RESERVED ON 19TH AUGUST 2026

IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 8TH DAY OF SEPTEMBER, 2026

®

PRESENT

THE HON'BLE MR. VIBHU BAKHRU, CHIEF JUSTICE

AND

THE HON'BLE MRS. JUSTICE K.S. HEMALEKHA

WRIT PETITION NO. 25298 OF 2024 (GM-MM-S)

C/W

WRIT PETITION NO. 18655 OF 2025 (GM-MM-S)

WRIT PETITION NO. 36850 OF 2025 (GM-MM-S)

IN WP No. 25298/2024

BETWEEN:

Digitally signed by VEERENDRA KUMAR K M
Location: High Court of Karnataka

1. A.C.C. LIMITED
(A COMPANY INCORPORATED UNDER
THE COMPANIES ACT, 1956)
REPRESENTED BY ITS POWER OF
ATTORNEY HOLDER AND
CHIEF MANUFACTURING OFFICER (SOUTH)
SRI PARAG KUMAR SRIVASTAVA
HAVING ITS REGISTERED OFFICE AT
ADANI CORPORATE HOUSE
SHANTIGRAM, S.G. HIGHWAY
KHODIYAR
AHMEDABAD - 382 421
GUJARAT

ALSO HAVING ITS BUSINESS AT:
WADI CEMENT WORKS
P.O. WADI - 585 225

KALABURAGI DISTRICT
KARNATAKA

...PETITIONER

(BY SRI K.N. PHANEENDRA, SENIOR COUNSEL FOR SMT. VAISHALI HEGDE, ADVOCATE)

AND:

1. UNION OF INDIA
REPRESENTED BY ITS SECRETARY
MINISTRY OF MINES
DR. RAJENDRA PRASAD ROAD
SHASTRI BHAVAN
NEW DELHI - 110 001

2. STATE OF KARNATAKA
REPRESENTED BY THE SECRETARY
DEPARTMENT OF COMMERCE AND INDUSTRIES
(MSME AND MINES)
1ST FLOOR, VIKASA SOUDHA
DR. AMBEDKAR VEEDHI
BENGALURU - 560 001

3. THE DIRECTOR OF MINES AND GEOLOGY
DEPARTMENT OF MINES AND GEOLOGY
KHANIJA BHAVAN, 5TH FLOOR
RACE COURSE ROAD, BANGALORE - 560 001

4. THE DEPUTY DIRECTOR
DEPARTMENT OF MINES AND GEOLOGY
KHANIJA BHAVAN
CA SITE NO.1, SY. NO.76
ATAL BIHARI VAJPAYEE BADAVANE
KOTHNUR, KALABURAGI - 585 102

...RESPONDENTS

(BY SRI VINAY VENUGOPAL, CGSC FOR R-1 &
SRI REUBEN JACOB, AAG ALONG WITH
SRI K.S. HARISH, GOVERNMENT ADVOCATE FOR R-2 TO R-4)

THIS WRIT PETITION IS FILED UNDER ARTICLE 226 OF THE CONSTITUTION OF INDIA PRAYING TO ISSUE A WRIT OF MANDAMUS OR ANY OTHER APPROPRIATE WRIT OR ORDER OR DIRECTION, DIRECTING THE RESPONDENTS No.2 TO 4 HEREIN TO IMMEDIATELY UNBLOCK/ RESTART THE ILMS PORTAL PERTAINING TO THE MINING LEASE OF THE PETITIONER BEARING M.L.No.1853/M.L.No.2641 IN COMPLIANCE OF THE DIRECTIONS ISSUED BY THE 1ST RESPONDENT - REVISIONAL AUTHORITY IN THE ORDER DATED 31.07.2024 PASSED IN FILE No.13/02/2024/RC-I VIDE ANNEXURE-A AND ETC.

IN WP NO. 18655/2025

BETWEEN:

1. A.C.C. LIMITED
(A COMPANY INCORPORATED UNDER
THE COMPANIES ACT, 1956)
REPRESENTED BY ITS POWER OF
ATTORNEY HOLDER AND
CHIEF MANUFACTURING OFFICER (SOUTH)
SRI PARAG KUMAR SRIVASTAVA
HAVING ITS REGISTERED OFFICE AT
ADANI CORPORATE HOUSE
SHANTIGRAM, S.G. HIGHWAY
KHODIYAR, AHMEDABAD - 382 421
GUJARAT

ALSO HAVING ITS BUSINESS AT:
WADI CEMENT WORKS
P.O. WADI - 585 225
KALABURAGI DISTRICT, KARNATAKA

...PETITIONER

(BY SRI K.N. PHANEENDRA, SENIOR COUNSEL FOR
SMT. VAISHALI HEGDE, ADVOCATE)

AND:

