Before the I Additional Labour Court, Chennai

Present: Thiru K.Arunachalam, M.A., M.L.,

Presiding Officer, I Additional Labour Court, Chennai.

Thursday, the 16th day of July 2026.

C.P. No. 14 of 2018

In

I.D. No. 882 of 2001

CNR No.: TNCH0E0008752017

D.Devaki,
C/o. T. Fenn Walter Associates,
161, Thambu Chetty Street,
2nd Floor,
Chennai – 1. ... Petitioner

-Vs-

1.The Management of Star Apparels

(Thereafter it known as Jai Crafts)
No. 159, Raja Street,
Padi,
Chennai.

2.R. Sundaramoorthy,

Partner - The Management of Star Apparels
No. 1752, 13th Main Street,
Anna Nagar,
Chennai - 40.

3. K. Mohan,

Partner - The Management of Star Apparels
No. 186-A, Kumaran Nagar,
Padi,
Chennai – 50.

4. R. Neelagandan,

Partner - The Management of Star Apparels
No. 1, Gandhi Street,
Thiruvaleeshwarar Nagar,
Padi, Chennai - 50.

5. K. Gunapushanam,

Partner - The Management of Star Apparels
No. 159, Raja Street,
Padi, Chennai - 50.

6. J. Robin, Purchaser of The Management of Star Apparels
(Thereafter it known as Jai Crafts)
No. 159, Raja Street, Padi, Chennai
Partner - M/s. Santhosh Super Market
No. 337/1, 2nd Avenue,
Anna Nagar,
Chennai - 40.

7.The Assistant General Manager,

Tamilnadu Mercantile Bank Ltd,
No. 738 Mount Road,
Mount Road Branch,
Chennai - 600 002. .. Respondents

Detail	Description
Date of Presentation	20.10.2017
Taken on File	02.01.2018
Petition Heard On	25.06.2026
Order Delivered on	16.07.2026
Counsels for Petitioner	M/s.T.Fenn Walter Associates, R.Jaikumar & M.Selvalingam.
Respondents - R1, R2, R4 & R5	Ex parte.
Counsel for 3rd Respondent	M/s.N.Mariappan & C.Rajesh Muthu Revathy.
Counsel for 6th Respondent	M/s.S.Shyam Kumar & R.Sunitha
Counsel for 7th Respondent	M/s.A.Karthikeyan, R.Devi & I.Balamurugan.
Action Taken	The court perused material, heard arguments, and stood over the matter for consideration until the delivery date.

ORDER

1) The Petitioner has filed the present Claim Petition under Section 33-C(2) of the Industrial Disputes Act, 1947, seeking computation of a sum of Rs. 8,61,200/- payable to her, as per the annexure,

together with interest at 6% per annum from the date of accrual till the date of realization.

2) **Brief Facts of the Petitioner's Case:**

2.1. The Petitioner, D.Devaki was employed as a Tailor since 1993. She claims Rs. 8,61,200/-, together with 6% interest, towards backwages for the period 01.11.2000 to 31.08.2017, consequent upon her retrenchment on 01.12.2000 without notice or compensation. She had earlier obtained an award in the year 2005 from the Labour Court in I.D. No. 882 of 2001, directing her reinstatement with full backwages. As this award remained unimplemented by the management (Respondents 1 to 5), she initiated execution proceedings in E.P. No. 71 of 2013. These proceedings were subsequently withdrawn, with liberty to file afresh, after it emerged that the employer's property had been sold to the 6th Respondent by the 7th Respondent Bank. The Petitioner contends that she has remained unemployed since her retrenchment, and that all Respondents (1 to 7) are jointly and severally liable for her unpaid dues, the sale of the property having taken place without discharging her legal claims. She accordingly prays that this Court compute and direct payment of her outstanding monetary benefits.

