

BHAGWANT P. SULAKHE
v.
DIGAMBAR GOPAL SULAKHE AND ORS.

SEPTEMBER 30, 1985

[P.N. BHAGWATI, C.J., AMARENDRA NATH SEN AND D.P. MADON, JJ.]

Joint family property, character of - When it changes - Whether by an unilateral act it is open to any member of the joint family to convert any joint family property into his personal property - Partnership firm formed out of joint family funds and managing agency agreement entered into by such a partnership firm with another company - Commission received by the co-sharers of the joint family in terms of the managing agency agreement and the remuneration received by them as the managing director treated as the joint family property for all purposes - Whether one of the co-sharers by a simple letter claim the commission remuneration received by him as his personal property till the joint family is disrupted - Position of managing director and the managing agent, explained.

One Pandarinath Martand Sulakhe died leaving behind him his sons Vishwanath, Gopal, Govind and Bhagwant and considerable properties. Vishwanath died in 1910 leaving behind his son Dattatraya, Govind, one of the brothers who constituted a joint family after the death of their father Pandarinath Sulakhe, separated from the joint family in 1914 taking his share of the family properties. However, the other two brothers along with the son of Vishwanath continued to remain joint and lived as members of the joint family till 8.12.1941 on which date Bhagwant intimated Dattatraya son of Vishwanath his intention to cause severance of the joint family status.

Prior to it, in the year 1922, a Public Limited Company named Lokmanya Mills Ltd. was intended to be floated and with that in view Dattatraya and Bhagwant entered into a partnership under the name and style of M/s. Sulakhe and Co. with four outsiders, as per the Partnership Agreement dated 3rd January, 1923. The said Partnership Firm Sulakhe and Co. entered into a Managing Agency agreement on 5.2.1923 with the said Lokmanya Mills Company Ltd. The said agreement was to expire after 35 years. The mill actually went into production in the year 1938. On the basis of the managing agency agreement between the company

A and the firm Sulakhe & Co., Dattatraya acted as the managing agent upto 1935 and thereafter Bhagwant became the managing agent. After Bhagwant's appointment as managing agent, Dattatraya was appointed as the Director of the company.

B At the time when the company was incorporated and its articles were adopted and also at the time when the company entered into the managing agency agreement with Sulakhe and Co. and when the deed of partnership of the firm was executed Bhagwant and Dattatraya being members of the joint family, all the 325 shares which was initially purchased in the company - 200 in the name of Dattatraya and 125 in the name of Bhagwant - plus the 83 further shares - 79 in the name of Bhagwant and 4 in the name of Gopal - were paid for by the joint family out of the joint family funds. Therefore, the entire amount of remuneration which was received by Dattatraya and Bhagwant not only on account of their shares of commission under the managing agency agreement on the basis of the partnership deed but also on account of the Director's fees paid to them and also on account of the salary paid to Dattatraya who acted as the managing agent of the company till 1935, was treated as joint family property. Even after Bhagwant took over as the managing agent in 1935, the position continued to be the same and the remuneration received by him formed part of the joint family income till the dispute raised by him by his letter dated 15th July, 1941. All monies received by Bhagwant and Dattatraya from the company were not only treated as joint family property, but also were so entered in the books of account of joint family and were so shown in the income tax returns.

However by his letter dated 15th July, 1941 Bhagwant informed Dattatraya that the remuneration received by him as the managing agent of the company on the basis of the managing agency agreement, fees received by him as the director of the company and his income from his profession as a lawyer were his personal income and should be treated as such. He made it clear that he will not in future put any of these incomes into the hotch pot of the joint family. By another letter dated 8.12.1941 Bhagwant intimated his intention to cause severance of the joint family status. Since Dattatraya did not accept the claim of Bhagwant for treating the said amount as the personal property. Bhagwant filed a suit No. 166/43 in the original side of the Bombay High Court laying claim to the said amounts. In the meantime Gopal and Dattatraya filed two suits in the Civil Court against the Company and Bhagwant for the payment of the sum of money credited to the

joint family in the books of the parties and as a result thereof most of the joint family properties came to be divided amongst the parties in accordance with their respective shares, except the dispute raised in the suit in the original side of the High Court.

During the pendency of the said suit the managing agency agreement had come to an end by virtue of the provisions contained in section 87 (A) (2) of the Companies Act, in as much as though the Board of Directors of the company had passed a resolution on 28.6.56 for the renewal of the managing agency agreement, no action was taken by Sulakhe & Co. to get the Managing Agency Agreement for a further term after 1957 extended. On the other hand, the company amended its articles of association and proceeded to appoint Bhagwant as its managing Director and neither his appointment nor the validity of the amendment of articles of association was objected to by either Sulakhe & Co. or any of the co-sharers forming part of the partnership firm. The trial Judge accepted the claims of Bhagwant and decreed the suit in his favour and made Gopal and Dattatraya accountable in respect of the joint family business. The High Court in appeal held that the income received by Bhagwant as managing agent and managing Director of the company could not be considered to be the personal property of Bhagwant and reversed the decision of the trial Judge in this respect and also on various other claims to cash etc. Hence the appeals by certificate under Article 133 (1) (a) as it stood before the Constitution (Thirtieth) Amendment Act, 1972.

Allowing the appeals in part and passing a final decree in terms clarified, the Court.

HELD : 1.1 The character of any joint family property does not change with the severance of the status of the joint family and a joint family property continues to retain its joint family character so long as the joint family property is in existence and is not partitioned amongst the co-sharers. By an unilateral act it is not open to any member of the joint family to convert any joint family property into his personal property. [194 B-C]

1.2 The agreement of partnership clearly indicates that Bhagwant and Dattatraya became members of the firm M/s. Sulakhe & Co. which was appointed as the managing agent of the company, on the basis of the managing agency agreement, representing the joint family and for the benefit of the joint family. Their

A interest in the partnership firm and managing agency was a part
of joint family assets and whatever income was earned by them on
the basis of the managing agency agreement belongs to the joint
family and formed part of the joint family property. The same
B position must necessarily continue in the eye of law so long as
the partnership agreement and the managing agency agreement
continued. [192 G-H; 193 A-D]

1.3 By seeking to bring about a severance in the status of
the joint family, one of the co-sharers cannot deprive the joint
family of this property and the income derived on the basis of
the managing agency agreement continues to remain the property of
C the joint family so long as the joint family asset is not
partitioned and otherwise continues to remain in existence. In
the facts and circumstances of the case, the entire income
arising out of the managing agency agreement and accruing to the
two members of the family, namely, Bhagwant and Dattatraya who
might have rendered the services had been earned for and on
behalf of the family and as representatives of the joint family.
D Dattatraya had continued as the managing agent for a number of
years and there had been no question of apportionment of any
income derived by him as his remunerations for the services
rendered by him as managing agent. Therefore, Bhagwant cannot lay
any claim for retaining any part of the remuneration received by
him from the company for the services rendered by him. [193 D-E;
E 194 A]

2.1 In Raj Kumar Singh Bukum Chandji's case, [1971] 1
S.C.R. 748, the Supreme Court held that "the broader principle
that emerges is whether the remuneration received by the
coparcener in substance though not in form was but one of the
F modes of return made to the family because of the investment
of the family funds in the business or whether it was a compensation
made for the services rendered by the individual coparcener. If
it is the former, it is an income of the Hindu undivided family
but if it is the latter then it is the income of the individual
coparcener. If the income was essentially earned as a result of
G the funds invested the fact that a coparcener has rendered some
service would not change the character of the receipt. But, if on
the other hand, it is essentially a remuneration for the services
rendered by a coparcener, the circumstance that his services were
availed of because of the reason that he was a member of the
family which had invested funds in that business or that he had
H obtained the qualification shares from out of the family funds
would not make the receipt, the income of the Hindu undivided
family." The legal principle enunciated therein for determining

the true nature and character of the remuneration received by any member of the joint family equally applies in deciding the nature and character of the remuneration received by the Managing Director in the instant case. [195 C-D; 196 C-E; 197 A-B]

