

2025 LiveLaw (SC) 663

**IN THE SUPREME COURT OF INDIA
CIVIL APPELLATE JURISDICTION
SANJAY KAROL; J., MANOJ MISRA; J.**

6 May 2025

**CIVIL APPEAL NO(S) OF 2025 (@Special Leave Petition(C) No. of 2025)
MOHIT SURESH HARCHANDRAI & ORS. *versus* HINDUSTAN ORGANIC CHEMICALS LIMITED**

Landlord-Tenant Dispute - Mesne Profits - Determination of rate and interest - Held and affirmed the High Court's conclusion regarding mesne profits in a long-standing landlord-tenant dispute but modified the interest rate from 8% to 6 % per annum. The dispute concerned the 'per square foot rate' for mesne profit calculation for Respondent's occupation as a tenant. (Para 12)

Delay in Adjudication - Judicial Concern and Directions - Court expressed deep concern over the dispute lasting over two and a half decades. It highlighted that landlords were deprived of monetary fruits from their property for a quarter-century. Held, that such delays cause suffering to both landlords (deprivation of property/dues) and tenants (large sums payable at once). The application for *mesne* profits, as the order of the Small Causes Court itself reflects, took 11 years and more to decide. The Court requested the Chief Justice of the Bombay High Court to obtain a report on the pendency of landlord-tenant disputes in concerned courts and to take appropriate steps for their expeditious disposal if many such instances are found. (Para 13, 14)

WITH CIVIL APPEAL NOS. OF 2025 (@Special Leave Petition(C) No. 5754-5755 of 2025)

[Arising out of impugned final judgment and order dated 04-12-2024 in WP No. 16741/2024 passed by the High Court of Judicature at Bombay]

For Petitioner(s) : Mr. S.D. Sanjay, ASG Mr. Khushal Kolwar, Adv. Mr. Shubham Prakash Mishra, Adv. Ms. Nikita Sethi, Adv. Ms. Prerna Dhall, Adv. Mr. Anmol Chandan, Adv. Mr. Digvijay Dam, Adv. M/S. Parekh & Co., AOR

For Respondent(s) : Mr. Mahesh Jethmalani, Sr. Adv. Signature Not Verified Mr. Sumit Goel, Adv. Ms. Sonal Gupta, Adv. Mr. Abhishek Thakral, Adv. M/S. Parekh & Co., AOR

ORDER

Sanjay Karol, J.

Delay Condoned.

2. Leave Granted.

3. These are cross-appeals filed by both parties against the judgment and order passed by the High Court of Judicature at Bombay in WP No. 16741 of 2024, dated 4th December 2024. The crux of the dispute is the '*per square foot rate*' at which the *mesne profit* is to be calculated in connection with Hindustan Organic Chemicals Ltd.'s (HOCL) occupation, as '*tenant*' of '*Harchandrai House*' situated at 81/A, Maharshi Karve Road, Mumbai¹. The Appellants in CA@ Diary No. 19731 of 2025 are the 'Landlords'. CA@ SLP (C) 5744-5755 shall stand disposed of in accordance herewith.

4. The tenant originally entered into the demised premises and 2nd floor thereof, totalling 7825 Sq.ft built-up area, as a lessor having leased it from the landowners for 3 years, i.e., 1st April 1962 to 31st March 1966. Rent for the extent of the lease was

¹ hereafter referred to as the demised premises

Rs.10,955/- per month and Rs.55,557/- per month as administrative charges. Upon the expiry of this lease, HOCL continued on the property as a '*monthly tenant*'. This landlordtenant relationship between the parties had been ongoing for 34 years when, on 25th April 2000, the landlord sent a notice of termination. On 2nd September 2000, the landlords filed a suit for eviction and recovery of possession before the Small Causes Court, Mumbai, being T.E & R Suit No. 122/152 of 2000. The Small Causes Court, by judgment and order dated 15th April 2009, entered a finding in favour of the landlords and decreed handing over of possession of the demised premises within three months from the date of judgment. It was also directed that *mesne* profits, which were to be determined by way of an enquiry under Order XX Rule 12, Code of Civil Procedure, 1908, shall be payable from 1st June 2000 till the date possession is restored.