ANNEXURE

NAME: D.DEVAKI **I.D.NO.** 882 OF 2001

YEAR	**SALARY**	**BONUS**	**TOTAL**
2001	3000 x 12 = 36,000/-	3000	39,000/-
2002	3000 x 12 = 36,000/-	3000	39,000/-
2003	3300 x 12 = 39,600/-	3300	42,900/-
2004	3300 x 12 = 39,600/-	3300	42,900/-
2005	3500 x 12 = 42,000/-	3500	45,500/-
2006	3500 x 12 = 42,000/-	3500	45,500/-
2007	3700 x 12 = 44,400/-	3700	48,100/-
2008	3700 x 12 = 44,400/-	3700	48,100/-
2009	4000 x 12 = 48,000/-	4000	52,000/-
2010	4000 x 12 = 48,000/-	4000	52,000/-
2011	4200 x 12 = 50,400/-	4200	54,600/-
2012	4200 x 12 = 50,400/-	4200	54,600/-
2013	4500 x 12 = 54,000/-	4500	58,500/-
2014	4500 x 12 = 54,000/-	4500	58,500/-
2015	5000 x 12 = 60,000/-	5000	65,000/-
2016	5000 X 12 = 60,000/-	5000	65,000/-
2017	5000 X 9 = 45,000/-	5000	50,000/-
		Total amount: Rs.	8,61,200/-

3. <u>Counter Statement filed by the 3rd Respondent — in brief:</u>

3.1. The 3rd Respondent denies the claims made in the petition and submits that the partnership firm, M/s. Star Apparels, stands dissolved, its assets and liabilities having been acquired by the 6th Respondent, thereby absolving the former partners (Respondents 2 to 5) of liability. It is contended that the *ex parte* award dated 06.01.2005 in I.D. No. 882 of 2001 is unenforceable against Respondents 2 to 5, as they were neither impleaded nor represented in the original proceedings. The 3rd Respondent further disputes the maintainability of the present Claim Petition (C.P. No. 14 of 2018) on the ground that the Petitioner failed to have the award gazetted and, in any event, approached this Court after inordinate delay, rendering the claim stale and barred by limitation. Denying any liability arising from the alleged retrenchment and disputing the Petitioner's status as a secured creditor, the 3rd Respondent seeks dismissal of the petition as devoid of legal and factual merit.

4. <u>Counter Statement filed by the 6th Respondent — in brief:</u>

4.1. The 6th Respondent denies all averments in the Claim Petition except those specifically admitted, and contends that the Petitioner is not entitled to the reliefs sought, the petition being unsustainable both in law and on facts.

4.2. It is submitted that the 1st Respondent had approached the 7th Respondent, M/s. Tamilnadu Mercantile Bank Ltd., Mount Road Branch, for financial assistance, which was sanctioned and availed of in 1996. To secure this credit facility, the 1st Respondent executed a mortgage in favour of the Bank over the house-ground premises bearing Old Door No. 16, New No. 159, Raja Street, Padi Village, comprised in Grama Natham S. No. 303/1, measuring 16,169 sq. ft., situated in Old Saidapet Taluk, Chengelput District (now Ambattur Taluk, Thiruvallur District), within the Registration District of Villivakkam, along with certain other connected properties. The 1st Respondent, originally trading as M/s. Star Apparels was subsequently renamed M/s. Metro Step. Upon the 1st Respondent's persistent default in servicing the loan, the 7th Respondent initiated recovery proceedings in O.A. No. 461 of 1999 before the Debt Recovery Tribunal-I, Chennai, which allowed the application, confirming the mortgage in favour of the 7th Respondent and culminating in the issuance of Debt Recovery Certificate No. 74 of 2010 by the Recovery Officer, DRT-I, Chennai.

4.3. The 7th Respondent simultaneously initiated enforcement under the SARFAESI Act, 2002, pursuant to which the property was auctioned on 27.02.2013. The 6th Respondent, having participated and emerged as the successful bidder for Rs. 4,20,10,000/-, was issued a Sale Certificate on 28.03.2013. On approaching the Registrar for registration, the 6th

Respondent was informed that registration could not be effected owing to a subsisting attachment order passed by DRT-I, Chennai, in proceedings initiated by Punjab National Bank. An application filed for lifting this attachment was subsequently allowed.