2.2 The position of the Managing Director is entirely different from the position of the managing agent on the basis of the managing agency agreement between the partnership firm of Sulakhe & Co. and the position of the Managing Director stands entirely on a different footing. At the time when Bhagwant was appointed the Managing Director of the company on 19.10.1957, with effect from 16.1.1957, there was complete disruption of the joint family and there was no joint family in existence. Further inspite of the Board of Director's resolution dated 28.6.1956 for the renewal of the managing agency agreement as required by section 87A (2) of the Companies Act, no action was taken by the firm of Sulakhe & Co. or any partner thereof for obtaining renewal of the managing agency agreement for a further term after 1957. On the other hand when the company had amended its articles of association and had proceeded to appoint Bhagwant as the Managing Director, there was no challenge to them either by any partner of the firm of Sulakhe & Co. which had been appointed as the managing agent of the company or by any member of the joint family. As the managing agency agreement had ceased to exist at the time Bhagwant was appointed the Managing Director of the company and as at that time there was no joint family of Bhagwant and the other co-sharers in existence, Bhagwant cannot be said to have been appointed as the Managing Director of the company either because of the managing agency agreement or because of his being a member of the joint family. The facts and circumstances make it clear that the partnership agreement or the managing agency agreement had no relevance to the appointment of Bhagwant as the Managing Director of the Company. In the said circumstances, (i) the remuneration received by Bhagwant as Managing Director of the company from the company is his personal property and cannot be considered to be the income of the joint family; (ii) the appointment of Bhagwant as Managing Director, at a time when there was complete disruption of the joint family and the members of the family were fighting in Court cannot be considered to be by way of any return on the investment made by the joint family; and (iii) Bhagwant was appointed as the Managing Director by the company for services to be rendered by him, as the company might have been impressed by his performance as the managing agent for a number of years. Though undoubtedly Bhagwant acted as the managing agent for and on behalf of the joint family and for

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A benefit of the joint family, yet what must have weighed with the company is the kind of services rendered by him to the company. The company was concerned with his services and not with the question whether he was rendering the services for and on behalf of the family. The remuneration which the company agreed to pay to Bhagwant for acting as the Managing Director was for the services to be rendered by him. [194 D-H; 195 A-B; 196 G]

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Raj Kumar Singh Hukam Chandji v. Commissioner of Income Tax, Madhya Pradesh [1971] 1 S.C.R. 748 applied.

2.3 From the materials on record, it is clear that there can also be no question of Bhagwant being a trustee or acting as the trustee for the benefit of the joint family in relation to his appointment as the Managing Director of the company. The managing agency of the company was that of the partnership firm in which the four outside members with a majority of shares in the partnership were interested and the managing agency firm cannot therefore, be considered to be an asset of the joint family. It was the interest of Dattatraya and Bhagwant in the managing agency firm on the basis of their shares in the partnership which belonged to the joint family and the managing agency was an agreement between the company and the partnership firm. The effect of not renewing the agreement was that the interest of the partnership firm of Sulakhe & Co. in the company as the managing agent thereof with all the rights and privileges on the basis of the said agreement came to an end. With the termination of the managing agency agreement the interest of the joint family in the managing agency on the footing that two of the members of the joint family, namely, Dattatraya and Bhagwant were as partners of the firm associated with the managing agency and were acting as the managing agent on the basis of the partnership agreement and the managing agency agreement also ceased. [197 C-G; 198 G-H]

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CIVIL APPELLATE JURISDICTION : Civil Appeal Nos. 2622 & 2622A of 1969.

G From the Judgment and Decree dated 18/19/20/25/29.9.1967 and 9.10.1967 of the Bombay High Court in First Appeal Nos. 278 and 279 of 1960.

V.M. Tarkunde, Dr. Y.S. Chitale, Mukul Mudgal, Mrs. M. Karanjawala and D.N. Mishra for the Appellant.

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M.C. Bhandare, D.R. Dhanuka, Mrs. Rani Chhabra K.H. Kapadia and G.B. Sathe for the Respondents.

The Judgment of the Court was delivered by

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A.N. SEN, J. This is an unfortunate litigation between near relations and this litigation between the parties is now going on for over four decades.

These two appeals have been filed with the certificate granted by the High Court against the judgment of the High Court by the plaintiff in the suit instituted by him for partition of joint family properties, for accounts and other reliefs mentioned in the plaint.

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By a common judgment delivered by the High Court in two separate appeals filed by the defendants in the suit against the judgment of the Trial Court., the High Court has substantially reversed the judgment of Trial Court.

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The facts of the case have been fully set out in the judgment of the Trial Court and also in the judgment of the High Court. We shall briefly indicate the facts material for the purpose of disposal of these two appeals. As the High Court disposed of both the appeals by one common judgment and the two appeals which have been preferred against the same judgment have been heard together, this judgment will dispose of both the appeals.

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One Pandarinath Martand Sulakhe died leaving behind him his sons Viswanath, Gopal, Govind and Bhagwant and considerable properties. The properties left by him included agricultural lands, a number of houses in Barshi and three shops. Of the three shops one was a Sharafi shop at Barshi, another cloth shop at Barshi and the other a commission Agency and Sarafi shop at Bombay. Business in all these three shops was carried on in the name of P.N. Sulakhe. Of the four sons Vishwanath died in 1910 leaving behind him his son Dattatraya who happens to be the second defendant in the suit. Govind, one of the brothers who constituted a joint family after the death of their father Pandarinath Sulakhe separated from the joint family in 1914 taking his share of the family properties. Though Govind separated in 1914, the other brothers and the son of Vishwanath continued to remain joint and lived as members of the joint family. Bhagwant who filed a suit for partition as the plaintiff was the youngest of the four brothers. He graduated in law in the year 1914 and commenced practice as a lawyer at about that time.

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A In 1922, a public limited company named Lokmanya Mills Ltd. (hereinafter referred to as the Company) was intended to be floated and with that end in view, the defendant No. 2 Dattatraya and the plaintiff Bhagwant entered into a partnership under the name and style of M/s. Sulakhe & Co. with four outsiders. A Managing agency agreement between the company and the partnership
B firm of Sulakhe & Company was executed. The mill actually went into production in 1938. On the basis of the managing agency agreement between the company and the firm of Sulakhe & Co. the defendant No. 2 Dattatraya acted as the managing agent upto 1935 and thereafter the plaintiff Bhagwant became the managing agent. Sometime after the plaintiff Bhagwant had been appointed the managing agent, the defendant No. 2 Dattatraya was appointed as the Director of the Company. It appears that in the year 1935, a
C new Adat shop had been started at Barshi. All the shops were run in the name of P.N. Sulakhe. It is not in dispute that all the shops were joint family businesses. It is also not in dispute that the remuneration paid to the defendant No. 2 and also the plaintiff Bhagwant as managing agent and also the amount of commission falling into the shares of defendant No. 2 Dattatraya and the plaintiff Bhagwant out of the commission earned by the
D managing agency firm were treated as joint family properties and were shown in the joint family books so long as disputes between the parties had not arisen. During the period when there were no disputes between the parties, the Director's fees paid to defendant No. 2 Dattatraya and the plaintiff Bhagwant were treated as income of the joint family and even the professional
E income of the plaintiff Bhagwant earned by him as a lawyer was also thrown into the joint family hotch-pot and was treated as joint family income. In the income-tax returns filed on behalf of the joint family, all these amounts were shown as income of the joint family. It appears that everything did not go well with the members of the joint family and disputes arose between the
F parties soon after the commencement of the second world war. The plaintiff Bhagwant by his letter dated 15th July, 1941 addressed to the defendant No. 2 Dattatraya informed him that the remuneration received by him as the managing agent of the company on the basis of the managing agency agreement, fees received by him as the director of the company and his income from his
G profession as lawyer were his personal income and should be treated as such. By this letter, he made it clear that he was not prepared to throw any of these incomes into the joint family hotch-pot and he asked the defendant No. 2 Dattatraya that all these amounts should be shown as his separate income for the purposes of income tax and should be credited to his personal
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Khata in Sarafi shop account. Disputes and differences between the parties became more acute and the plaintiff on 8.12.1941 intimated to the defendant No. 2 Dattatraya his intention to cause severance of the joint family status. Thereafter attempts were made to divide the properties amicably between the parties without success. The plaintiff Bhagwant claimed that the remunerations paid to him by the company as managing agent, the fees paid to him as director of the company and his income from his profession as a lawyer were his personal income and as such his personal property. The defendants did not accept the claim of the plaintiff Bhagwant that the remuneration paid to him as managing agent by the company and the fees paid to him as the director of the company, could be his personal income and the defendants claimed that all such amounts received by him belonged to the joint family and formed part of the joint family properties. Ultimately Bhagwant filed a suit being suit No. 166/43 in the original side of the High Court in Bombay. In this suit Gopal was the first defendant and Dattatraya was the second defendant and the suit was filed in the original side of the Bombay High Court on the basis that the Adat Shop and Sarafi Shop were situated within the original jurisdiction of the Bombay High Court. In this suit, Bhagwant the plaintiff did not made any reference to the managing agency of the company in the plaint and he claimed partition of the joint family shares and moveable and immovable properties mentioned in the plaint as belonging to the joint family, seeking to reserve his right under O. 2, rule 2 of the Code of Civil Procedure to file a suit for partition of the joint family properties situated at Barshi. The plaintiff Bhagwant in this suit claimed various other reliefs. He prayed for a direction that the immoveable properties and the business at Bombay should be ordered to be partitioned under the directions of the Court, that the joint family firms should be wound up, that the sum of Rs. 6843-36 claimed by him as his personal income as a lawyer from his profession from 1940 should be awarded to him with interest at 12% interest on the same and he also claimed as consequential relief that the defendants should be ordered to account for the profits earned by them from the joint family business from the date of severance and also of the income derived by them from immovable properties belonging to the joint family. In the suit Govind as defendant No. 1 and Dattatraya as defendant No. 2 were impleaded and no other members of their branches were made parties to the suit. On the death of defendant No. 1 Gopal during the pendency of the suit his five sons were brought on record as his heirs and legal representatives. The defendants resisted the suit of the plaintiff on

