

IDANDAS

v.

ANANT RAMCHANDRA PHADKE DEAD BY L. RS.

November 20, 1981

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[S. MURTAZA FAZAL ALI AND R. B. MISRA, JJ.]

Transfer of Property Act—Section 106—“manufacturing purpose” tests for deciding—Wheat changed into flour by application of labour and machinery—Whether “manufacturing purpose”.

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A piece of open land belonging to the plaintiff (respondent) was given on lease to the defendant (appellant). The appellant installed a flour mill on that land. He did not use it for any purpose other than running the flour mill.

In his suit for eviction of the tenant from the land, the plaintiff claimed that the tenancy was from month to month and that a month's notice given by him to terminate the tenancy was sufficient.

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The trial court, on the basis of receipts produced by the plaintiff, held that rent was paid on an yearly basis.

Upholding the view of the District Judge that the lease was not for a “manufacturing purpose”, the High Court held that the tenancy was rightly terminated by giving a valid notice.

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On further appeal to this Court it was contended on behalf of the tenant that the lease was for a “manufacturing purpose”, and that under section 106 of the Transfer of Property Act it could be terminated only by giving six months' notice.

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Allowing the appeal,

HELD: The lease was from year to year and was for a “manufacturing purpose”, and, therefore, a month's notice was not legal. The suit for ejectment should have failed on this ground. [1201 H]

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When the country is making rapid strides in various spheres of industrial activity the term “manufacturing purpose” must be given the most liberal interpretation so as to subserve the object of the statute. So interpreted the tests for deciding whether a lease was for a “manufacturing purpose” are (i) that a certain commodity is produced; (ii) that the process of production would involve either labour or machinery and (iii) that the end product coming into existence after the manufacturing process is complete, should have a different name and should be put to a different use. [1200 B 1201 D-E]

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A In the instant case all the three tests have been satisfied because wheat was transformed into flour by the use of labour and machinery making it fit for human consumption and, therefore, the lease was for a manufacturing purpose". [1201 F]

Allenburry Engineers Private Ltd. v. Ramakrishna Dalmia and Ors. [1973] 2 S.C.R. 257 followed.

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Joyanti Hosiery Mills v. Upendra Chandra Das, A.I.R. 1946 Calcutta 317 and *John Augustine Peter Mirande and Anr. v. N. Datha Naik*, A.I.R. 1971 Mysore 365 approved.

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CIVIL APPELLATE JURISDICTION : Civil Appeal No. 2383 of 1977.

Appeal by special leave from the judgment and order dated 18th November, 1976 of the Bombay High Court in Civil Appln. No. 1741 of 1976.

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Gobind Ram Bhatia, R. C. Bhatia and P. C. Kapoor for the Appellant.

Nemo for the Respondent.

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The Judgment of the Court was delivered by

FAZAL ALI, J. This appeal by special leave is directed against the judgment of the High Court of Bombay dated December 24, 1975.

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The short point of law involved in this case is whether the lease in question granted by the landlord to the appellant-tenant was a lease for manufacturing purposes. In case the lease was for a purpose of manufacture then it is manifest that under section 106 of the Transfer of Property Act the lease could be terminated only by giving six months notice.

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The suit was contested by the defendant-tenant. The plaintiff's case was that the tenancy was from month to month and, therefore, a month's notice to terminate the tenancy was sufficient and the provision under section 106 of the Transfer of Property Act was not attracted. The plaintiff also denied that the lease was for a manufacturing purpose. The High Court upheld the judgment of the District Judge holding that the lease was not for a manufacturing

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purpose and held that the tenancy was rightly terminated as the notice was valid.

Mr. Gobind Ram Bhatia, learned counsel for the appellant-tenant, has submitted a short point of law before us. He submits that having regard to the process of manufacturing carried on by the defendant, there can be no doubt that the lease was for a manufacturing purpose and could be terminated only by six months notice under Section 105 of the Transfer of Property Act. Notice was issued to the respondents. That notice was duly served on them. There is a certificate given by the High Court of Bombay itself that the notice on the respondents was served. Nobody has appeared for the respondents to contest this appeal.

In the present case, the admitted facts are as under :

1. That to begin with the lease was given to the defendant in respect of an open piece of land;
2. That on the open piece of land the appellant installed a flour mill and that the defendant was not using the land for any other purpose except running a flour mill.
3. That the receipts filed by the tenant clearly show that the lease was doubtless a yearly one.

Reliance was placed by the District Judge on the counter-foils where the plaintiff-landlord tried to make out a case of monthly tenancy but the entry in the counter-foil being an admission in his own favour was not admissible against the appellant. On the other hand, the trial court has pointed out at page of its judgment that the receipts produced by the tenant clearly show that the rent used to be paid from year to year. Exhibits 24 to 26 pertained to the rent paid on an yearly basis right from 1959 to May 31, 1961. On point of fact, therefore, we are satisfied that in the instant case the lease was from year to year and, therefore, a month's notice was not legal if the lease was for a manufacturing purpose.

