

REPORTABLE

IN THE SUPREME COURT OF INDIA

CIVIL APPELLATE JURISDICTION

CIVIL APPEAL NO.5329 OF 2002

Dalmia Cement (Bharat) Ltd.

...Appellant

Versus

State of Tamil Nadu & Another

...Respondents

WITH

CIVIL APPEAL NO. 1352 OF 2005

CIVIL APPEAL NO. 5332 OF 2002

CIVIL APPEAL NO. 5333 OF 2002

CIVIL APPEAL NOS. 5335- 5336 OF 2002

J U D G M E N T

Chelameswar, J.

1. By a common judgment dated 4th March, 2002, the High Court of Madras dismissed a batch of writ appeals and some connected writ petitions. Aggrieved by the said judgment, four companies, which are carrying on the business of manufacture and sale of cement in the State of Tamil Nadu, carried the matter to this Court in these appeals.

2. The Government of Tamil Nadu in the Industries Department issued a letter No. 628 dated 10.5.1982 addressed to the Collectors of the various districts. The relevant part of the letter reads –

“I am directed to state that the rates of Royalty and dead rent in respect of leases over patta lands have been fixed at 50% (half rate) as a convention which has been followed for a long time and this is not based on rules.

2. In 1977 in his Audit report, the Senior Deputy Accountant General has pointed out the incorrect levy of royalty at half the rates for mining in patta lands, since no proportion has been prescribed in the Minerals Concession Rules 1960 in regard to the share in the Minerals between the pattadar and the Government. The Senior Deputy Accountant General has also pointed out in his D.O. fourth cited that omission to levy royalty in the state at the mandatory rate for mining patta lands where minerals fully vest in Government resulted in the Government forgoing revenue amounting to Rs.40.28 lakhs on 39.12 lakhs tones of minerals in respect of 29 leases during 1974 to 1976 alone. In pursuance of this audit objection and in consultation with the Director of Industries and Commerce erstwhile Board of Revenue and the Government of Karnataka and Andhra Pradesh, the Government issued orders in their fifth cited the effect that the existing system referred to in para 1 above might be continued for the present.

3. The above order is not a final decision of the Government but it is only tentative order. The share of minerals, to pattadars in respect of inam, manyam and sarvanyam lands may vary with reference to the period and nature of assignments. Further, the Senior Deputy Accountant General has also pointed out that there was heavy loss of revenue to the Government to the tune of Rs.40.28 lakhs in the year 1974-76 due to the levy of half rate of royalty and dead rent prescribed in the second and third Schedules to the Mines and Minerals (Regulation and Development) Act, 1957 in respect of mining leases over patta lands as in the case of Government lands. Accordingly, I am to request you to stop sharing 50% of the royalty and dead rent with the patta land holders in respect

of mining leases and to collect the whole amount due as royalty and dead rent prescribed in the second and third schedules to the said Act as in the case of land in which the minerals vest in the Government with effect from the date of issue of this Order.

I am also to state that inamdar and proprietor of the lands permanently settled will be entitled to minerals rights subject to the conditions that the land holder and the inamdar establishes his proportionate rights in the minerals by means of document evidence.”

Pursuant to the said letter, the Collectors called upon these cement companies to remit royalty and the dead rent at the rates prescribed under the Mines and Minerals (Development and Regulation) Act¹.

3. Challenging the abovementioned two proceedings, writ petitions were filed by the abovementioned cement companies with (we are sorry to say) wholly bald and vague assertions. To demonstrate the vagueness of pleadings, we extract, from W.P. No. 7783/2002 which culminated in C.A. No.5329/2002.

“1. The petitioner is the ryotwari pattadar of several items of lands, comprising an extent of about 355 acres in and around Dalmiapuram. The petitioner has been carrying on mining operations in these lands for the last nearly 45 years. The mineral

¹Footnote The Government in their letter cited have instructed to levy and collect the royalty and Dead Rent in respect of the patta lands leased out for mining purposes at the full rate of Royalty and dead rent prescribed in the Second and third Schedules to the Mines and Minerals (Regulation and Development) Act, 1957, with effect from 10.5.82.

2. Please therefore remit the royalty and Dead Rent at the rates prescribed in the second and third schedules to the Mines Act and apply for transport permits to the Special Tehsildar – Mines, Tiruchirapalli. The amount of Royalty and Dead Rent should be remitted at the full rate as per statute provision in the Act and the rules thereunder with effect from 10.5.82.

that is obtained from these lands is lime-stone, gypsum etc. for the purpose of manufacture of Cement. For the purpose of mining operations, the Government and the petitioner entered into registered agreements about 45 years ago. Those agreements would last till other end of this century. For the mining operations to be carried on by the petitioner, the petitioner had to pay royalty to the Government at the rates to be specified from time to time.

