

A BALDEV KRISHNA SAHI  
v.  
SHIPPING CORPORATION OF INDIA LIMITED & ANR.

SEPTEMBER 17, 1987

B [A.P. SEN AND B.C. RAY, JJ.]

*Companies Act, 1956: s. 630—Property of company—Wrongful withholding of—Penalty for—Officer allotted flat by company—Refusing to vacate after retirement—Prosecution for—Whether permissible.*

C *Interpretation of Statutes: Penal provisions—When to be beneficially construed.*

D *Words & Phrases: Terms 'Officer or employee', 'any property of a company' and 'any such property'—Meaning of—Companies Act, 1956, s. 630.*

E **Sub-section (1) of s. 630 of the Companies Act, 1956 provides for launching of prosecution against an officer or employee of a company, who (a) wrongfully obtains possession of any property of a company, or (b) having any such property in his possession wrongfully withholds or knowingly misapplies the same.**

F **The petitioner who was given a flat by the company for his residence during the period of his employment did not vacate it on his retirement. He was granted six months time on humanitarian grounds upon his undertaking to comply with. Upon his failure to vacate the premises the company lodged a complaint against him under s. 630 of the Act for wrongful withholding of its property. The Magistrate took cognizance of the complaint and directed issue of process.**

G **Dismissing the writ petition filed by him under Art. 227 of the Constitution read with s. 482 Cr. P.C. seeking to quash the proceedings, the High Court following its consistent view in a series of cases that the term 'officer or employee' in sub-s. (1) of s. 630 must be interpreted to mean not only the present officer or employee of company but also to include past officers and employees of the company and that the words 'any such property' in cl. (b) qualify the words 'any property of a company' appearing in cl. (a), held that the case does not call for**  
H **interference.**

In the special leave petition it was contended for the petitioner that the provision contained in s. 630 of the Act is a penal provision and, therefore, must be subject to a strict construction and there is no room for intendment, that the term 'officer or employee' occurring in sub-s. (1) of s. 630 refers only to the existing officers and employees of a company, and not the past officers, and that cl. (b) of sub-s. (1) does not stand by itself but is interconnected with cl. (a) thereof and therefore cl. (a) and cl. (b) must be read together and when so read the words 'any such property' in cl. (b) do not qualify the words 'any property of a company' in cl. (a) and only relate to the property of company wrongfully taken possession of by a present officer.

Dismissing the special leave petition,

**HELD:** 1. Section 630 of the Companies Act, 1956 plainly makes it an offence if an officer or employee of the company who was permitted to use any property of the company during his employment, wrongfully retains or occupies the same after the termination of his employment. [176F-G]

2.1 The term 'officer or employee' of a company in s. 630(1) applies not only to existing officers or employees but also to past officers or employees if such officer or employee either (a) wrongfully obtains possession of any property, or (b) having obtained such property during the course of his employment, withholds the same after the termination of his employment. [179B-C]

2.2 The beneficent provision contained in s. 630 of the Companies Act though penal, has been purposely enacted by the legislature with the object of providing a summary procedure for retrieving the property of the company. It is the duty of the Court to place a broad and liberal construction on the provision in furtherance of the object and purpose of the legislation which would suppress the mischief and advance the remedy. [175C-E]

2.3 Sub-s. (1) of s. 630 of the Act by clauses (a) and (b) creates two distinct and separate offences: (1) Where an officer or employee of a company wrongfully obtains possession of any property of the company during the course of his employment, to which he is not entitled. Normally, it is only the present officers and employees who can secure possession of any property of a company. It is also possible for such an officer or employee after termination of his employment to wrongfully take away possession of any such property. This is the function of cl. (a)