The second point which arises for decision is as to the purpose of the lease. This point is no longer *res integra* and is concluded by a clear authority of this Court in *Allenbury Engineers Private Ltd. v. Ramakrishna Dalmia and Ors.*⁽¹⁾ where this Court has laid

(1) [1973] 2 SCR 257.

A down that the expression “manufacturing [purposes]” in Section 106
of the Transfer of Property Act must be used in its popular and
dictionary meaning as the statute has not defined the word “manu-
facturing purposes”. We might state that in the present set up of
B our socialistic pattern of society when our country has made strong
strides in various spheres of industrial activities an industrial venture
must be given the most liberal interpretation so as to subserve the
object of the statute. Of course the burden of proof whether the
purpose of the lease was a manufacturing purpose would be on the
defendant but we are satisfied that the defendant in this case has
amply discharged its onus. In the aforesaid case this Court observed
as follows :

C “The word ‘manufacture’, according to its dictionary
meaning, is the making of articles or material (now on
large scale) by physical labour or mechanical power.
(Shorter Oxford English Dictionary, Vol. I 1203). According
D to the Permanent Edition of Words and Phrases Vol. 26,
‘manufacture’ implies a change but every change is not
manufacture and yet every change in an article is the result
of treatment, labour and manipulation. But something
more is necessary and there must be transformation; a new
and different article must emerge having a distinctive name,
E character or use.”

In coming to this conclusion this Court relied on two of its
earlier decisions in *South Bihar Sugar Mills v. Union of India*⁽¹⁾
and *Union of India v. Delhi Cloth and General Mills*⁽²⁾. Even before
the decision of this Court, B. K. Mukherjea, J. (as he then was)
F who was later elevated to the Bench of this Court and retired as
Chief Justice of India observed in *Joyanti Hosiery Mills v. Upendra
Chandra Das*⁽³⁾ as follows :

G “To manufacture, according to its Dictionary meaning
means “to work up materials into forms suitable for use”. The
word “material” does not necessarily mean the original raw
material for a finished article may have to go through several
manufacturing processes before it is fit and made ready for
the market. What is itself a manufactured commodity may

H (1) [1968] 3 S.C.R. 21.

(2) [1963] Supp. 1 S.C.R. 586.

(3) AIR 1946 Cal. 317.

constitute a "material" for working it up into a different product. "Thus, for example for the tanner, the material would be the raw hide, but the leather itself a manufactured article would constitute the material for the shoemaker's business, and we cannot say that the shoe-makers are not manufacturers because they do not work on raw hides."

In the case of *John Augustine Peter Mirande and anr. v. N. Datha Naik*⁽¹⁾ the Mysore High Court following the Calcutta decision held that the lease in that case, which was a case of saw mill, was for manufacturing purposes. We might observe that so far as the present case, where the mill is a flour mill, stands higher than the facts of the case in Mysore case (*supra*).

Coming now to the tests laid down by this Court the position may be summarised as follows :

1. That it must be proved that a certain commodity was produced;
2. That the process of production must involve either labour or machinery;
3. That the end product which comes into existence after the manufacturing process is complete, should have a different name and should be put to a different use. In other words, the commodity should be so transformed so as to lose its original character.

In the instant case what happened was that wheat was transformed, by the manufacturing process which involved both labour and machinery, into flour. The commodity before manufacture was wheat which could not be consumed by any human being but would be used only for cattles or medicine or other similar purposes. The end product would be flour which was fit for human consumption and is used by all persons and its complexion has been completely changed. The name of the commodity after the product came into existence is *Atta* and not *Gahun* (wheat). Thus in the instant case all the three tests have been fully satisfied. This being the position the irresistible inference and the inescapable conclusion would be that the present lease was one for manufacturing purposes. In this view of the matter, the notice of one month must be held to be invalid and suit for ejectment should have failed on that ground.

(1) AIR 1971 Mysore 365.

A We, therefore, allow this appeal, set aside the judgment of the High Court and dismiss the plaintiff's suit. Before concluding we would like to add that with due respect, that the judgment of the High Court is not very satisfactory as it has not made any real attempt to apply its mind to the substantial question of law that was involved in the case and seems to have rushed to its conclusions even without considering the authorities on the subject particularly

B the one referred to in the judgment as also the authoritative decision of this Court referred to above which was pronounced five years before the judgment of the High Court was given. From such a prestigious High Court as Bombay we do expect a more careful and cautious approach in a matter like this. As the respondents have not appeared before us, we make no order as to costs in this Court.

C The appellant will certainly be entitled to costs in the Courts below.

P.B.R.

Appeal allowed.