

**IN THE HIGH COURT OF PUNJAB AND HARYANA AT CHANDIGARH****CR-3956-2009 (O&M)****Reserved on: 19.05.2025****Pronounced on: 01.07.2025****MANOHAR LAL AGGARWAL**

... PETITIONERS

Vs.

MRS. ANITA SOOD AND OTHERS

.... RESPONDENTS

CORAM: HON'BLE MR. JUSTICE DEEPAK GUPTA

Argued by:- Mr. Vijay Kumar Jindal, Senior Advocate with
Mr. Divyanshu Jain, Advocate and
Mr. Abhishek Shukla, Advocate
for the petitioners - Landlords.

Mr. Amit Jain, Senior Advocate with
Mr. Parit Aggarwal, Advocate
for the respondents - Tenants.

DEEPAK GUPTA, J.

This revision petition under Section 15(5) of the East Punjab Urban Rent Restriction Act, 1949 (hereinafter referred to as "the Act") has been filed by the landlords, assailing the orders dated 9.8.2007 passed by the learned Rent Controller, and dated 28.4.2009 by the learned Appellate Authority, whereby the petition for the ejection of the tenant from the demised premises was dismissed on the ground that the need projected was not for the landlord personally but for a private limited company, which is a separate juristic entity. Thus, the landlords have assailed the concurrent orders of the Courts below.

2. In order to avoid confusion, parties shall be referred as 'landlords' and 'tenant' i.e. their status before Ld. Rent Controller.

Undisputed Facts:

3. Manohar Lal Aggarwal (petitioner herein) and Manmohan Aggarwal (proforma respondent herein) are the landlords-co-owners of SCF

**CR-3956-2009**

No.9, Sector 9D, Chandigarh (*hereinafter referred to as the demised premises*). Smt. Anita Sood and others (*respondents herein*) are the legal representatives of Abhay Sood, who was inducted as a tenant in the demised premises way back in January, 1970.

4.1 It is not in dispute that the landlords are carrying on the business in the name & style of M/s Building and General Trading Company, having its registered office at Moshi, Tanzania. The said company was incorporated under Companies Act vide certificate of incorporation dated 29th August, 1979. The landlords are the Directors of the company, which is engaged in the business of import and export, manufacturing and dealing in hardware building material.

4.2 It is also undisputed that respondent Abhay Sood (*now represented by his LRs*) was inducted as a tenant in the entire SCF i.e., demised premises at a monthly rent of ₹225/- way back in 1970. The premises are being used by the respondents to carry on the business in the name and style of Roshan Studio.

Landlord's case:

5.1 Petition was filed under Section 13 of the East Punjab Urban Rent Restriction Act, 1949, seeking eviction of the tenant from the said demised premises on the ground of *bona fide* requirement of the landlord and some other grounds.

5.2 It was pleaded that the Board of Directors of M/s Building and General Trading Company had resolved to expand operations by establishing a liaison office-cum-showroom in Northern India, specifically at Chandigarh, to enhance the import-export trade between Tanzania and India. While the company is already engaged with Indian exporters and importers, the proposed expansion aims to significantly scale up these activities and tap into new opportunities in the northern region. It was further submitted that neither the landlords nor the company's Directors possess any other



CR-3956-2009

commercial premises within the urban area of Chandigarh, making the demised premises essential for the intended business development.

5.3 Though, apart from the *bona fide* requirement, ejectment was also sought on the ground that the tenant had made substantial material & permanent alternations/ additions without the consent of the landlords, but the said ground was not pressed before this Court and as such, the only surviving ground is the *bona fide* requirement.

Tenant's defence:

6. The tenant resisted the petition on the ground that the necessity projected by the landlords is not their personal necessity and rather, it is for a company. The demised premises is not owned by the company i.e., M/s Building and General Trading Company and therefore, petition, as filed by the landlords, is not maintainable, simply because they are shareholders of the company and working as its Directors. With this main objection, the prayer was made for dismissal of the petition.

7. Necessary issues were framed. Evidence produced by the parties was taken on record.

Findings by courts below:

8. Learned Rent Controller, Chandigarh vide order dated 09.08.2007 came to the conclusion that though it was proved that the landlords required the premises for opening the Liaison office of the company, in which they are directors/shareholders, but the said landlords had not projected their personal necessity in their individual capacity for the demised premises and as such, the ground of personal necessity was not available to them as shareholders/directors of the company. With this finding, the petition was dismissed.

9. Affirming the above said finding, the Appellate Authority also held that petitioners (*before the trial Court*) cannot get the premises vacated for the need of the company and as such, dismissed the appeal of the landlords on 28.04.2009.



CR-3956-2009

10. It is against the aforesaid concurrent orders that the present revision petition has been filed by landlord.

Contentions raised by Ld. Senior Advocate for Landlords:

11.1 It is argued by learned Senior Advocate for the landlords that the Courts below misread the eviction petition, wherein it was categorically stated that it is the landlords, who need the demised premises to expand their business, which is run through M/s Building and General Trading Company. The Courts below misread the statutory provision that premises cannot be got vacated for a family company, whose sole directors are landlords. It is contended that said finding is particularly perverse in view of the Courts' own findings that need of the landlords is proved and resources of the landlords to start the business and incorporation of the company is not disputed.

