

MANGALA WAMAN KARANDIKAR (D) TR. LRS. v.
PRAKASH DAMODAR RANADE

COURT: Supreme Court of India

CITATION: Civil Appeal No. 10827 of 2010

DECIDED ON: 07.05.2021

BENCH: N.V. Ramana CJI, Surya Kant J., Aniruddha Bose J.

LAW APPLIED: [The Bombay Rents, Hotel and Lodging House Rates Control Act, 1947](#)
([Bombay Act No. 57 of 1947](#))

FACTS OF THE CASE:

The deceased appellant was the wife of the owner of a business stationery shop in Sadashiv Peth, Pune, namely, “Karandikar Brothers”. On demise of the husband in 1962, owing to inability of the appellant to run the business, an agreement imposing the duty upon the respondent herein, to pay Rs. 90 for conducting the business of the shop, was signed between her and the respondent on 7th February, 1963 and was duly extended till 1980, when the appellant asked the respondent to vacate the premises of the shop only to receive a response maintaining that the contract was a rent agreement rather than an incidental business. The appellant filed a petition before the Trial Court seeking remedy which was granted with the court declaring that the owner of the shop had contemplated no creation of ‘leave and license’ and the word “royalty” highlighted the devolution of business rather than a license to rent the premises, which even the defendant failed to prove, exists. The matter went to the Court of Additional District Judge, Pune in favour of the appellant, driving the respondent to the Hon’ble High Court of Bombay. The court overturning the earlier judgement upheld the contention that the premises were transferred to the appellant on a leave and license basis, covered under [Section 15A of the Bombay Rent Act](#), which conferred the status of tenant to all

licensees prior to the first day of February 1973. The aggrieved appellants filed an appeal before the Hon'ble Supreme Court as herein discussed.

ISSUES RAISED:

[Section 15A of "The Bombay Rents, Hotel and Lodging House Rates Control Act, 1947 \(Bombay Act No. 57 of 1947\)"](#), states:

15A (1) *"Notwithstanding anything contained elsewhere in this Act or anything contrary in any other law for the time being in force, or in any contract where any person is on the 1st day of February 1973 in occupation of any premises, or any part thereof which is not less than a room, as a licensee he shall on that date be deemed to have become, for the purpose of this Act, the tenant of the landlord, in respect of the premises or part thereof, in his occupation."*

The defendant alleged that the agreement intended a "leave and license" situation for him rather than sole intention of devolving business to him. A license, conferred upon such licensee is defined under [Section 52 of The Indian Easements Act, 1882](#):

"Where one person grants to another, or to a definite number of other persons, a right to do, or continue to do, in or upon the immovable property of the grantor, something which would, in the absence of such right, be unlawful, and such right does not amount to an easement or an interest in the property, the right is called a license."

The question of law, as recognised by the SC, was appropriately recognised by the High Court:

"whether the agreement of 7th February, 1963 was a license to conduct a business in the premises or was a license to run the existing business which was being run by the respondents in the suit premises. Does the document create an interest in the premises or in the business?"

[Sections 95 and 92 in The Indian Evidence Act, 1872](#) were also considered by the HC:

S. 95. *"Evidence as to document unmeaning in reference to existing facts.—when language used in a document is plain in itself, but is unmeaning in reference to existing facts, evidence may be given to show that it was used in a peculiar sense."*

Illustration: A sells to B, by deed, "my house in Calcutta". A had no house in Calcutta, but it appears that he had a house at Howrah, of which B had been in possession since the execution of the deed. These facts may be proved to show that the deed related to the house of Howrah."

Section 92: “When the terms of any such contract, grant or other disposition of property, or any matter required by law to be reduced to the form of a document, have been proved according to the last section, no evidence of any oral agreement or statement shall be admitted, as between the parties to any such instrument or their representatives in interest, for the purpose of contradicting, varying, adding to, or subtracting from, its terms.”

Proviso (6). — “Any fact may be proved which shows in what manner the language of a document is related to existing facts.”

Relying on these two sections, the Bombay HC had rendered the civil suit unmaintainable. The HC had interpreted the evidence thence provided to aid it in coming at the conclusion that the agreement actually meant to confer even the license of the premises of the suit in question upon the respondent. The coverage of licensees before the prescribed period in the Bombay Rent Act had also directed the court to sustain the position that the respondent was the tenant, protected under the same act, in consideration of the evidence presented by the defending party.

VERDICT OF THE SUPREME COURT

Setting aside the impugned order of the Bombay High Court and restoring the decree of the trial court, the Hon’ble SC allowed the appeal in light of several reasons and interpretations, explained in this section.

Foremost, the court laid down enough literature to hold “what constitutes the interpretation of contracts” and firmly opined, that “reading-in” the contract is of great significance while interpreting contracts. Unlike statutory interpretation, that involves complex and individualistic beliefs of legislators in the process of enactment, the “will of the parties” is supreme in a contract, in the sense that they come into it. It becomes the ordeal of court, to analyse and interpreting them with “a meaning reasonable in the line of trade as understood by parties.”¹ This denotes on the part of court, a clear “progress from a stiff formalism to a strict rationalism.”²

The court clearly stated, that the terms of the contract conspicuously portray no intention of conferring the rights of a licensee upon the respondent, but merely, a “transfer of business”.

