

SUPREME COURT OF INDIA

New Horizon Sugar Mills

Vs.

Ariyur Sugar Mills Staff Welfare

C.A.No.6382 of 2009

(R. V. Raveendran and B. Sudershan Reddy JJ.)

31.08.2009

ORDER

1. Leave granted. Heard the learned counsel
2. The assets of New Horizon Sugar Mills (for short, 'New Horizon') were seized and sold by auction under the provisions of SARFAESI Act, 2002 by Indian Bank, a secured creditor. EID Parry India Ltd. (for short 'EID Parry') was the auction purchaser.
3. While dismissing a batch of writ petitions arising from/challenging the proceedings initiated by Indian Bank under SARFAESI Act, a learned single Judge of the Madras High Court, by order dated 12.7.2005 directed that the workmen of New Horizon will be entitled to the benefits under Section 25FF of the Industrial Disputes Act, 1947 as against the employer - New Horizon and EID Parry. Aggrieved by the said order, EID Parry filed W.A. No. 1788/2005.
4. By interim order dated 7.12.2005 passed in writ petitions filed by the two employees unions of New Horizon, another learned single Judge appointed a retired Judge of the High Court as the Special Authority to compute the claims of the workmen (instead of Commissioner of Labour, Pudhucherry) and submit a report to the Court. He also directed the Indian Bank which had the sale proceeds in respect of sale of the assets of New Horizon to deposit initially a sum of Rs. 6,00,00,000/- (Rupees six corers) for being disbursed to the workmen. The said amount was ordered to be placed in a no-lien account in the Pondicherry main branch of the said Bank. Feeling aggrieved by the said order New Horizon filed W.A. No. 1209/2006.
5. The said two writ appeals along with other writ petitions and writ appeals were disposed of by a Division Bench of the Madras High Court by the impugned judgment dated 27.3.2007. The said

judgment deals with several aspects. We are concerned in this appeal, with only one aspect of the said judgment, that is, the workers' dues. By the said judgment, W.A. No. 1788/2005 filed by EID Parry and W.A. No. 1209/2006 filed by New Horizon were dismissed. The order of the learned single Judge dated 7.12.2005 directing quantification of the amount due to the employees and further direction for earmarking Rs. six crores for meeting the employees dues was upheld. The Division Bench, however, directed that the quantification should be done by Commissioner of Labour, Puducherry (instead of by the retired Judge appointed by the learned Single Judge.

6. Feeling aggrieved by the dismissal of W.A. No.1209/2006, and W.A. No. 1788/2005, New Horizon and EID Parry have filed these appeals by special leave. The common issue involved in these two appeals is who should be made liable to pay the compensation under Section 25FF of the Industrial Disputes Act, 1947, to the employees of New Horizon whose services were deemed to have been terminated.

7. After the matter was argued for some time, Mr. S. Ganesh, learned senior counsel appearing for New Horizon fairly conceded that having regard to the wording of Section 25FF of the said Act and the settled legal position under several decisions of this Court starting from Anakapalla Co-operative Agricultural and Industrial Society v. Its Workmen [1962 (2) LLJ. 629], the liability to pay its workmen would be on New Horizon. Therefore, it follows that the amount due to the workers will have to be paid from out of the sale proceeds which are lying with the Indian Bank. The purchaser - EID Parry, who has already paid the sale price, will have no liability.

8. However, having regard to the fact that the quantification of the workmen's dues would involve verification of records/claims, it will be convenient and appropriate, if the management of New Horizon is associated with the process of verification, quantification and payment to its workmen. Therefore, the Commissioner of Labour will hear New Horizon in regard to each claim before passing appropriate orders in favour of workmen.

9. The Indian Bank will now transfer the sum of Rs. six crores as directed by the High Court, from the sale proceeds, without prejudice to its contentions to a no-lien account in its Pondicherry Main Branch which shall be operated by the Commissioner, who shall endeavour to complete the exercise of verification, quantification and payment of the employees' dues within three months. The balance, if any, remaining in the no-lien account after such settlement of workers' dues, shall be paid to the New Horizon without prejudice to the contentions of the Bank. If the amount of Rs. 6 crores is found to be insufficient by the Commissioner, the Commissioner may apply to Madras High Court for release of further funds from the amount in deposit with it.

10. The sum of Rs. 2 crores (or such other sum) that was deposited by the EID Parry with the Commissioner of Labour, Pondicherry in pursuance of our interim order dated 19.3.2009 shall be refunded to EID Parry.

11. With the above directions, the appeal of New Horizon is dismissed and the appeal of EID Parry is allowed. The intervention applications of some workmen are dismissed as not calling for any orders.

12. As a consequence, the interim direction dated 19.3.2009 directing EID Parry not to prevent the workmen from attending to their duties in the factory premises is vacated, without prejudice to the rights of the workers in accordance with law.

