

2026 LiveLaw (SC) 262

**IN THE SUPREME COURT OF INDIA
CIVIL APPELLATE JURISDICTION**

PANKAJ MITHAL; J., S.V.N. BHATTI; J.

SPECIAL LEAVE PETITION (CIVIL) NOS. 025516 – 025517 OF 2024; March 18, 2026

THE MANAGEMENT OF STEEL AUTHORITY OF INDIA AND OTHERS

versus

SHAMBHU PRASAD SINGH AND OTHERS

Service Law – Payment of Gratuity – Retention of Staff Quarters – Adjustment of Penal Rent from Gratuity – Reciprocal Obligations – The management of Steel Authority of India (SAIL) challenged the High Court's direction to release the full gratuity with interest to retired employees who had failed to vacate official accommodation – Held that the obligation of an ex-employee to vacate staff quarters and the obligation of the management to release gratuity are mutual and reciprocal - Neither can be enforced in isolation - Under Rule 3.2.1(c) of the SAIL Gratuity Rules, 1978, the management is expressly empowered to withhold gratuity for non-vacation of company accommodation - no interest is payable on the gratuity amount withheld during the period of unauthorized occupation. [Paras 19 & 20]

Precedent – Nature of Orders – Article 141 – that the High Court relied on *Ram Naresh Singh v. Bokaro Steel Limited* (Civil Appeal No. 4740 of 2017) as a binding precedent to direct the release of gratuity with only nominal rent deductions - Held: The order in *Ram Naresh Singh* was passed on grounds of equity in specific facts and did not purport to lay down a binding precedent - An order passed on facts cannot be elevated to the status of a precedent by operation of Article 141 of the Constitution of India. [Para 17]

Equity – Fixation of Reasonable Penal Rent – While upholding the right to deduct penal rent, the Supreme Court noted that full enforcement of the management's penal policy might entirely extinguish the gratuity of retired skilled/semi-skilled workers - In an equitable exercise of jurisdiction, the Court fixed a reasonable sum of Rs. 1,000 per month as penal rent for the period beyond the grace period, balancing the interests of both parties. [Relied on *Secretary, ONGC Ltd. v. V. U. Warriar* (2005) 5 SCC 245; Paras 16 - 21]

WITH SPECIAL LEAVE PETITION (CIVIL) NOS. 010175 – 010176 OF 2026, SPECIAL LEAVE PETITION (CIVIL) NOS. 021316 – 021317 OF 2024, SPECIAL LEAVE PETITION (CIVIL) NOS. 021318 – 021319 OF 2024, SPECIAL LEAVE PETITION (CIVIL) NOS. 021320 – 021321 OF 2024, SPECIAL LEAVE PETITION (CIVIL) NOS. 025518 – 025521 OF 2024, SPECIAL LEAVE PETITION (CIVIL) NOS. 026140 – 026141 OF 2024, SPECIAL LEAVE PETITION (CIVIL) NOS. 026350 – 026351 OF 2024, SPECIAL LEAVE PETITION (CIVIL) NOS. 026352 – 026353 OF 2024, SPECIAL LEAVE PETITION (CIVIL) NOS. 026861 – 026862 OF 2024, SPECIAL LEAVE PETITION (CIVIL) NOS. 026863 – 026864 OF 2024, SPECIAL LEAVE PETITION (CIVIL) NOS. 026865 – 026866 OF 2024

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J U D G M E N T

S.V.N. BHATTI, J.

1. Leave Granted.

2. The batch of Civil Appeals arises from Civil Review Order dated 16.05.2024 in Civil Review No. 45 of 2021, etc., and the Order dated 20.01.2020 in LPA No. 561 of 2017 and batch. The questions of fact and law are the same in the Civil Appeals. The Civil Appeals were heard on 09.03.2026 and 11.03.2026, respectively, and reserved for judgment. Through the instant Judgment, the Civil Appeals are considered and disposed of.