**A** and although it primarily refers to the existing officers and employees, it may also take in past officers and employees. (2) Where an officer or employee of a company having any property of a company in his possession wrongfully withholds it or knowingly applies it to purposes other than those expressed or directed in the articles and authorised by the Act. It may well be that an officer or employee may have lawfully obtained possession of any such property during the course of his employment but wrongfully withholds it after the termination of his employment. That appears to be one of the functions of cl. (b). Clause (b) also makes it an offence if any officer or employee of a company having any property of the company in his possession knowingly applies it to purposes other than those expressed or directed in the articles and authorised by the Act. That would primarily apply to the present officers and employees and may also include past officers and employees. There is therefore no warrant to give a restrictive meaning to the term 'officer or employee' appearing in sub-s. (1) of s. 630 of the Act. [175F-H; 176A-C]

**D** 3. It is quite evident that clauses (a) and (b) are separated by the word 'or' and therefore are clearly disjunctive. The whole object of enacting the provision is the preservation of the property of a company by the creation of two distinct offences by clauses (a) and (b) which arise under different sets of circumstances, and it would be rendered nugatory by projecting cl. (a) into cl. (b). [176C, D-E]

**E** 4. According to the plain construction, the words 'any such property' in cl. (b) relate to 'any property of a company' as mentioned in cl. (a). It is wrongful with-holding of such property meaning the property of the company after termination of the employment, which is an offence under s. 630(1)(b) of the Act. [176F; 177E-F]

**F** 5. The petitioner given one month's time to vacate the premises failing which the respondents to take such proceedings as the law provides. The Additional Chief Metropolitan Magistrate to proceed with the trial and dispose it of expeditiously. [179D-E]

**G** *Harkishan Lakhimal Gidwani v. Achyat Kashinath Wagh & Anr.*, [1982] 53 Company Cases 1, and *Govind T. Jagtiani v. Sirajuddin S. Kazi & Anr.*, [1984] 56 Company Cases 329, approved.

**H** *Amritlal Chum v. Devi Ranjan Jha & Anr.*, [1987] 61 Company Cases 211, overruled.

CRIMINAL APPELLATE JURISDICTION: Special Leave  
Petition (CRL.) No. 1765 of 1987

From the Judgment and Order dated 8/9.7.1987 of the Bombay  
High Court in W.P. No. 332 of 1987.

V.N. Ganpule for the Petitioner.

Soli J. Sorabjee, K.J. John and A.K. Desai for the Respondents.

The Judgment of the Court was delivered by

SEN, J. The Companies Act, 1956 by s. 630, enacts:

“630. Penalty for wrongful withholding of property—(1) If  
any officer or employee of a company—

(a) wrongfully obtains possession of any property of  
a company; or

(b) having any such property in his possession  
wrongfully withholds it or knowingly applies it to purposes  
other than those expressed or directed in the articles and  
authorised by this Act;

he shall, on the complaint of the company or any creditor  
or contributory thereof, be punishable with fine which may  
extend to one thousand rupees.

(2) The Court trying the offence may also order such  
officer or employee to deliver up or refund, within a time  
to be fixed by the Court, any such property wrongfully  
obtained or wrongfully withheld or knowingly misapplied,  
or in default, to suffer imprisonment for a term which may  
extend to two years.”

The only question involved in this special leave petition is as to  
the scope and effect of sub-s. (1) of s. 630 of the Act. The controversy  
is as to the meaning of the term ‘officer or employee’ used in sub-s(1)  
of s. 630 and as to the meaning of the words ‘any such property’ in  
cl. (b) thereof and there is a conflict of opinion between the High  
Courts of Calcutta and Bombay on the question. On a literal construc-  
tion of the term ‘officer or employee’ occurring in sub-s. (1) of s. 630 of