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various grounds, mainly however on the ground that the plaintiff
had asked for partition only of some of the joint family
properties without including in the suit various other joint
family properties, particularly the shares and interest of the
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plaintiff was bound to include in the suit all the joint family
properties which also comprised all the interests of the joint
family in the company and various other immovable properties in
the possession of the plaintiff. It may be noted that defendant
No. 1 Gopal and the defendant No. 2 Dattatraya filed two suits in
the Court of Civil Judge against the company and the plaintiff
for payment of the sum of money credited to the joint family in
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the books of the company in accordance with the respective shares
of the parties. In the suits various proceedings were taken and
various orders including the appointment of the Court receiver
for all the properties of the joint family were passed from time
to time. It does not become necessary for us to refer to these
proceedings at any length as in the present appeals these
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questions are no longer germane. It appears that as a result of
the various proceedings in the suit most of the joint family
properties came to be divided amongst the parties in accordance
with their respective shares and the disputes between the parties
now centre on the following questions :-

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1. Whether the shares in the company standing in the
names of the various members of the family are joint
family properties?
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2. Whether the commission received by the two members
of the family namely, defendant No. 2 Dattatraya and
plaintiff Bhagwant from the managing agency firm in
respect of their shares in the firm out of the total
commission paid by the company to the managing agency
firm belongs to the joint family?
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3. Whether the remuneration received by the plaintiff
Bhagwant from the company as managing agent on the
basis of the managing agency agreement with the
company is the personal property of the plaintiff or
whether the same belongs to the joint family?
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4. Whether the remunerations paid to the plaintiff as
the managing director of the company is his personal
income or is the property of the joint family?

5. Whether there was any amount in cash in Mahalaxmi room belonging to the family and if so, how much?

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6. Whether there were any ornaments and jewellery belonging to the joint family? If so, in whose possession and custody are such ornaments lying and what is the value of such ornaments?

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It is to be noted that during the pendency of the proceedings in the Court relating to partition of the joint family properties the managing agency agreement had come to an end and it has also become inoperative by virtue of the provisions of law. The plaintiff Bhagwant was the managing agent on the basis of the managing agency agreement and thereafter he had been appointed as the managing director of the company. The learned trial judge on the question of the remuneration paid to the plaintiff as managing agent on the basis of the managing agency agreement and the fees paid to him as the director of the company has held in favour of the plaintiff that these are the personal incomes of the plaintiff and do not belong to the joint family. The learned trial Judge also held in favour of the plaintiff on the question of cash money belonging to the joint family found in the Mahalaxmi room and also on the question of accountability of the defendants in respect of the joint family business. The High Court in appeal has held that the income received by the plaintiff as managing agent and as Managing director of the company could not be considered to be the personal property of the plaintiff and they belonged to the joint family and the High Court has reversed the decision of the trial Judge on this question. On various other questions also, the High Court has held in favour of the defendants reversing the decision of the Trial Court. The correctness of the High Court judgment is questioned by the plaintiff in the appeals.

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The principal controversy between the parties relates to the question whether the remuneration paid to the plaintiff Bhagwant by the company as the Managing Agent and also as the Managing Director is his personal property or whether the same forms as part of the joint family property. The contention of the plaintiff-appellant Bhagwant is that the remuneration received by him for acting as Managing Agent and also as Managing Director of the company is his personal income and cannot be considered to belong to the joint family, whereas it is the case of the defendant No. 2 Dattatraya and the heirs of the Defendant No. 1 Gopal and that all such remuneration received by the plaintiff

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A must belong to the joint family and must be held to constitute part of the joint family properties. They further contend that the shares in the company subsequently purchased by the members of the plaintiff's family must also be held to belong to the joint family. As this happens to be the most important question which has been urged at length before us, we propose to deal with this question in the first place. In our view it will be appropriate to consider this question under two separate heads,

B namely, (1) the remuneration received by the plaintiff Bhagwant as managing agent and (2) remunerations received by him as managing director. We first propose to take up the question whether the remuneration received by the plaintiff from the company as managing agent, is his personal income or the same constitutes a part of the joint family property.

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For a proper appreciation of this question it is necessary to consider some broad facts which are not in serious dispute.

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A partnership agreement was entered into on the 3rd of January, 1923 between defendant No. 2 Dattatraya, plaintiff Bhagwant, one Ramchandra Moreshwar Sane, one Moolchand Jotiram Baldote, one Nemchand Shivram Baldote and one Ganoba Andoba Gavane to start a mill by the name 'The Lokmanya Mills Barso Limited' as promoters and agents of the said mills on terms and conditions set out in the deed of partnership dated 3rd January, 1923. This deed of partnership which is not in dispute and which has been exhibited in the suit provides :-

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"An agreement dated 3rd of the month of January, 1923. We, Dattatraya Vishwanath Sulakhe, Caste Brahmin, aged 37, profession trader, resident of Barsi and Bhagwant Pandharinath Sulakhe, caste Brahmin, age 33, profession pleader, resident of Barsi, and Ramchandra Moreshwar Sane, caste Brahmin, age 64 profession pleader, resident of Barsi and Moolchand Jotiram Baldote, caste Marwari, resident of Barsi age 48, profession trade, and Nemchand Shivaram Baldote, caste Marwari, age 39, profession trade, resident of Barsi, and Ganoba Andoba Gavane, caste Maratha, age 58 profession agriculturist resident of Pangaon, Taluka Barsi, Distt. Sholapur, all of us make an agreement as follows :-

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We all of us have agreed and decided between us on 29th November, 1922 to start a mill by name 'The

Lokamanya Mills Barsi Limited'. The following are the terms of agreement, that we have agreed to, between us all as the promoters agents of the Mills. A

1. The agency firm should be named as 'Sulakhe & Co.' and the agreement of this firm are to be in force and existence for the period of 35 years from the date of registration of the said company. B

2. Messers. Dattatraya, Vishwanath Sulakhe and Bhagwant Pandharinath Sulakhe should jointly contribute towards the purchase of shares of the value of Rs.40,625 (forty thousand six hundred and twenty five). Mr. Moolchand Jotiram should purchase in his name shares of a value of Rs.25,000 (twenty five thousand), Namchand Shivram should purchase in his name shares of the value of Rs.9375 (nine thousand three hundred seventy five) and Ganoba Andoba Gavane should purchase in his name shares of the value of Rs.25,000 (twenty five thousand) and Ramchandra Moreshwar Sane should purchase in his name share of the value of Rs.3000 (Rupees three thousand). The above named persons, or in case of their death, or if they become incapable on account of some illness or if they have been unable to purchase the said shares or have been unable to pay further instalments after purchase of the said shares on account of some difficulty, their heirs should as stated above purchase the shares or pay the amount of further instalments. C D E

3. After the shares are purchased as stated in the foregoing clause, the agents are to get 10% commission on the net profit earned by the Lokamanya Mills Barsi Limited. Out of this 10% commission 1/1/2% amount is to be paid to a committee appointed in that behalf for the purpose of spending that amount over public charitable purposes and the remaining 8/1/2% commission is agreed to be distributed as follows:- F G

1. Messrs D.V. Sulakhe & B.P. Sulakhe to get 3/1/4%
2. Moolchand Jotiram - 2%
3. Ganoba Andoba Gavane - 2%

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- A 4. Nemchand Shivaram - 3/4%
5. Ramchandra Moreshwar Sane - 1/2%

The total amount of 8/1/2% is to be thus distributed.

- B 4. The amount of profits is to be distributed as stated in the foregoing clause, after it has been received by the Managing Agents from the company. If any partner or his heirs had not purchased the shares originally or not paid amount of further instalments after allotment on account of some inability stated in the last foregoing clause 2, he will lose his share in the agency firm and his share is to be distributed among the remaining partners in proportion to the capital contributed by each of them. The partners must keep in tact their shares for the period of five years from the date of allotment. The partners have no right to dispose of or mortgage their share within that period of five years. If any of the partners fails to do so, he stands to lose his interest in the partnership.

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- E 5. The agents firm is entitled to receive 2-1/2% commission on the amounts of expenditure which the company may incur towards the construction of buildings, purchase of machinery and other necessaries, purchase of lands and other materials. Out of the amounts so received, an amount of 1-1/2% is to be paid towards public charitable purposes and the remaining amount is to be distributed among the partners in proportion to their shares described above. This amount is to be received in the first instance by the managing agents, and after setting a part the amount of charity, he has to distribute the balance amongst the partners in proportion of their respective shares.