5. The tenants filed an appeal against this decision before the Small Causes Court (Appellate Bench), which was Appeal No. 266 of 2009. An enquiry was carried out as per the above, and two different valuation reports were filed. In the pendency of the appeal, the landlords filed Mesne Profit Misc. Application No. 9700 of 2010 before the Small Causes Court, Mumbai. The appeal against the original order of recovery of possession was decided *vide* judgment and order dated 13th August 2012, whereby the order of eviction was confirmed. The tenant's revision² against the confirmation of the decree of eviction was dismissed by the High Court³. The property was, accordingly, vacated, and possession handed over on 23rd April 2014.

6. The Court seized of the Mesne Profit Miscellaneous Application and decided the same after reviewing the evidence led by both the parties, as well as appreciating a fresh valuation report. *Vide* order dated 2nd May 2022, the tenant was directed to pay *mesne* profits @ Rs. 138/- per square ft. per month for the period 1st June 2000 to 31st December 2006; and @ of Rs. 274/- per square-foot. per month for the remaining period of occupation along with interest @ 9% per annum till the date of realisation within a month of the order.

7. The tenant's appeal, Appeal No. 306 of 2022, calling into question of the above order, was filed on 30th June 2022 and an interim order was passed therein on 4th March 2023. The order dated 2nd May 2022 passed by the Small Causes Court was stayed subject to the condition of depositing Rs. 18,43,78,137.99. A challenge to this order at the instance of the tenant, invoking Article 227 of the Constitution of India⁴ was dismissed.⁵ The Small Causes Court, Appellate Bench decided the appeal finally by an order dated 3rd September 2024 directing that *mesne* profit be not paid at different rates for different periods as directed by the Small Causes Court, but at a uniform rate for the entire period @ Rs. 183/- per square-foot per month @ 9% interest within 2 months from the date of the order.

8. This was the order impugned before the High Court. The learned single Judge pointed out various errors in the findings arrived at by the appellate bench of the Small Causes Court. The two '*comparable instances*' referred to are on the 4th and 6th floors of the same building. In respect of the unit on the 4th floor (admeasuring 4610 square feet), the High Court questioned as to when the licence agreement records the rate as Rs.135/- per square feet per month, how could the appellate bench have taken the same as

² CRA 912/2012

³ Order dated 9th May 2013.

⁴ WP No. 4816 of 2023

⁵ Vide Order dated 6th March 2024.

Rs.150/- per square feet per month. Similarly, regarding the unit on the 6th floor (admeasuring 1300 square feet) it is observed that the total licence fee was Rs. 2,25,000/- and so, the rate becomes Rs.173/- per square feet and not Rs.183/-, as taken by the appellate bench. Further, it is observed that the payment was directed to be made in respect of the entire area of 8604 square feet and not the built-up area which is 7825 square feet. It was so concluded that interference in this order was warranted.

9. Determining the actual rate to be paid, it was observed as follows:

“31) In my view, slight reduction in the rate of mesne profits is justified on account of (i) obvious error in accepting the figures of Rs.150/- and Rs.183/- in Agreements at Exhibits-19 and 20 respectively, which are factually incorrect and (ii) selectively accepting the higher rate of Rs.183/- by ignoring the lower rate of Rs.150/-. Therefore, slight reduction in the rate of mesne profits from Rs. 183/- to Rs. 160/- would meet the ends of justice. The rate of Rs.160/- per sq.ft. per month would also balance the two rates of Rs.183/- and Rs.150/- in License Agreements at Exhibits-19 and 20 (though factually those are not the correct rates in those agreements). It must also be borne in mind that the Petitioner/Defendant is a Public Sector Undertaking and is required to vacate the suit premises on account of loss of rent control protection on account of provisions of Section 3(1)(b) of the Maharashtra Rent Control Act, 1999. If it was not a PSU, it would have continued possessing the premises as protected tenant. Therefore application of uniform rate of Rs. 160/- per sq.ft. per month would be appropriate in the facts and circumstances of the present case.”

10. This Court in **Bijay Kumar Manish Kumar (HUF) v. Ashwin Bhanulal Desai**⁶, considered the question of payment of *mesne* profits in detail. It may be helpful to extract certain paragraphs of the said decision hereinbelow: -

“18. Landlord-tenant disputes often make their way to this Court, and obviously, the payment of rent/mesne profits/occupation charges/damages becomes, more often than not a matter of high contest.