- A the Act, the High Court of Calcutta in *Amritlal Chum v. Devi Ranjan Jha & Anr.*, [1987] 61 Company Cases 211 held that it refers only to the existing officers and employees of a company. It also held that the words 'any such property' in s. 630(1)(b) relate to property specified in cl. (a) viz. property of a company wrongfully taken possession of by a present officer or employee of the company. The High Court of
- B Bombay, on the other hand, has placed a beneficent construction on the provisions contained in s. 630 and according to it, the term 'officer or employee' in sub-s. (1) of s. 630 must be interpreted to mean not only the present officers and employees of a company but also to include past officers and employees of the company. It is also of the view that the words 'any such property' in cl. (b) qualify the words 'any
- C property of a company' appearing in cl. (a). That has been the consistent view taken by the High Court of Bombay in a series of cases. See: *Harkishan Lakhimal Gidwani v. Achyut Kashinath Wagh & Anr.*, [1982] 53 Company Cases 1, *Govind T. Jagtiani v. Sirajuddin S. Kazi & Anr.*, [1984] 56 Company Cases 329 which have since been followed in a series of cases referred to by the learned Single Judge (Ashok Agarwal, J.).
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- The issues involved in the special leave petition are of considerable importance to the corporate sector as many of the business organisations, both in the public as well as the private sector, are required to provide residential accommodation to their officers and
- E employees as a condition of their service to attract better talent and have of necessity to purchase residential flats in multi-storeyed buildings in large cities and towns for the use of such officers and employees during the course of their employment, and the question is whether the provisions contained in sub-s. (1) of s. 630 which provide for the launching of a prosecution against an officer or employee of a
- F company for wrongful possession of such property under cls. (a) and (b) of sub-s. (1) of s. 630 and for the recovery of such property by the issue of process under sub-s. (2), also extends to past officers and employees of the company and whether the Court trying the offence has the power to issue a process under sub-s. (2) against such officer or employee. At the conclusion of the hearing we had by a short order dismissed the
- G special leave petition and held that the view expressed by the learned Single Judge following the earlier decisions of the High Court in *Harkishan Lakhimal Gidwani* and reiterated in *Govind T. Jagtiani* was to be preferred to the view to the contrary expressed by the High Court of Calcutta in *Amritlal Chum*. As the respondent Shipping Corporation of India, a public sector undertakings, was in dire need of the flat
- H in question which is situate in a posh locality like the Cuffe Parade in

Bombay, for the use of its senior executives, we could not accede to the request of the learned counsel for the petitioner to refer the case to a bench of three Judges and heard learned counsel for the parties at quite some length on August 27, 1987 and dismissed the special leave petition. The reasons therefor follow.

At the very threshold it is necessary to set out a few facts. The petitioner Baldev Krishan Sahi was an Under Secretary to the Government of India in the Ministry of Shipping & Transport and on May 21, 1974 accepted employment as Joint Manager in the Mogul Line Limited, a Government of India undertaking, after obtaining release from government service. He was first allotted a service quarter. In 1975 the company purchased a spacious flat being flat No. 151 in Jolly Maker Apartment III at 119, Cuffe Parade and the petitioner being the seniormost executive was allotted the flat for his residence. The petitioner retired from the service of the company on or about September 30, 1984. Prior to that i.e. on September 26, 1984 he addressed a letter requesting the company to permit him to continue to live in the company's premises during the period of his accumulated leave after his retirement i.e. for a period of six months, undertaking to vacate the flat as early as possible. It appears that the company on humanitarian grounds acceded to this request and permitted the petitioner to stay on in the company's flat for six months after his retirement and in accordance with the company's rules, he was required to pay compensation for the use of the premises. After the expiry of the said period of six months, the company addressed a letter dated April 26, 1985 requesting the petitioner to vacate the premises stating that if he failed to do so, he would be liable to pay higher compensation as per the company's rules. Since the petitioner failed to vacate the flat, the company initiated proceedings for his eviction under the Public Premises (Eviction of Unauthorised Occupants) Act, 1971. The Estate Officer by order dated December 2, 1985 directed the eviction of the petitioner. The petitioner carried an appeal to the City Civil & Sessions Court, Bombay but the same was dismissed by the Principal Judge, City Civil Court by his order dated January 16, 1986. He then preferred a revision to the High Court and the High Court by its order dated January 28, 1986 allowed the same, set aside the eviction order and directed the Estate Officer to give a personal hearing to the petitioner. Instead of availing of that opportunity, the petitioner on March 3, 1986 moved the High Court by a petition under Art. 226 of the Constitution and obtained ad-interim stay of the proceedings before the Estate Officer. A few days thereafter i.e. on March 7, 1986 the petitioner instituted a suit being Civil Suit No.