11.2 Learned Senior Advocate placed reliance on ***K.S. Bhandari Vs. M/s International Security Printers Private limited, O. Ref. 1/2025 in RC/REV-18/2016 and CM-Appl. 39275/2019, decided on 20.03.2025,*** wherein a Division Bench of Delhi High Court has held that premises can certainly be got vacated for need of the non-natural persons including need of the company.

11.3 Learned Senior Advocate further refers to ***Ambika Mammen Vs. Varghese, 2003 (2) RCR (Rent) 173,*** wherein the landlady's requirement for her company business and opening of branch office in demised premises was upheld. It was also held therein that considering the plea of landlord, a realistic and not a pedantic approach is what is called for. For same reasoning, reliance is placed upon ***Saroj Aggarwal vs Nimish Singhania HUF, 2008 (1) RCR (Rent) 181; Ram Saroop Gupta Vs. Major S.P. Marwah, 2012 (60) RCR (Civil) 735; and Joginder Pal Vs. Naval Kishore Behal, 2002 (1) RCR (Rent) 582.***

11.4 Learned Senior Advocate argues further that both the Courts below erred in failing to apply the well established legal principle of lifting



CR-3956-2009

the corporate veil and see through the artificial separation between the company and its directors, thereby failing to uncover the true identity and intent of the company. Had the corporate veil been lifted, it would have been irrefutably established that the true purpose of the eviction petition and the *bona fide* need for the eviction was not of the company, but of the landlords, who are the only directors of the company and are undisputedly the rightful owners & landlords of the demised premises. Learned Senior Advocate refers to ***Life Insurance Corporation of India Vs. Escort Limited and others, 1986 AIR SC 1370***, wherein it was held by Hon'ble Supreme Court that corporate veil of a company can certainly be pierced under certain circumstances so as to reveal the true identity of the persons actually in charge of the company. It is urged that in the present case, it is only the landlords, who are in charge of the company being the owners and the only directors.

11.5 Learned Senior Advocate argues further that both the Courts below further more failed to uphold the legal principle that although the 'right to property' is not a fundamental right but it is certainly a constitutional right under Article 300A of the Constitution of India and so, the statutory provisions cannot be invoked to confer an undue advantage upon individuals, particularly those who already possessed other properties, but are distorting or misapplying the language of legal petitions or documents of the landlords. Learned Senior counsel submits that law cannot be used as an instrument of injustice, or to facilitate unlawful encroachment upon the property of the landlords especially keeping in mind the conduct of the parties reflecting the fact that rent of ₹225/- per month has remained the same for over 55 years of a prime property.

11.6 Learned counsel argues further that it is a well established principle of law that landlord can require premises for expanding and shifting his business and such need would be presumed to be *bona fide*. In this regard, reliance has been placed on:

- *M/S. Sait Nagjee Purushotham & Co. Ltd Vs. Vimalabai Prabhulal & Ors, 2005 (2) RCR (Rent) 436*

**CR-3956-2009**

- *Balbir Kaur and others Vs. Roop Lal and others, 2012 (1) RCR (Civil) 279*
- *Manoj Kumar and others Vs. Sandeep Kumar and others, 2008 (2) RCR (Civil) 64*
- *Sarla Ahuja Vs. United India Insurance Company Limited, 1998 (2) RCR (Rent) 533; and*
- *Atma S. Berar Vs. Mukhtiar Singh, 2003 (1) RCR (Rent) 42.*

11.7 With all these submissions, prayer is made for accepting the revision by setting aside the orders as passed by the Courts below and further to order the ejectment of the respondents-tenants from the demised premises so as to impart justice to the landlords.

Contentions raised by Ld. Senior Advocate for Tenants:

12.1 Refuting all the aforesaid contentions, learned Senior counsel for the respondents-tenants contends that there is no scope for interference in the concurrent findings as arrived by the Courts below. Referring to Constitutional Bench of Hon'ble Supreme Court in ***Hindustan Petroleum Corporation Limited Vs. Dilbahar Singh, 2014 (4) RCR (Civil) 162***, it is argued that in a revision petition against concurrent findings, the High Court has no power to re-appreciate the evidence to come to a different conclusion in the absence of any procedural illegality or irregularity.

12.2 Learned Senior Advocate for the respondents-tenants contends further that there was no pleading or evidence on record to show any business dealings of the landlords in India, much less in Chandigarh. The landlords failed to place on record any resolution of the company requiring the demised premises to expand business in India. Moreover, nothing was pleaded or proved to show that company had required the landlords/Directors to seek ejectment of the tenants from demised premises for the necessity of the company. Apart from this, the company is registered in Tanzania, and landlords are also permanent residents of Tanzania, therefore, courts below rightly discarded the plea of the personal necessity.

12.3 It is further argued by learned Senior Advocate that a company is capable of owning its own assets and properties under its name. Besides, it



CR-3956-2009

is now settled law that a company has independent entity and so, the *bona fide* need of the company cannot be equated with the independent *bona fide* need of the landlords/directors/shareholders. As such, the rent petition in itself is not maintainable, as the need of the company has been projected and not that of the owners/landlords.

