

PETITIONER:
STATE OF GUJARAT

Vs.

RESPONDENT:
DR. R.B. CHANDRACHUD

DATE OF JUDGMENT:
19/11/1968

BENCH:
BACHAWAT, R.S.
BENCH:
BACHAWAT, R.S.
SIKRI, S.M.
HEGDE, K.S.

CITATION:
1971 AIR 846 1969 SCR (2) 755
1969 SCC (1) 300

ACT:

Baroda State Merger Huzur order passed by Maharaja relating to retirement terms of members of Executive Council prior to transferring full executive authority to new Council--New Council purporting to revoke earlier order passed in exercise of Maharaja's prerogative powers-If valid--Whether provisions of Baroda Merger Agreement and subsequent continuance of all laws previously in force amounted to recognition of claims relating to retirement benefits.

HEADNOTE:

On August 15, 1947 upon the passing of the Indian Independence Act, 1947 when paramountcy of the British crown lapsed, the erstwhile State of Baroda acceded to India. By a proclamation on August 25, 1948 the Maharaja of Baroda announced inter alia that the entire 'executive authority of the State would immediately vest in his Executive Council. On March 21, 1949 he executed the Baroda Merger Agreement whereby the full powers in relation to the governance of the State were transferred to the Indian Government from May 1, 1949. These powers were then delegated to the Provincial Government of Bombay.

The respondent was an official member of the Maharaja's Executive Council of the State of Baroda. In January, 1948 when it was considered likely that in view of the imminent constitutional changes in the State the members of the old Executive Council might be prematurely retired, the Maharaja enhanced the respondents salary, and by 'a Huzur order dated February 8, 1948, he fixed the pension and other retirement benefits of the respondent and another member of the Executive Council. It was provided that in the event of their premature retirement, they would get 'as compensation an amount equivalent to what they would have received if they continued in service upto the date of retirement and a full pension of Rs. 500.00 per month from the date of the premature retirement. On May 18, 1948, the Maharaja directed compulsory retirement of the respondent with effect from June 1, 1948 and he therefore drew Rs. 95,196.00 on account of his compensation. At the instance of a new Executive Council the Maharaja passed another Huzur order on

July 22, 1948 modifying his previous orders and directing that the respondent 'and the other officials would draw pension only when they reached the age of retirement and would in addition draw the salary to which they were eligible under the Account Rules.

On April 22, 1949, the new Executive Council purported to review and set aside the Huzur orders with respect to payment of compensation to the retired officials and directed, inter alia, that a sum of Rs. 77,416.00 out of the compensation received by the respondent be recovered from him under section 148 of the Baroda Land Revenue code. He was compelled to refund Rs. 65,000.00 and a balance of Rs. 12,416.00 was demanded from him by the Collector of Baroda. The respondent filed a suit against the State of Bombay asking inter alia for a declaration that the Huzur order dated February 8, 1948 as modified by the Huzur Order dated July 22, 1948 was binding on the defendants and that the order of the Executive Council of April 22, 1949 was invalid. The Trial

756

Court decreed the suit and the High Court, in appeal, substantially upheld the respondent's case but reduced the amount of the decree.

Apart from the validity of the Executive Council's order of April 22, 1949, the other questions arising for determination in the 'appeal to this Court were whether the Government of Baroda was liable to pay the sum of Rs. 65,000 to the respondent; and if so, whether the liability devolved upon the appellants State of Gujarat.

HELD: Dismissing the appeal:

(i) The Huzur order of February 8, 1948 was passed by the Maharaja in the exercise of his prerogative and inherent powers. The Executive Council had no authority to revoke that order and until the Maharaja passed the entire executive authority to the Council on August 25, 1948, he was still the sovereign ruler. The order of the Executive Council dated April 22, 1949 was therefore ultra vires and not binding upon the respondent. [761 G]

(ii) The direction in the order of April 22, 1949 for the recovery of monies under s. 148 of the Baroda Land Revenue Code was illegal. That section did not allow recovery of moneys payable under an order of the Executive Council. The result of the illegal recovery of Rs. 65,000 from the respondent was that to the extent of that amount, the liability of the Baroda Government under the Huzur order dated February 8, 1948 remained outstanding. [762 A]