¹ Investors Compensation Scheme v. West Bromwich Building Society, [1998] 1 WLR 896

² Wigmore JH, “Wigmore on Evidence, Vol. 4” (1915) 25 The Yale Law Journal 163

Drawing sustenance from the sections of evidence act abovementioned, “extrinsic aids and evidence” were also pleaded to be taken into consideration by the respondent, while a plain reading of the contract was operated. But the court carefully rejected admission of such evidence because it was clearly manifest, that it is only in cases of contractual ambiguity, “where the terms of the document leave the question in doubt”, only then, it is sound to consider such evidentiary provisos. In a contract like the one discussed here, straightforward meaning is perceptible, with no room of doubt on how to construe the same. Applying S. 92 in such a question would render its whole purpose indolent, widening the ambit of Proviso 6 of this section.

It is inherently straight, therefore, that the contract intended continuation of business in name of “Karandikar Brothers” while the respondent paid monthly royalties. Adopting the flawed stand of the HC would also lead to overstepping into contractual creations, unambiguously mandated herein. The argument of licensee being covered under the Bombay Rent Act, itself fell apart as a result, because when “the court determined that the impugned agreement was a license for continuing existing business, Bombay Rent Act [ceased to] cover such arrangements.”³

ANALYSIS

The given case law is certainly premised upon the basic tenets of legal interpretation. The law of contracts has always stood for ensuring the primacy of parties involved. Part of the law of obligations, a contract, entered into by two parties with their free wills, certainly reflects “meeting of the minds”. This bedrock of an idea is wholly embraced by the judges in “reading down the contract” to get to know about the legal intention of the deceased husband, Mr. Karandikar.

The court has laid extraordinary emphasis upon the interpretation of the contract in light of observable meanings supported by terminologies. Adopting the stand taken by the Trial Court, the court rightly observed that the exclusion of the word “premises”, while devolving the function of only carrying out the business to the respondent represents a clear, coherent intent

³ Paragraph 18 of the judgement

with which the agreement came into existence.⁴ An explicit usage of the term “royalty”⁵ and exclusion of the word “rent”, further emboldened the arguments held by the appellants.⁶

The view taken by the court in dealing with admission of oral evidence highlights an important policy- of not broadening the ambit of Section 92, leading to its misuse while simultaneously laying a precedent in understanding the 6th proviso to the same section. The words of the agreement are indeed very precise and subtle, making them exclusive of the blanket of Section 95 that mandates admission of oral evidence only if the language of an agreement is employed in a “peculiar sense”.

A causation of Section 95 with Proviso 6 of Section 92 of the Indian Evidence Act, 1872, in as much as the former supplements the purpose of latter.⁷ Since the language is straightforward and unambiguous, the same doesn't permit any evidence to be produced additionally with the terms of the contract.

Doing so, the court believes, would defeat the very purpose of these sections- the inhibition of Section 92 and prima facie, the strict construction of Section 95 of the act. The court went long enough even to maintain, that widening the scope of these sections would run contrary to the carefully pondered legislative intent behind these two sections.⁸

CONCLUSION

The SC's strong yet unwavering decision in this civil matter is a testimony to reckon with, during trying times of the pandemic, when this judgement has been passed. Lest, the shackles of delay and constant postponement of civil matters owing to presence of bail orders, criminal appeals and issues of constitutional relevance hardly allow the court to glance at long pending property disputes.

Along with this realization of the judgement, it is also noteworthy, that the bench very carefully steered through the canons of law which might've tricked any judge if emphasis coupled with knowledge and experience on the subject of interpretation wasn't delicately dealt with by the honorable judges.

⁴ Paragraph 3, Judgement

⁵ Para B of the agreement, signed on 07.02.1963

⁶ Supra, note 3

⁷ Last sentence, Paragraph 14 of the judgement.

⁸ Paragraph 15 of the Judgement

The court has rightly laid down before this delightful piece of information, on how to interpret contractual terms, what constitutes correct strategy to draw out meanings while laying down an example of straightforward provisions, which the sections aim to exclude.

The court did not sway away by the appeal of the sections quoted from the Evidence Act. Instead, the fine line of difference, while getting into the skin of the intent behind these sections, made the judges travel to the route, where non-admissibility of such an evidence clearly brought obvious changes in the decision. This made the court very transparently and doubtlessly come at the conclusion, that the agreement only suggested a license to continue the existing 'business' and nothing beyond the same. The rent receipts, which the respondents had pleaded to be considered might have changed the picture altogether, but the way they did not fit in the right category of sections herein, the disposal of this case in this manner was a deft choice.

The court's determination to avoid floodgates which might have risked the intention of Ss. 92 and 95 is also lauded. Broad interpretation might have changed outcomes and a bad precedent, clearly against the wordings of the act might have been evolved in such a scenario- something that the court avoided.

REFERENCES

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