... ..

25. It has been held that tenants shall be liable to pay a rent equivalent to mesne profits, from the date they are found not to be entitled to retain possession of the premises in question. In *Achal Misra v. Rama Shanker Singh* [*Achal Misra v. Rama Shanker Singh*, (2005) 5 SCC 531] this Court held : (SCC p. 542, para 23)

“23. From the material available on record it does not appear that any rate of rent was appointed at which rent would be payable by the respondents to the landlord. The respondents also do not seem to have taken any steps for fixation of rent of the premises in their occupation. They have been happy to have got the premises in a prime locality, occupying and enjoying the same for no payment. We make it clear that the respondents shall be liable to pay the rent equivalent to mesne profits with effect from the date with which they are found to have ceased to be entitled to retain possession of the premises as tenant and for such period the landlord's entitlement cannot be held pegged to the standard rent. Reference may be had to the law laid down by this Court in *Atma Ram Properties (P) Ltd. v. Federal Motors (P) Ltd.* [*Atma Ram Properties (P) Ltd. v. Federal Motors (P) Ltd.*, (2005) 1 SCC 705] ”

This position was reiterated in *Achal Misra (2) v. Rama Shanker Singh* [*Achal Misra (2) v. Rama Shanker Singh*, (2006) 11 SCC 498].

11. Undisputedly, in this case, an order for ejectment has been passed against the tenant. The tenant, therefore, had no right to continue in the possession and enjoyment of

⁶ (2024) 8 SCC 668

the property. Entitlement to *mesne* profits is thus clearly established. Having given our attention to the case record, we find no reason to interfere with the finding arrived at by the High Court. We may however observe the observation of the High Court that if it was not for the protection to Public Sector Undertakings being removed as per Section 3 of the Maharashtra Rent Control Act 1999, the tenant would have continued to occupy the premises. It was in fact the landlord who had sent the notice for termination of the tenancy. That apart, being the Government, does not entitle a tenant to any extra consideration. Similarly, a PSU, even though substantially owned by the Government, stands on the same footing as any other tenant and cannot be given any special treatment.

12. Considering the totality of the circumstances, while we do not interfere with the overall conclusion of the High Court, we find it fit to reduce the rate of interest payable to 6% (simple in nature, per annum) instead of the 8% as awarded by the High Court. The entire sum of money shall be paid by the tenant to the landlord within 3 months from the date of this order.

13. Before we part with this order, we note with deep concern that from inception to its end, this dispute has been in the domain of the courts for more than two-and-a-half decades. The landlord took steps for termination of tenancy at the turn-of-the-century in 2000, and today, after a quarter of the century has already passed, only now, will they get the monetary fruits of the property that belongs to them. The application for *mesne* profits, as the order of the Small Causes Court itself reflects, took 11 years and more to decide. It is true that in some cases, the delay is squarely attributable to the litigating parties, but it's also equally true that in many cases, the litigants have to wait for years on end for their disputes to be resolved by judicial fora. When it comes to landlord-tenant disputes, there is an angle of being deprived of the enjoyment of the property and also the monetary benefits that accrue from owning such property. The courts, being the courts of law and justice, are duty-bound to ensure that on their account, no party is made to suffer. In these kinds of disputes delayed adjudication means that both parties bear the brunt. The landlord suffers on account of not receiving, in some cases, the property itself, and in other cases, the monetary dues therefrom; and the tenant suffers on account of being directed to pay large sums of money within a short period of time when the matter is finally decreed. Even though the payment arises out of an obligation, making the requisite arrangements to pay the same is still an arduous task.

14. Keeping in view the above, we request the learned Chief Justice, High Court of Judicature at Bombay, to take up this issue and call for a report from the concerned courts regarding the period of pendency in landlord-tenant disputes. Should it be found that there are many such instances as the present case, then appropriate steps should be taken or directions issued to further the cause of expeditious disposal of these cases.

15. With the directions above, modifying the rate of interest, the Civil Appeals are disposed of. Pending application(s), if any, shall also stand disposed of.