(iii) Clause (1) of Article VIII of the Baroda Merger Agreement guaranteed payment of reasonable compensation to officials whose services were dispensed with by the new Government. Clause (2,) guaranteed the continuance of pension and leave salaries sanctioned by the Maharaja to officers who had retired before the date of the merger. Article VIH thus furnishes strong evidence of recognition by the Government of India of the liability to pay retirement compensation under the Huzur order of February 8, 1948. Furthermore, the successor Governments continued the old laws of the Baroda State until they were repealed or altered. The appellants resisted the respondent's claim on the basis only of the order of April 22, 1949 but as this was invalid, it must be held that the successor Governments recognised and took over liability under the Huzur order of February 8, 1948, which liability had since devolved on the appellants State of Gujarat.

Considering that the object of Article VIII was to guarantee payment of retirement benefits to retired public

servants of the merged State, the word "pensionS" could not be given any narrow interpretation and would include the lump sum payable to the respondent as compensation under the Huzur order dated February 8, 1948 as modified by the Huzur order dated July 22, 1948. [765 A D]

M/s. Dalmia Dadri Cement Co. v. The Commissioner of Income Tax. [1959] S.C.R. 729; Pema Chibar v. Union of India, [1966] 1 S.C.R. 357; Jagannath Agarwala v. State of Orissa, [1962] 1 S.C.R. 205; Firm Bansidhar Premasukhdeo v. State of Rajasthan, A.I.R. 1967 S.C. 40; State of Gujarat v. Fiddali, [1964] 6 S.C.R. 461; Vajesinghji Joravarsingji v. Secretary of State for India, [1924] L.R. 51 I.A. 357, 361; R.N. Pratap Singh Deo v. State of Orissa, [1964] 7 S.C.R. 112; Union of India v. Gwalior Rayon Silk Manufacturing (Weaving) Co., [1964] 7 S.C.R. 892; State of Madhya Pradesh v. Lal Bhargavendra Singh, [1966] 2 S.C.R. 56; Maharaja Shri Umaid Mills Ltd. v. Union of India, [1963] Supp. 2, S.C.R. 757

515; State of Madhya Pradesh v. Col. Ram Pal, [1966] 2 S.C.R. 53; M/s. Dalmia Dadri Cement Co. Ltd. v. The Commissioner of Income-tax [1964] 7 S.C.R. 124; Nawab Bahadur of Murshidabad v. Karnani Industrial Bank Ltd., L.R. [1931] 58 I.A. 215, 219-20 and Secretary of State v. Khemchand Jeychand, I.L.R. (1880) 4 Bom. 432, 436; referred to.

JUDGMENT:

CIVIL APPELLATE JURISDICTION: Civil Appeal No. 579 of 1965.

Appeal from the judgment and decree dated April 20, 28, 1960 of the Bombay High Court (Now Gujarat High Court) in Appeal No. 172 of 1956 from Original Decree.

N.S. Bindra, M.S.K. Sastri and S.P. Nayar, for the appellant.

S.T. Desai, Y.S. Chitale and D.N. Misra. for the respondent. The Judgment of the Court was delivered by

Bachawat, J. In January 1948 in view of the imminent constitutional changes in the Baroda State, it was considered likely that the services of the Diwan Sri Sudhalkar, the appellant and Sri Gaekwad, the three official members of the Executive Council of the State would be prematurely terminated. The respondent was then 'drawing a salary of Rs. 2,000/- per month and was to retire on February 14, 1952 on reaching the superannuation age of 56 years. On January 28, 1948 His Highness the Maharaja of Baroda enhanced the respondents salary to Rs. 2,500/- per month. By separate orders the salaries of other official member's also were enhanced. By a Huzur order dated February 8, 1948 the Maharaja fixed the pension and other retirement benefits of the respondent and Sri Gaekwad. The order was in these terms :--

"His Highness the Maharaja Saheb has been pleased to order that in the event of premature retirement of the Government Members, Messrs. D.V. Gaekwad and Chandrachud, they will get forthwith as compensation an amount equivalent to the total amount they would have received had they continued in service up to the date of retirement and a full pension of Rs. 500 per month from the date of the premature retirement.