2. Ever since the date of those agreements, the Government had agreed to collect half the royalty from persons who were carrying mining operations in their own patta lands. In respect of poramboke lands belonging to the Government, the lessees for mining purposes have been paying full royalty. The collection of $\frac{1}{2}$ royalty from ryotwari pattadars was based on the understanding of the ryotwari pattadars' rights as contemplated in the Madras mining manual which then governed and regulated the rights of parties."

4. It is apparent from the above that no details of survey numbers or the villages in which the lands are located; the exact extent of the land where the mining operation is carried on; or details of the minerals said to have been exploited by the petitioner, are furnished. Neither details of the relevant registered agreements allegedly executed some 45 years prior to filing of the writ petitions nor copies thereof are given. The entire writ petition proceeds on the basis that the petitioner as a matter of right is liable to pay only 50% of the royalty payable on extraction of the minerals. Such a right according to the petitioner

emanates from the law prevalent in regard to the subsoil rights.²

5. In the writ petition filed by Madras Cements Ltd. (Writ Petition No. 3450 of 1983 culminating in Civil Appeal Nos. 5335-5336 of 2002) slightly better information is available though not adequate to adjudicate any issue projected in the arguments. In para 3 of the writ petition, it is stated that Madras Cements was granted two mining leases under G.O.Ms. No. 1238 i.e. lease dated 11.05.1971 and the lease deed dated 5.8.1971 for a period of 20 years and two corresponding lease deeds dated 30.8.1971 and 9.9.1971 were executed for a period of 20 years each. According to the petitioner, they are required to make payments:

“In respect of both the said mining leases, the rates of royalty, dead rent and surface rent was ordered to be as follows, both under the order of Government and the terms of the lease deed entered into between parties, as referred to above.

1	Royalty	Government land Rs. 1.25 per tons		Patta land Rs. 0.63 per tons
2	Dead Rent	1 st Year	Nil	Nil
		2 nd Year to 5 th year	Rs. 12.50 production hectare per	Rs. 6.25 per hectare per annum

²Footnote Para 6 - ...Even since the petitioner and the Government had entered into agreements for mining purposes (about 45 years ago), the liability of the petitioner to pay 50% of the royalty was an effective term of the contract based on the understanding of the law prevalent then in regard to subsoil rights in different classes of lands. The Government is bound by this Contract.

			annum	
		6 th year to 10 th year	Rs. 25/- p.a.	Rs. 12.50 p.a.
		11 th year onwards	Rs. 37.50 p.a.	Rs. 18.75 p.a.

6. In Civil Appeal No. 1352 of 2005 against Madras Cement Ltd. is the appellant. The subject matter of dispute in the writ petition No. 6562 of 1998 is an extent of 23.36 acres of land for which a mining lease for limestone was granted in GOMs No. 240 industries dated 20.07.1982 for a period of 20 years. An absolutely confusing pleading in the following terms is set out at para 2 of the writ petition.

“2. The Petitioner entered into a mining lease under G.O. Ms. No. 240 industries dated 20.07.1982 for a period of 20 years in respect of ryoti lands in pandalgudi village in Ramanathapuram west district at Virudhunagar of the extent of 23.36 acres for a period of 5 years, with the Collector of Ramanathapuram but was charged by ms. 494 to Rs. 10/- per tonne as royalty and dead rent Rs. 30/- from 2nd year doubling every 5 years, as the third respondent over these villages. The royalty fixed in the agreement was in accordance with part V of Act 57 of 57 namely that in respect of Government land it was Rs. 1.25 per tonne and in respect of patta lands it was Rs. 0.63 per tonne and for decesses the petitioner has been promptly and regularly paying the same.”

7. An equally callous and imprecise counter affidavit is filed by the State of Tamil Nadu in the said writ petition.

While admitting grant of the above-mentioned mining lease, the counter affidavit states as follows :-

“..Consequent on the revision application filed by the company to the Government of India and on the orders passed by the Government of India, this State Government in G.O. Ms. No. 494, Industries Department, dated 23.3.88 have sanctioned a mining lease for a period of 10 years from 23.11.82 over an extent of 23.36 acres in Keelpandalgudi Village, Aruppukottai Taluk. In the Government order, the Government fixed the rate of royalty as Rs. 10/- per tonne for mineral removed from the quarry and fixed the dead rent as follows:

First Year	- Nil -
Second to fifth year	- Rs. 30/- per hectare per annum
Sixth to tenth year	- Rs. 60/- per hectare per annum
Eleventh Year onwards	- Rs. 90/- per hectare per annum

3. It is further submitted that the Government of India, in their notification dated 5.5.87, have fixed the royalty at Rs. 10/- per tonne for limestone and the dead rent as follows:

First Year	- Nil -
Second to fifth year	- Rs. 30/- per hectare per annum
Sixth to tenth year	- Rs. 60/- per hectare per annum
Eleventh Year onwards	- Rs. 90/- per hectare per annum

According to the notification of Government of India, the first respondent Government have fixed the rate of royalty and dead rent as noted above in G.O. Ms. No. 493 Industries Department dated 23.3.88.