- A 1382/86 in Small Causes Court, Bombay seeking a declaration that he was a tenant of the disputed flat, which is now pending.

In view of this, the company was constrained to lodge a complaint against the petitioner under s. 630 of the Act in the Court of the Additional Chief Metropolitan Magistrate, 37th Court, Esplanade, Bombay alleging that he was wrongfully withholding the flat in question which had been given to him for his residence during the period of his employment and thereby committed an offence punishable under s. 630. The learned Magistrate by his order dated May 22, 1986 took cognizance of the complaint against the petitioner and directed issue of process. On June 30, 1986 the company merged with the Shipping Corporation of India and all its assets and liabilities were taken over by the Corporation. The Corporation in the counter-affidavit *inter alia* has pleaded that there is acute shortage of housing accommodation in the Metropolitan City of Bombay and it becomes necessary for the Corporation with a view to attract good talent to provide suitable housing accommodation to its officers and employees, and that due to acute financial liquidity it is not possible for the Corporation to buy property in Bombay for this purpose. It is further pleaded that the petitioner was given the flat for his residence during the period of his employment and that he was bound to vacate the same after his retirement. It is asserted that the petitioner with a dishonest intention is wrongfully withholding the flat and has instituted false and frivolous proceedings with the ulterior object of protracting and delaying the eviction proceedings. We are informed that the petitioner has been deliberately and dishonestly withholding the flat covering an area of 1750 square feet in Cuffe Parade which is a posh area, valued at approximately Rs.30 lakhs and putting it to his own use contrary to the terms of his employment.

- F The first and foremost argument of learned counsel for the petitioner is that the provision contained in s. 630 of the Act is a penal provision and therefore must be subject to a strict construction and there is no room for intendment. It is submitted that on a true construction, the scope and effect of the section was limited to such property of the company which was wrongfully obtained by an officer or employee of the company. Emphasis was placed upon the words 'any such property' in cl. (b) of sub-s. (1) for the contention that cl. (b) does not stand by itself but is inter-connected with cl. (a) and therefore both clauses (a) and (b) must be read together. In essence, the submission is that sub-s. (1) of s. 630 of the Act makes it an offence where any officer or employee of a company wrongfully withholds possession of

such property of the company. Secondly, it is contended that the legislature never intended to include past officers and employees of a company within the ambit of s. 630 of the Act which provides for prosecution of an officer or employee of a company for wrongfully withholding the property of the company inasmuch as it has used different languages where it was so intended, namely, in ss. 538 and 545. The entire argument of the learned counsel is based upon the judgment of the High Court of Calcutta in *Amritlal Chum's* case. We are afraid, we find it difficult to subscribe to the narrow construction placed by the High Court of Calcutta on the provision contained in sub-s. (1) of s. 630 of the Act which defeats the very purpose and object with which it had been introduced.

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The beneficent provision contained in s. 630 no doubt penal, has been purposely enacted by the legislature with the object of providing a summary procedure for retrieving the property of the company (a) where an officer or employee of a company wrongfully obtains possession of property of the company, or (b) where having been placed in possession of any such property during the course of his employment, wrongfully withholds possession of it after the termination of his employment. It is the duty of the Court to place a broad and liberal construction on the provision in furtherance of the object and purpose of the legislation which would suppress the mischief and advance the remedy.