2. Mr. D.V. Gaekwad's salary is

raised to Rs. 2,000/- from the date of his confirmation as Naib Dewan. "

On the same date the Maharaja by a separate order fixed the pension and retirement benefits of Sri Sudhalkar. On May 18, 1948, the Maharaja directed the compulsory retirement of the respondent with effect from June 1, 1948. Soon thereafter the respondent drew from the State Treasury Rs. 95,196/4/- on account of compensation allowance. On June 1, 1948 he retired
758

from service. On the same date Dr. Jivraj Mehta became the Diwan and President of the Executive Council in place of Sri Sudhalkar. On the representations of Dr. Jivraj Mehta the Maharaja passed another Huzur order on July 22, 1948 modifying his previous orders and directing that the respondent and the other officials would draw pension only as and when they would reach the age of retirement and that the respondent would in addition draw the salary to which he might be eligible under the Account Rules. In October 1948 there was correspondence touching the Huzur Orders between the Maharaja and Dr. Jivraj Mehta. On April 22, 1949 the Executive Council of the State of Baroda headed by Dr. Jivraj Mehta purported to review and set aside the Huzur Orders with respect to payment of compensation to the retiring officials and directed that (1) the respondent would get 4 months' privilege leave salary and as from April 1, 1949 the pension of Rs. 500/- per month sanctioned by the Maharaja, (2) the amount received by the respondent as compensation be forfeited to the State and returned by him to the Treasury; (3) Rs. 77,416/- consequently due from him after taking into account his salary and pension up to March 31, 1949 be recovered from him under s. 148 of the Baroda Land Revenue Code. Pursuant to this the respondent's properties were attached on April 26, 1949. The respondent was compelled to refund to the State Treasury Rs. 55,000/- on April 27, 1949 and Rs. 10,000/- on April 29, 1949. On March 14, 1952 the Collector of Baroda sent a notice to the respondent demanding payment of the balance of Rs. 12,416/-. The respondent continued to draw pension at the rate of Rs. 500/- per month from April 1, 1949. On April 17, 1952 he gave notice of his intention to file the present suit under s. 80 of the Code of Civil Procedure. On June 23, 1952 he instituted the suit against the State of Bombay asking for a declaration that the Huzur order dated February 8, 1948, as modified by the Huzur order dated July 22, 1948 was valid and binding on the defendant, a declaration that the order of the Executive Council dated April 22, 1949 was invalid, an injunction restraining the defendant from recovering Rs. 12,416/- and a decree for Rs. 65,000/- and interest thereon totaling Rs. 77,300/-, future interest and costs. On August 31, 1955, the Trial Court decreed the suit. On appeal, the High Court held that the respondent was entitled to recover Rs. 65,000/- only without interest and was liable to refund Rs. 17,250/- drawn on account of pension from April 1, 1949 up to February 14, 1952. Consequently, the High Court reduced the money decree to Rs. 47,750/- give proportionate costs and confirmed the rest of the decree. The present appeal has been filed by the State of Gujarat after obtaining a certificate from the High Court.

It is necessary at this stage to refer to the constitutional and political changes culminating in the merger of Baroda State in the
759

Province of Bombay. The Maharaja of Baroda enjoyed internal sovereignty in the State under the suzerainty of