4. Regarding the averments made in paragraph 1 of the affidavit, it is submitted that the petitioner's contention that he is the General Manager and the Principal Officer of the Company and the company is entering into lease agreements with the Government for quarrying **limestone may be correct.**”

8. The absolute callousness of the deponent of the affidavit is apparent from the above extracted portion, particularly para 4 of the counter affidavit. The deponent

neither clearly admits nor denies existence of the mining lease, alleged by the petitioner.

9. Pleadings in the other writ petitions are no better.

10. All the writ petitions came to be disposed off by the learned Judge of the Madras High Court by a common order dated 15.3.1991. The operative portion of the order reads as follows:-

“For the foregoing reasons, these writ petitions are partly allowed to the extent that during the currency of the leases, which were in force as on the date of filing of these writ petitions, the Respondents are restrained from demanding and collecting from the petitioners, royalty in excess of 50 percent in so far as patta lands are concerned. There will be no order as to costs.”

11. Both the writ petitioners as well as the State of Tamil Nadu were aggrieved by the above-mentioned judgment insofar as it went against them. Therefore, all of them carried intra court appeals. The details of such appeals insofar as they are relevant for the purpose of the appeals before us are stated in the common counter affidavit filed by the State of Tamil Nadu in the various special leave petitions which eventually culminated in the present batch of appeals.³

³Footnote 6. It is submitted that hence, there were two groups of Writ Appeals filed before the Hon'ble High Court to decide the issues with regard to the payment of 100% royalty in respect of patta land mines.

12. It is in the background of such pleadings without even precisely identifying the issues that are required to be examined - obviously even on an earnest attempt, the identification of the issues would be difficult if not impossible - the High Court embarked upon a lengthy enquiry into the rights of the *pattadar* in the sub-soil.

13. In the adjudication of matters in exercise of the jurisdiction under Article 226 unfortunately a system of paying minimum attention, (to employ a mild expression of disapproval) has developed over a period of time. When a number of matters are (allegedly similar in nature) clubbed together for adjudication, the problem gets compounded.

14. The High Court recorded a “finding” that Dalmia Cement is a “*ryotwari pattadar*” of a large extent in and around Dalmiapuram, Tiruchirappalli District. In our

The following were the Writ Appeals filed by the petitioners.

Sl. No. Name of the appellants No. of Writ Appeal 1. Dalmia Cements (B) Ltd. W.A. No. 685/912. Madras Cements Ltd., W.A. No. 686/913. India Cements Ltd., W.A. No. 698/914. Chemicals and Plastics (I) Ltd. W.A. No. 713/915. Dalmia Industries Ltd., W.A. No. 717/916. Associated Cement Companies Ltd., W.A. No. 116/92

The following were the Writ Appeals filed by the Government:-

1. Writ Appeal Nos. 475 to 478, 480, 481, 483, 487, 488, 498 and 490 of 1993
2. W.A. No. 479, 491 and 492 of 1993.

opinion, such a statement is both imprecise and inaccurate. In a document marked by the petitioners as Annexure P-2 in Civil Appeal No. 5329 of 2002 which is an order of the Government of Madras now called Tamil Nadu in GOMs No. 903 dated 25th February, 1966, it is recorded that M/s. Dalmia Cement applied for grant of mining lease over an extent of 1386.36 acres in Chettichavadi Jaghir Village, Salem Taluk, Salem District. It is further stated in the said document "As the entire inam estate of Chettichavadi Jaghir has been taken over by the Government under the Madras Inam Estates (Abolition and Conversion into Ryotwari) Act, 1963 (Madras Act 26 of 1963), thus Government have decided to grant the mining lease applied for by the company treating the lands as government lands".⁴

