upon the Petitioner, it is open to them to proceed strictly in accordance with law and after following due process.

15. In view of the foregoing discussion, Notice dated 17.02.2025 issued by the 2nd Respondent, insofar as it directs Petitioner to remit Rs. 2,50,33,598/- together with interest at 12% per annum within seven days, is set aside. It is clarified that this Court has not adjudicated upon the correctness or otherwise of the alleged non-compliance by M/s Pennar

Industries Limited and/or the 4th Respondent Trust with Paragraph 28(1)(ii) of the EPF Scheme, 1952. It shall be open to respondents to initiate and pursue appropriate proceedings against the said establishment and/or the Trust in accordance with the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and the EPF Scheme, 1952 for any alleged failure to transfer the total past accumulations of Rs. 8,51,98,967/- upon surrender of exemption with effect from 01.03.2023.

16. It is further clarified that if Respondents are of the considered view that any liability can be legally fastened upon Petitioner under any specific statutory provision, they shall be at liberty to issue a fresh notice setting out clearly the statutory basis for such action, the factual foundation thereof and the manner of computation of any alleged liability. In such event, reasonable opportunity of hearing shall be afforded to the Petitioner and a reasoned order shall be passed in accordance with law before taking any coercive steps. Till then, the interim order in this Writ Petition to continue.

17. Subject to the above observations and directions, the Writ Petition stands allowed. No costs.

18. Pending miscellaneous applications, if any, shall stand closed.

NAGESH BHEEMAPAKA, J

05th March 2026

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