the British crown. In 1940 the Maharaja enacted the Government of Baroda Act 1940, (Act No. VI of 1940). Section 3 provided that Baroda would continue to be governed by the Maharaja and that all rights, authority and jurisdiction appertaining to its government was exercisable by him except as provided in the Act or "as may be otherwise directed by His Highness." Section 4 preserved all the Maharaja's powers, legislative, executive and judicial, in relation to the State and its government and his right and prerogative to make laws, and issue proclamations, orders and ordinances by virtue of his inherent authority. Section 5 vested the executive authority of the State in an Executive Council consisting of the Dewan and other members chosen by the Maharaja and holding office during his pleasure subject to the other provisions of the Act and the directions given by the Maharaja. Section 18(d) provided that no Bill affecting any order passed by the Maharaja in exercise of his prerogative could be moved in the Dhara Sabha without the previous sanction of the Maharaja. Section 32(f) provided that pensions and gratuities sanctioned by the Maharaja would be expenditure charged on the revenues of the State. On August 15, 1947 the Indian Independence Act, 1947 was passed and the paramountcy of the British crown lapsed. On the same date the State of Baroda acceded to the Dominion of India. Under the Instrument of Accession the Maharaja of Baroda ceded to the Dominion legislature the power to legislate for the State of Baroda with respect of defence, external affairs and communications. The advent of independence in India gave momentum to the popular movement for transfer of power from the Maharaja to the people and for formation of a responsible government in the State. On January 9, 1948 the Maharaja issued a proclamation directing the formation of a body elected on the basis of adult franchise frame a Constitution for the State subject to certain reservations and announcing his intention to appoint popular representatives, to the Executive Council. By another proclamation dated August 25, 1948 the Maharaja announced that (1) the Constitution framing assembly would have full and unrestricted authority to frame a Constitution for the State in respect of all matters and subjects; (2) the entire executive authority of the State would immediately vest in the Executive Council, the Government of Baroda Act would stand amended accordingly and the words "or as may be otherwise directed by His Highness" occurring in s. 3 and the whole of s. 4 of the Act would be deemed to be omitted; On September 16, 1948 the Maharaja promulgated the Baroda State Executive Rules. Rule 6 provided that "the Executive Council shall have the entire executive authority in regard to the administration of the State in all matters without any reservation." On March 21, 1949 the Maharaja executed the Baroda Merger Agreement whereby

760

he ceded to the Dominion Government full authority, jurisdiction and powers for and in relation to the governance of the State and agreed to transfer the administration of the State to the Dominion Government on May 1, 1949. On May 1, 1949 the administration of the State was made over to the Dominion Government. As from that date, all sovereign powers of the Maharaja of Baroda ceased and the Dominion Government acquired full and exclusive extra provincial jurisdiction for and in relation to the governance of the State of Baroda. By a notification No. 101-P dated May 1, 1949 the Central Government in exercise of its powers under s. 3(2) of the Extra-Provincial

Jurisdiction Act, 1947 delegated to the Provincial Government of Bombay its aforesaid extra provincial jurisdiction including the powers conferred by s. 4 of that Act to make orders for the exercise of the jurisdiction. By notification No. 4530/46F of the same date, the Government of Bombay in exercise of the powers conferred by s. 4 of the Extra Provincial Jurisdiction Act, 1947 repealed the provisions of the 'Government of Baroda Act' excepting ss. 1, 2 and 36 to 45 with immediate effect. On the same date the Government of Bombay promulgated the Administration of the Baroda State Order Paragraph 3 of the Order vested the executive authority of the State in a special commissioner, subject to the supervision and control of the Bombay Government. Paragraph 4(i)(b) provided for the continuance of (a) of any law, or (b) of any notification, order, scheme, rule, form or bye-law issued, made or prescribed under any law as were in force immediately before May 1, 1949 in the Baroda State. On July 23, 1949 the Government of Bombay promulgated the Bombay State (Application of Laws) Order 1949. Paragraph 3 of the Order provided for the extension and continuance of certain laws to the Baroda State. Paragraph 5 repealed ss. 1, 2, and 36 to 45 of the Government of Baroda Act and certain other enactments. Paragraph 5(iii)(a) provided 'that the repeal would not affect any right, title, obligation or liability already acquired, accrued or incurred, or any remedy or proceeding in respect thereof. On July 27, 1949 the Governor General in exercise of his powers under s. 290A of the Government of India Act, 1935 promulgated the States' Merger (Governors Provinces) Order 1949. Paragraph 3 of the Order provided that Baroda would be merged in the province of Bombay and administered in all respects as if it formed 'part of that Province. Paragraph 4 provided for the continuance of laws then in force in the merged State. Paragraph 7 (1) provided that all liabilities in respect of such loans, guarantees and other financial obligations of the Dominion Government as arose out of the governance of a merged State, would as from August 1, 1949 be liabilities of the absorbing Province, unless the loan, guarantee or other financial obligation was relatable to central purposes. Paragraph 9 provided that any proceedings which if the order had not been passed

761

might lawfully have been brought in the merged State against the Dominion might in the case of any liability arising before August 1, 1949 be brought (a) against the Dominion if the proceedings could have been brought against the Dominion had the liability arisen after that date and (b) otherwise against the absorbing Province.