4

^{Footnote 4} G.O.Ms. No. 903 dated 25th February, 1966 – ORDER - Dalmia Cement (Bharat) limited, Dalmiapuram have applied for the grant of mining lease for magnesite over an extent of 1386.36 acres in Chettichavadi Jaghir Village, Salem Taluk, Salem District, for a period of 20 years. Out of the total extent of 1386.36 acres, applied for an extent 493.26 acres is covered by the lease deed dated 10.11.1945 for which modification proposals are pending with the controller mining leases for India so as to bring it in conformity with other provisions of the Mines and Minerals (Regulation and Development) Act, 1957 and the Rules framed there under. As regards the remaining extent of 893.1 acres, the applicant Company are carrying on mining operations in these land by virtue of the temporary permission granted to them in accordance with the procedure prescribed in this Government's proceedings No. 5303 development dated 28.12.1950. Consequent on the coming in to force of the Mineral Concession Rules, 1960 containing M.O.D. provisions for the grant of Minerals Concessions in ryotwari and other intermediary tenure lands, the applicant have also applied for regularization of the permission already granted following the procedures prescribed in the said Rules. As the entire Inam estate of Chettichavadi Jaghir has been taken over by the Government under the Madras Inam Estates (Abolition and Conversion into Ryotwari) Act, 1963 (Madras Act 26 of 1963), this Government have decided to grant the mining lease applied for by the Company treating the lands as Government lands....

15. From the contents of the said documents, it appears that Dalmia Cement applied for a mining lease over a huge extent of land of which a part i.e. 493.26 acres was covered by an existing lease deed dated 10.11.1945. In the circumstances, the assertion of Dalmia Cement in the writ petition, that it was a *ryotwari pattadar* of an extent of 355 acres becomes incomprehensible.

16. The expression "*ryotwari pattadar*" acquired a definite legal connotation in the erstwhile province of Madras in British India where two parallel systems of revenue administration were in vogue. They were known as (1) the zamindari, and (2) the ryotwari systems. The zamindari system came to be initially introduced by Lord Cornwallis in the province of Bengal. In the year 1799, the East India Company ordered that the zamindari system designed by Cornwallis be adopted even in the Madras Presidency. Though such a system was initially introduced in some parts of the Madras Presidency, in 1806 Lord William Bentick, the then Governor of Madras recorded a minute that "creation of zamindaris where none existed before was neither calculated to improve the condition of the lower classes

of people nor politically wise with reference to the future security of the Government". Eventually, in 1813, the Court of Directors of East India Company prohibited introduction of zamindari system any further.⁵

17. In 1812, the Court of Directors of the East India Company ordered that the ryotwari system should be introduced in all the provinces where the settlement had not yet been finalised. The difference between the zamindari and ryotwari systems is very succinctly described by Sundararaja Iyengar at page 153.

“The distinguishing feature of this system is that the state is brought into direct contact with the owner of land and collects its revenue through its own servants without the intervention of an intermediate agent such as the zamindar or farmer, and its object is the creation of peasant proprietors. All the income derived from extended cultivation goes to the state.”

18. Therefore, the expression ryotwari pattadar was understood to be a person holding a patta in the erstwhile province of Madras under the system of ryotwari settlement. Though a person/tenant cultivating land under the zamindari system is also called a ryot and in

⁵Footnote For detailed history of the zamindari system, see Land Tenures in the Madras Presidency by S. Sundararaja Iyengar, Second Edition, Chapter IV.

some cases even the zamindar issued certain documents called pattas in favour of such ryots, those pattas can never be equated by pattas issued by East India Company or its successor governments. Because, though the Zamindar/land holder of a permanently settled estate held not only the surface but also the subsoil of the estate, whether the tenant held any subsoil rights in a given case depended upon the terms on which the Zamindar granted the tenancy. Such a possibility is recognised under Section 16 of the Mines and Minerals (Development and Regulation) Act, 1957 which says - “Where the rights under any mining lease granted by the proprietor of an estate or tenure before the commencement of the Mines and Minerals (Regulation and Development) Amendment Act, 1972.....”. Similarly, in Inam estates whether the Inamdar held the subsoil rights depended upon the terms on which the Inam was originally granted. [See *State of Andhra Pradesh vs. Duvurru Balaram Reddy* AIR 1963 SC 64].

19. Consequent upon the abolition of estates and Inams in the State of Madras (present Tamil Nadu), by the statutes called (1) The Estates (Abolition and Conversion

into Ryotwari) Act, 1948 (Act 26 of 1948) and (2) The Tamil Nadu Inam Estates (Abolition & Conversion into Ryotwari) Act (Tamil Nadu Act XXVI of 1963), all the estates or inams, as the case may be, stood **transferred and vested in the State** in their entirety. Both the enactments declare that such transfer includes “mines and minerals”⁶ amongst others. However, on such vesting the State is obligated under both the enactments to recognise the right of the cultivating tenant under the estate holder or Inamdar, as the case may be, for the grant of “RYOTWARI PATTA”⁷ after an appropriate statutory enquiry.