12.4 Learned counsel argues further that merely because Directors of the company happen to be the members of the family in the present matter, it would not change the fact that *bona fide* need projected is of a company and not of the individual landlord. The phrase '*for own use and occupation*' would only include the necessity of the dependent family member and cannot be stretched to an extent to include the necessity of a private limited company, which is an independent and distinct entity and capable of owning its own assets and properties. To support this contention, learned counsel has referred to :

- *K.M. Basheer Vs. Lona Chakola, 2003 (1) RCR (Rent) 415*
- *Pascal Lazarous Lobo Vs. K. Sundara Shetty, 1984 (2) RCR (Rent) 415; and*
- *Central Warehousing Corporation Vs. Indersain Goyal, 2002 (2) RCR (Rent) 211.*

12.5 With all these submissions, prayer is made for dismissal of the petition.

13. This Court has considered submissions of both the sides and has appraised the record carefully, including the records of the courts below as available on 'Data Management System' (DMS) of this High Court.

Analysis & Findings by this court:

i) Objective of the Rent Act:

14. As observed by the Hon'ble Supreme Court in ***Harbilas Rai Bansal v. State of Punjab, AIR 1996 SC 857***, the Statement of Objects and Reasons of the East Punjab Urban Rent Restriction Act, 1949 reveals that the Punjab Urban Rent Restriction Act, 1947 (Punjab Act No. VI of 1947) was re-enacted as a permanent statute to protect tenants from mala fide eviction

**CR-3956-2009**

attempts by landlords. From the outset, the Act recognized the landlords' bonafide need as a legitimate ground for eviction, applicable to both residential and non-residential premises. The overarching scheme of the Act is to regulate tenancy conditions, control rents, and prevent arbitrary or dishonest evictions. In pursuit of these objectives, the legislation grants specific rights to tenants while imposing corresponding duties on landlords, applicable uniformly to all categories of buildings, whether residential or non-residential. It was further observed as under:

“.....To vacate a premises for the bona fide requirement of the landlord would not cause any hardships to the tenant. Statutory protection to a tenant cannot be extended to such an extent that the landlord is precluded from evicting the tenant for the rest of his life even when he bona fide requires the premises for his personal use and occupation. It is not the tenants but the landlords who are suffering great hardships because of the amendment. A landlord may genuinely like to let out a shop till the time he bona fide needs the same. Visualise a case of a shopkeeper (owner) dying young. There may not be a member in the family to continue the business and the widow may not need the shop for quite some time. She may like to let out the shop till the time her children grow-up and need the premises for their personal use. It would be wholly arbitrary - in a situation like this - to deny her the right to evict the tenant.....”

15. Thus, while tenant's protection is important, extending it indefinitely—to the extent that a landlord can never recover possession, no matter how pressing his need—would result in gross unfairness. It would virtually deprive the landlord of his ownership rights. Statutory protection can be used by the tenant as a shield, not as a sword. Tenancy laws should not be interpreted to completely override ownership rights. Landlords cannot be forced to remain landlords forever, especially when they themselves are in genuine need of their property. Perpetual tenancy without scope for reclaiming the premises is not the intention of the law. Courts strive to strike a balance—protecting tenants from exploitation, while also respecting the legitimate and legal needs of landlords.



CR-3956-2009

16. Keeping in mind the objects and reasons of the East Punjab Urban Rent Restriction Act, 1949 as enunciated by the Hon'ble Supreme Court, it is to be found as to whether a landlord can seek ejectment of a tenant from demised premises, when he requires it to expand business of a private limited company, wholly controlled by such a landlord or his family.

ii) Meaning of 'for his own use' :

17. As per Section 13 (3) (a) (ii) of the East Punjab Urban Rent Restriction Act, 1949, a landlord may apply to the Controller for an order directing the tenant to put the landlord in possession in the case of a non-residential building, if – (a) he requires it for his own use; (b) he is not occupying in the urban area concerned for the purpose of his business any other such building, and (c) he has not vacated such a building without sufficient cause after the commencement of this Act, in the urban area concerned.

18. The words '*for his own use*' have been interpreted liberally by the courts from time to time not only to include the personal need of the landlord but also the need of any family member. In ***Joginder Pal vs Naval Kishore Behal, AIR 2002 SC 2256***, Hon'ble Supreme Court observed as under:

'We are of the opinion that the expression 'for his own use' as occurring in [Section 13\(3\)\(a\)\(iii\)](#) of the Act cannot be narrowly construed. The expression must be assigned a wider, liberal and practical meaning. The requirement is not the requirement of the landlord alone in the sense that the landlord must for himself require the accommodation and to fulfill the requirement he must himself physically occupy the premises. The requirement of a member of the family or of a person on whom the landlord is dependent or who is dependent on the landlord can be considered to be the requirement of the landlord for his own use. In the several decided cases referred to hereinabove we have found the *pari materia* provisions being interpreted so as to include the requirement of the wife, husband, sister, children including son, daughter, a widowed daughter and her son, nephew, coparceners, members of family and dependents and kith and kin in the requirement of landlord as "his" or "his own" requirement and user.