4.4. Upon the attachment being lifted, the 6th Respondent again approached the Registrar, who declined registration on the ground that the validity of the original Sale Certificate had lapsed, necessitating a fresh certificate. Accordingly, a fresh Sale Certificate dated 13.11.2013 was issued by the 7th Respondent. Thereafter, the 6th Respondent discovered a notice of attachment dated 27.01.2014 affixed to the property, issued in connection with E.P. No. 71 of 2013 in I.D. No. 882 of 2001 — proceedings instituted by former employees of M/s. Metro Step (formerly M/s. Star Apparels) challenging their retrenchment, which had culminated in an award dated 06.01.2005. Upon the 1st Respondent's failure to satisfy this award, the Petitioner had initiated the said execution proceedings. On learning of the attachment, the 6th Respondent moved applications for impleadment and for raising the attachment, registered as E.A. Nos. 13 to 26 of 2015 in E.P. Nos. 66 to 82 of 2013. It is alleged that, even after these applications were allowed, the Petitioner delayed carrying out the consequential amendments with the intent of protracting the litigation.

4.5. The 6th Respondent submits that both the original Sale Certificate dated 28.03.2013 and the fresh Sale Certificate dated 13.11.2013 were issued well before the attachment order of this Court, demonstrating that the 6th Respondent could not have had knowledge of the pending proceedings or the impending attachment at the time of purchase. The property was alienated pursuant to the 7th Respondent's lawful exercise of powers under Section 13(4) of the SARFAESI Act, as sanctioned by the DRT, and the 6th Respondent, as a bona fide purchaser for value, asserts an absolute right, title, and interest that cannot be defeated by third-party claims.

4.6. It is submitted that Respondents 1 to 5 had mortgaged several other assets — including residential sites, vacant plots, structures, corporate inventory, machinery, and equipment — in favour of the 7th Respondent, and that the Petitioner may proceed against these alternate assets for satisfaction of her claim. Given that the underlying industrial dispute was decided as early as 2005, the Petitioner could have executed the award without delay; the belated initiation of the present proceedings, it is contended, suggests a collusive arrangement between the Petitioner and Respondents 1 to 5, timed to coincide with the sale of the asset so as to prejudice an innocent purchaser — a suspicion reinforced by Respondents 1 to 5 choosing to remain ex-parte.

4.7. It is further submitted that, as the 1st Respondent is a partnership firm and not a private limited company, its employees are not statutorily barred from proceeding against the personal assets of its partners (Respondents 2 to 5), and the Petitioner could accordingly have recovered her dues from them directly. The 6th Respondent states that it acquired the property for Rs. 4,20,10,000/-, drawn from partnership earnings and commercial borrowings, and that the protracted litigation has disrupted its business operations. It is contended that the dispute is essentially between the Petitioner and Respondents 1 to 5 and has no bearing on the 6th Respondent's ownership rights, and further that the attachment order was obtained by suppressing material facts regarding the SARFAESI proceedings and the completed sale.

4.8. It is submitted that, following the 1st Respondent's non-compliance with the award, the Petitioner filed E.P. No. 71 of 2013, which was later withdrawn on the ground that the appropriate remedy lay by way of a claim petition, rendering the attachment obtained therein non est in law.

4.9. Since the attachment order was passed only on 27.01.2014 — after the issuance of both the original Sale Certificate (28.03.2013) and the fresh Sale Certificate (13.11.2013) — the 6th Respondent submits that no encumbrance existed on the property at the time of purchase, and that it had no knowledge of any pending litigation. There being no privity or legal obligation binding it to satisfy the Petitioner's claim, which properly lies against Respondents 1 to 5, the 6th Respondent prays for dismissal of the petition as against it, with exemplary costs.

5. <u>Counter Statement filed by the 7th Respondent — in brief:</u>

5.1. The 7th Respondent denies all averments in the Claim Petition save those expressly admitted, and submits that the Petitioner has approached this Court with unclean hands and with the intent of securing unlawful enrichment. It is contended that the petition is an abuse of process, devoid of merit and material particulars, and liable to be dismissed in limine.