20. Going by the recitals of G.O.Ms. No. 903, the entire extent of land with reference to which an application was

⁶Footnote Sec. 3(b) of the Estates (Abolition & Concession) Act, 1948 - the entire estate (including minor inams (Post-settlement of pre-settlement) included in the assets of the zamindari estate at the permanent settlement of that estate; all communal lands and porambokes; other non-ryoti lands; waste lands; pasture lands; Lanka lands; forests; **mines and minerals**; quarries; rivers and streams; tanks and irrigation works; fisheries; and ferries, shall stand transferred to the Government and vest in them, free of all encumbrances; and the Andhra Pradesh (Andhra Area) Revenue Recovery Act, 1864, the Andhra Pradesh (Andhra Area) Irrigation Cess Act, 1865 and all other enactments applicable to ryotwari areas shall apply to the estate;

Also See Footnote 5 for the corresponding provision under the Inams Abolition Act, 1963

⁷Footnote Section 11. **Lands in which ryot is entitled to ryotwari patta** - Every ryot in an estate shall, with effect on and from the notified date, be entitled to a **ryotwari patta** in respect of –

Section 10.(1) In the case of an existing inam estate every ryot shall, with effect on and from the notified date, be entitled to ryotwari patta in respect of –

8A. “Ryot” is defined under Section 3(15) of Estates Land Act as a person who holds for the purpose of agriculture, ryot land in an estate on condition of paying to the landholder the rent which is legally due upon it. The same definition for the purposes of both the Estates Abolition and Inam Abolition Acts, the definition of the expression “ryot” is the same as in the Estates Land Act, 1908 by virtue of Sections 2(1) and 2(16) of the said enactments respectively.

made by Dalmia Cement is part of Chettichavadi Jaghir Village. By virtue of Section 3(b)⁸ of the Madras Inam Estates (Abolition and Conversion of Ryotwari) Act, 1963 (Act 26 of 1963) with effect from the notified date [a defined expression under Section 2(10)] the entire Inam estate including mines and minerals, quarries etc. stood transferred to the Government and vests in them free of all encumbrances.

21. Therefore, the assertion by Dalmia Cement that it is a *ryotwari pattadar* itself is a doubtful statement of fact. An enquiry whether such a *pattadar* is entitled to the sub-soil rights was wholly uncalled for as there is not even a single sentence in the entire writ petition whereby Dalmia Cement asserted that the sub-soil rights vest in them.

22. No information regarding the number of leases held by Dalmia Cement, the relevant dates on which such leases were first granted or subsequently renewed (if

8

Footnote Sec. 3 (b) – the **entire inam estate** (including all communal lands and poramboke, other non-ryoti lands, waste lands, pasture lands, forests, **mines and minerals, quarries**, rivers and streams, tanks and ooranies (including private tanks and ooranies) and irrigation works, fisheries and ferries), **shall stand transferred to the Government and vest in them, free of all encumbrances**, and the Tamil Nadu Revenue Recovery Act, 1864 (Tamil Nadu Act II of 1864), the Tamil Nadu Irrigation Cess Act, 1865 (Tamil Nadu Act VII of 1865) and, all the reenactments applicable to ryotwari areas shall apply to the inam estate.

renewed) is available on the record. Nor the information w.r.t. the mineral which is covered by any one of those leases (if there is more than one lease) is available on the record. Therefore, it is not known whether the leases pertain to a 'mineral' or 'minor mineral'.

23. The only fact which appears from the record is that pursuant to a mining lease granted way back on 10.11.1945, Dalmia Cement has been carrying on mining operations in some parcel of land. In 1945, there was no statute in this country regulating the activity of mining operations. It appears that there were certain executive instructions (we presume so in the absence of any specific material before us) called the Madras Mining Manual which governed mining operations in that part of the country known as the Madras province. Whether the said mining lease of 1945 was in fact a lease as defined under the Transfer of Property Act or was a permission granted by the State to carry on mining activity in exercise of its executive authority under the Government of India Act, 1935 requires examination, on an appropriate pleading.

An inquiry into such matters is not really called for in the absence of any specific pleading or issue.

24. Be that as it may. Subsequent to 1945, an enactment known as Mines and Minerals (Regulation and Development) Act, 1948 came into existence.

25. Section 4 of the said Act declares that after the commencement of the said Act, no mining lease shall be granted otherwise than in accordance with the rules made under the Act and any lease granted contrary would be void.

26. Sections 5 and 6 empower the Central Government to make rules for regularising various aspects of the mining activities. The details are not necessary for the purpose of the present adjudication.

27. Section 7⁹ authorises the Government of India to make rules for the purpose of modifying or altering the terms and conditions of any mining lease granted prior to the commencement of the said Act in order to bring such existing leases in conformity with the rules made under Sections 5 and 6.