CR-3956-2009

It was further held that:

“.....If the requirement is of actual user of the premises by a person other than the landlord himself, the Court shall with circumspection inquire : (i) whether the requirement of such person can be considered to be the requirement of the landlord, and (ii) whether there is a close inter-relation or identity nexus between such person and the landlord so as to satisfy the requirement of the first query. Applying the abovesaid tests to the facts of the present case, it is clear that the tenancy premises are required for the office of the landlord's son who is a chartered accountant. It is the moral obligation of the landlord to settle his son well in his life and to contribute his best to see him economically independent. The landlord is not going to let out the premises to his son and though the son would run his office in the premises the possession would continue with the landlord and in a sense the actual occupation by the son would be the occupation by the landlord himself. It is the landlord who requires the premises for his son and in substance the user would be by landlord for his son's office. The case squarely falls within the scope of [Section 13\(3\)\(a\)\(ii\)](#) of the Act.’

[underlined portion emphasized by this court]

19. In the above said dicta, Hon’ble the Supreme Court makes it very clear that it not only the requirement of members of the family for whom the landlord can seek eviction of tenant, he can seek the eviction even for the requirement of any ‘person’, who is dependent on the landlord; or on whom the landlord is dependent. Person herein can be an independent legal entity. With this broader interpretation given by the Hon’ble Supreme Court to the words *‘for his own use’*, there is no reason to exclude a private limited company, wholly or substantially controlled by the landlord and his family, for seeking ejection for its *bona fide* need. As and when the premises are intended to be used by a person other than the landlord, the court must carefully examine: (i) whether that person's need genuinely constitutes the landlord’s requirement, and (ii) whether there exists a close relationship or identity of interest between such person and the landlord to justify such a claim. The expression ‘for his own use’ must receive a liberal and useful



CR-3956-2009

interpretation. What is relevant is the genuineness of the need, not the technical identity of the user.

iii) Application of legal position to the facts of this case:

20. In the present case, the testimony of PW1 Manohar Lal Aggarwal, one of the landlords, reveals that his father Sh. Mokand Ram Aggarwal built up the demised premises in the year 1962. After the death of his father, the landlords inherited the demised property being co-owners in equal shares. The respondent was inducted as tenant on monthly rent of ₹225/- per month. M/s Building and General Trading Company was incorporated under the United Republic of Tanzania vide certificate of incorporation Ex.P1. Said company is in existence since 1928. Memorandum and Article of Association of the said company is Ex.P2. The company is owned by them. PW1 further says that company is engaged in the business of importing of hardware and building material from UK, Germany and other countries and the accounts of the said company are regularly audited. As per his testimony, they want to open a liaison office-cum-showroom in the demised premises in respect of the items in which the company is dealing. The demised premises are much more suitable because it is in the good area of Chandigarh and also it is owned by them. They have already obtained import declaration, the copy of which is Mark B. They have sufficient funds to start the business in India in the demised premises, which are more than ₹2 million. In his further testimony, PW1 says that landlords as well as other family members do not own or possess any other building, residential or commercial in the urban area of Chandigarh, after the enforcement of the Rent Act and that they require the demised building for their personal use and occupation. The premises are *bona fide* required for setting up their liaison office-cum-showroom in India and these premises are ideally located for this purpose. During the cross examination, PW1 disclosed that M/s Building and General Trading Company is a private limited company, which has three shareholders, namely he himself, his wife and his brother. He admitted that said M/s Building and General Trading Company does not own the demised premises and that said company is a legal entity and can be



CR-3956-2009

sued in its own name. It is also admitted that he is the Director as well as one of the shareholders of the company and that he as well as the proforma respondent are getting salaries and perks from the company. Though he admitted that in the petition, the need of the company has been projected, he has volunteered to explain that the company is his organ and is owned by them and that in case they get the building and open the office of the company, it will not be on rental to the company and in that eventuality, he will not be getting the rent. He further explained that it will not be a loss to him because he has a lot of other investments, and his intentions are to develop the company, which is the only one owned by them. He admits that they had not opened any branch of the company in Chandigarh till date. Though he admitted that the building is required for the use of the company, but also volunteered to explain that their need gets satisfied through the requirement of the company.

21. Perusal of the documentary evidence to be read with testimony of PW-1, would indicate that the Company named as M/s Building and General Trading Company Limited, was incorporated in August, 1979 as is evident from certificate of incorporation Ex.P-1. The Memorandum of Understanding, and Article of Association (Ex-P2) would reveal that its original subscribers and the directors were Manohar Lal Aggarwal (the petitioner) and his mother Smt. Shakuntala Devi. Article of Association further reveals that there can be minimum two Directors and maximum seven in the Company. The accounts statements of the Company for the year 1997 to 1999, as available on record, would reveal that later on, petitioner Manohar and his mother Shakuntala Devi were joined by proforma respondent Manmohan as Director. As per the testimony of PW-1, as of now, it is the petitioner and his wife, and proforma respondent who are now the Directors of the Company.