3. There are two types of cases before this Court. One type where the Writ Petition was decided after the Order dated 31.03.2017 of this Court in Civil Appeal No. 4740 of 2017, and the other is where the Writ Petition was decided before the Order dated 31.03.2017 of this Court in Civil Appeal No. 4740 of 2017. To illustrate the two types of cases before this Court in the present batch of Civil Appeals, a table is presented below:

Case name	Writ Petition	LPA on	Civil Review decided on
WPs Dismissed			
<i>Bokaro Steel Plant & Ors. v. Shambhu Prasad Singh & Ors.</i> (S.L.P. (C) No. 25516-25517 of 2024)	Filed on 27.03.2012 Decided on 28.07.2016	LPA No. 561 of 2017. 20.01.2020	Civil Review No. 45 of 2021. 16.05.2024
<i>Bokaro Steel Plant & Ors. v. Shiv Shankar Jha & Ors.</i> (S.L.P. (C) No. 21320-21321/2024)	Filed in April 2011 Decided on 28.07.2016	LPA No. 428 of 2016. 20.01.2020	Civil Review 23 of 2021 16.05.2024
WPs Allowed			
<i>Bokaro Steel Plant & Ors. v. Hira Devi & Ors.</i> (S.L.P. (C) No. 2131621317 of 2024)	Filed in April 2011 Decided on 12.07.2017	LPA No. 490 of 2017. 20.01.2020	Civil Review No. 12 of 2021. 16.05.2024
<i>Bokaro Steel Plant & Ors. v. Ganga Sagar Yadav & Ors.</i> (S.L.P. (C) No. 21318-21319 of 2024)	Filed on 23.11.2017 Decided on 11.09.2018	LPA No. 708 of 2018. 20.01.2020	Civil Review No. 13 of 2021. 16.05.2024
<i>Steel Authority of India v. Arvind Kumar & Ors.</i> (S.L.P. (C) No. 25518-25521/2024)	Filed on 31.07.2008 and decided on 11.04.2018	LPA No. 423 of 2018. 30.06.2020	Civil Review No. 44 of 2021 25.04.2024
<i>Steel Authority of India v. Virendra Pratap Singh</i> (S.L.P. (C) No. 2686126862/2024)	Filed on 22.07.2004 Decided on 22.06.2018	LPA No. 431 of 2018. 18.12.2019	25.04.2024
<i>Steel Authority of India Ltd. v. Sada Nand Singh</i> (S.L.P. (C) Diary No. 33516 of 2024)	Decided on 02.08.2017	LPA No. 733 of 2018. 20.01.2020	Civil Review No. 11 of 2021. 25.04.2024

4. The management of Steel Authority of India is the Appellant, and the Respondents are retired employees of the Steel Authority of India/Bokaro Steel Plant. For convenience, the parties are referred to as SAIL and ExEmployee(s), respectively. The circumstances, dates, and events in the Civil Appeal filed against Shambu Prasad Singh/Ex-Employee

against the Order in Civil Review Petition No. 45 of 2021 in LPA No. 561 of 2017, against Writ Petition No. 1681 of 2012, are referred to and would be sufficient for disposing of the batch of Civil Appeals.

5. The Civil Appeals examine the workability of the right of SAIL to withhold the gratuity of Ex-Employees because the Ex-Employees did not surrender vacant possession of the quarter allotted to them while in service. The consideration of circumstances and mutual legal obligations arises under the SAIL Gratuity Rules, 1978 and O&M/Procedure/789 dated 26.03.2009. The incidental consideration is the applicability of the Order dated 31.03.2017 in Civil Appeal No. 4740 of 2017 or the Order dated 15.12.2020 in S.L.P. (C) No. 11025 of 2020.