28. The said Act was repealed by the Mines and Minerals (Development and Regulation) Act, 1957, Act No.67 of 1957 (hereinafter referred to as “the 1957 Act”). Though the 1948 Act did not make any classification of the minerals, the 1957 Act creates such classification. The expression ‘minor mineral’ is defined under Section 3(e)¹⁰. The expression ‘mineral’ itself is defined in inclusive terms

⁹Footnote 7. **Power to make rules for modification of existing leases** - (1) The Central Government may, by notification in the official Gazette, make rules for the purpose of modifying or altering the terms and conditions of any mining lease granted prior to the commencement of this Act so as to bring such lease into conformity with the rules made under sections 5 and 6;

Provided that any rules so made which provide for the matters mentioned in clause (c) of sub-section (2) shall not come into force until they have been approved, either with or without modifications, by the Central Legislature.

(2) The rules made under sub-section (1) shall provide -

(a) for giving previous notice of the modification or alteration proposed to be made thereunder to the leases, and where the lessor is not the Central Government, also to the lessor and for affording them an opportunity of showing cause against the proposal;

(b) for the payment of compensation by the party who would be benefited by the proposed modification or alteration to the party whose rights under the existing lease would thereby be adversely affected; and

(c) for the principles on which, the manner in which and the authority by which the said compensation shall be determined.

¹⁰Footnote 3(e) “minor minerals” means building stones, gravel, ordinary clay, ordinary sand other than sand used for prescribed purposes, and any other mineral which the Central Government may, by notification in the Official Gazette, declare to be a minor mineral.

under Section 3(a)¹¹. Therefore, under the 1957 Act there are MINERALS and MINOR MINERALS.

29. Section 14¹² of the 1957 Act declares that Sections 5 to 13 (both inclusive) do not apply to minor minerals.

30. Section 4 of the Act prohibits undertaking of any reconnaissance, prospecting or mining activities (of either class of minerals) except under and in accordance with the terms and conditions of a reconnaissance permit or prospecting licence of a lease granted under the Act and the rules made thereunder¹³.

31. Section 9¹⁴ of the Act declares that notwithstanding anything contained in the instrument of lease granted or

¹¹Footnote 3(a) “minerals” includes all minerals except mineral oils;

¹²Footnote **14. Sections 5 to 13 not to apply to minor minerals** – The provisions of sections 5 to 13 (inclusive) shall not apply to quarry leases, mining leases or other mineral concessions in respect of minor minerals.

¹³Footnote **4. Prospecting or mining operations to be under licence or lease-** (1) No person shall undertake any reconnaissance, prospecting or mining operations in any area, except under and in accordance with the terms and conditions of a reconnaissance permit or of a prospecting licence or, as the case may be, of a mining lease, granted under this Act and the rules made thereunder.

¹⁴Footnote **9. Royalties in respect of mining leases** - (1) The holder of a mining lease granted before the commencement of this Act shall, notwithstanding anything contained in the instrument of lease or in any law in force at such commencement, pay royalty in respect of any mineral removed or consumed by him or by his agent, manager, employee, contractor or sub-lessee from the leased area after such commencement, at the rate for the time being specified in the Second Schedule in respect of that mineral.

(2) The holder of a mining lease granted on or after the commencement of this Act shall pay royalty in respect of any mineral removed or consumed by him or by his agent, manager, employee, contractor or sub-lessee from the leased area at the rate for the time being specified in the Second Schedule in respect of that mineral.

in any law in force, prior to the commencement of the 1957 Act, the holder of a mining lease granted either prior to or after the commencement of the Act shall pay royalty from the date of the commencement of the Act at the rates specified in the Second Schedule in respect of that mineral.

32. Section 13¹⁵ of the Act authorises the Government of India “to make rules for regulating the grant of reconnaissance permits, prospecting licences and mining leases in respect of minerals and for purposes connected therewith”. Obviously, such rules are with reference to minerals other than the minor minerals. Insofar as minor minerals are concerned, Section 15¹⁶ of the Act

¹⁵Footnote 13. **Power of Central Government to make rules in respect of minerals** - (1) The Central Government may, by notification in the Official Gazette, make rules for regulating the grant of reconnaissance permits, prospecting licences and mining leases] in respect of minerals and for purposes connected therewith.

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:-

(a) the person by whom, and the manner in which, applications for reconnaissance permits, prospecting licences or mining leases in respect of land in which the minerals vest in the Government may be made and the fees to be paid therefor;

(qq) the manner in which rehabilitation of flora and other vegetation, such as trees, shrubs and the like destroyed by reason of any prospecting or mining operations shall be made in the same area or in any other area selected by the Central Government (whether by way of reimbursement of the cost of rehabilitation or otherwise) by the person holding the prospecting licence or mining lease; and

(r) any other matter which is to be, or may be, prescribed under this Act.