The questions arising for determination in this appeal are as follows :--

(1) Was the order of the Executive Council dated April 22, 1949 ultra vires its powers and invalid and not binding on the respondent; (2) Was the Government of Baroda liable to pay the sum of Rs. 65,000/- to the respondent; and (3) if so, has the liability devolved upon the State of Gujarat.

The Executive Council Rules made by the Maharaja of Baroda on September 16, 1948 vested in the Executive Council the entire executive authority in regard to the administration of the Baroda State in all matters without any reservation. The Executive Council had very wide powers, but, in our opinion, they had no authority to override and rescind the Huzur orders passed by the Maharaja himself. The prerogative and inherent powers of the Maharaja was not delegated to the Executive Council. The Maharaja was still

the sovereign ruler. The members of the Executive Council were responsible to him and held office during his pleasure. No appeal lay from his order to the Executive Council. On the contrary under Rule 46 of the Privy Council Rules promulgated on December 18, 1947 an appeal lay to the Maharaja from an order passed by the Executive Council. In view of s. 18(d) of the Baroda Constitution Act 1940 even a legislative bill affecting an order passed by the Maharaja in the exercise of his prerogative rights could not be moved in the Dhara Sabha without his previous sanction. Under s. 32(f) pensions and gratuities sanctioned by the Maharaja were charged on the revenues of the State. The Fluzur order was passed by the Maharaja on February 8, 1948 in the exercise of his prerogative and inherent powers. The order was executed and the monies were paid under it to the respondent. The Executive Council had no authority to revoke the Huzur order and to forfeit the monies. We hold that the order of the Executive Council dated April 22, 1949 was ultra vires its powers and was illegal and not binding upon the respondent.

It is now conceded that the direction in the order dated April 22, 1949 for the recovery of monies under s. 148 of the Baroda Land Revenue Code was illegal. That section did not allow recovery of moneys payable under an order of the Executive

762

Council. The attachment levied on the respondent's properties was unlawful. The recovery of Rs. 65,000/- from the respondent, under the invalid order of the Executive Council cannot be justified as an act of State. The Courts below rightly found that the respondent was compelled to pay Rs. 65,000/- under coercion. The result of the illegal recovery was that to the extent of Rs. 65,000/- the liability of the Baroda Government under the Huzur Order dated February 8, 1948 remained outstanding.

The main question arising in the appeal is whether the liability the Baroda Government under the Huzur order dated February 8, 1948 devolved upon the successor governments after the merger of the Baroda State on May 1, 1949. The view which currently prevails in this Court is that in cases where the Government of India has acquired the territory of a sovereign Indian State either by conquest, treaty, cession or otherwise the privileges and rights obtained from the predecessor State cannot be enforced by action against the Government of India, see *M/s. Dalmia Dadri Cement Co. v. The Commissioner of Income-tax(1) (cession of Jind)*, *Pema Chibar v. Union of India(a) (conquest of Daman)*, nor can it be sued in the municipal courts for the debts and contractual liabilities of the predecessor, see *Jagannath Agarwala v. State of Orissa(3) (Cession of Mayrbhunj)*, *Firm Bansidhar Premasukhdeo v. State of Rajasthan(4) (Bharatpur)*, unless it has chosen, to recognise the right, privilege, debt or liability by legislation, agreement, or otherwise. The rule extends to the acts of the predecessor State after its accession to the Dominion of India on August 15, 1947 and before its complete merger in the Dominion. In *State of Gujarat v. Fiddali(5)* the Ruler of Sant State issued a resolution or Tharao granting certain forest rights on March 12, 1948 after the accession of the State to the Dominion. On June 10, 1948 he transferred the administration of the State to the Dominion under a merger agreement dated March 19, 1948. The Court held that the Tharao was not binding upon the successor government. It was said that the Rulers of the Indian States parted with their sovereignty in successive stages, firstly on accession, and finally on

merger. As a result of accession, the Dominion of India acquired power to legislate for the territories of the acceding state in respect of defence, external affairs, and communications. Under s. 5 of the Indian Independence Act the Dominion was as from August 15, 1947 a union comprising the acceding State. But the acceding State continued to retain its separate existence and individual sovereignty until its complete merger in 'the Dominion.