5.2. The 7th Respondent, not being a party to the industrial dispute proceedings, and no award having been passed against it, submits that no liability of the employer can be extended to it in the absence of any accrued right in the Petitioner's favour. The issuance of the original Sale Certificate on 28.03.2013 and the fresh Sale Certificate on 13.11.2013 — both preceding the attachment order of 27.01.2014 — establishes that no attachment subsisted on the property at the time of sale. The Petitioner, it is submitted, can claim no right over the property or against the 6th and 7th Respondents under the Execution Petition, which was itself not maintainable and was withdrawn by the Petitioner on technical grounds after the property had already been sold. The 7th Respondent denies any knowledge of pending litigation concerning the property and denies any legal obligation to satisfy the Petitioner's claim, the sale having been conducted strictly in accordance with the SARFAESI Act, 2002. It is alleged that the petition has been filed maliciously and in collusion with Respondents 1 to 5, and that the Petitioner's claim of having approached the 7th Respondent regarding implementation of the award is false. It is denied that any privity or enforceable liability binds the 7th Respondent, which is neither the employer nor a party to the award.

5.3. The 7th Respondent further submits that the Petitioner's explanation for the delay in filing the Execution Petition — namely, lack of knowledge of the addresses of Respondents 2 to 7 — is false, and evidences collusion between the Petitioner and Respondents 1 to 5. It is contended that the petition discloses no cause of action against the 7th Respondent and is barred by limitation. The 7th Respondent reserves the right to file an additional counter statement upon verification of the case records, and prays for dismissal of the petition as against it, with exemplary costs.

6. <u>Discussion:</u>

On behalf of the Petitioner, the Petitioner was examined as PW1, and Exhibits P1 & Ex.P.2 were marked.

On behalf of the Respondents, Mr. Robin, the auction purchaser and 6th Respondent, was examined as RW1. No documents were marked on his behalf.

7. Upon perusal of the record and the submissions of both parties, the following **Points arise for determination:**

<u>Points for determination:-</u>

1. Whether the Petitioner is entitled to computation of wage arrears as prayed for.
2. To what other reliefs the parties are entitled.

8. <u>Answer to the Points:</u>

8.1. In the present case, the Petitioner has invoked the jurisdiction of this Court under Section 33-C(2) of the Industrial Disputes Act, 1947, for computation of monetary benefits by way of backwage arrears. The record shows that the 1st Respondent management was engaged in garment manufacturing, and that the Petitioner joined M/s. Star Apparels as a Tailor in

1993. Respondents 2 to 5 were partners of the firm; the 6th Respondent later became the auction purchaser of its assets, and the 7th Respondent was its creditor bank. In 1996, Respondents 2 to 5 had mortgaged the factory land and premises at No. 159, Raja Street, Padi, Chennai, to secure a loan from the 7th Respondent. A fire at the factory in 1998 destroyed structural assets and records, crippling operations and rendering the partnership unable to service its bank liabilities. Consequently, the 7th Respondent initiated O.A. No. 461 of 1999 before DRT-I, Chennai, for recovery through mortgage enforcement. During this period, on 10.07.2000, the Socialist Workers' Union submitted a charter of demands seeking wage revision and related benefits. The Petitioner and other workmen in these batch proceedings admit to having worked until 18.10.2000, and the management conceded to permanent closure of operations with effect from 19.10.2000. Although a notice was reportedly affixed at the factory gate promising settlement of statutory dues, the Petitioner and other employees contend that they were retrenched with effect from 01.12.2000, giving rise to the present dispute. The aggrieved workmen thereafter approached the Labour Court, Chennai, under Section 2-A(2) of the Industrial Disputes Act, 1947, in batch proceedings registered as I.D. Nos. 872 to 897 of 2001, culminating in an *ex parte* award dated 06.01.2005 directing reinstatement with continuity of service, full backwages, and consequential benefits — an award that has admittedly remained unchallenged by the management.

8.2. During the pendency of these proceedings, DRT, Chennai, issued Debt Recovery Certificate No. 74 of 2010 in favour of the 7th Respondent, authorising liquidation of the mortgaged assets. The Petitioner simultaneously sought to enforce the award through E.P. No. 71 of 2013, seeking attachment of the factory premises. Acting under Section 13(4) of the SARFAESI Act, 2002, the 7th Respondent conducted an e-auction of the property at No. 159, Raja Street, Padi, Chennai, in which the 6th Respondent was the successful bidder at Rs. 4,20,10,000/-. Although a Sale Certificate was issued on 28.03.2013, registration was initially declined owing to a prior attachment secured by Punjab National Bank; once this impediment was cleared by the DRT, a fresh Sale Certificate was issued on 13.11.2013. In the interim, this Court had directed attachment of the property on 27.01.2014 to secure the workmen's dues, prompting the 6th Respondent to file E.A. Nos. 13 to 26 of 2015 seeking to raise the attachment. Owing to procedural constraints, the Petitioner and other claimants withdrew their execution petitions, with liberty to file fresh claim petitions, rendering the earlier attachment non est.