Section 630 of the Act which makes the wrongful withholding of any property of a company by an officer or employee of the company a penal offence, is typical of the economy of language which is characteristic of the draughtsman of the Act. The section is in two parts. Sub-s. (1) by clauses (a) and (b) creates two distinct and separate offences. First of these is the one contemplated by cl. (a), namely, where an officer or employee of a company wrongfully obtains possession of any property of the company during the course of his employment, to which he is not entitled. Normally, it is only the present officers and employees who can secure possession of any property of a company. It is also possible for such an officer or employee after termination of his employment to wrongfully take away possession of any such property. This is the function of cl. (a) and although it primarily refers to the existing officers and employees, it may also take in past officers and employees. In contrast, cl. (b) contemplates a case where an officer or employee of a company having any property of a company in his possession wrongfully withholds it or knowingly applies it to purposes other than those expressed or directed in the

- A articles and authorised by the Act. It may well be that an officer or employee may have lawfully obtained possession of any such property during the course of his employment but wrongfully withholds it after the termination of his employment. That appears to be one of the functions of cl. (b). It would be noticed that cl. (b) also makes it an offence if any officer or employee of a company having any property of the company in his possession knowingly applies it to purposes other than those expressed or directed in the articles and authorised by the Act. That would primarily apply to the present officers and employees and may also include past officers and employees. There is therefore no warrant to give a restrictive meaning to the term 'officer or employee' appearing in sub-s. (1) of s. 630 of the Act. It is quite evident that clauses (a) and (b) are separated by the word 'or' and therefore are clearly disjunctive.

- The High Court of Calcutta in *Amritlal Chum's* case obviously fell into an error in seeking to curtail the ambit of s. 630(1)(b) by giving a restrictive meaning to the terms 'officer or employee' which must take its colour from the context in which it appears. The whole object of enacting sub-s. (1) of s. 630 is the preservation of the property of a company by the creation of two distinct offences by clauses (a) and (b) which arise under different sets of circumstances, and it would be rendered nugatory by projecting cl. (a) into cl. (b). There is also no warrant for the construction placed by the High Court of Calcutta on the words 'any such property' occurring in cl. (b) as applicable to such property of a company, possession of which is wrongfully obtained by an officer or employee of the company i.e. refers to the whole of cl. (b). According to the plain construction, the words 'any such property' in cl. (b) relate to any property of a company as mentioned in cl. (a).

- F Section 630 of the Act plainly makes it an offence if an officer or employee of the company who was permitted to use any property of the company during his employment, wrongfully retains or occupies the same after the termination of his employment. By a curious process of reasoning, the High Court of Calcutta in *Amritlal Chum's* case held that s. 630 of the Act applies only to the existing officers and employees and not to those whose employment has been terminated. In somewhat similar facts, an officer of Messrs Jardine Hendersons Limited who had been placed in possession of a furnished flat in premises no. 27, Ballygunj Park, Calcutta as a condition of his service, wrongfully retained possession thereof after ceasing to be an officer of the company. The question was whether he had thereby committed an

offence punishable under s. 630 of the Act. N.G. Chaudhuri, J. speaking for himself and G.C. Chatterjee, J. held that the opening words of sub-s. (1) of s. 630, namely, 'if any officer or employee of a company' qualify 'the acts of delinquency' specified in clauses (a) and (b) thereof. He further held that the High Court of Bombay was in error in laying down in *Govind T. Jagtiani's* case that for purposes of prosecution, cl. (a) of s. 630(1) was referable to existing officer or employee of a company, while cl. (b) was wide enough to include former or past officer or employee of the company inasmuch as on a plain reading of the section the two clauses do not permit different interpretations, as suggested. Further, whenever the framers of the law in their wisdom thought it proper to bring within the mischief of the provisions of the Act former officers or employees of a company, they did not hesitate to do so and they expressly legislated. In particular, the learned Judge referred to s. 538 which provides for prosecution for offences by officers of companies in liquidation and uses the expression 'a past or present officer of a company etc.', as also s. 545 which provides for prosecution of delinquent officers and members of a company during the course of winding up and uses the words 'any past or present officer etc.' Upon that basis, he observed that there was no reason to give a twisted and laboured interpretation to the provisions of s. 630 of the Act which its plain reading does not permit. The learned Judge also referred to the words 'any such property' in cl. (b) as taking in the property mentioned in cl. (a) i.e. property wrongfully obtained. The reasoning of the learned Judges does not bear scrutiny and renders cl. (b) of s. 630(1) wholly redundant.