1. STATE OF KARNATAKA
REPRESENTED BY THE SECRETARY
DEPARTMENT OF COMMERCE AND INDUSTRIES

(MSME AND MINES)
1ST FLOOR, VIKASA SOUDHA
DR. AMBEDKAR VEEDHI
BENGALURU - 560 001

2. THE DIRECTOR OF MINES AND GEOLOGY
DEPARTMENT OF MINES AND GEOLOGY
KHANIJA BHAVAN, 5TH FLOOR
RACE COURSE ROAD
BANGALORE - 560 001S

3. THE DEPUTY DIRECTOR
DEPARTMENT OF MINES AND GEOLOGY
KHANIJA BHAVAN
CA SITE NO.1, SY. NO.76
ATAL BIHARI VAJPAYEE BADAVANE
KOTHNUR, KALABURAGI - 585 102

4. UNION OF INDIA,
REPRESENTED BY ITS SECRETARY
MINISTRY OF MINES
DR. RAJENDRA PRASAD ROAD
SHASTRI BHAVAN
NEW DELHI - 110 001

...RESPONDENTS

(BY SRI REUBEN JACOB, AAG ALONG WITH
SRI K.S. HARISH, GOVERNMENT ADVOCATE FOR R-1 TO R-3 &
SRI VINAY VENUGOPAL, CGSC FOR R-4)

THIS WRIT PETITION IS FILED UNDER ARTICLE 226 OF THE CONSTITUTION OF INDIA PRAYING TO ISSUE A WRIT OF CERTIORARI OR ANY OTHER APPROPRIATE WRIT OR ORDER OR DIRECTION, QUASHING THE ORDER/DEMAND NOTICE DATED 05/06/2025 BEARING NO.DMG-17011/22/2017/2025-26-C.NO.29259/4703B, PASSED BY THE 2ND RESPONDENT - DIRECTOR OF MINES AND GEOLOGY VIDE ANNEXURE-A AND ALL FURTHER PROCEEDINGS THERETO AND ETC.

<u>IN WP NO. 36850/2025</u>

<u>BETWEEN:</u>

1. STATE OF KARNATAKA
   REPRESENTED BY ITS
   PRINCIPAL SECRETARY
   DEPARTMENT OF COMMERCE AND
   INDUSTRIES (MSME & MINES)
   1ST FLOOR, VIKASA SOUDHA
   BENGALURU - 560 001

2. THE DIRECTOR
   DEPARTMENT OF MINES AND GEOLOGY
   KHANIJA BHAVAN, 5TH FLOOR
   RACECOURSE ROAD
   BENGALURU - 560 001

3. THE DEPUTY DIRECTOR
   DEPARTMENT OF MINES AND GEOLOGY
   KHANIJA BHAVAN, CA SITE NO.1
   SY. NO.76
   ATAL BIHARI VAJPAYEE BADAWANE
   KOTHANUR, KALABURAGI

...PETITIONERS

(BY SRI REUBEN JACOB, AAG ALONG WITH
SRI K.S. HARISH, GOVERNMENT ADVOCATE)

<u>AND:</u>

1. MINISTRY OF MINES
   GOVERNMENT OF INDIA
   REVISIONAL AUTHORITY
   3RD FLOOR, A-WING, SHASTRI BHAWAN
   NEW DELHI - 110 001
   REPRESENTED BY ITS
   JOINT SECRETARY

2. M/S. ACC LIMITED
   A COMPANY REGISTERED UNDER
   THE COMPANIES ACT
   HAVING ITS REGISTERED OFFICE AT
   ADANI CORPORATE HOUSE SHANTIGRAM
   S.G. HIGHWAY, KHODIYAR
   AHMEDABAD - 382 421
   AND BUSINESS AT:
   WADI CEMENT WORKS
   PO WADI - 585 225
   KALABURAGI DISTRICT, KARNATAKA
   REPRESENTED BY ITS
   S/O AUTHORIZED REPRESENTATIVE
   SHRI AMITABH RAJAT

...RESPONDENTS

(BY SRI VINAY VENUGOPAL, CGSC FOR R-1 &
SRI K.N. PHANEENDRA, SENIOR COUNSEL FOR
SMT. VAISHALI HEGDE, ADVOCATE FOR R-2)

THIS WRIT PETITION IS FILED UNDER ARTICLE 226 AND ARTICLE 227 OF CONSTITUTION OF INDIA PRAYING TO ISSUE AN APPROPRIATE WRIT, ORDER OR DIRECTION IN THE NATURE OF 'CERTIORARI' SETTING ASIDE THE ORDER DATED 09/09/2025 PASSED BY THE RESPONDENT NO.1 REVISIONAL AUTHORITY IN REVISION APPLICATION NO.13/02/2024/RC-I VIDE ANNEXURE-A FOR BEING PASSED VIOLATING PRINCIPLES OF NATURAL JUSTICE AND ARBITRARY IN NATURE AND ETC.

