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Megha Middha, is working as an Assistant Professor of Law in Mody University of Science and Technology, Lakshmangarh, Sikar (Rajasthan). She has an experience in the teaching of almost 3 years. She has completed her graduation in BBA LL.B (H) from Amity University, Rajasthan (Gold Medalist) and did her post-graduation (LL.M in Business Laws) from NLSIU, Bengaluru. Currently, she is enrolled in a Ph.D. course in the Department of Law at Mohanlal Sukhadia University, Udaipur (Rajasthan). She wishes to excel in academics and research and contribute as much as she can to society. Through her interactions with the students, she tries to inculcate a sense of deep thinking power in her students and enlighten and guide them to the fact how they can bring a change to the society

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Assistant professor of Law

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Avinash Kumar



learning.

Avinash Kumar has completed his Ph.D. in International Investment Law from the Dept. of Law & Governance, Central University of South Bihar. His research work is on "International Investment Agreement and State's right to regulate Foreign Investment." He qualified UGC-NET and has been selected for the prestigious ICSSR Doctoral Fellowship. He is an alumnus of the Faculty of Law, University of Delhi. Formerly he has been elected as Students Union President of Law Centre-I, University of Delhi. Moreover, he completed his LL.M. from the University of Delhi (2014-16), dissertation on "Cross-border Merger & Acquisition"; LL.B. from the University of Delhi (2011-14), and B.A. (Hons.) from Maharaja Agrasen College, University of Delhi. He has also obtained P.G. Diploma in IPR from the Indian Society of International Law, New Delhi. He has qualified UGC - NET examination and has been awarded ICSSR - Doctoral Fellowship. He has published six-plus articles and presented 9 plus papers in national and international seminars/conferences. He participated in several workshops on research methodology and teaching and

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P.C CHERIYAN VS SMT. BARFIDEVI

AIR 1980 SC 86

AUTHORED BY: ARYAN ARYA

PRN: 21010223125

Batch: B.A.LLB (2021-2026)

Division: E

Symbiosis Law School, NOIDA

Symbiosis International (Deemed University), PUNE

INTRODUCTION

“The case of P.C. Cheriyan v. Barfi Devi, Civil Appeal No. 1722 of 1969, decided by the Supreme Court of India on October 16, 1979, revolves around a crucial legal question regarding property lease agreements and their classification under the Transfer of Property Act, 1882. The case of P.C. Cheriyan v. Barfi Devi was heard by a two-judge bench of the Supreme Court of India. The bench consisted of two judges: Hon’ble Justice O. Chinnappa Reddy and Hon’ble Justice R.S. Sarkaria.”¹ The author of the judgment in the case was Justice R.S. Sarkaria. The provided judgment in the case of P.C. Cheriyan v. Barfi Devi consists of approximately 876 words.

FACTS OF THE CASE

In the legal battle between P.C. Cheriyan (PW-1) and Barfi Devi (PW-2), the following facts were at issue: “PW-1 leased the land in issue to PW-2 so that they may run a tire retreading company there. The renter, PW-2, had fallen behind on his rent obligations. The landlord, PW-1, then gave PW-2 a one-month notice to vacate the property. PW-2 responded by arguing that the property had been leased for manufacturing purposes and that, in accordance with Section 106 of the Transfer of Property Act, a tenancy could only be cancelled by giving a six-month notice that would expire at the end of the tenancy year.”²

¹ ‘P. C. Cheriyan vs. Barfi Devi [1979] INSC 209 (16 October 1979)’ (latestlaws.com) <<https://www.latestlaws.com/latest-caselaw/1979/october/1979-latest-caselaw-209-sc/>> accessed 2 September 2023

² (Judis.nic.in Supreme Court of India page 1 of 6 petitioners: Barfi Devi) <<https://main.sci.gov.in/jonew/judis/4697.pdf>> accessed 2 September 2023

“PW-1 had only given a 30-day notice, thus according to PW-2, it was illegitimate and ineffectual in ending the tenancy. The trial court and the first appellate court both ruled in Favor of PW-1, finding that retreading tires did not meet the criteria of a manufacturing purpose. Consequently, they upheld the validity of the 30-day notice served by PW-1.”³

ISSUES

1. Does the lease of the premises for conducting a tire retreading business fall under the category of "manufacturing purposes" as outlined in Section 106 of the Transfer of Property Act, 1882 ?
2. Was the notice period of 30 days served by the landlord, PW-1, in accordance with the legal requirements, or should a longer notice period of six months have been given if the lease was indeed for manufacturing purposes ?
3. Does the process of retreading old tires constitute a manufacturing activity within the legal framework, and does it lead to the creation of a commercially distinct or different product, thus qualifying as "manufacturing" under Section 106?

RULES

- Section 106 of the Transfer of Property Act, 1882 ⁴
- Allenburry Engineers Pvt. Ltd. v. Ramakrishna Dakimia⁵

RATIO

The main finding of this decision is that for a lease to be deemed a lease for "manufacturing purposes" under Section 106 of the Transfer of Property Act, 1882, the process carried out on the leased premises must completely transform the material and produce a commercially distinct or different product from the original material. Retreading old tires in this case did not fulfil these requirements since it did not result in a commercially unique product or entirely change the old tires into new items.