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- G 6. All the responsibility of all work of whatever kind to be performed by the managing agents firm such as, raising of capital of the said mill running of the mill, keeping of accounts, purchase of land, purchase of machinery, appointing and removing of servants, solicitors, auditors, banker, agents, brokers, and
- H underwriters to keep accounts and prepare the reports

of the company and do all such other as the managing agents are required to do shall be on the managing agent Mr. D.V. Sulakhe or his family. His family means the joint family of three persons viz: D.V. Sulakhe, B.P. Sulakhe and Gopal Pandharinath Sulakhe. The other partners have nothing to do with the above work and they have no right to interfere with the power of the managing agents. The company will hold only the managing agent responsible for his faults and the other partners are not to be responsible to the company.

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7. The preliminary expenses of the mill will be about Rs.8000 (eight thousand). This amount is to be paid to the managing agent Mr. D.V. Sulakhe, by all the partners except Mr. Sane, in proportion to their respective shares. The managing agent is to return this amount of expenditure to the partners from the proceeds of the shares of the company that may be collected after its registration.

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8. Some one person from among the family of Sulakhe described above shall always be an Ex-officio Director. Some other person from amongst the agency firm, or some other person from outside elected by majority, and who is not in the agency firm shall be a special director, but he shall not be in office permanently. The term of his office will be as of the other directors and he shall be eligible for re-election. Some person from the firm or some one from outside according to the opinion of the firm shall always be among the directors.

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9. No partner of the agent's firm, shall except with the leave of the directors, enter in any other agency firm of a mill of the like tenure and situate within the limits of Barsi Taluka. If any one of them does so enter he will stand to lose his share in this partnership firm of this mill.

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10. A partner of the agent's firm shall be entitled as any other outsider to do business with the company and enter into private transactions on reasonable terms and to take commission from the company.

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A 11. From the date the share, of the value of
Rs.7,00,000 (seven lacs) are sold the managing agent
Mr. Sulakhe shall get a remuneration (salary) of
Rs.600 per month. The other partners or the charity
fund shall have no interest whatsoever therein. From
the time when products shall be begun to be
B manufactured in the mill, the managing agents are to
receive a remuneration of Rs.1000 (salary) every
month. Out of that amount Rs.600 are to be taken by
the managing agent every month and the remaining
amount of Rs.400 (Four hundred) is to be divided among
all the partners of the agency firm including Sulakhe,
in proportion to their respective shares (till the
C profits of the company come to 10% by the way of
divident) so that the partners may get an interest
over their amounts at the rate of 5% per annum, but
from and after the date when the dividend of the
company shall be distributed at the rate of 10% on the
amount of shares, the other partners shall have no
right over the said sum of Rs.400 (Four hundred) to be
D received every month, and this amount is to be taken
by the managing agent Mr. Sulakhe as the increase in
his remuneration (salary). After that period other
partners will have no claim whatever against the said
amount of Rs.400.

E 12. The rights of the partners in the agency firm are
to pass to their respective lineal descendants or to
their respective assignees after the expiration of the
period of 5 years allotment. The right of a partner
shall go to other persons by partition among his
family or by heirship and if such persons to whom the
F rights of a partner in the agency firm are to pass,
are more than one, they shall unanimously elect some
one from among themselves for the purpose. If there
is disagreement between them the board of directors
shall choose some such person from among them and the
person so chosen shall take interest in the agency
G firm. The company or the managing agents shall not
take cognizance of the other sub-partners.

The terms of agreement between us all are as above,
and for that this agreement (in writing), is prepared
and is signed by us all and a copy of this agreement
H i.e. a counter part of it is delivered to each of us

all. This agreement made and signed on the 3rd of the month of January in the year of 1923, and it is in the handwriting of Sarbootam Annaji Madhekar, a resident of Barshi.

Sd/- Datartraya Vishwanath Sulakhe
Sd/- Bhagwant Pandharinath Sulakhe
Sd/- Ramchandra Moreswar Sane
Sd/- Moolchand Jotiram Marwadi
Nemchand Shivaram Marwadi
Ganoba Andoba Gavane.

The said partnership firm of M/s. Sulakhe & Co. consisting of the aforesaid six partners entered into a managing agency agreement on 5.2.1923 with the company. Relevant provisions of the managing agency agreement dated 5.2.1923 may be set out:-

1. The Agents will faithfully and with best of their ability perform the offices of the Secretaries, Treasurers and Agents of the Company for purposes of carrying on the best advantage the business of the company so long as the company and the agents shall continue to carry on their respective business (unless prevented from so doing in manner hereinafter mentioned) at the remuneration upon the terms and subject to the conditions hereinafter particularly mentioned and described.

2. In consideration of the agreement hereinafter contained on the part of the Agents and in further consideration of the Agents having advanced the company - the Company hereby promise and agree with the Agents that the agent shall be the Secretaries, Treasurers and Agents of the Company for the period of 35 years from the date of these presents unless prevented from so doing in manner hereinafter mentioned PROVIDED ALWAYS AND IT IS HEREBY AGREED AND DECLARED that after the lapse of the said period of 35 years the Agents shall not be removed from the office as the Secretaries, Treasurers and Agents but shall carry on their respective business unless found guilty of fraud in the management of their duties as Secretaries, Treasurers and Agents of the Company.

A Clause 2A. "The Managing Agents shall not transfer or
assign or cause to be transferred or assign the
present Managing Agency Agreement of the Company their
right, title and interest therein to any person or
persons firm or Company during the continuation of the
security created by the Indenture of Mortgage dated
B the 29th day of December 1950 without first obtaining
the approval in writing of the corporation to any such
transfer or assignment and the Company shall not cause
or permit or suffer to be transferred or assigned the
present Managing Agency Agreement of the Company or
the right, title and interest of the Managing Agents
therein to any other person or persons or firm or
C Company during the continuance of the said security
without first obtaining the approval in writing of the
Corporation to such transfer or assignment nor shall
the Company appoint any other person or persons or
firm or Company to be the Managing Agents of the
company during the continuance of th said security
without first obtaining the approval in writin of the
D Corporation to such appointment."

(Amended as per Special resolution No. 2 in Extra-
ordinary general meeting held on 18.3.1951)

E 2. A Commission at the rate of 10% per annum on the
annual net profits of the said company after making
all allowance and deductions from revenue for interest
on loans and deposits and working expenses chargeable
against profits without making any deductions for or
in respect of interest on debentures Income Tax, Super
Tax or any other tax based on profits or of any amount
carried to insurance, reserve, depreciation or sinking
F fund or to any other special fund or in respect of any
expenditure on capital amount or on the wages or
remuneration which shall be payable to Bankers
Auditor, Solicitors, Mukadams, Clerks, Brokers, Under-
writers or any other officers or employees who may be
employed by the said firm for or on behalf of the
G Company or for carrying on and conducting the business
of the Company and for any rent, cost of postage,
telegram printing stationery or other expenses or
travelling expenses incurred and to be paid by the
said Company.

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"The Company shall not pay and the Managing Agents shall not receive any commission during the pendency of the loan from Industrial Finance Corporation of India as provided above in Clause 3 without previous consent in writing of the Corporation unless the interest and instalment of principal sum due in any year as provided by the Indenture of mortgage dated the 29th December 1950 have been duly paid by the Company to the Corporation."

(Amended as per Special Resolution No.2 in Extraordinary general meeting held on 18.3.1951.)

Clause 4. The Agents are entitled to two and half percent commission on all sum or sums expended towards the purchase of the land, construction of the mill premises, including outhouses etc., the cost price of Machinery, appliances and initial stock in trade necessary in establishing and starting the mill.

"But during the pendency at the said loan, provisions contained in clause 4 above relating to payment of commission to the Managing Agents on the Capital Expenditure shall remain suspended."

(Amended as per special Resolution No. 2, in extraordinary general meeting held on 18.3.1951.)

5. Out of the Commission of 10 per cent and out of the amount of 2-1/2 per cent commission as stated above Agents will have to set apart for public charitable purposes 1-1/2 per cent of their gains. The purpose shall be uplift of the masses in the Bombay Presidency, without any distinction of caste, creed or religion in matters social, educational, economic or national as the committee of three persons, two of whom shall be unconnected with the firm of the Agency and one from the Agency firm. The first such members shall be N.C. Kelkar Esqr. B.A. LL.B. Editor of Kesari Pooana. M.R. Jayalkar Esqr. Bar-at-Law, Bombay and R.M. Sane Esqr. pleader Barsi.

6. On the death or retirement of any of the said members their place or places shall be filled in by the remaining members of the Committee, or if he or

A they fail or neglect to make the appointment as afore-
said within a reasonable time, such appointment is to
be made by the Board of Directors strictly conforming
to the condition stated above that the majority of the
committee should be independent and unconnected with
B the firm of the Agency.

7. The commission due to the Agency shall be payable
yearly immediately when the accounts are made up.

8. After deducting the amount from the commission for
public purposes as stated above the remaining amount
C will be received by Mr. D.V. Sulakhe and his succes-
sors and divided among the members of the firm as
agreed upon between them.