22. Thus, the evidence on record firmly establishes that the landlords along with their immediate family, own and control M/s Building and General Trading Company, in existence in Tanzania since 1928 and



CR-3956-2009

engaged in the import of hardware and building materials from countries like the UK and Germany. Since its incorporation in 1979, the company has remained entirely within the control of the landlords and their family, with no outside shareholders. The landlords intend to open a liaison office-cum-showroom for the company in the demised premises, which they consider ideal due to its prime location in Chandigarh and the fact that it is their own property. They have already secured an import declaration (Mark B) and possess sufficient funds, exceeding ₹2 million, to establish operations in India. PW1 has clearly testified that the premises are required for their own use and occupation, and while he did refer to the business of the company, he explained that he and his brother—the only directors—are fully dependent on the company. They along with his wife are the only share - holders of the company. He clarified that the premises would not be let out to the company, and no rent would be charged, as the company is owned and run solely by the landlords. His statements show that the requirement of the company directly translates to their personal need.

23. Since the landlord's family members have been the directors for over 40 years, it strongly indicates that the need of the company is inextricably linked to the need of the landlord and his family. It supports the genuineness of the claim, as it shows continuity of business, established presence, no element of sham or camouflage and real necessity for premises to run/manage/expand operations. *Long-standing need and inability to conduct business properly due to lack of premises constitutes a valid and bona fide requirement.* In absence of any evidence suggesting eviction is being sought to sublet, sell, or profit from the premises, the presumption of bona fide need strengthens.

24. Even though a company is a separate legal entity, the need of a company being run and managed by the landlord's family members can qualify as a bona fide requirement under the Act. The Appellate Authority and the Rent Controller failed to consider that in the present case, the company in question is not a stranger but a business entity floated and

**CR-3956-2009**

managed by the landlord's family members, with uninterrupted control for more than 40 years. The requirement projected is not artificial or illusory, but grounded in continuity of business, functional need, and proximity between the landlord and the company. The Rent Controller's reliance on the doctrine of corporate personality, while ignoring the underlying commercial and familial reality, is misplaced.

25. The contention of Ld. Senior advocate for the respondents - tenants to the effect that phrase '*for his own use*' would only include the necessity of the dependent family member of the landlord and cannot be stretched to include the necessity of a private limited company, merely because directors of the company happen to be the members of the family, because company is an independent & distinct entity and capable of owning its own assets and properties, has no merit in the fact situation of the present case.

iv) Lifting the corporate veil of a company; and

v) Whether projected need of landlords is bonafide:

26. In certain facts and circumstances, the courts are fully justified in lifting the corporate veil of a company. The doctrine of lifting (or piercing) the corporate veil is an exception to the fundamental principle that a company has a separate legal personality from its shareholders and directors, as laid down in ***Salomon v. Salomon & Co. Ltd., [1897] AC 22***. However, courts may disregard this separate legal identity and will be justified in piercing the veil in certain specific circumstances such as:

- When the corporate form is used to perpetrate fraud or evade legal obligations, courts can look behind the curtains by disregarding the company structure.
- Where the company is merely an agent or alter ego of its shareholders or promoters, courts may treat acts of the company as acts of the individuals behind it.
- When the corporate form is used to evade tax, courts can disregard the company structure.



CR-3956-2009

- During wartime, if the controlling interest of a company is held by enemies, the veil may be lifted to treat it as an enemy entity.
- Courts may lift the veil, where the corporate form is used to avoid welfare legislation, such as labour laws.

27. In *Life Insurance Corporation Of India vs Escorts Ltd., AIR 1986 SC 1370*, it has been observed by Hon'ble Supreme Court as under:

“5. Generally and broadly speaking, the corporate veil may be lifted where a statute itself contemplates lifting the veil, or fraud or improper conduct is intended to be prevented or a taxing statute or a beneficent statute is sought to be evaded or where associated companies are inextricably connected as to be in reality, part of one concern. It is neither necessary nor desirable to enumerate the classes of cases where lifting the corporate veil is permissible, since that must necessarily depend on the relevant statutory or other provisions the object sought to be achieved, the impugned conduct, the involvement of the element of the public interest, and the effect on the parties who may be affected etc.....”

28. Thus, while the corporate veil is a protective legal concept, courts can lift it to ensure justice, especially when the company structure is abused to commit fraud, evade law, or act against public interest. There cannot be a straight-jacket formula to enumerate the classes of cases, where lifting the corporate veil is permissible, as it must depend on the relevant statutory or other provisions; and the object sought to be achieved, which amongst other would include the effect on the parties, who may be affected etc.

29. In [*Inder Mohan Kahanna and Ors. Vs. Jai Prakash and Anr., 1978 RLR 367*](#), it was held by Hon'ble division bench of Delhi High Court that in determining whether the corporate veil should be lifted in a particular case, a key distinction must be made between situations, where the company seeks to protect its separate legal identity and those, where the company or its constituents voluntarily waive that protection. Elaborating, it was held as under:



“(5) By virtue of the privilege that the statute regulating the formation and conduct of a Joint Stock Company confers on it a corporation is clothed with a legal entity and personality quite distinct from those who constitute it with the result that ordinarily it would not be possible to treat such a corporation as a mere association of natural persons, who have come together to facilitate their business enterprise. The case of ***Salomon V. Salomon (LTR (L.R. 1897 A.C. 22))(1)*** is the earliest authority for this proposition and is often set up as a shield of defense against the attempted tearing of the corporate veil. There have nevertheless been numerous instances of legislative as well as judicial inroads into corporate realm, both in England and following that in this country, and to a much larger extent in the United States of America, and the continent. The principle behind the doctrine of piercing the veil or of cracking the corporate shell is that the corporate facade, being a privilege conferred on the promoters of a Company by a statute, it could and should be pierced and the veil lifted to look into the reality where the corporate entity is being abused for unjust and un-equitable purposes. Thus the corporate sanctity has at times been violated, both legislatively and judicially, in cases of fraud on the revenues in the sphere of taxation, where the enterprise entity has been recognised as distinct from the corporate entity. There are thus a number of provisions in the taxation laws, as in the Indian Companies Act, which would enable the court to disregard the corporate veil and to see for itself those who operate behind the corporate mask. While there is a considerable divergence of juristic opinion as to the extent to which the courts may go in piercing the veil and there have recently been cases where the question arose in the context of what may be described as Government Companies, there is increasing realization that "a limited company is more than a judicial entity with a personality in law of its own that there is a room in Company Law for recognition of the fact that behind it, or amongst it, there are individuals with rights, expectations and obligations inter-se which are not necessarily sub-merged in the company's structure". (***Re : Westbourne Galleries Ltd. (1973) A. C. 360(2)***).

(6) In considering the question if the corporate veil is to be ignored in a particular case, a distinction must however, be made between cases where

**CR-3956-2009**

the tearing of the corporate veil is being resisted by a Company and cases in which the privilege of the corporate veil is sought to be waived by the Company and those who constitute it. In the former class of cases the question has to be examined in the context of an attempt to deprive the corporation of its statutory privilege while in the other the corporation in laying itself bare for others to see.....”

30. The present case falls into the latter category. Significantly, it is the petitioner, the sole Directors and the only share-holders of the company along with their family members, who want the court to lift the corporate veil of their family owned private limited company to extend the benefit of a legislation to fulfill its objects, and to protect their ownership rights by pleading and proving that they themselves are in genuine need of their property for using it for the company exclusively owned and controlled by them. It is the respondent – tenant, who is resisting the plea of the landlords to lift the corporate veil of the company. Here, it is the landlords and their family members, who formed the company, that seek to voluntarily disclose the individuals behind the corporate structure, claiming that the formation of the company is merely a form and not the substance. The tenants, on the other hand, insist on treating the company as a distinct legal entity to argue that projected need is of the company. However, since the promoters themselves (the landlords and family) are lifting the corporate veil and asserting continuity in the business, the situation does not involve judicially compelling the company to forego its separate identity. Rather, it is a voluntary waiver of the statutory privilege.

31. In such a case, the traditional doctrine of piercing the corporate veil, along with its limitations, does not apply. The business herein is continued in the same form by the same individuals—through a corporate structure—without any real change in control of the business. There is direct and genuine nexus between the landlord and the company. As such, the tenants cannot use the shield of corporate veil of the company of the landlords, to resist their eviction on that ground, as the court is required to



CR-3956-2009

strike a balance, i.e., protecting tenants from exploitation, but at the same time, to respect the legitimate and legal need of landlords.

32. Moreover, as per the dicta of the Hon'ble Supreme Court in ***Joginder Pal vs Naval Kishore Behal (supra)***, when the premises are intended to be used by a person other than the landlord, the court must carefully examine: (i) whether that person's need genuinely constitutes the landlord's requirement, and (ii) whether there exists a close relationship or identity of interest / nexus between such person and the landlord to justify such a claim.

33. In the present case, the landlords have established by cogent evidence not only the fact that need of the company, exclusively owned and controlled by them is their own requirement, they have further established that there exists a close relationship and identity of interest / nexus between them and the said company, which justify their claim for seeking eviction of the respondents – tenants from the demised premises.

34. In **[Ram Saroop Gupta vs. Major S.P. Marwaha \(supra\)](#)**, Delhi High Court dealt with a similar issue. In that case, landlords were running a jewellery shop. Over time, the landlord got the company incorporated, in which the landlord, his wife and son were the only directors. The projected bona fide need was for the business being run in the name of said company. It was held as under:

"5. That apart the legal submission that an eviction petition u/s 14 (1)(e) of the DRCA is not maintainable by a company is no longer *res-integra* and a bench of this Court in **158 (2009) DLT 62, [Satnam Kaur & Others Vs. Ashlar Stores P. Ltd.](#)** has held that a private limited company can also file an eviction petition [u/s 14 \(1\)\(e\)](#) of the DRCA. Grounds pleaded in the eviction petition even otherwise show the bonafide need is the need of the petitioner, who had initially started this business of jewellery with his wife Smt. Afsana Marwah, which was on a small scale from their residence; this was about ten years ago i.e. ten years prior to the incorporation of their company, which was incorporated only on 13.08.2007 and this has