6. Shambu Prasad Singh/Ex-Employee, on 31.05.2006, retired from the service of Bokaro Steel Plant. He was allotted a staff quarter, and through representations made between 11.09.2007 and 20.09.2010, the ExEmployee(s), including Shambu Prasad Singh, requested that the management allows retention of the allotted quarter beyond the permissible period under the Rules of retention. The management, instead of accepting the request to retain the allotted quarter post-retirement, issued notices calling upon the Ex-Employees to vacate and hand over possession to the management. Subsequently, Shambu Prasad Singh filed W.P. (C) No. 1681 of 2012 challenging the notice of eviction, which was dismissed. The said Writ Petition was dismissed on 28.07.2016, following the Order dated 24.01.2014 passed by the Division Bench of the High Court. In the batch of LPAs filed by the Ex-employees, the Division Bench of the High Court of Jharkhand, by Order dated 20.01.2020, disposed of the LPAs by relying on *Ram Naresh Singh v. Bokaro Steel Limited*.¹ On 15.12.2020, in S.L.P. (C) No. 11025 of 2020, this Court took a different view and observed that regulating the discretion of management to adjust the penal rent payable from the gratuity was misplaced. The management, relying on the Order dated 15.12.2020, preferred Civil Review before the Division Bench to review the Order dated 20.01.2020. Through the impugned order, the Civil Review Petitions have been dismissed. Hence, the management of SAIL/Bokaro Steel challenges the Orders dated 16.05.2024 and 20.01.2020 in the present Civil Appeals.

7. It is contextual to refer to Writ Petition No. 373 of 2012 filed by ExEmployee/Shri Ram Naresh Singh. The Writ Petition was disposed of with a direction to pay the full gratuity with 6% interest. SAIL assailed the Order dated 10.12.2012 in Writ Petition No. 373 of 2012 in LPA No. 15 of 2013, and the LPA was allowed. Ram Naresh Singh challenged the Order in LPA No. 15 of 2013 by filing the Civil Appeal No. 4740 of 2017.

8. To shorten the narration, the Orders dated 31.03.2017 in Civil Appeal No. 4740 of 2017 and 15.12.2020 in S.L.P. (C) No. 11025 of 2020 are excerpted below:

Civil Appeal No. 4740 of 2017

“3. We are of the view that in the facts of the case the High Court was not justified in sustaining the action of the respondent - Bokaro Steel Limited in retaining the amount of Rs.2,06,000/- due to the appellant on account of gratuity. The respondents shall release the said amount to the appellant forthwith along with interest at the rate of 6% per annum from the date of retention of the amount till the date of actual payment. However, it will be open for the respondents to charge normal rent (i.e. Rs.88/- per month) of the quarter/premises in question for the period for which the appellant was in occupation after his superannuation.”

15.12.2020 in SLP (C) 11025 of 2020

¹ Civil Appeal No. 4740 of 2017

“We, however, set aside the observations made in paras 19 and 21 qua the principles of penal rent being charged as we are of the view that if an employee occupies a quarter beyond the specified period, the penal rent would be the natural consequence and such penal rent can be adjusted against the dues payable including gratuity. This is so in view of the judgment in Secretary, ONGC Ltd. v. V. U. Warriar - (2005) 5 SCC 245 and the reliance placed in the impugned judgment on the case of Ram Naresh Singh v. Bokaro Steel Plant [Civil Appeal No.4740/2007] dated 31.03.2017 is misplaced as is not even a judgment but an order in the given facts of the case.”

9. We have heard Learned Senior Counsel and Counsel for the parties and perused the record.

10. The following questions arise for determination in the present batch of Civil Appeals:

(i) Whether the reliance placed by the Division Bench of the High Court on the Order dated 31.03.2017 in Ram Naresh Singh v. Bokaro Steel Ltd., Civil Appeal No. 4740 of 2017, as a binding precedent, is sustainable in law?

(ii) Whether the management of SAIL is entitled to adjust the penal rent from the gratuity/security amount of Ex-Employees who have retained staff quarters beyond the permissible period?