9. The Directors are authorised to increase the amount
of remuneration or the percentage of commission on
profits or to allow any bonus if they think that the
D profits of the concern are encouraging enough to
grant an increase.

Clause 9. "The said clause shall remain modified to
the extent that "so long as any moneys due to the
Corporation under the Indenture of Mortgage dated 29th
E day of December 1950 remain unpaid, no payments what-
soever under this clause shall be made to the Managing
Agent without first obtaining the approval in writing
of the Corporation to such payment."

(Amended as per Special Resolution No. 2 in Extra-
ordinary general meeting held on 18.3.1951)

10. The remuneration of the Agents' firm shall be
Rs.600 per month from the date of allotment and
Rs.1000 per month from the date when products are
G begun to be manufactured and the said remuneration is
always to be received from the Company by Mr. D.V.
Sulakhe or his successors.

11. If the said firm or any member of the firm shall
at any time hereinafter act as Mucadams or brokers of
the Company or as selling agents of the Company's yarn
or cloth or for purchase of other articles such as
H coal, wool machinery oil-seeds or other products or

other things required for the business of the Company they shall be paid such commission or additional remuneration as shall be agreed to between them and the directors.

The said clause shall remain modified to the extent that "so long as any moneys due to the Corporation under the Indenture of Mortgage dated 29th day of December 1950 remain unpaid, no payments whatsoever under the clause shall be made to the Managing Agent without first obtaining the approval in writing of the Corporation to such payment."

(Amended as per special Resolution No. 2 in Extraordinary general meeting held on 18.3.1951)

12. Until the Company is registered all expenses of whatever nature of and incidental to the promotion thereof shall be defrayed in the first instance by the firm of Agency as agreed between them. The sum or sums so expended will be duly refunded to the aforesaid firm when the first call in respect of the subscribed shares of the Company is paid in and realized.

13. All work of whatsoever kind which is usually attended to or done by the managing agents in connection with the business of the Company by virtue of the Articles of Association of the Company such as raising the necessary capital, erection of the mill premises employment of staff, establishment of Agencies, buying of raw materials, disposing of the finished products of the Mill, keeping regular accounts preparing the statutory reports &c. &c. will be attended to and all powers of the managing Agents shall be vested in and exercised by Mr. D.V. Sulakhe alone or in case of his retirement or death by Mr. B.P. Sulakhe if he survives him, or by a person of the Sulakhe family nominated unanimously by all the surviving major male members of the family of Messrs. D.V. Sulakhe, B.P. Sulakhe and Gopal P. Sulakhe and in case of disagreement between these members in nominating a member from the Sulakhe family, the board of directors will choose some one from the said Sulakhe family for acting as a Managing Agent on behalf of the firm. There will be no inter-

Directors has the right to elect one of them to be their representative in the Agency Firm for receiving commission; neither the Board of Directors nor the Agents are bound to recognise the rights of the other heirs and legal representatives as aforesaid.

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Two of the relevant Articles namely, Art. 113A and Art. 146 of the Articles of Association may be noted. Art.113A reads:-

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"M/s. D.V. or B.P. or Gopal P. Sulakhe or any other members of the Sulakhe family who may be chosen for that purpose in terms of the agency agreement shall be an ex-officio director of the company. Agents firm have, however, subject to the terms of the agency agreement to appoint any other person whether a member of the firm or not, as a special director. The person appointed as special director as aforesaid shall after the lapse of one year, retire but be eligible for re-election."

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Art. 146 of the Articles of Association provides as follows:-

"The firm of M/s. Sulakhe & Co. and the partners or members for the time being constituting the said firm and their successors in business notwithstanding any change in the constitution or in the name or style of the said firm by the death, retirement or insolvency of any member of the said firm shall be and they are hereby appointed the managing agency of the company for the period and upon the terms, provisions and conditions set out in the agreement referred to in article hereof. Such agreement may be modified in such manner as may be mutually agreed between the firm and the directors and the Board is hereby authorised to execute the said agreement on behalf of the company."

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It has to be borne in mind that at the time when the company was incorporated and its articles were adopted and also at the time when the company entered into the managing agency agreement with Sulakhe & Co. and when the deed of partnership of the firm of Sulakhe & Co. was executed, the plaintiff Bhagwant and the defendant No. 2 Dattatraya were admittedly the members of the joint family and no disputed of any kind had arisen amongst the members of the joint family. It is not in dispute that 325 shares

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A which were initially purchased in the company - 200 in the name
of the defendant No. 2 Dattatraya and 125 in the name of the
plaintiff Bhagwant - were paid for by the joint family out of the
joint family funds. It is also an admitted position that the
entire amount of remuneration which was received by the defendant
B No. 2 Dattatraya and plaintiff Bhagwant not only on account of
their shares of commission under the managing agency agreement on
the basis of the partnership deed but also on account of the
Directors' fees paid to them and also on account of the salary
paid to defendant No.2 Dattatraya who acted as the managing agent
on behalf of the firm was treated as joint family property.
C Defendant No. 2 Dattatraya had continued to be the managing agent
of the company till 1935. It is also not in dispute that when the
plaintiff Bhagwant took over as the managing agent from defendant
No. 2 Dattatraya in 1935, the position continued to be the same
and the remuneration received by him formed part of the joint
family income till the dispute raised by plaintiff Bhagwant by
his letter dated 15th July, 1941 to the defendant No. 2
Dattatraya. The agreement of partnership clearly indicates that
D the plaintiff Bhagwant and the defendant No. 2 Dattatraya became
members of the firm M/s. Sulakhe & Co. which was appointed the
managing agent of the company on the basis of the managing agency
agreement, representing the joint family and for the benefit of
the joint family. Since the establishment of the partnership firm
of Sulakhe & Co. on the 3rd day of January, 1923 and since this
firm's appointment as the managing agent of the company under the
E managing agency agreement dated 5-2-1923 till the dispute was
raised by the plaintiff in July, 1941 this position appears to be
accepted by all without any kind of reservation. All monies
received by the plaintiff Bhagwant and defendant No. 2 Dattatraya
from the company, were treated as joint family income, were
entered in the books of account of joint family and were shown in
F income tax returns to be the income of the joint family.

The facts and circumstances of this case clearly indicate
that in the partnership agreement and the managing agency
agreement in which the plaintiff Bhagwant and defendant No. 2
Dattatraya were parties, they had become parties on behalf of the
joint family representing the joint family and the entire
G remuneration received by them, whether by way of commission or
the directors' fees or by way of salary for having acted as the
managing agent, was joint family income. On the materials on
record we have no hesitation in coming to the conclusion that
the plaintiff Bhagwant and the defendant No. 2 Dattatraya became
H the partners of Sulakhe & Co. which was appointed as the managing

agent of the company on the basis of the Managing Agency Agreement for the benefit of the joint family and their interest in the partnership firm and Managing Agency was a part of joint family assets and whatever income was earned either by the plaintiff Bhagwant or by the defendant No. 2 Dattatraya on the basis of the managing agency agreement belongs to the joint family and formed part of the joint family property. As the entire income coming in the hands of the plaintiff Bhagwant or defendant No. 2 Dattatraya on the basis of the partnership agreement and the managing agency agreement, whether on account of commission or by way of directors' fees or remuneration for acting as the managing agent, belonged to the joint family and formed part of the joint family property, the same position must necessarily continue in the eye of law so long as the partnership agreement and the managing agency agreement continued. The plaintiff by seeking to bring about a severance in the status of the joint family, cannot deprive the joint family of this property and the income derived on the basis of the managing agency agreement continues to remain the property of the joint family, so long as this joint family asset is not partitioned and otherwise continues to remain in existence. We have, therefore, no hesitation in holding that the remuneration received by the plaintiff Bhagwant from the company for acting as the managing agent on the basis of the managing agency agreement must necessarily be held to be the joint family property and the plaintiff Bhagwant cannot claim the same to be his personal property.

Mr. Tarkunde had addressed a novel and interesting argument that even if the income derived by the plaintiff Bhagwant from the company by way of remuneration for acting as the managing agent can be considered to be the income of the joint family, there should be an apportionment of this income between the plaintiff and the joint family, as the plaintiff alone had rendered all services on behalf of the family and he should, therefore, be held entitled to retain a part thereof for himself for the services rendered by him. This argument of Mr. Tarkunde sounds attractive and may raise an interesting question in an appropriate case. But in the facts and circumstances of this case and taking into consideration the true nature of the partnership and the Managing Agency Agreement and the conduct of the parties, we are of the opinion that there is no merit in the plaintiff's claim for retaining any part of the remuneration received by him from the company for the services rendered by him. The entire income arising out of the managing agency agreement and accruing

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A to the two members of the family, namely, the plaintiff Bhagwant
and the defendant No. 2 Dattatraya who might have rendered the
services, had been earned for and on behalf of the family and as
representatives of the joint family. The defendant No. 2
Dattatraya had continued as the managing agent for a number of
years and there has been no question of apportionment of any
B income derived by him as his remunerations for the services
rendered by him as managing agent. The character of any joint
family property does not change with the severance of the status
of the joint family and a joint family property continues to
retain its joint family character so long as the joint family
property is in existence and is not partitioned amongst the co-
sharers. By an unilateral act it is not open to any member of the
C Joint Family to convert any joint family property into his
personal property.

