

Supreme Court of India

Jethabhai Khatau & Co vs Luxmi Narayan Cotton Mills Ltd. & ... on 10 April, 1981

Equivalent citations: 1981 AIR 1201, 1981 SCR (3) 449

Author: D Desai

Bench: Desai, D.A.

PETITIONER:
JETHABHAI KHATAU & CO.

Vs.

RESPONDENT:
LUXMI NARAYAN COTTON MILLS LTD. & ORS.

DATE OF JUDGMENT 10/04/1981

BENCH:
DESAI, D.A.
BENCH:
DESAI, D.A.
GUPTA, A.C.

CITATION:
1981 AIR 1201 1981 SCR (3) 449
1981 SCC (3) 61 1981 SCALE (1)800

ACT:
Constitution of India 1950, Art, 136-Interim orders by
the High Court-Interference by Supreme Court-When arises.

HEADNOTE:

The appellant filed a suit for recovery of certain amounts due from the first respondent company. By the time the suit came up for hearing the first respondent company was superseded and an Administrator was appointed. The suit was compromised and a consent decree was passed, the company being held liable and directed to make payment of Rs. 2.85 lakhs with interest at 6% from the date of the decree. The first respondent company received a sum of about Rs. 15 lakhs from the Custodian of Enemy Property as compensation in respect of certain Cotton mills owned by it. The third respondent was appointed a receiver in respect of this amount and he deposited a sum of Rs. 8 lakhs of the compensation amount into a fixed deposit account with a Bank. The decretal amount having become due and payable the appellant by an order dated April 12, 1978 obtained an interim attachment of the money in the fixed deposit account of the bank, which was confirmed by order dated April 24, 1978 on May 4, 1978 upon a petition by the appellant, the Court directed the receiver, 3rd respondent to pay the

decretal amount to the appellant out of the amount in the fixed deposit account of the judgment-debtor with the Bank. As this order was not implemented, the appellant again moved the Court and by its order dated the May 24, 1978 the Court directed the receiver to pay the amount to the decree holder and the Bank, the keeper of the fixed deposit account of the receiver was also put under an obligation not to raise any objection on the receiver withdrawing the money and paying the same to the decree holder. These directions not being obeyed, the appellant moved the Court for holding the third respondent receiver and the fourth respondent Bank in contempt and for passing appropriate orders for punishing them for contempt. Respondents 5 and 6 were in the meanwhile appointed as joint receivers. A solemn undertaking was given by the Bank to the Court that the decretal amount would be paid. In view of the undertaking the Court did not pass any orders on the contempt application. On March 7, 1980 the Court declined to grant the prayer for discharge of the receiver 3rd respondent and directed that the balance after payment of the decretal amount in the fixed deposit account will be held by the receiver. The Court however at the instance of the joint receivers-Respondents 5 and 6 stayed the order for a fortnight.

450

Three appeals were filed against the order dated March 7, 1980. Two appeals were preferred by the 1st respondent company and one appeal was preferred by 2nd respondent, State of West Bengal. In the appeals preferred by the 1st respondent company the High Court by its order dated March 27, 1980 granted ad interim stay in the matter, by directing that the Bank would not disburse any amount in respect of the fixed deposit account and by issuing an injunction restraining the appellant from obtaining any payment.

Allowing the appeals to this Court,

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HELD: The order made by the Division Bench on March 27, 1983 and continued on September 9, 1980 are set aside. The order dated May 4, 1978 and May 24, 1979 as also the undertaking given by the Manager of the 4th respondent Bank through its Counsel on June 7, 1979 would be revived and would be effective and will have to be implemented. The 4th Respondent Bank will pay the decretal amount to the appellant, the appellant shall pass a receipt acknowledging receipt and the liability of the 4th Respondent company to the 3rd Respondent receiver shall thereupon stand discharged. Before the amount is paid, the appellant shall give security to the satisfaction of the High Court and also an undertaking on affidavit that in the event of the appeals being allowed, the appellant shall deposit the said amount with the High Court within one month from the date of the order of the appellate Bench. [459 C-F]