THESE WRIT PETITIONS HAVING BEEN HEARD AND RESERVED FOR ORDERS, COMING ON FOR PRONOUNCEMENT THIS DAY, ORDER WAS PRONOUNCED AS UNDER:

CORAM: HON'BLE MR. VIBHU BAKHRU, CHIEF JUSTICE
and
HON'BLE MRS. JUSTICE K.S. HEMALEKHA

C.A.V. JUDGMENT

(PER: HON'BLE MR. VIBHU BAKHRU, CHIEF JUSTICE)

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INTRODUCTION

1. The Petitioner [hereafter "**ACC**"] has filed the petition, WP No.25298/2024, *inter alia,* praying that directions be issued to Respondent Nos. 2 to 4 – State of Karnataka and Officials of the Department of Mines & Geology [hereafter "**DMG**"] – to immediately unblock and re-start the Integrated Lease Management System [hereafter "**ILMS**"] Portal pertaining to ACC's mining lease bearing ML No.1853 / ML No.2641 in compliance with the directions issued by Respondent No.1 – Union of India, acting through the Revisional Authority [hereafter "**the Revisional Authority**"] – by the order dated 31.07.2024. ACC also prays that directions be issued to Respondent Nos. 2 to 4 to the effect that they cannot insist on execution of the Supplementary Lease Deed in respect of the mining lease bearing ML No.2641 as it is statutorily extended by virtue of Section 8A(5) of the Mines & Minerals (Development & Regulation) Act, 1957 [hereafter "**MMDR Act**"]. In the alternative, ACC prays that directions be issued to the State to immediately execute the Supplementary Lease Deed in ACC's favour in respect of the mining lease bearing ML No.2641 for recording the extended term upto 31.03.2030, in compliance with the Government Order dated 25.08.2022.

2. In addition to the above prayers, ACC also seeks directions to restrain Respondent Nos. 2 to 4 from taking any precipitative action in respect of arrears of Royalty on the basis of its calculation in respect of the mining lease bearing ML No. 2641 during the pendency of the Revision Application bearing RA No.13/02/2024/RC-I. ACC further seeks a direction that no action be taken pursuant to the Demand Notice dated 02.09.2024 till the disposal of the aforesaid Revision Application. These prayers do not survive as ACC has prevailed in the Revision Application and the matter has been remanded to the State Government in view of the findings of the Revisional Authority that the demand, which is based on notional consumption of limestone, is unsustainable.

3. ACC has filed the petition, WP No.18655/2025, impugning the Demand Notice dated 05.06.2025 [hereafter "**the impugned demand notice**"] calling upon ACC to pay penalty under Section 21(5) of the MMDR Act of a sum of ₹482,69,65,137/- (Rupees Four Hundred Eighty-Two Crores Sixty-Nine Lacs Sixty-Five Thousand One Hundred & Thirty-Seven only) within the period of 15 days. The said demand is premised on the basis that ACC has extracted 78,33,415 metric tonnes of limestone, without authority of law. This

allegation is based on the assertion that notwithstanding the deemed extension of the term of the mining lease bearing ML No.2641 till 31.03.2030 by virtue of Section 8A(5) of the MMDR Act, the mining activities carried on after expiry of the mining lease on 18.02.2023 were unlawful as the Supplementary Lease Deed extending the term was not executed.

4. The State has filed WP No.36850/2025 impugning an order dated 09.09.2025 [hereafter "**the impugned order**"]. DMG has computed arrears of Royalty and interest as on 31.03.2023 at ₹492,51,43,385/- (Rupees Four Hundred and Ninety-Two Crores Fifty-One Lacs Forty-Three Thousand Three Hundred and Eighty-Five only) on a notional basis. This was disputed by ACC in revision proceedings, which culminated in the impugned order. The Revisional Authority held that the demand of arrears of Royalty and interest computed on notional consumption of limestone for manufacture of Clinker in the ratio of 1:1.42 is unjustified.

5. The dispute between the parties has a chequered history, however, it lies in a narrow compass. There is no dispute that by virtue of Section 8A(5) of the MMDR Act, ACC's mining lease bearing ML No.2641 is deemed to have been extended till

31.03.2030. Notwithstanding the same, the State contends that the mining activity carried on by ACC during the period after 18.02.2023 is without authority of law and it has accordingly imposed a penalty under Section 21(5) of the MMDR Act. The State contends that it was necessary to execute a Supplementary Lease Deed for extending the term of the mining lease, failing which no mining activity was permissible. Consequently, ACC is liable to pay penalty under Section 21(5) of the MMDR Act. ACC contends to the contrary and submits that the execution of Supplementary Lease Deed is not necessary as the term of the lease was deemed to be extended by operation of law. It claims that by virtue of the provisions of Section 8A(5) of the MMDR Act, the term of the mining lease stood extended till 31.03.2030.