8.3. It is against this background that the Petitioner preferred the present Claim Petition, C.P. No. 14 of 2018, seeking computation of monetary benefits totalling Rs. 8,61,200/-, comprising wage arrears, annual increments, and statutory bonus, together with interest at 6% per annum calculated up to the year 2017. During the pendency of the inquiry, the

Petitioner moved interlocutory applications in I.A. Nos. 1 and 2 of 2019, praying for production of bank records and for summoning of concerned officials to give testimony; these applications were dismissed by this Court on 29.08.2019. Aggrieved by the said dismissal, the Petitioner filed a Writ Petition, W.P. No. 29976 of 2019, before the Hon'ble High Court of Madras in C.P. No. 7 of 2018. The said Writ Petition was disposed of on 13.02.2026, wherein the Hon'ble High Court held that the 6th and 7th Respondents stand absolved of liability, the subject property having been alienated to secured creditors in accordance with the SARFAESI Act. The Hon'ble High Court, however, concurrently affirmed that the petition remains maintainable against Respondents 1 to 5, holding the partnership firm and its constituent partners jointly and severally liable for satisfaction of the award.

8.4. It is well settled that the jurisdiction exercised by this Court under Section 33-C(2) of the Industrial Disputes Act, 1947, is executionary in character. The Labour Court is empowered to compute monetary benefits only where a pre-existing right flows from a valid settlement, contract, or prior adjudication; no fresh right can be adjudicated in these computational proceedings. In the present case, the Petitioner's claim is founded on the award in I.D. No. 882 of 2001 dated 06.01.2005, marked as **Ex.P.2.** While the management contends that an *ex parte* award does not amount to a contested determination on merits, such an award nonetheless remains final and binding on the management unless set aside by a competent forum. This Court accordingly holds that the Petitioner possesses a subsisting pre-existing right to maintain the present claim.

8.5. The liability of the secured creditor and the auction purchaser stands categorically excluded by the Hon'ble High Court of Madras. The 6th Respondent (auction purchaser) and the 7th Respondent (banker) produced Sale Certificates establishing that the property was sold by e-auction under the SARFAESI Act for recovery of outstanding dues. The Hon'ble High Court accordingly held, by order dated 13.02.2026 in W.P. No. 29976 of 2019 (filed by a petitioner in C.P. No. 7 of 2018), that a computation petition is not maintainable against the 6th and 7th Respondents. Although the present Petitioner was not a party to those proceedings, the principle laid down by the Hon'ble High Court squarely applies to the facts of this case.

8.6. The 1st Respondent is a partnership firm and not a private limited company, and therefore possesses no legal personality distinct from its partners, as contemplated under Section 25 of the Indian Partnership Act, 1932. Every partner is jointly and severally liable for the acts of the firm during the subsistence of the partnership. The contention of Respondents 2 to 5 that they are immune from execution against their non-business assets is accordingly not legally sustainable. Under partnership law, a decree against the firm may be executed against the firm's properties or against the individual properties of partners who have been personally arrayed and served. As the assets of the 1st Respondent stand exhausted by the SARFAESI auction conducted by the 7th Respondent, and having regard to the order of the Hon'ble High Court of Madras in W.P. No. 29976 of 2019 (in C.P. No. 7 of 2018), the individual partners remain personally liable to satisfy the award. The Hon'ble Supreme Court, in ***Sahu Rajeswarnath v. Income Tax Officer, AIR 1969 SC 667,*** held that the liability of partners is joint and several, and that it is for the creditor to elect whether to proceed against the partnership property or against the individual property of the partners. This Court accordingly holds that Respondents 1 to 5 are jointly and severally liable for the claim of the workmen.