11. Rule 3 of SAIL Gratuity Rules, 1978 deals with the payment of Gratuity by the management, and Rule 3.2.1 deals with the amount of gratuity payable to an Ex-Employee. For our purpose, Rule 3.2.1 clause (c) is relevant and excerpted hereunder:

“(c) The company will have the right to withhold the gratuity amount payable to an ex-employee or his nominee/legal heir(s), in case of his death, for non-compliance of Company's rules including non-vacation of Company's accommodation. No interest shall be payable on the gratuity amount so withheld for the period of unauthorised occupation of Company's accommodation and up to one month after the vacation of the Company's accommodation.”

12. On the policy of retention of staff quarters, the counsel relied on O&M/Procedure/789 and for immediate reference the following clauses are excerpted:

“1. Failure to vacate the house after permitted period

1. The ex -employee shall vacate the house on the last day of retention period or earlier. In case of failure by the employee to vacate the quarters, the security Deposit by him will be forfeited in addition to eviction action.

2. The surety will be liable to pay the penalty and other outstanding dues if the allottee fail to clear the outstanding dues.

3. In case of any dispute on any of the clauses of this circular the decision of the HOD. TSD will be binding on all parties.

4. Management reserves the right to withdraw this scheme fully or partially without assigning any reason at any point of time BSP also reserves the right to cancel any retention granted to any employee, if the quarters are required for further allotment.”

13. Further, the Office Order dated 16.06.2009 stipulates the admissible period of quarter retention, admissible rent, the rent payable during the grace and retention period:

“Ref. No. 1402/2009 June 16, 2009

OFFICE ORDER NO.2183/A.O.

Sub: Modification in Quarter Retention policy.

REF: Office Order No. 2036.A.O. dated 20.03.2008. Office order No. 1774/A.O. dated 19.10.2006.

1. The following modification have been made in the existing quarter Retention policy for employees Separated from the rolls of the company:-

A. Period if Retention

Type of quarter	Admissible period of quarter Retention
All Types	2, (two) months grace period plus 10 month Retention i.e. a total of 12 month from the date of superannuation.

B. Charges

Type quarter of	Admissible Rent
A Type	2 times normal rent during the grace period Rs. 5000/-per month during the retention period (i.e. for 10 month after grace period) thereafter Applicable penal rent.
B Type	2 times normal rent during the grace period Rs. 5000/-per month during the retention period (i.e. for 10 month after grace period) Thereafter Rs.8000/- per month
C Type	2 times normal rent during the grace period Rs. 3000/-per month during the retention period (i.e. for 10 month after grace-period) thereafter Rs.4500/- per month

XxX”

14. The management argues that it is obligated to pay gratuity to an employee who has retired from service. There is no dispute regarding the gratuity amount payable to an employee, as it is determined in accordance with the SAIL Gratuity Rules, 1978. However, the Ex-Employees covered by the present batch have not vacated the allotted staff quarters. Therefore, any direction to release either the gratuity or the gratuity with interest is contrary to the SAIL Gratuity Rules, 1978, as well as the admissible period of staff quarter retention and the terms and conditions thereof governing the default circumstances. Retention of a staff quarter allotted to an employee beyond the permissible period warrants determination of rent strictly as per the management policy. Without discharging the obligation of vacating the staff quarters, directing the management to refund gratuity with a rate of interest and adjust only nominal or normal rent is *ex facie* illegal and contrary to the Order of this Court dated 15.12.2020 in S.L.P. (C) No. 11025 of 2020. It is argued that the obligation to vacate or pay the gratuity amount cannot be treated independently. In substance, the receipt of gratuity is dependent on the employee’s performance of his obligation. It is argued that the employee cannot be heard to pray for the release of gratuity without conforming to the management’s policy on retention of staff

quarters. The issue is no longer *res integra*, both in view of the decision reported in *ONGC Ltd. v. V.U. Warriar*,² and the Order dated 15.12.2020 in S.L.P(C) No. 11025 of 2020.