CR-3956-2009

specifically been pleaded in the eviction petition to which there has been no dispute. It is not the case of the tenant that no such business was being run by the husband and wife from their residence; the company incorporated was a company of the husband, wife and their son. Memorandum of Articles of Association of the company filed by the landlord in the trial Court show that the shareholding of the company is of 10,000 shares, which is distributed inter-se between the husband- wife and son and the son has 1,900 shares; balance 8100 shares are of the husband and wife. Eviction petition clearly discloses that the need of these premises is for the business of the petitioner and his family members, who have no other alternate suitable accommodation; it is an admitted fact that this duo i.e. husband and wife had up to ten years carried out the business in their individuals names incorporating the company only on 13.08.2007 in which they had inducted their son also. This company is a private limited company; it is the family concern of the petitioner. The submission of the tenant that a company is a distinct legal entity and the need of the landlord who is a natural person cannot be equated with the need of the company is again a mis-conceived submission. Although there is no dispute to the legal proposition that a company is a distinct legal entity separate from its shareholders; however the principle of piercing the veil of the corporate personality in order to reveal the 'true identity of the company' is also recognized doctrine. The Apex Court in ***Kapila Hingorani Vs. State of Bihar (2003) 6 SCC 1*** had noted that the principle behind the doctrine is a changing concept and it is expanding its horizon. In [*Prem Lata Bhatia Vs. Union of India, 128 \(2006\) DLT 24*](#) a Division Bench of this Court while dealing with the rights of the parties where a partnership had converted itself into a private limited company had inter-alia noted as under:-

"In such cases, the doctrine of piercing the veil of corporate personality should be utilized. For instance, when a partnership firm converts itself into a private limited company with the partners in the firm becoming the shareholders and directors in the company, it will not be a case of transfer of the property of the firm to the company, otherwise a huge amount of stamp paper and registration charges for the transfer of the property of the firm to that of the company will have to be paid, capital gains tax will have to be paid, etc. In fact, it is well settled there is no transfer in such cases



CR-3956-2009

because in substance the owner remains the same though technically it becomes a different legal entity. In such cases, the principle of piercing the veil of corporate personality should be utilized not to prevent somebody from doing any wrong, but merely in order to recognize the reality of the situation."

35. In addition to above, in the present case, there is no allegation that the company is not a company owned and controlled by the family of the landlords. The only argument is that it is the company, which requires the tenanted premises. Even assuming this plea was the actual factual situation, though this has been denied by the landlords, the company using the tenanted premises would not mean or imply that the landlords/their family members would not be in occupation or possession of the tenanted premises. There is no such averment or allegation or submission by the tenants. Hence, even legally, there is no merit in the plea of the tenants - respondents. Same view was taken in similar fact situation by Delhi High Court in ***Saroj Aggarwal vs Nimish Singhania HUF (supra)***.

36. Contrary view has been taken by some of the other High Courts. In ***K.M. Basheer's case (supra)***, premises were owned by a landlord, who was director of a private limited company. It was held by a Division Bench of the Kerala High Court that landlord was not entitled to ejection of the tenant for the requirement of the company, as need of the company is not need of the landlord himself, inasmuch as the company is a separate legal person. Taking similar view in ***Pascal Lazarous Lobo's case (supra)***, Karnataka High Court held that when landlord forms a private limited company and wants the premises to start business of the company, he is not entitled to eject a tenant because requirement of company cannot be considered requirement of the landlord, though it is entirely different in case of a partnership firm. Same view has been taken by Madras High Court in the case of ***Central Warehousing Corporation Vs. Indersain Goyal (supra)***.

37. Taking into mind the objective of the East Punjab Urban Rent Restriction Act, 1949, as elucidated by Hon'ble Supreme Court in ***Harbilas***



CR-3956-2009

Bansal's case (supra) and ***Joginder Pal's case (supra)***, this court ***respectfully disagrees with the aforesaid narrow view taken by*** Kerala, Karnataka and Madras High Courts; and rather prefers the broader view taken by the Delhi High Court in ***Ram Saroop Gupta (supra); Inder Mohan Kahanna (supra)*** and ***Saroj Aggarwal (supra)*** cases.

38. As far as the observations made by the Appellate Authority that landlords were settled in Tanzania and that they had not opened any office so far in India, which indicated that they did not require the premises for the genuine need, are concerned, these are absolutely misplaced, considering the testimony of PW1 Sh. Manohar Lal Aggarwal, clearly showing that they want to open a liaison office for the trade of import and export of the company in the demised premises. This Court has held in ***Balbir Kaur and Ors. Vs. Roop Lal and Ors. 2010 (4) PLR 2015*** that when landlord is already having huge business and he seeks eviction of the tenant from their building to expand the business, his need must be presumed as *bona fide*. In ***M/S Sait Nagjee Purushotham & Co. Ltd Vs. Vimalabai Prabhulal & Ors (supra)***, landlords were doing business at place A, they wanted to expand business at place B. Hon'ble Supreme Court held that need of the premises at later place was *bona fide* as it is the privilege of the landlord to choose the nature of the business and the place of business. Tenant cannot advise the landlord in this regard. In the case of ***Manoj Kumar and others Vs. Sandeep Kumar and others (supra)***, landlord needed shop to expand his cloth business to augment the income. Landlord was in the financial position to expand the business. The need was held to be *bona fide* further holding that, need to expand the business and how and where the landlord is to carry out such a business is in the discretion of the landlord and in this regard, tenant cannot make a choice for the landlord.