2. This Court ordinarily does not interfere with interim orders unless and until manifest injustice

convulsively shakes it. [455 E]

In the instant case the interim order made by the Division Bench on September 9, 1980 confirming the ad interim order dated March 7, 1980 has to be interfered to a limited extent to avoid the impression that the Court's process can be lightly trifled with. [458 H]

3. Failure to comply with the Court's mandatory directions led the appellant to file a petition for contempt. The alleged contemnors impleaded were 1st respondent company and the 4th respondent Bank. At the hearing, counsel for the 4th respondent unreservedly agreed to comply with the order of the Court. It was because the Bank unreservedly and unconditionally agreed and undertook to pay up the amount that the motion for taking action in contempt was discharged by the Court. [457 E, H]

4. The order dated June 7, 1979 is not a fresh order on merits. It was merely an implementation of the order dated May 24, 1979 which appears to have become final and binding. [158 A]

5. The three appeals were preferred against the order dated March 7, 1980. That order had nothing to do with the order dated May 24, 1979 or the order dated June 7, 1979. At any rate, the order dated May 24, 1979 appears to have become final. [458 D]

JUDGMENT:

CIVIL APPELLATE JURISDICTION: Civil Appeal Nos. 1256- 1258 of 1981.

Appeals by Special Leave from the Judgment and Order dated 9.9.1980 of the Calcutta High Court in Appeal Nos. 94, 122 & 95 of 1980 respectively.

S.N. Kacker and H.R. Puri for the Appellant. Shankar Ghosh, B.P. Maheshwari and Miss Asha Jain for Respondent No. 1.

Dalip Sinha, G.S. Chatterjee and P.K. Chatterjee for Respondent No. 2.

The Judgment of the Court was delivered by DESAI, J. M/s Jethabhai Khatau & Co., a partnership firm, is the appellant in all the three appeals. The respondents in all the three appeals are: (1) Luxmi Narayan Cotton Mills Ltd., an incorporated Company ('company' for short), (2) State of West Bengal, (3) S.K. Dutta, who was for some time a receiver appointed by the High Court; (4) Grindlays Bank, ('Bank' for short), having a fixed deposit account in the name of Receiver. S.K. Dutta on behalf of Luxmi Narayan Cotton Mills Ltd., (5) A.K. Dutta, and (6) R.C. Deb, who claim to have been appointed as joint receivers after removal of Sh. S.K. Dutta.

Appellant filed suit No. 1194/66 against the company on the original side of the Calcutta High Court to recover a certain amount due under two separate heads. By the time the suit came up for hearing