(1) [1959] S.C.R. 729.

(2) [1966] 1 S.C.R. 357.

(3) [1962] 1 S.C.R. 205.

(4) A.I.R. 1967 S.C. 40.

(5) [1964] 6 S.C.R. 461.

763

The question then is whether the successor governments recognized the rights and liabilities under the Huzur order dated February 8, 1948. The onus of proving the recognition is upon the respondent, see *Valesinghji Joravarsingji v. Secretary of State for India*(1). The recognition "may be either express or may be implied from circumstances and evidence appearing from the mode of dealing with those rights of the new sovereign," see *State of Gujarat v. Fiddali*(2).

On behalf of the respondent it was argued that the Huzur Order dated February 8, 1948 was a law and as such was recognised and continued in force by the Government of India. We are unable to accept this contention. A grant made by the Ruler of an Indian State is not a law, see *State of Gujarat v. Fiddali*(2), 461 (grant of forest rights), *R.N. Pratap Singh Deo v. State of Orissa*(a) (grant of khorposh allowance), *Union of India v. Gwalior Rayon Silk Manufacturing (Weaving) Co.*(4) (grant of exemption from taxation), *State of Madhya Pradesh v. Lal Bhargavendra Singh*(5) (grant of maintenance allowance), nor is an agreement executed by the Ruler a law, see *Maharaja Shri Umaid Mills Ltd. v. Union of India*(6). Accordingly, it was held in *State of Madhya Pradesh v. Col. Ram Pal*(7) that an order granting retirement pension in relaxation of the State Pension and Gratuity Rules was not a law. The Huzur order dated February 8, 1948 did not lay down a rule of conduct for the official members of the Executive Council generally. It fixed the retirement benefits of the respondent and of Gaekwad and enhanced Gaekwad's salary. A separate order fixed the retirement benefits of Sudhalkar, the other official member. The order concerning the respondent was an executive act and had none of the characteristics of law unlike other laws it was not published in the *Adhya Patrika* or the official gazette of Baroda State. We hold that the order was not a law.

The next question is whether the Baroda merger agreement dated March 21, 1949 recognised the rights and liabilities under the Huzur Order dated February 8, 1948. Now the Articles of the merger agreement may furnish valuable evidence of the affirmance of rights conferred by the predecessor State, see *M/s. Dab Miah Dadri Cement Co. Ltd. v. The Commissioner of Income-tax*(s). In the *State of Madhya Pradesh v. Shyam Lal*(9) a recognition of those rights was inferred from articles in merger agreements providing for the continuance of the laws of the merging State and for the taking over its assets and the liabilities by the new State. In the present case Art. VIII of the merger agreement

(1) (1924) L.R. 51 I.A. 357, 361.

(2) [1964] 6 S.C.R. 461 at p. 510.

(3) [1964] 7 S.C.R. 112.

- (4) [1964] 7 S.C.R. 892.
- (5) [1966] 2 S.C.R. 56.
- (6) [1963] Supp. 2 S.C.R. 515.
- (7) [1966] 2 S.C.R. 53.
- (8) [1959] S C.R. 729 at p. 748.
- (9) [1964] 7 S.C.R. 124.

764

dated March 21, 1951 provided :--

(1) The Government of India hereby guarantees either the continuance in service of the permanent members of the Public Services of Baroda on conditions which will be less advantageous than those on which they were serving before the date on which the administration of Baroda is made over to the Government of India or the payment of reasonable compensation.

(2) The Government of India further guarantees the continuance of pensions and leave salaries sanctioned by His Highness the Maharaja to the members of the public services of the State who have retired or proceeded on leave preparatory to retirement, before the date on which the administration of Baroda is made over to the Government of India.