Powers of revision of the High Court :

39. Coming to the contention of Ld. Senior advocate for the respondents that High Court can not intervene in revision in the concurrent findings of the courts below, in the case of ***Atma S. Berar Vs. Mukhtiar Singh***



CR-3956-2009

(Supra), Hon'ble Supreme Court considered the powers of the revision of the High Court under East Punjab Urban Rent Restriction Act, 1949 and held as under: -

“The object of conferring revisional jurisdiction on the High Court, by sub-Section (5) of Section 15 of the Act, is to enable it satisfying itself as to the legality or propriety of an order made by the Controller or the proceedings before him. In **Ram Das Vs. Ishwar Chander and Ors. (1988) 3 SCC 131**, it was held that the nature and scope of revisional jurisdiction conferred on the High Court shall have to be determined on the language of the Statute investing the jurisdiction. In **Prativa Devi Vs. T.V. Krishnan (1996) 5 SCC 353**, a three-Judge Bench held that the revisional power referable to Section 25-B(8) of Delhi Rent Control Act, 1958 is not as narrow as the revisional power under Section 115 of the CPC and it is also not so wide as an appellate power. Having kept the legal principles in view and on an objective determination and on a proper appreciation of the evidence in the light of the surrounding circumstances a conclusion as to the need of the demised premises for user by the landlord and his bona fides shall not be liable to be interfered with in exercise of revisional power. In **Shiv Sarup Gupta Vs. Dr. Mahesh Chand Gupta (1999) 6 SCC 222**, this Court made a comparative study of the provisions contained in section 115 CPC in juxtaposition with Section 25-B(8) of Delhi Act and held that the High Court cannot appreciate or reappraise evidence dictated by its mere inclination to take a different view of the facts as if it were a court of facts. A conclusion arrived at which is wholly unreasonable or is one that no reasonable person acting with objectivity could have reached on the material available, ignoring the weight of evidence, proceeding on a wrong premise of law or deriving such conclusions from the established facts as betray a lack of reason and/or objectivity would render the finding 'not according to law' calling for an interference under Section 25-B(8) proviso by the High Court. **Mudigonda Chandra Mouli Sastry Vs. Bhimanepalli Bikshalu and Ors.- (1999) 7 SCC 66** and **Lekh Raj Vs. Muni Lal and Ors. (2001) 2 SCC 762** take the same view. The scope of revisional jurisdiction under Section 15(5) of the Act is similar, that is, confined to testing the legality or propriety of order or proceedings of Controller.”

**CR-3956-2009**

40. It is, thus, clear that the revisional jurisdiction conferred upon the High Court under Section 15(5) of the East Punjab Urban Rent Restriction Act, 1949 is limited in scope and is intended to ensure the legality and propriety of the orders passed by the Rent Controller and the proceedings conducted before him. It does not permit reappreciation of evidence as in an appellate jurisdiction. Though, the nature of revisional power is broader than Section 115 CPC and narrower than appellate power and the High Court cannot act as a fact-finding authority or substitute its own opinion merely because it would have reached a different conclusion, but at the same time, if the findings of the Rent Controller are wholly unreasonable, perverse, based on misapplication of law, or ignore material evidence, then such findings can be interfered with under the High Court's revisional power. In other words, Section 15(5) permits interference only when the findings are not in accordance with law, reflecting lack of objectivity, or based on erroneous legal premises.

41. In the present case, the findings of the courts below are a result of not only of ignoring the material evidence, the same also reflect lack of objectivity and are based on erroneous legal premise to the effect that landlords cannot get the premises vacated for the need of the company.

Conclusion:

42. Based on the entire discussion as above, this court concludes that although a company is a distinct legal entity, a landlord can legitimately seek eviction of a tenant on the ground of bona fide requirement, if the premises are needed for a company wholly controlled by the landlord or his family, provided the need is genuine and not a mere façade. The requirement of a business carried on by a private limited company—where the landlord and his family are the sole shareholders or directors—can be treated as the landlord's own requirement. The expression "*for his own use*" under rent control laws should not be interpreted narrowly or literally. It may extend to use by a dependent or an entity under the substantial control of the landlord. Even if the proposed user is a juristic person, what matters is



CR-3956-2009

the landlord's real and substantial interest in it. The key consideration is the authenticity of the need, not the formal legal identity of the user. Therefore, a liberal and purposive interpretation of the term “*for his own use*” is warranted to reflect the underlying reality of control and purpose.

43. Applying the above legal position to the factual matrix of the present case, this Court is of the considered opinion that the orders passed by the Rent Controller and the Appellate Authority suffer from legal infirmity and perversity of approach, as both authorities misdirected themselves in law by adopting an overly formalistic interpretation of “*own use*” by taking a narrow view while rejecting the ejection petition filed for the *bona fide* need of the Company, which is exclusively owned & controlled by the petitioner or his family. The argument that the company is an independent legal entity ignores the functional and operational reality that the company is wholly managed by the landlord’s family members.

44. Consequently, the impugned orders as passed by the Rent Controller and the Appellate Authority are hereby set aside. The present petition is hereby accepted. The respondents-tenants are hereby directed to vacate the demised premises within a period of three months from today. Disposed of accordingly.

01.07.2025

Pry

(DEEPAK GUPTA)

JUDGE

Whether speaking/reasoned? :

Yes

Whether reportable? :

Yes