15. It is urged for the employees that the reviews filed by the management have been dismissed on a correct appreciation of the law. The Order dated 20.01.2020 was passed with reference to the binding precedent in *Ram Naresh Singh's* case dated 31.03.2017. The retention policy of staff quarters introduced post-retirement by the management does not apply to employees who have retired. Thousands of staff quarters remain unoccupied. Therefore, considering the employees that have retired are from skilled/semi-skilled posts, allowing management to recover penal rent as per the policy may ultimately result in the recovery of a larger amount from the employees, which would cause excessive hardship. Thus, even if any amount is to be adjusted under the SAIL Gratuity Rules, 1978, it may be treated as normal rent rather than penal rent. Since gratuity has not been paid, the management is obligated to pay it with interest. Alternatively, it is urged that instead of leaving discretion to management, this Court stipulates a reasonable sum towards penal rent, and that, after adjusting the penal rent, the balance of the gratuity amount payable to the Ex-Employees is determined.

16. At the outset, we have to examine whether the Order dated 20.01.2020 warrants interference, in light of the decision in S.L.P. (C) No. 11025 of 2020. We have perused the Order dated 31.03.2017 and the Order dated 15.12.2020, and are *prima facie* of the view that the Order in *Ram Naresh Singh (supra)* dated 31.03.2017 can at best be treated as a concession given to an employee. The said Order dated 31.03.2017 also does not refer to a few precedents on the point. The specificity of the concession has been noted and explained by a Three-Judge Bench of this Court *vide* Order dated 15.12.2020. Without much deliberation or discussion, we are of the view that the obligation to pay gratuity and the penal consequences with which an employee can continue to retain the staff quarter allotted to him are squarely covered by the Order dated 15.12.2020.

17. The fundamental distinction between the Order dated 31.03.2017 in *Ram Naresh Singh (supra)* and the Order dated 15.12.2020 in S.L.P. (C) No. 11025 of 2020 is noted. The former was passed on grounds of equity in the specific facts of that case, where the gratuity was offered as security, and did not purport to lay down a binding precedent. The latter order, passed by a Three-Judge Bench, expressly set aside the observations made in paragraph nos. 19 and 21 of the impugned judgment in S.L.P. (C) No. 11025 of 2020, holding that if an employee occupies a quarter beyond the specified period, penal rent would be the natural consequence. Such penal rent can be adjusted against dues payable, including gratuity. In view of the binding judgment in *Secretary, ONGC Ltd. (supra)*, a case is an authority only for what it decides and an order passed on facts cannot be elevated to the status of a precedent by operation of Article 141 of the Constitution of India.

18. Therefore, the reliance placed by the Division Bench on *Ram Naresh Singh's* case warrants interference and accordingly the impugned judgment dated 20.01.2020 is liable to be set aside.

19. We also note that the SAIL Gratuity Rules, 1978, read with the policy under O&M/Procedure/789 dated 26.03.2009, govern the post-retirement obligations of Ex-Employees with respect to the vacation of management allotted accommodation and the consequent release of gratuity. Under Rule 3.2.1(c) of the SAIL Gratuity Rules, 1978, the management is expressly empowered to withhold the gratuity amount payable to an Ex-Employee, or his nominee/legal heirs in the event of death, for non-compliance of the

² (2005) 5 SCC 245

SAIL's rules, including non-vacation of the management's accommodation. Further, no interest shall be payable on the gratuity amount so withheld during the period of unauthorised occupation. The amount ultimately payable to the Ex-Employee upon vacation of the allotted staff quarter shall be computed after adjusting the penal rent accrued for retention beyond the grace period permissible under SAIL's policy, in the manner and at the rate as determined in accordance with the said Rules and applicable circulars. The reasoning pertaining to reciprocal obligations need not detain us in a long narration. The obligations are mutual and reciprocal. The Ex-Employee is obligated to vacate and surrender possession of the staff quarters, and the management is obligated to release the gratuity amount after making permissible deductions. Neither obligation can be enforced in isolation nor independently of the other. The simultaneous discharge of these reciprocal obligations, i.e., handing over of vacant possession by the Ex-Employee and payment of the balance gratuity amount by the management, is essential under SAIL Gratuity Rules, 1978 and policy O&M/Procedure/789 dated 26.03.2009.