Clause (2) of Art. VIII applies to the respondent. .He was member of the public services of the Baroda State, and he retired before the date of the merger. It guarantees the continuance of the pension and' leave salary sanctioned to him by the Maharaja. Now what does the word "pension" in clause (2) of Art. VIII mean? Ordinarily the word "pension" means a periodical allowance of money granted by the Government in consideration or recognition of meritorious services. The word "pension" in the Pensions Act, 1871, s. 60(1)(g) of the Code of Civil Procedure, 1908 and s. 6(g) of the Transfer of Property Act, 1882 implies periodical payments of money by Government to the pensioner, see Nawab Bahadur of Murshidabad v. Karnani Industrial Bank Ltd.(1) Pension, gratuity and provident fund are three distinct types of retirement benefits. But the word "pension" (pensionem, payment) in its widest etymological sense can be construed as including all payments of every kind and description to a retiring government servant, see Secretary of State v. Khemchand jeychand(2). The term "pension" is frequently, particularly in recent years, used in the broad sense of retirement allowance or adjusted compensation for services rendered, see Corpus Juris Secundum, Vol. 67, page 331; Vol. 70, page 425. It has received the wider connotation in the definition sections of many modern statutes. To give a few illustrations, the word "pension" includes "any payment of a lump sum in respect of a person's employment", see Fatal Accidents Act, 1959 (7 & 8 Eliz, 2c. 65) s. 2(2), "a superannuation allowance", see Midwives Act, 1936 (26 Geo. 5 & 1 Edw. 8c. 40) s. 2(6), a "gratuity" and a return of contributions to a pension fund with or without interest thereon or any other addition thereto, see Transport Act, 1947, (10 & 11 Geo. 6c. 49) s. 125(1), Gas Act, 1948 (11 & 12--Geo.. 6c. 67) s. 74(1).

(1) L.R. (1931) 58 I.A. 215, 219-20.

(2) I.L.R. [1880] 4 Bom. 432, 436.

765

Now clause (1) of article VIII of the merger agreement guarantees payment of reasonable compensation to officials whose services are dispensed with by the new Government.

Clause 2 guarantees the continuance of pensions and leave salaries sanctioned by the Maharaja to officers who had retired before the date of the merger. Considering that the object of article VIII is to guarantee payment of retirement benefits to retired public servants of the merged State, we are not inclined to give the word "pensions" a narrow interpretation. In our opinion, the word "pensions" in clause 2 of article VIII includes the lump sum payable to the respondent as compensation under the Huzur order dated February 8, 1948 as modified by the Huzur order dated July 22, 1948. In substance, the Huzur order directed that the respondent would get his full salary as his pension from the date of his premature retirement up to the completion of his superannuation age and allowed him to draw immediately the entire allowance for the period in one lump sum. The allowance so payable to the respondent, a retiring government servant, in recognition of his past services is "pension" within the meaning of cl. 2 of article VIII of the merger agreement.

Article VIII of the merger agreement thus furnishes strong evidence of recognition by the Government of India of the liability to pay retirement compensation under the Huzur order dated February 8, 1948. We have also noticed that the successor governments continued the old laws of the Baroda State until they were repealed or altered. The successor governments resisted the respondent's claim on the ground that the order of forfeiture passed by the Executive Council on April 22, 1949 was lawful. There was no question of their disclaiming liability under the Huzur order of February 8, 1948 in case it was found that the order of the Executive Council dated April 22, 1949 was invalid. In the 'circumstances, we hold that the successor governments recognized and took over the liability under the Huzur order dated February 8, 1948. If so, it is not disputed that the liability has now devolved on the State of Gujarat. It follows that the Courts below rightly decreed the suit.

This conclusion is sufficient to dispose of the appeal and we express no opinion whether the liability was also recognized by paragraph 4(i)(b) of the Administration of Baroda State Order, paragraph 5(iii)(a) of the Baroda State (Application of Laws) Order, 1949 or paragraph 7 (1) of the States' Merger (Governors' Provinces) Order, 1949.

In the result, the appeal is dismissed. There will be no order as to costs in this Court.

R.K.P.S.

Appeal dismissed.

L4Sup CI/69--16

766