¹⁶Footnote 15. **Power of State Governments to make rules in respect of minor minerals** – (1) The State Government may, by notification in the Official Gazette, make rules for regulating the grant of quarry leases, mining leases or other mineral concessions in respect of minor minerals and for purposes connected therewith.

authorises the State Government to make appropriate rules regulating the grant of leases, fixing of rents, royalty, fees etc with respect to minor minerals and various other connected and incidental matters.

33. Section 16 of the Act, as originally enacted, read as follows:

“16. Power to modify mining leases granted before 25th October, 1949 – (1) All mining leases granted before the 25th day of October, 1949, shall, as soon as may be after the commencement of this Act, be brought into conformity with the provisions of this Act and the rules made under sections 13 and 15.”

It can be seen from the language of Section 16 that it is mandatory that all mining leases (irrespective of the fact whether such a lease is w.r.t. a ‘mineral’ or ‘minor mineral’ as classified under the 1957 Act) granted before the 25th day of October, 1949 be brought into conformity with provisions of the 1957 Act and the rules made under Sections 13 and 15.

34. In exercise of powers conferred under Section 13, Government of India made rules known as Mineral Concession Rules, 1960. Chapter IV of the said rules deals

(1A) In particular and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:-

with the procedure for grant and regulation of the mining leases **in respect of the land in which the minerals vest in the Government.** Chapter V of the said rules deals with the procedure for obtaining a prospecting licence or mining lease in respect of **land in which the minerals vest in a person other than the Government.** Chapter VI of the said rules deals with the mining leases in respect of land in which the minerals vest partly in the Government and partly in private person. The rules deal with various classes of the lands covered by the abovementioned three chapters and provide for different procedures for securing the grant of a mining lease and regulatory measures for working of such mines and allied matters. But none of the rules provide for collection of royalty at a concessional rate in the case of the lands where the minerals vest in a person other than the Government. In any event, our attention has not been drawn to any such rule.

35. No Rule framed by the State of Tamil Nadu (in case any of the mining leases of the appellants herein pertains to minor minerals) authorising the State to collect

royalty at a concessional rate w.r.t. a mining lease granted in favour of a “ryotwari *pattadar*” of the land, is brought to our notice. Nor is there any specific pleading in that regard.

36. Even if we assume for the sake of argument that the Cement companies are *pattadars* (or the successor in interest of such *pattadars*) either under the original ryotwari system or the holders of the ‘ryotwari *patta*’ pursuant to the abolition of estates/imams, and also assume for the sake of argument that each of the appellant companies is also the owners of the subsoil rights of their *patta* lands as, in our opinion, such OWNERSHIP does not make any difference insofar as the authority of the State to collect royalty. It may be remembered that even w.r.t. the original ryotwari *patta* lands where admittedly the mineral vested in the *pattadar*, the State had asserted (in BSO 10 dated 19.03.1888, which was extracted by us in *Thressiamma Jacob & Ors. Vs. Geologist, Department of Mining and Geology and Ors.*¹⁷, and we extract it again), its authority

¹⁷Footnote (2013) 9 SCC 725

to collect “a share in the produce of the minerals worked commuted into money payment” – which eventually acquired the nomenclature Royalty–

RESOLUTION – dated 19th March 1888, No. 277.

In supersession of the existing Standing Order, the following is issued as Standing Order No. 10 :-

1. The State lays no claim to minerals -

G.O. 26th May, 1882, No. 511 (a) In estates held on sanads of permanent
(Notification, paragraph 1). settlement

G.O. 28th October 1882 No.1181 (b) In enfranchised inam lands

G.O. 28th April 1881 No.861 (c) In religious service tenements confirmed under the inam rules on perpetual service tenure.

d) In lands held on title – deeds, issued under the waste land rules, prior to 7th October, 1870, in which no reservation of the right of the State to minerals is made.

2. The right of the State in minerals is limited in the following cases to a share in the produce of the minerals worked, commuted into a money payment, if thought necessary, by Government, in like manner with and in addition to the land assessment :-

G.O. 8th October 1883 No.1248. (a) In lands occupied for agricultural purposes under ryotwari pattas

G.O. 23rd January 1881 No.121 (b) In janmom lands in Malabar

G.O. 16th December 1881
No.1384

Persons intending to work minerals in those lands should give notice of their intention to the Collector of the district, specifying the lands in which they intend to carry on mining operation and should pay in two half-yearly instalments a special assessment for minerals in addition to the land assessment at the following rates:-

	Per acre (Rs.)
1. For mining for gold	5
2. For mining for metals other than gold	2
3. For mining for diamonds and other precious stones	15
4. For mining for coal, lime-stone or quarrying for building stone ... (Such rates as may be fixed by the Board from time to time	

The rates will be doubled if mining operations are carried on without giving notice to the Collector.