the board of Directors of the 1st respondent company was superseded and one Gurudas Sharma was appointed as an Administrator. The Administrator on behalf of the 1st respondent company entered into a compromise with the appellant in respect of the claim in suit of the appellant and after obtaining leave of the Court to settle the matter, invited a consent decree by which the company was held liable and directed to pay Rs. 2,85,000 with interest thereon at 6% per annum from January 6, 1970, the date of the decree, till realisation. The 1st respondent company was given an option to pay the decretal amount by monthly instalments of Rs. 5,000, the first instalment becoming due and payable on March 15, 1970, and each subsequent instalment to be paid by 15th day of the next succeeding month. The default clause in the consent decree provided that if the company committed default in payment of any two instalments within the time stipulated in the decree, the whole of the decretal amount and the interest on the balance of the decretal amount will become due and payable at once. It appears that the 1st respondent company received Rs. 15,00,000 from the Custodian of Enemy Property in respect of its cotton Mills situated in Narayanganj, Bangladesh. The 3rd respondent S.K. Dutta appears to have been appointed a receiver in respect of this compensation amount and he appears to have deposited Rs. 8,40,000 out of the compensation amount in fixed deposit account evidenced by receipt No.1002-2539 with the Bank at its Netaji Subhash Road Branch, Calcutta. The appellant, by an order dated April 5, 1978, of the Calcutta High Court, obtained leave to execute the decree by attachment of funds lying in the hands of the 3rd respondent receiver S.K. Dutta (Annexure 'D'). By the date of the order Rs. 4,20,702.94 p. had become due and payable under the decree. Pursuant to this order an interim attachment was levied under order 21 Rule 52 C.P.C. On the amount covered by the aforementioned fixed deposit receipt, and accordingly the Master of the Court, Shri S.K. Ghosh informed the 3rd respondent receiver by the writ of the Court dated April 12, 1978, that the receiver shall hold the money under the fixed deposit account subject to such order as may be made respecting the same in the suit in which he had been appointed a receiver and subject to further orders of the Court (Annexure 'E'). The Master confirmed the interim attachment by his order dated April 24, 1978 (Annexure 'F'). On May 4, 1978 upon a petition by the appellant the Court directed the receiver 3rd respondent to pay the sum of Rs. 4,20,702.94 to the appellant decree-holder out of the amount in the fixed deposit account of the judgment-debtor with the Bank in fixed deposit receipt No. 1002-2539 standing in the name of the receiver which was attached in terms of order dated April 12, 1978, as confirmed by the order dated April 24, 1978. Presumably neither the 3rd respondent receiver nor the Bank effectively implemented the order dated May 4, 1978, whereupon the appellant moved the Court during the vacation on May 24, 1979, for an appropriate direction and a learned single Judge of the Calcutta High Court working as vacation judge gave the directions prayed for. As this order has some legal consequences in this matter, it would be advantageous to extract it. It reads as under:

"There will be an order in terms of prayers (a) &

(b) of the petition.

Prayer (a): That the receiver Sudhir Kumar Dutta be forthwith directed to instruct and intimate to the Grindlays Bank Ltd., Netaji Subhash Road Branch, Calcutta, to pay a sum of Rs. 4,29,702.94 p. to the petitioner decree- holder in terms of the payment order dated 4th May, 1978 out of the amount of the Fixed Deposit of the

judgment-debtor with Grindlays Bank Ltd., in Fixed Deposit Receipt No. 1002-2539 which has been Lying attached in terms of the order dated 12th April, 1978 and is confirmed by the order dated 24th April, 1978 and the said Grindlays Bank Ltd., Netaji Subhash Road, Branch, Calcutta, be directed to pay the said sum of Rs. 4,20,702.94 p. to the petitioner decree holder; Prayer (b): That Grindlays Bank Ltd., Netaji Subhash Road Branch, Calcutta, be directed to pay the said sum of Rs. 4,20,702.94 p. to the petitioner decree-holder in terms of the payment order dated 4th May, 1978, out of the said fixed deposit receipt No. 1002-2539."

Effectively this order of the Court directed the receiver to pay the amount therein mentioned to the decree-holder and the Bank, the keeper of the fixed deposit account of the receiver was also put under an obligation not to raise any objection on receiver withdrawing the money and paying the same to the decree-holder. In fact upon its true construction, the Bank was also under an obligation to take effective steps to pay the amount mentioned in the order to the decree-holder. It appears that these directions were not obeyed. Consequently, the appellant moved the Court for holding the 3rd respondent receiver S.K. Dutta and the 4th respondent Bank in contempt and for passing appropriate order for punishing them for contempt unless they purged themselves of the contempt.