We now proceed to consider whether the remunerations received
by the plaintiff Bhagwant from the company as the Managing
Director of the Company belonged to the joint family or not. The
position of the Managing Director is entirely different from the
D position of the Managing Agent on the basis of the Managing
Agency Agreement between the firm of Sulakhe & Co. and the
company and the position of the Managing Director stands entirely
on a different footing. At the time the plaintiff was appointed
the Managing Director of the company on 19.10.1957 with effect
from 16th January, 1957, there was complete disruption of the
E joint family and there was no joint family in existence. In fact
at that point of time litigation between the parties was going
on. By virtue of the incorporation of S. 87A in the Indian
Companies Act by amendment in 1937 the duration of any Managing
Agency Agreement was limited to a period of 20 years only at a
time though on the expiry of the period of 20 years the Managing
F Agency Agreement could be renewed by virtue of the provisions
contained in Sub-Sec. (2) of S. 87A of the Act. In view of the
change brought about with regard to the duration of the Managing
Agency Agreement at a time the Managing agency Agreement
automatically came to an end on the expiry of the period of 20
years and though there was the provision with regard to the
G renewal of the Managing Agency Agreement it appears that the
Managing Agency Agreement was not renewed. It appears that the
Board of Directors of the Company had passed a resolution on
28.6.56 for the renewal of the Managing Agency Agreement. The
Managing Agency Agreement was not ultimately renewed and it does
not appear that any action was taken by the firm of Sulakhe & Co.
H or any partner thereof for obtaining renewal of the Managing

Agency Agreement for a further term after 1957. On the other hand it appears that the company had amended its articles of association and had proceeded to appoint the plaintiff Bhagwant as the Managing Director. It is significant to note that no partner of the firm of Sulakhe & Co. which had been appointed as the Managing Agent of the Company or no member of the joint family took any steps for challenging the validity of the amendment of the articles of association or the validity of the appointment of the plaintiff as the Managing Director of the Company.

Before we proceed to decide whether the remuneration received by the plaintiff as the Managing Director of the Company can be considered to be part of the joint family property, it will be appropriate to refer to a decision of this Court for proper appreciation of the legal position. Though a number of decisions had been cited from the Bar, we do not consider it necessary to refer to all the decisions, as in our view the legal position has been very lucidly and clearly discussed in the case of **Raj Kumar Singh Hukum Chandji v. Commissioner of Income-Tax Madhya Pradesh**, [1971] 1 S.C.R. 748 by this Court after reviewing the earlier decisions on this question. After considering various earlier decisions, this Court at page 758-759 observed:-

"At first sight there appears to be conflict between the two lines of decisions namely **Kalu Babu's** case, **Mathura Prasad's** case; two **Dhanwatey's** cases and **Krishna Iyer's** case on one side **Palaniappa Chettiar's** case, **Dakappa's** case and **D.C. Shah's** case on the other. The line that demarcates these two lines of decisions is not very distinct but on a closer examination that line can be located. In order to find out whether a given income is that of the person to whom it was purported to have been given or that of his family, several tests have been enumerated in the aforementioned decisions but none of them excepting **Kalu Babu's** case makes reference to the observations of Lord Sumner in **Gokal Chand's** case that 'in considering whether gains are partible, there is no valid distinction between the direct use of the joint family funds and a sue which qualifies the member to make the gains by his own efforts.' We think that that principle is no more valid. The other tests enumerated are:-

(1) Whether the income received by a co-parcener of a Hindu undivided family as remuneration had any real

A connection with the investment of the joint family funds;

(2) Whether the income received was directly related to any utilization of family assets;

B (3) Whether the family had suffered any detriment in the process of realization of the income; and

(4) Whether the income was received with the aid and assistance of the family funds;

C In our opinion from these subsidiary principles, the broader principle that emerges is whether the remuneration received by the coparcener in substance though not in form was but one of the modes of return made to the family because of the investment of the family funds in the business or whether it was a compensation made for the services rendered by the individual coparcener. If it is the former, it is an income of the Hindu undivided family but if it is that latter then it is the income of the individual coparcener. If the income was essentially earned as a result of the funds invested the fact that a coparcener has rendered some service would not change the character of the receipt. But if on the other hand it is essentially a remuneration for the services rendered by a coparcener, the circumstance that his services were availed of because of the reason that he was a member of the family which had invested funds in that business or that he had obtained the qualification shares from out of the family funds would not make the receipt, the income of the Hindu undivided family."

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This decision was no doubt given in a case arising out of an Income-tax matter. The various cases which have been referred in the judgment also arise out of Income-tax matters and they mainly deal with the question of determination of the nature and character of remuneration received by a member of the family, - whether the remuneration so received is income of the joint family property or is the personal income of the individual, - for the purpose of assessment of income-tax on such income. It is no doubt true that the observations which we have earlier quoted have been made on the nature and character of the income received by way of remuneration by a member of the joint family while

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considering the question of assessment of Income-tax on such income; but, in our opinion, the legal principles enunciated in this decision for determining the true nature and character of the remuneration received by any member of the joint family apply equally in deciding the nature and character of the remuneration received by the Managing Director in the instant case. This decision, to our mind, correctly lays down the tests which have to be considered for deciding the question whether the income derived by any member of the joint family by way of remuneration as managing Director is his personal income or is the income of the joint family.

In the facts and circumstances of this case, we have no hesitation in coming to the conclusion that the remuneration received by the plaintiff Bhagwant as Managing Director of the company from the company is his personal income and cannot be considered to be the income of the joint family. At the time the plaintiff Bhagwant became the Managing Director of the Company, the joint family had completely disrupted and it cannot be said that the plaintiff was the member of any joint family of which the defendants were also members. In fact, litigation between the parties was going on. Though the defendant No. 2 Dattatraya was also a member of the managing agency firm Sulakhe and Co., it does not appear that he took any steps for reappointment of the said firm as the managing agent. There were four outside partners interested in the Managing Agency Agreement and it does not appear that the defendant Dattatraya or the other outside partners of the managing agency firm Sulakhe & Co. had taken any steps against the company for not renewing the managing agency agreement. It is to be borne in mind that it was for the company to renew the managing agency agreement. For the purpose of appointing the plaintiff as the managing director, the articles of association of the company had to be amended and Art. 146A had been incorporated in the Articles of Association by amendment. It does not appear that defendant No. 2 Dattatraya or the other outside partners of the managing agency firm Sulakhe & Co. or any other shareholder of the company sought to prevent the company from amending the articles of association or challenged the validity of the amendment of the articles. The appointment of plaintiff Bhagwant as managing director after the amendment of the Articles also does not appear to have been challenged by the defendant No. 2 Dattatraya or any of the other partners of the managing agency firm. The termination of the managing agency agreement with the partnership firm Sulakhe & Co. appears to have been accepted by the members of the said firm including the

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A defendant No. 2 Dattatraya who alongwith the plaintiff Bhagwant were partners of the firm representing the joint family. It is also to be noted that in the partnership firm of Sulakhe & Co. which was appointed the managing agent of the company on the basis of the managing agency agreement, the four partners who did not belong to the family held majority shares in the partnership

B although by virtue of the agreement between the parties they had agreed that either the plaintiff Bhagwant or defendant No. 2 Dattatraya would act as the managing agent of the company on behalf of the managing agency firm and should receive the remuneration which would be paid to the managing agent acting as such on behalf of the firm. These outside partners who held the majority shares in the partnership firm of Sulakhe & Co. which had been appointed and had been acting as the managing agent of the company on the basis of the managing agency agreement, raised no protests for not renewing managing agency for a further term, though under Sub-section (2) of S. 87A of the amended provision, the managing agency agreement which stood terminated in 1957, could have been extended. It appears, therefore, that the majority of the partners had lost interest in the renewal of the

C managing agency agreement. In any event, the undisputed facts remain that the managing agency agreement was not renewed after 1957 and no action was taken against the company or anybody else by the firm of Sulakhe & Co. which had been acting as the managing agent or by any partner thereof either for renewal of the managing agency agreement or for not renewing the managing agency

D agreement. It also does not appear that the firm Sulakhe & Co. or any of its partners took any action to prevent the company from amending its articles and for appointing Bhagwant as the Managing Director of the company. The facts and circumstances of the case go to indicate that the partners of the firm Sulakhe & Co. which had been acting as the Managing Agent on the basis of the managing