Board's proceedings dated 10th
July 1882 No.1751

The special assessment will be entered in the patta granted for the land and collected under the provisions of Act II of 1834 Madras. No charge will be made

for merely prospecting for minerals in patta lands if mines are not regularly worked. No remission will be granted in respect of any land rendered unfit for surface cultivation by the carrying on of mining operations. This rule does not of course affect in any way the right which all holders of lands on patta possess of digging wells in their lands and of disposing of the gravel and stones which may be thrown up in the course of such excavation.

This Court had held that such authority flows from the sovereignty of the State-Imperium¹⁸.

37. There is nothing either in the Mines and Minerals (Development and Regulation) Act, 1957 or the Rules framed thereunder which entitles a ryotwari *pattadar* who secures a mining lease under the Act to pay royalty at a concessional rate. The question then is whether the State Government has a discretion to collect royalty from any lessee at a concessional rate, other than the one prescribed under the Act in the absence of any specific provision under the Act and Rules conferring such discretion. An answer to the question depends upon the answer to the following questions:

¹⁸Footnote We are of the clear opinion that the recitals in the *patta* or the Collector's standing order that the exploitation of mineral wealth in the *patta* land would attract additional tax, in our opinion, cannot in any way indicate the ownership of the State in the minerals. The power to tax is a necessary incident of sovereign authority (imperium) but not an incident of proprietary rights (dominium). Proprietary right is a compendium of rights consisting of various constituent, rights. If a person has only a share in the produce of some property, it can never be said that such property vests in such a person. In the instant case, the State asserted its 'right' to demand a share in the 'produce of the minerals worked' though the expression employed is right – it is in fact the Sovereign authority which is asserted. From the language of the BSO No.10 it is clear that such right to demand the share could be exercised only when the *pattadar* or somebody claiming through the *pattadar*, extracts/works the minerals – the authority of the State to collect money on the happening of an event – such a demand is more in the nature of an excise duty/a tax. The assertion of authority to collect a duty or tax is in the realm of the sovereign authority, but not a proprietary right. [Para 51 of the judgment in *Threesiamma Jacob & Ors. Vs. Geologist, Deptt. Of Mining & Geology & Ors.*, (2013) 9 SCC 725]

1. What is true legal character of a mining lease i.e. whether mining lease is a lease within the meaning of that expression as defined under the Transfer of Property Act or it is only a permission to carry an mining activity?
2. Whether ownership of subsoil makes any difference to the determination of the above question?
3. What is true legal character of the expression Royalty under the Mines and Minerals (Development and Regulation) Act, 1957, i.e.,

Whether it is a Tax or a consideration for a contract of mining lease?
4. Whether the State has any discretion either under the provisions of the Mines and Minerals (Development and Regulation) Act, 1957 or under the Scheme of the Constitution to collect Royalty at rates lower than those prescribed under the Act and the Rules?
5. Whether the true character of Royalty makes any difference for the determination of Question No.4?

38. As already indicated, the pleadings in the writ petitions are hopelessly ambiguous, bald and imprecise to enable the Court to examine any one of the above-mentioned issues. In the normal course, we should have dismissed all these appeals on the ground of inadequate pleadings. But the third of the above-mentioned issues already stands referred to a larger Bench of this Court,

arising out of appeals from other parts of the country. Dismissal of these appeals may eventually lead to asymmetric application of law; in a manner which is not uniform throughout the country thereby impacting the coherent and uniform interpretation of the Constitution. We therefore deem it appropriate to provide an opportunity to the appellants as well as the State of Tamil Nadu to suitably amend the pleadings in the several writ petitions and place the complete facts necessary for the adjudication of the questions on hand.

39. We, therefore, call upon the appellants in these appeals to file affidavits disclosing the full facts necessary for adjudication of the issues raised hereinabove. Needless to say, it is open to the State of Tamil Nadu to file a counter affidavit to such further affidavits filed by the appellants, in case the State disputes anyone of the facts to be newly brought on record.

40. The question “What is the true nature of royalty/dead rent payable to minerals produced/mined/extracted from mines” (alongwith certain other connected questions) was referred to a larger Bench

by an order of this Court dated 30th March, 2011 in *Mineral Area Development Authority & Ors. Vs. Steel Authority of India & Ors.*, reported in (2011) 4 SCC 450.

41. We deem it appropriate that these appeals be tagged with *Mineral Area Development Authority & Ors. Vs. Steel Authority of India & Ors.*, Civil Appeal Nos. 4056-64 of 1999 etc.. Ordered accordingly.

.....J.
(**R.M. Lodha**)

.....J.
(**J. Chelameswar**)

.....J.
(**Madan B. Lokur**)

New Delhi;
December 16, 2013.