"Therefore, it was determined that the lease was not for "manufacturing purposes," and the

³ Ibid

⁴ (The transfer of Property Act, 1882 arrangement of sections - India code) <<https://www.indiacode.nic.in/bitstream/123456789/2338/1/A1882-04.pdf>> accessed 2 September 2023

⁵ (Narne Tulaman manufactures Pvt. ... vs collector of central excise ...) <<https://indiankanoon.org/doc/932632/>> accessed 2 September 2023

landlord's notice period was judged to be lawful. This decision establishes a precedent for future cases interpreting leases for manufacturing purposes under the Transfer of Property Act, highlighting the requirement for a material to undergo a significant transformation and the production of a unique good in order to be considered manufacturing under the law.”⁶

ANALYSIS

The Supreme Court of India addressed important legal issues relating to property leases in the case of P.C. Cheriyan (PW-1) v. Barfi Devi (PW-2), specifically whether a lease for a tire retreading business qualifies as a "lease for manufacturing purposes" under Section 106 of the Transfer of Property Act, 1882. Each of the issues raised and the court's answers will be covered in detail in this case study. The Transfer of Property Act's Section 106's definition of "manufacturing purposes" caused the court some difficulty. “The main issue at hand is whether retreading used tires qualified as manufacturing. The term "manufacture" suggests that there must be a modification that results in a commercially unique or different product, the court noted. This modification needs to produce a new item with a distinctive name, personality, or function. In essence, the substance should undergo a full metamorphosis.

The Transfer of Property Act does not expressly define "manufacture" according to statute, which was acknowledged by the court. In order to address the situation, it used principles of legislative interpretation, prior case law, and legal terminology.”⁷ The court emphasized the value of producing a distinctive product through the manufacturing process by citing “Allenburry Engineers Pvt. Ltd. v. Ramakrishna Dakimia.”⁸

“In the present instance, the court considered the retreading of used tires and came to the conclusion that it did not provide a commercially distinct or unique product. Retreading did not significantly alter the underlying structure or identity of the previous tires, which remained intact. As a result, the court determined that the lease for the tire retreading company did not qualify as one of the "manufacturing purposes" as described in Section 106 of the Transfer of

⁶ Standard B, ‘Definition in One Law Not Applicable to Other’ (Business Standard, 5 March 2006) <https://www.business-standard.com/article/economy-policy/definition-in-one-law-not-applicable-to-other-106030601080_1.html> accessed 2 September 2023

⁷ (P C Gheriyan vs. Barfi Devi) <<https://www.the-laws.com/Encyclopedia/Browse/Case?CaseId=009791624000>> accessed 2 September 2023

⁸ *Supra* note 5, at 5

Property Act.”⁹

A lease for manufacturing purposes can only be cancelled by a notice that expires at the end of the tenancy year, as long as the notice is at least six months long, “according to Section 106 of the Transfer of Property Act. Therefore, the length of the notice time needed to terminate the lease depended directly on whether it was for manufacturing or not. A key factor in settling this dispute was the court's decision on the first point, which held that the tire retreading process did not involve manufacturing.”¹⁰The six-month lengthier notice period was not relevant since the lease was not classified as one for manufacturing purposes. Therefore, it was decided that the 30-day notice period given by the landlord, PW-1, was legal. The court's decision reaffirmed that the categorization of the lease determined the applicable notice period, highlighting the significance of correctly classifying leases under Section 106 of the Transfer of Property Act.

“The answer to this crucial issue would determine whether or not the tire retreading process complied with the regulatory requirements for production. The court highlighted that a process must completely change the material into a commercially unique or entirely new product in order to be termed manufacturing. The court conducted a thorough analysis of the tire retreading procedure. Arguments that the procedure entailed advanced equipment and enhanced the functionality and serviceability of worn-out tires were taken into account. The court finally came to the conclusion that retreading old tires did not result in the creation of a product that was commercially distinct or unique. Throughout the procedure, the used tires kept their fundamental makeup and character. The principles of statutory interpretation and earlier case law precedents served as the foundation for the court's reasoning in reaching this judgment.”¹¹It brought attention to the requirement for a distinct transformation that creates a new object with distinct properties. The court determined that although retreading provided advantages, the old tires were not fundamentally changed as a result of the procedure.

It may be said that the judgment mostly succeeded in achieving its goals when assessing if it was successful. The court correctly read the legislative wording relating to "manufacturing purposes," providing a concise and exact explanation within the context of Section 106. This approach guided subsequent judicial judgments on the classification of leases.

⁹ *Supra* note 4, at 4

¹⁰ *Ibid*

¹¹ *Supra* note 6, at 4

The court also made the question of the notice term more understandable by stating that the six-month notice requirement only applied where a lease was considered to be for "manufacturing purposes." The court made it clear that a 30-day notice period was appropriate in this particular situation by defining the lease in question as non-manufacturing.

Finally, the judgment's goal of categorizing the lease for the tire retreading company lawfully was accomplished. The court clearly classified the lease as non-manufacturing by concluding that the retreading process did not produce a commercially unique or distinctive product, providing direction on how similar leases should be classified going forward.

CONCLUSION

In conclusion, the Supreme Court of India's 1979 ruling in the matter of P.C. Cheriyan v. Barfi Devi gave important guidance on how to read property leasing agreements under the Transfer of Property Act, 1882. The main issue was whether a lease for a company that retreads tires may be considered to be for "manufacturing purposes" under Section 106 of the Act.

By emphasizing that a procedure must fundamentally change the material into a commercially different product in order to qualify as manufacturing, Justice R.S. Sarkaria, who wrote the ruling, set a clear precedent. The court determined that tire retreading did not fulfil these requirements in this case because it did not produce a commercially distinct product or substantially alter the original tires. The court also made the notice time requirement clearer by explicitly connecting it to the kind of lease. This ruling clarified the law on notice requirements and lease classification for any future property leasing disputes.