E agency agreement with the company accepted the termination of the managing agency on the expiry of the term prescribed under the amended law without any protest and did not seek to enforce the right or renewal of the managing agency agreement or of any other provision of the agreement. As the managing agency agreement had ceased to exist at the time the plaintiff Bhagwant was

F appointed the Managing Director of the company and as at that time there was no joint family of the plaintiff Bhagwant and the defendants in existences, the plaintiff Bhagwant cannot be said to have been appointed as the Managing Director of the company either because of the Managing agency agreement or because of his being a member of the joint family. The facts and circumstances

G make it clear that the partnership agreement or the managing

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agency agreement had no relevance to the appointment of the plaintiff Bhagwant as the Managing Director of the Company. As we have earlier indicated the company had initially contemplated to renew the managing agency on the expiry of the term prescribed by law and the Board of Directors had passed a resolution accordingly. Subsequently, for reasons known to the company, the company decided not to continue the managing agency agreement and decided to appoint plaintiff Bhagwant as the Managing Director of the company. For the purpose of appointing the plaintiff Bhagwant as the Managing Director, the company had to amend its Articles of Association and the company, in fact, duly altered the Articles of Association of the company. Neither the partnership firm of Sulakhe & Co. which had been appointed as the Managing Agent of the company and had been acting as such till the expiry of the term nor any partner thereof had taken any effective step for renewal of the managing agency agreement or had made any effective protest for not reappointing the firm Sulakhe & Co. as the managing agents of the firm and for appointing the plaintiff as managing director of the company after having amended the articles of association of the company. The facts and circumstances of the case also do not go to indicate that the appointment of the plaintiff as managing director of the company was by way of any return to the family because of the investments of the family funds in the business of company. As earlier noticed the joint family had purchased only 325 shares at the time of the managing agency agreement with the company and, in fact, other parties have invested a much larger amount in the purchase of shares. Taking into consideration the total investment made in the company by various parties it appears that the contribution of the joint family appears to be insignificant. It cannot, therefore, be said that the appointment of the plaintiff as Managing Director, at a time when there was complete disruption of the joint family and the members of the family were fighting in Court, was by way of any return on the investment made by the joint family. It is quite clear that the plaintiff Bhagwant was appointed as the Managing Director by the company for services to be rendered by him, as the company might have been impressed by his performance as the managing agent for a number of years. Though undoubtedly the plaintiff Bhagwant acted as the managing agent for and on behalf of the joint family and for benefit of the joint family, yet what must have weighed with the company is the kind of services rendered by him to the company. The company was concerned with his services and not with the question whether he was rendering the services for and on behalf of the family. The plaintiff Bhagwant, was therefore appointed as the managing

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A director for the services rendered by him and for services to be rendered by him. The remuneration which the company agreed to pay to the plaintiff Bhagwant for acting as the managing director was for the services to be rendered by him. This remuneration must, therefore, be the personal income of Bhagwant and does not belong to the joint family. The decisions of this Court and the principles enunciated by this Court which we have earlier noted clearly support the view we have taken.

In facts and circumstances of this case there can be no question of the plaintiff Bhagwant being a trustee or acting as the trustee for the benefit of the joint family in relation to his appointment as the managing director of the company.

C It has to be borne in mind that it was the partnership firm of Sulakhe & Co. which was appointed as the managing agent of the company and on the basis of the partnership agreement and the managing agency agreement, the defendant No. 2 Dattatraya and thereafter the plaintiff Bhagwant acted as the managing agent of the company and was entitled to receive the remuneration from the company for acting as such managing agent. As we have already noticed the partnership firm consisted of six members, four of whom were outsiders and did not belong to the family. These four outside members of the partnership firm had, in fact, held the majority shares in the partnership. The defendant No. 2 Dattatraya and the plaintiff Bhagwant had become members of the partnership firm for and on behalf of the joint family and representing the joint family interest. The firm had entered into the Managing Agency agreement with the company. The managing agency of the company was that of the partnership firm in which the four outside members with a majority of shares in the partnership were interested and the managing agency firm cannot, therefore, be considered to be an asset of the joint family. It was the interest of the defendant No. 2 and the plaintiff Bhagwant in the managing agency firm on the basis of their shares in the partnership which belonged to the joint family. Furthermore, the managing agency was an agreement between the company and the partnership firm. It would no doubt be open to the partnership firm to ask for renewal of the managing agency agreement and it would be equally open to the company to decide what the company should do. We have earlier observed that on the expiry of the term of the managing agency by virtue of the changes introduced in the Companies Act no effective steps appear to have been taken by the firm Sulakhe & Co. which acted as the managing agent or any partner thereof for renewal of the managing

agency agreement. The alterations of the articles of association of the company and the appointment of the plaintiff as managing director after the amendment of the articles also went without any effective challenge by the firm of Sulakhe & Co. or any partner thereof or by any share holder of the company. The effect of not renewing the agreement was that the interest of the partnership firm of Sulakhe & Co. in the company as the managing agent thereof with all the rights and privileges on the basis of the said agreement came to an end. With the termination of the managing agency agreement the interest of the joint family in the managing agency on the footing that two of the members of the joint family, namely, defendant No. 2 Dattatraya and plaintiff Bhagwant were as partners of the firm associated with the managing agency and were acting as the managing agent on the basis of the partnership agreement and the managing agency agreement also ceased. As we have earlier observed, the appointment of the plaintiff Bhagwant as managing director was not because of any special investment by the joint family in the company and the remuneration which was agreed to be paid by the company to the plaintiff Bhagwant for acting as the managing Director of the company was not by way of any return on the investment of the joint family in the company and the plaintiff Bhagwant became entitled in his individual capacity as the managing director of the company to the remuneration offered to him for the services to be rendered by him as such Managing Director. The plaintiff Bhagwant earned the remuneration in his personal capacity for services rendered by him. The argument advanced on behalf of the defendants that plaintiff Bhagwant was in the position of a trustee with regard to the remuneration received by him for acting as managing director of the company and is accountable to the joint family for all such remunerations received by him is, therefore, in the facts and circumstances of this case without any merit.

At the time when the company was incorporated and admittedly when the family was joint, 325 shares in the company were purchased, - 200 in the name of the defendant No. 2 Dattatraya and 125 in the name of the plaintiff Bhagwant. Admittedly the price for these shares was paid out of the joint family funds. There can, therefore, be no dispute that these shares belong to the joint family in which each branch of the joint family has an equal share. In fact, it is so conceded before us by the parties concerned. It appears that 79 further shares in the company in the name of the plaintiff Bhagwant and four further shares in the name of defendant No. 1 Gopal were purchased. It further appears

A that the purchase price of these 83 shares were also paid out of
the joint family funds. So far as the four shares purchased in
the names of defendant No. 1 it is not disputed that the said
four shares belong to the joint family. Though the plaintiff
claims that the 79 shares belong to him and not to the joint
family on the plea that the price paid by the joint family for
B the purchase of the said shares was paid to the plaintiff
Bhagwant by way of loan to him, we must hold taking into
consideration the facts and circumstances of this case and in
particular the fact that the story of the loan by the joint
family, has not been accepted, that these 79 shares also belong
to the joint family. Shares which were subsequently purchased by
the parties were purchased when the status of the joint family
C has been completely disrupted and there is no evidence to
indicate that the joint family had paid for the shares
subsequently purchased by the parties. Shares had been purchased
by the plaintiff, his sons and other members of the family.
Plaintiff's son is a Doctor and has his own income. It is not
established that the plaintiff purchased shares out of the
remunerations earned by him as the Managing Agent or the managing
D director of the company. Even if we assume that the plaintiff has
paid for these shares out of the remunerations paid to him by the
company for acting as the Managing Agent or the managing
director, the joint family can have no claim with regard to any
such share. The plaintiff Bhagwant may in the facts and
circumstances of this case be accountable to the joint family for
E the remuneration earned by him as Managing Agent, but he is not a
trustee and the shares purchased by him will not belong to the
joint family. We have already held that the plaintiff was not in
the position of a trustee for the benefit of the joint family in
his capacity as the managing director of the company and the
remuneration which the plaintiff earned belonged to him and was
F his personal income. We, therefore, hold that 200 shares standing
in the name of defendant No. 2, 125 shares standing in the name
of the plaintiff Bhagwant, four shares standing in the name of
defendant No. 1 and the 79 shares standing in the name of the
plaintiff or his sons which were purchased out of the joint
family funds belong to the joint family and each branch has equal
G $\frac{1}{3}$ shares in these shares.