On June 7, 1979, when the petition for taking action against the alleged contemnors came up before the Court, respondents 5 and 6 appear to have been appointed as joint receivers. The Bank appeared through its counsel Mr. Majumdar and the joint receivers appeared forth themselves as well as for their respective clients, namely, 1st respondent company and the 2nd respondent State of West Bengal. Mr. Majumdar, learned advocate for the Bank undertook to the Court to comply with the order dated May 24, 1979, to pay the amount therein mentioned to M/s Maharia & Co. Advocate-on-record for the appellant. The court directed that on such payment being made the Bank shall be absolved from all the liability in respect of the said amount. The Court specifically noted that in view of the undertaking given by the learned advocate on behalf of the Manager of the Bank, the Court was not inclined to pass any order in respect of the contempt application and the application for taking action in contempt was accordingly disposed of. At this stage. Mr. A.K. Dutta appearing for the 1st respondent company prayed for stay of a portion of the order of the Court which prayer was specifically refused observing that as no fresh orders have been passed on that day affecting the interests of the said Company, no question of granting stay of a portion of the order arises. The Court specifically directed that all the parties and particularly the Manager of the Bank should act on the signed copy of the minutes. It appears that the solemn undertaking given by the Bank was not acted upon. Probably soon thereafter some interim orders were obtained as would transpire from the order of Mrs. Padma Khastgir, J. dated March 7, 1980. When the matter came up on March 7, 1980, the court observed that there will be no order on the applications before it save and except that the receiver will hold the balance sum of Rs. 4,19,697.06p till further order of the Court. The Court also declined to grant prayer for discharge of the receiver S.K. Dutta, the 3rd respondent, because notice of the application was not served upon him. This observation would, however, establish that till March 7, 1980, the 3rd respondent was not discharged as a receiver though from the recitals in the order dated June 7, 1979, it appears that by that date A.K. Dutta and R.C. Deb were functioning as joint receivers. In this order it was distinctly made clear that except what is stated the specifically in the order all interim orders were vacated. However, the Court at the

instance of joint receivers stayed the portion of the order dated March 7, 1980, for a period of a fortnight. To clarify the position it may be mentioned that when the Court directed that balance of Rs. 4,19,697.06 will be held by the receiver it would imply that would be the balance after payment of the amount directed to be paid to the appellant. Specifically this order has the effect of confirming the earlier order dated May 24, 1970, to pay the decretal amount to the appellant.

If appears that thereafter three appeals came to be filed before the Division Bench of the Calcutta High Court. Appeal No. 95/80 and Appeal No. 94/80 were preferred by the Ist respondent company. Appeal No. 122/80 was preferred by the 2nd respondent State of West Bengal. These three appeals were preferred against the order dated March 7, 1980, made by Mrs. Padma Khastgir, J.

In the two appeals preferred by the Ist respondent company a Division Bench of the Calcutta High Court by its order dated March 27, 1980, granted ad interim stay as under:

"The Joint Receivers, R.C. Deb and A.K. Dutta are directed not to part with any money lying deposited under the fixed deposit receipt No. 1002/2529 in the Grindlays Bank.

There will be an order directing the Grindlays Bank Ltd., of 29, Netaji Subhash Road not to disburse any amount in respect of fixed deposit No. 1002-2539 standing in the name of S.K. Dutta, the fixed deposit receipt whereof is Lying deposited with the present joint receivers R.C. Deb and A.K. Dutta Order of injunction restraining Jethabhai Khatau and Co. from obtaining any payment out of the moneys lying in the Grindlays Bank and held by the joint receivers or receiver."

This interim order was confirmed by the Division Bench by its order dated September, 9, 1980. Hence these three appeals by special leave.

Frankly, this Court ordinarily does not interfere with interim orders unless and until manifest-injustice convulsively shakes it. Even then, with our usual response of reluctance to undertake to examine interim orders, only a notice to show cause why special leave should not be granted and the interim stay application not be considered, was issued to the respondents. After notices were served and counter-affidavits and rejoinder affidavits were filed, this matter came before us about four weeks back, our hands off attitude to interim orders manifested itself when we adjourned the matter for four weeks indicating to the parties, especially the respondents who are appellants before the High Court, to take executive steps to get their appeals placed on the cause list for hearing and to move for expeditious disposal of the same. We also declined to grant any interim relief. We so adjourned the matter in the fond hope that we may hang on to our tenuous view that ordinarily we would not undertake to deal with interim orders. Our hope has proved a mirage.

When this matter was listed before us on April 3, 1981, Mr. Kackkar, learned counsel for the Appellant stated that almost within the dying embers of the time granted by this Court an attempt was made by the respondents to get their matter listed in the High Court and the only order that the

court has made is that the appeals be added to the cause list of the Division Bench and it would be anybody's guess when this last added matter would reach hearing. Having no alternative left open to us, we have heard the matter.