20. On the question of interest, Rule 3.2.1(c) of the SAIL Gratuity Rules, 1978, stipulates that no interest shall be payable on the gratuity amount withheld for the period of unauthorised occupation of the staff quarters and up to one month after vacation thereof. The withholding of the gratuity/security amount was not only authorised under the management's rules but also voluntarily consented to by each Ex-Employee in a written undertaking. An employee cannot be permitted to approbate and reprobate. Having availed of the benefit of retaining the staff quarters by offering the gratuity amount as security, the employee cannot simultaneously claim that withholding the said amount entitles the Ex-Employees to interest on the withheld gratuity/security amount. To award interest in such circumstances would effectively reward unauthorised occupation of public premises.

21. The above consideration leads us to the Ex-Employees' alternative argument for fixing a reasonable penal rent rather than determining the rent payable in accordance with the management's policy. We have heard the counsel appearing for the management and also the Ex-Employees. We are of the view that a reasonable sum of Rs. 1,000 per month may be fixed as penal rent to be adjusted for the retention period beyond the grace period permissible under SAIL's policy. In arriving at the sum of Rs. 1,000 per month as a reasonable penal rent, this Court has taken into account the following considerations: (i) the Ex-Employees are retired workers, most of whom held skilled or semi-skilled posts, and the full enforcement of the management's penal rent policy may, in several cases, entirely extinguish the gratuity amount payable to them; (ii) the policy under O&M/Procedure/789 dated 26.03.2009 was framed and brought into existence post-retirement of several of the Ex-Employees in the present batch; (iii) the sum of Rs. 1,000 per month is intended to balance the legitimate interest of the management in recovering occupation charges for unauthorised retention, with the equally legitimate interest of the Ex-Employees in retaining a portion of the gratuity; and (iv) this is an equitable exercise of jurisdiction, and the amount fixed is reasonable and just between the normal rent and the full contractual penal rent. This fixation is, however, confined strictly to the present batch and shall not be treated as a precedent. The amount is calculated and communicated to the employees within four weeks from today. The Ex-Employees/Legal Heirs of the Ex-Employees are granted an additional 4 weeks' time to vacate the staff quarters in their respective possession. The reciprocal obligations are discharged simultaneously, i.e., (i) the payment of gratuity by the management and (ii) the handing over of vacant possession to the management by the Ex-Employees or their legal heirs.

22. The direction in the impugned judgment, to pay interest on gratuity, having regard to the SAIL Gratuity Rules, 1978, is unsustainable and an equitable order in the circumstances of the case is passed while disposing of the subject Civil Appeals. We reiterate that the Judgment in the instant appeals shall not be treated as a precedent in any other matter governing SAIL Gratuity Rules, 1978 and retention policy O&M/Procedure/789 dated 26.03.2009.

23. The Civil Appeals are allowed in the above terms. Pending application(s), if any, is/are disposed of accordingly. No order as to costs.

CONTEMPT PETITION (CIVIL) NO(s). OF 2026(@ D. No. 72828 of 2025) IN CIVIL APPEAL NOS. 3499 - 3500 of 2026 (@ SPECIAL LEAVE PETITION (CIVIL) NOS. 25516 – 25517/2024)

1. Having regard to the view taken in the accompanying Civil Appeal Nos. 3499 - 3500 of 2026, arising out of SLP (Civil) Nos. 25516–25517 of 2024, the disobedience complained in the present Contempt Cases do not warrant our consideration. Hence, the Contempt Cases stand dismissed.

2. Pending application(s), if any, is/are disposed of accordingly.

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