We now proceed to consider the question of cash money which
was found in the Mahalaxmi room. The plaintiff claims that in the
Mahalaxmi room there was about a Lac of Rupees belonging to the
joint family which had been secreted by the defendants. When the
H receiver counted the money, it was found that there was cash

money in Mahalaxmi room over twenty-one-thousand rupees. There is no evidence on record which would justify the claim of the plaintiff that there was a Lac of Rupees in the Mahalaxmi room. Materials on record show that there was some cash money belonging to the joint family in the Mahalaxmi room. To ascertain exactly how much cash money was there in the Mahalaxmi room, it becomes necessary to direct that a proper account should be taken. The litigation between the parties is going on for decades, and any reference directing accounts to be taken on this question would necessarily mean that the litigation would be prolonged further. Taking an overall view of the matter we have decided that in the interest of justice and in the interest of the parties it will be appropriate in the facts and circumstances of this case that this Court should determine and reasonable amount on the basis of the materials which are there on the record and on the basis of the submission made by the counsel and the counsel for the parties also suggested that in the interest of the parties concerned it would be desirable that this Court should fix an amount which the Court will consider reasonable. We propose to take this aspect into consideration while passing the decree in these appeals.

The last question which falls for determination is on the question of ornaments, jewellery and utensils. There is no proper evidence on record which will justifiable lead to the conclusion that any ornaments, jewellery or utensils belonging to the joint family are in the possession of any particular party. Materials on record, on the other hand, suggest that these movables have already been partitioned. We are, therefore, inclined to take the view that whatever ornaments, jewellery and utensils are in the possession of any of the parties now belong to them and there is no question of any party being in possession of any joint family ornaments, and utensils.

In the result we hold :-

1. That all remunerations received by the plaintiff Bhagwant from the company by way of commission director's fees and remunerations as the managing agent of the company so long as the managing agency agreement continued its existence till 1957, belong to the joint family and the plaintiff is bound to render true and faithful accounts of all such amounts received by him and to pay to the other two branches their share, nemely, 1/3rd to each of the other branches who happen to be the defendants in the suit.

- A 2. The position of the defendant No. 2 Dattatraya who was the other person in the firm of Sulakhe & Co. representing the joint family and who also acted as a managing agent is also the same. There is no question, however, of the defendant No. 2 Dattatraya rendering any account in respect of such sums received by him as all such sums received by him had been treated without any kind of dispute as joint family income and had been entered in the books of the joint family. The question of rendition of any account by the defendant No. 2 Dattatraya therefore, does not arise.
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3. The remuneration received by the plaintiff as managing director of the company on his appointment as managing director of the company in 1957, belongs to the plaintiff personally and does not belong to the joint family. The entire remuneration received by the plaintiff after the termination of the managing agency agreement and after his appointment as managing director of the company is the personal income of the plaintiff and the joint family or any member thereof has no interest or claim in the amounts so received by the plaintiff.
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4. 200 shares of the company in the name of the defendant No. 2, 125 shares in the company in the name of the plaintiff which were initially acquired by the joint family and the subsequent acquisition of 79 shares by the plaintiff in his name or in the name of his sons and the acquisition of four shares in the name of defendant No. 1 belongs to the joint family and each branch of the joint family has an equal interest in the shares. In other words, these 408 shares belong to the joint family and being 408 shares have to be divided equally amongst the three branches of the family. All other shares in the company standing in the names of the parties or their children do not belong to the joint family and form no part of the joint family property.
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5. So for as the cash money in the Mahalaxmi room is concerned there was undoubtedly some cash money lying in that room belonging to the joint family. The exact amount of cash money lying in the Mahalaxmi room is difficult, if not impossible, to ascertain on the
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basis of the materials on record. It will be equally difficult to ascertain the exact amount even if a reference is directed as on the materials on record and after hearing the submissions of the counsel for the parties, we find that there is no dependable material to come to any definite conclusion. The plaintiff claims that there was approximately a Lakh of Rupees whereas the receiver found only an amount of over Rs.21,000. The plaintiff Bhagwant is no doubt entitled to a reasonable amount in respect of money lying in Mahalaxmi room and we shall take this amount into account while passing the final decree herein.

6. So far as the ornaments, jewellery and utensils are concerned, we hold that there is no material on record to establish that any party in possession of any ornaments, jewellery and utensils belong to the joint family. The ornaments, jewellery and utensils in the possession of the respective parties will be treated as their own properties. There is nothing further to enquire into or decide on these questions.

On the basis of the aforesaid findings we now proceed to consider the nature of the relief that should be granted and the kind of decree that we should pass in these appeals. We are of the opinion that taking into consideration that the litigation between the parties has been going on for over four decades, it will be in the interest of justice and in the interest of parties that any kind of decree would not be passed which may have the effect of prolonging the litigation. In that view of the matter we are of the opinion that we should not pass any decree for accounts, as any reference for taking accounts will result in prolongation of litigation to the detriment of the interest of the parties. The learned counsel appearing on behalf of the parties also submitted before us that we should pass a final decree to put an end to the litigation. To enable us to pass a final decree without any directions for taking of accounts between the parties we directed all the parties to place before us the relevant facts and the necessary figures in respect of their claims on each head. On the basis of the directions given by us, the parties have furnished the Court with relevant facts and figures relating to their claims in respect of every item of claim and have also made their submissions before us on the basis thereof. We have carefully considered all the materials which have been placed before us by the parties and also the

A submissions made in support thereof by the parties. On a careful consideration of all the materials placed before us and also the submissions made on behalf of the parties, we now proceed to pass the final decree in these appeals in the following terms :-

B (1) The plaintiff Bhagwant who happens to be the appellant before us will pay a sum of Rupee two Lacs to the defendants to be divided equally between the two respective branches of the defendants. In other words, the plaintiff Bhagwant will pay a sum of Rupees one lac to the heirs of defendant No. 1 Gopal and a sum of Rupees one lac to the defendant No. 2 Dattatraya.

C (2) The said sum of Rupees two lacs will be paid to the defendants in the manner aforesaid, nemely, one lac to the heirs of defendant No. 1 Gopal and Rupees one lac to the defendant No. 2 Dattatraya within a period of two months from date.

D (3) In default of payment of the said sum within the aforesaid period, the decretal amount of Rupees 1 lac in favour of each branch of the defendants will carry interest @ 9% per annum from the date of default till recovery of the said amount by the defendants. In other words, the interest on the said sum of Rupees one lac each for defendant No. 2 and the heirs of defendant No. 1 Gopal will run from 1st December, 1985, if the said amount is not paid by the end of November 1985.

E (4) If the amount of Rupees one Lac or any part thereof remains unpaid by the end of November, 1985 to the heirs of defendants No. 1 Gopal or to the defendant No. 2 Dattatraya, the said defendants or either of them who would not be paid the entire sum of Rupees one Lac by the end of November, 1985 will be entitled to execute the decree for the said amount of Rupees one Lac or any part thereof which will remain unpaid with interest on the said amount, on the basis of the decree passed herein.

G (5) It is declared that 408 shares which we have held to be the property of the joint family as recorded in our finding No. 2 belong to the joint family and the

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plaintiff Bhagwant, the defendant No. 2 Dattatraya and heirs of defendant No. 1 Gopal shall have each 1/3 share in the said 408 shares in the company. The said 408 shares shall be divided equally amongst the three branches and the plaintiff will get 136 shares, defendant No. 2 Dattatraya 136 shares and the heirs of Defendant No. 1 Gopal will get 136 shares.

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(6) Mr. S.B. Sulakhe son of the plaintiff Bhagwant who happens to be the present managing director of the company is hereby appointed Commissioner without any remuneration to divide the shares equally in the aforesaid three lots and to have the same transferred and registered in the names of the parties on the basis of the division of the said shares to be effected in terms of the decree. The plaintiff will proceed to divide the said shares in the manner directed above within two months from date. All the parties will give necessary co-operation to the plaintiff in the matter of effecting division of the said 408 shares in the manner aforesaid.

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(7) If for any reason, the plaintiff is not able to divide the said shares within a period of two months from date of the decree any of the parties will have the liberty to apply before the Trial Judge for the appointment of a Commissioner of partition to divide the said 408 shares in three equal lots of 136 shares each in the manner directed by this decree.

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(8) It is declared that the amount which would have been payable to the plaintiff as his share out of cash money lying in the Mahalaxmi room, has been taken into consideration while passing the decree for Rupees two lacs against the plaintiff and the plaintiff will have no further claim against the defendants on this account.

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(9) It is declared that no party has any claim against the other on account of any joint family ornaments, jewellery and utensils. It is further declared that whatever ornaments jewellery and utensils are in the possession of any of the parties are their own properties and no other party has any claim in respect thereof.

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A (10) It is declared that there are no other joint family properties in respect of which any of the parties can make any claim and it is further declared that apart from what is provided in this decree, no party has or will have any claim against any other party on the basis of any property being a part of the joint family property.

B (11) Save and except the costs already paid by the plaintiff to the defendants, the parties will pay and bear their own costs. It is made clear that the plaintiff will not be entitled to recover whatever costs he might have paid to the defendants and the defendants will be entitled to retain all sums received on account of costs and will not be called upon to refund any part of the amounts received by them by way of costs from the plaintiff.

C (12) Any direction or finding of the High Court contrary to what we have held must necessarily stand set aside and appeals to that extent stand allowed.

S.R.

Appeals partly allowed.