As the appeals are pending before the Division Bench of the Calcutta High Court and are to be heard on merits, we would make every manageable human effort to avoid any expression of opinion which may even remotely interfere with judicious adjudication of the issues before the Division Bench. However, we make it clear that even if there is any express or implied opinion discernible in this order, the same has to be wholly ignored by the High Court while disposing of the appeals on merits. With this extra caution we proceed to dispose of these appeals. As every stage of the proceeding has been neatly delineated by us with the orders of the Court referred to in details, the permissible inferences may alone be set out.

What is the injudicious situation which may bring disrepute to judicial process, stares in the face. The consent decree under which appellant was entitled to recover Rs. 2,85,000 with interest, at the rate of 6% per annum from the date of the decree till realisation was made by the Court on January 6, 1970. The decree without being satisfied in its minutest part has collected dust for 11 years. And at present who is impeding the execution of the decree ? It is the 1st respondent company which has been a party to the consent decree and which decree has become final and unassailable. There is no proceeding at present questioning the correctness, validity or legality of the decree or its binding character on the 1st respondent company.

It is again incontrovertible that the judgment-debtor 1st respondent company has in its fixed deposit with the 4th respondent Bank a sum of Rs. 8,40,000. That this amount is of the ownership of the judgment-debtor is not in dispute. 3rd respondent S.K. Dutta was once a receiver. Respondents say that he has been removed and respondents 5 and 6 who are respectively the Advocates of the 1st respondent company and the 2nd respondent State of West Bengal claim to be appointed as joint receivers. The date of appointment is not made clear but the order dated March 7, 1980 (Annexure 'J') by Mrs. Padma Khastgir, J. leaves no room for doubt that till that date 3rd respondent S.K. Dutta was not discharged as receiver.

The High Court on a petition of the appellant levied attachment under order 21 Rule 52 C.P.C. On the amount lying in fixed deposit account with 4th respondent Bank in the name of 3rd respondent S.K. Dutta as receiver of the first respondent company by order dated April 5, 1978. This attachment order was levied by the Master of the Court and the interim attachment was confirmed. Admittedly these orders were not challenged.

Sabyasachi Mukerjee, J. by his order dated May 4, 1978, directed 3rd respondent S.K. Dutta to pay the amount of Rs. 4,20,702.94 P. Out of the amount lying in fixed deposit receipt No. 1002-2539 with the fourth respondent Bank to the appellant in satisfaction of the decree. This order may appear to have become final as not having been questioned by any one. Manoj Kumar Mukherjee, J. by his order dated May 24, 1979, directed 3rd respondent S.K. Dutta, receiver of the 1st respondent company to pay Rs. 4,20,702.94 p. Out of the fixed deposit account held by him as receiver of the 1st respondent company to the appellant and a consequential order was made directing the Bank to pay

the amount set out in the order to the appellant. This order dated May 24, 1979, may appear to have become final as it appears not to have been questioned, challenged or appealed by any one.

Failure to comply with the court's mandatory direction led the appellant to file a petition for contempt. The alleged contemnors impleaded were 1st respondent company and the 4th respondent Bank. When this petition for taking action in contempt came up before Manoj Kumar Mukherjee, J. there appeared on the scene one Mr. Majumdar, learned counsel for the 4th respondent Bank as well as the two joint receivers functioning in dual capacity as joint of receivers as well as learned counsel for the respective clients, namely, 1st respondent company and the 2nd respondent State of West Bengal. At the hearing of this motion for taking action for contempt, Mr. Majumdar learned counsel for the 4th respondent unreservedly agreed to comply with the order of the Court on May 24, 1979, which means that he agreed and undertook to pay the amount of Rs. 4,20,702.94 out of the fixed deposit account in the name of 3rd respondent S.K. Dutta, receiver of the 1st respondent company. It is because the Bank agreed unreservedly and unconditionally to pay up the amount that the motion for taking action in contempt was discharged by the Court. No action was sought to be taken against the joint receivers who had interposed themselves in the meantime. Therefore, the court declined to accede to their request to stay a portion of the order. The order dated June 7, 1979, is not a fresh order on merits. It was merely an implementation of the order dated May 24, 1979, which may appear to have become final and binding. Yet the 1st respondent company and the 2nd respondent State of West Bengal took no further action and surprisingly the Bank also joined hands with them by not paying the amount till March 7, 1980. Maybe, there may be some interim orders. We are not made knowledgeable about the nature and character of those interim orders save and except what has been recited in the order dated March 7, 1980, of Mrs. Padma Khastgir, J. However, there seems to be some apparent collusion between the company on one hand and the joint receivers in not complying with the court's order dated May 24, 1979, even though action for contempt was avoided by giving an unconditional undertaking to carry out that order.