8.7. The Petitioner seeks computation of Rs. 8,61,200/-, calculated on a monthly wage of Rs. 3,000/-, inclusive of statutory bonus and 6% interest. The management, in response, contends that a claim for full backwages extending to 2017 is legally unsustainable. While an employee remains entitled to terminal benefits — including gratuity, provident fund, and pension — together with any substantiated backwage arrears, the present claim must be examined within the framework of Section 25-FFF of the Industrial Disputes Act, 1947, which provides that, where an undertaking closes on account of unavoidable circumstances beyond the employer's control, closure compensation under Section 25-F(b) is capped at three months' average pay.

The Petitioner has admitted that a fire in 1998 destroyed the factory's records and inventory, precipitating insolvency, and conceded in cross-examination that she last worked on 18.10.2000, the management having permanently closed operations with effect from 19.10.2000 by formal notice. The assertion of retrenchment in December 2000 is accordingly not borne out on the facts; the cessation of employment resulted directly from the permanent closure of the firm. In these circumstances, the claim for continuous wages from 2001 to 2009 cannot be sustained, as wages cannot accrue against a defunct entity. This Court therefore holds that the Petitioner's entitlement is confined to statutory closure compensation. On a monthly wage of Rs. 3,000/-, the Petitioner is entitled to three months' average pay, amounting to Rs. 9,000/-. As no specific arrears for the period preceding closure were pleaded or proved, Respondents 1 to 5 are directed to jointly and severally pay the said closure compensation of Rs. 9,000/- within one month from the date of this order, failing which the amount shall carry interest at 9% per annum from the date of default until realization. A further sum of Rs. 3,000/- is awarded towards litigation costs, payable by Respondents 1 to 5 to the Petitioner.

9. In the result, the Claim Petition is partly allowed, with the following directions:

a) **Liability:** Respondents 1 to 5 (the management of M/s. Star Apparels and its individual partners) are held jointly and severally liable to pay the computed amount to the Petitioner.

b) **Closure Compensation:** The Petitioner is entitled to statutory closure compensation of Rs. 9,000/- (Rupees Nine Thousand only) under Section 25-FFF of the Industrial Disputes Act, 1947.

c) **Time for Settlement and Default Interest:** Respondents 1 to 5 are granted one month from the date of this order to settle the closure compensation of Rs. 9,000/-, failing which they shall pay interest at 9% per annum on the said amount from the date of default until actual realization.

d) **Litigation Costs:** Respondents 1 to 5 shall pay Rs. 3,000/- (Rupees Three Thousand only) to the Petitioner towards litigation costs.

e) **Dismissal of Other Claims:** All other monetary claims computed by the Petitioner — including continuous post-closure wage increments up to the year of superannuation, annual bonuses, unproved pre-closure arrears, and the pre-litigation 6% interest component — are denied and dismissed.

f) Exoneration of Third Parties: The Claim Petition stands dismissed in its entirety, with no liability attaching to the 6th Respondent (auction purchaser, J. Robin) or the 7th Respondent (Tamil Nadu Mercantile Bank Ltd.), by virtue of the primacy accorded to the secured creditor under the SARFAESI Act, 2002.

*Dictated to the steno-typist, transcribed and computerized, then corrected and pronounced by me in open court on this THURSDAY, the **16TH day of JULY, 2026.***

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ARUNACHALAM KUTTALINGAM
Date: 2026.07.16 22:48:29 +05'30'

Presiding Officer,
I Additional Labour Court,
Chennai.

APPENDIX

Witnesses Examined on behalf of the Petitioner:-

PW1 – D.Devaki

Witnesses Examined on behalf of the Respondent:-

RW1 – Robin

Exhibits marked for the Petitioner:

Ex.No.	**Date**	**Description of Documents**	
Ex.P1	22.03.2001	Conciliation Failure Report	Copy
Ex.P2	06.01.2005	Award Copy	Copy

<u>Exhibits marked for the Respondent:-</u>

-Nil-

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ARUNACHALAM KUTTALINGAM
Date: 2026.07.16 22:48:49 +05'30'

Presiding Officer,
I Additional Labour Court,
Chennai.

<u>NOTE:-</u>

By virtue of the Industrial Relations Code (removal of difficulties) Order 2025 and in exercise of the powers conferred by Sec.103 of the said code, this court is empowered to adjudicate the existing as well as new cases until the constitution of Labour Tribunals.

Uploaded on 16.07.2026.