It is the wrongful withholding of such property, meaning the property of the company after termination of the employment, which is an offence under s. 630(1)(b) of the Act, as rightly pointed out by V.S. Kotwal, J. in *Harkishan Lakhimal Gidwani v. Achyut Kashinath Wagh* (supra). The facts were also identical as here. The petitioner there was the General Manager of a company known as the English Electrical Company of India Limited, a company incorporated under the Companies Act, 1956 having its registered office at Calcutta. He had been allotted the premises of a flat, approximately 3,500 square feet in area, located at Mayfair Gardens, Little Gibbs Road, Bombay. He had been inducted into the flat only by virtue of his capacity as the General Manager of the company's branch office at Bombay but the company allowed him to retain the same on humanitarian grounds for a short period after his retirement to enable him to find alternative accommodation. This humanitarian and charitable consideration shown by the company was reciprocated by the petitioner by adopting

A an adamant attitude and he declined to vacate the same on one pretext or another. The question was whether such wrongful retention of the flat amounted to an offence under s. 630 of the Act. The Court repelled the contention that s. 630 of the Act applies only to the existing officers and employees of the company and not to former officers and employees, and that the phrase 'any such property' used in cl. (b),

B even though cls. (a) and (b) are separated by the word 'or' which must in the context in which it appears be read as 'and' and so construed, must mean withholding of property wrongfully obtained by an existing officer or employee. Kotwal, J. on a careful analysis of s. 630 held that the provisions of the section apply not only to the present officers and employees of the company but also to past officers and employees ,

C and observed:

“It is held that the features and deductions which flow logically and inescapably on an analysis of s. 630 are that: (i) Clause (a) of the section is self-contained and independent of cl. (b) with the capacity of creating penal liability embracing the case of an existing employee or officer of the company. (ii) Clause (b) is equally independent and distinct from cl. (a) as regards penal consequences squarely covering the case of a past employee or officer. (iii) The entitlement of an officer to the property of the company is contingent on the right and capacity of the officer by virtue of his employment which is transformed into the actual possession of the property and the duration of such right would be co-terminus with the terms of employment.”

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In *Govind T. Jagtiani v. Sirajuddin S. Kazi*, (supra), Kanade, J. followed the critical analysis of s. 630 made by Kotwal, J. as above, and

F observed that the entitlement of an officer to the property of the company and the duration of such right would be co-terminus with the terms of employment and the right would stand extinguished with the termination to the employment giving rise to an obligation to hand over the property back to the company, and observed:

G “If the property is held back, the retained possession would amount to wrongful withholding of the property of the company. While the existence of the capacity, right and possession would be during employment, the withholding may be even after the termination of the employment and though the possession as it precedes the act of retention or

H withholding may be rightful in the past affording an

opportunity to withhold, the withholding may be wrongful as in the present case.” A

The learned Judge (Ashok Agarwal, J.) observes that that has been the consistent view of the High Court and has referred to the subsequent decisions of Khatri, J. and Kurdukar, J. In our considered opinion, the construction placed by the High Court on the provisions contained in s. 630(1) is the only construction possible. We accordingly uphold the view of the High Court of Bombay that the terms ‘officer or employee’ of a company applies not only to existing officers or employees but also to past officers or employees if such officer or employee either (a) wrongfully obtains possession of any property, or (b) having obtained such property during the course of his employment, withholds the same after the termination of his employment. The decision to the contrary of the High Court of Calcutta in *Amritlal Chum’s* case does not lay down good law and is overruled. B C

In the result, the special leave petition must fail and is dismissed with costs. The petitioner is given one month’s time to vacate the premises failing which the respondents will be at liberty to take such proceedings as the law provides. We direct the Additional Chief Metropolitan Magistrate, 37th Court, Esplanade, Bombay to proceed with the trial of CrI. Case No. 76/S/1986 and dispose it of as expeditiously as possible and in any event, not later than four months from today. D E

P.S.S.

Petition dismissed.