The three appeals were preferred against the order dated March 7, 1980. That order has nothing to do with order dated May 24, 1979, or the order dated June 7, 1979. At any rate, the order dated May 24, 1979, may appear to have become final.

Would it be appropriate in such circumstances to grant an interim stay of the portion of an order which may appear to have become final in an appeal against an altogether different order?

Mr. Shankar Ghose, learned counsel for the respondent wanted us to take note of various allegations against the 3rd respondent, the receiver, the fact that he was removed, the fact that he was colluding with the appellant and that he was negligent as also that he was discharged at some stage of the proceedings. At this stage, these contentions in our opinion are not very relevant. Maybe, there is merit in these contentions. Maybe, the Division Bench hearing the appeals by the 1st and 2nd respondent will examine these contentions on merits. The only live issue is whether would it be fair while granting stay of the order dated March 7, 1980 to effectively stay the order dated March 24, 1979, which appears not to be under appeal though its validity may be questioned in the course of hearing of the appeal? If that be so, could the Court overlook attempt of the 1st and 2nd respondents to circumvent the order by obtaining an interim stay in such manner that an order not under appeal

gets frozen '? It is, therefore, that we propose to interfere with the interim order made by the Division Bench of the Calcutta High Court on September 9, 1980, confirming the ad interim order dated March 7, 1980, to a limited extent so that an impression that the court's process can be lightly trifled with, may be avoided.

Under the circumstances the proper thing to do would be to set aside the interim stay order dated March 27, 1980, as also the order dated September 9, 1980, confirming the interim order but in order to ensure the resultant justice as we are interfering with an interim order, we consider it proper to give certain directions, while restoring status quo ante in the event the appeals filed by respondents 1 and 2 are allowed or any specific positive direction is given by the court in this behalf. We accordingly allow these appeals and set aside the orders made by the Division Bench on March 27, 1980 and September 9, 1980. The result would be that the order dated May 4, 1978, by Sabyasachi Mukherjee, J. and order dated May 24, 1978, made by Manoj Kumar Mukherjee, J. as also the undertaking given by the manager of the 4th respondent Bank through his learned counsel Shri Majumdar before Manoj Kumar Mukherjee, J. On June 7, 1979, would be revived and would be effective and will have to be implemented. In pursuance to the aforementioned two orders, the 4th respondent Bank will have to pay Rs. 4,20,702.94 p. to the decree-holder appellant towards the decretal amount. On receipt of the amount the appellant shall pass a receipt acknowledging receipt of the amount and to the extent of the payment of the amount herein indicated the liability of the 4th respondent Bank to the 1st respondent company or anyone claiming on its behalf or the 3rd respondent receiver shall stand discharged. Before the amount is paid, the appellant shall give security to the satisfaction of the High Court and also an undertaking on affidavit to the Division Bench of the Calcutta High Court before which the appeals preferred by the 1st and 2nd respondents are pending that in the event the appeals are allowed which makes it consequently necessary for the appellant to repay the amount received from the 4th respondent Bank in payment of the decretal amount, the appellant shall deposit the said amount with the Calcutta High Court within one month from the date of the order of the appellate Bench.

The appeals will stand disposed of as herein indicated with no order as to cost.

N.V.K. Appeals allowed.