6. Notwithstanding its aforesaid stand, ACC has no reservations in executing the Supplementary Lease Deed, as required. However, the State Government's offer of execution of the Supplementary Lease Deed is not unconditional as the same requires that the outstanding demand of Royalty – which is a subject matter of a long-standing dispute between the parties – be paid as a pre-condition for executing the Supplementary Lease Deed. The State contends that the lease is not deemed to be extended as ACC has

not complied with the condition of payment of Royalty.

7. The dispute regarding the payment of Royalty, essentially, stems from DMG/State insisting that Royalty be paid on notional consumption of limestone assessed on the basis of production of clinker. ACC disputes the same and claims that the Royalty is payable on actual dispatch or consumption and there are no grounds for assessing the consumption on a normative basis.

8. Thus, the questions that fall for consideration of this Court are:

> (a) Whether ACC's mining activity after 18.02.2023, during the period as extended by virtue of Section 8A(5) of the MMDR Act, would amount to raising minerals without authority of law? In other words, whether the Supplementary Lease Deed is essential for the validity of the mining during the period it stands extended by virtue of Section 8A(5) of the MMDR Act?
>
> (b) Whether, in the given facts, non-payment of the demanded arrears of Royalty would amount to non-compliance with the conditions of the lease?
> (c) Whether the impugned order dated 09.09.2025 passed by the Revisional Authority is sustainable?

9. At the outset, Mr. Reuben Jacob, the learned Additional Advocate General fairly stated that the central dispute is in respect of the State's demand for Royalty on a notional basis. He fairly

stated that if the State does not prevail in its claim that in the given facts ACC is liable to pay Royalty on a notional basis as determined, the other disputes would dissolve. This is because the execution of the Supplementary Lease Deed for extending the term is held up for non-clearance of arrears.

10. As is apparent from the above, the controversies in the present petitions are connected and therefore, the present petitions were heard together.

PREFATORY FACTS

11. ACC is engaged in the manufacture of cement and has manufacturing units in various parts of the country, including the State of Karnataka. Limestone is a primary raw material for the manufacture of cement and is classified as a major mineral for use in the cement industry. Shale is also used in the manufacture of cement and is classified as a minor mineral. ACC was granted a mining lease [ML No.1853] for 562.32 hectares of land situated at Ingalgi and Ravoor villages of Chittapur Taluk, Kalaburagi District for the extraction of limestone on 19.02.1963. Subsequently, the mineral clay was discovered during the mining operations and was included in the mining lease [MC 802] on 19.02.1968.

12. The initial term of the mining lease bearing ML No.1853 expired on 18.02.1983, and it was renewed for a further period of 20 years with effect from 19.02.1983 for the extraction of limestone without clay, over an extent of 471.03 hectares. In the course of mining, shale, which is also utilised for the manufacture of cement as an additive, was included as one of the minerals, and a mining lease [ML No.1949] was executed on 19.07.1984. The term of the said lease was co-terminus with ML No.1853. ML No.1853 was further renewed on 28.06.2010 for a period of 20 years with effect from 19.02.2003 [ML No.2641], and it remained valid until 18.02.2023.

13. ACC extracted limestone and shale for captive consumption. ACC filed its returns and paid Royalty based on the declared consumption. However, during the course of the mining activities, an issue arose regarding the assessment of Royalty. It is the State's case that, in and around 1995-96, the Deputy Director, DMG inspected the mining leases of cement companies in Kalaburagi district and found that ACC and other companies had not installed weighbridges or beltometers to weigh the minerals extracted from the mine. It is contended on behalf of the State that, in the aforesaid backdrop, DMG found a mismatch between the quantity of

limestone claimed to have been mined and the production of clinker. It is stated that this issue is the subject matter of contention between the parties.

14. On 31.03.2012, a meeting was held between Government officials, under the chairmanship of the Secretary to the Government of Karnataka, Commerce and Industries Department, and the representatives of certain cement-producing companies for resolving the issue of assessment of Royalty. The representatives of ACC did not attend the said meeting. During the said proceedings, a Study Report conducted by the National Council for Cement and Building Materials [hereafter "**NCCB**"] was placed with regard to the notional consumption of limestone. The reports of DMG for the years 2000 and 2010 were also placed. After deliberation of the issues, it was decided that Royalty should be calculated as per actual production and weighment of limestone.

15. Notwithstanding the aforesaid decision, the Deputy Director, DMG continued to issue demand notices on the basis of normative consumption. On 24.11.2018, the Deputy Director, DMG issued a demand notice directing ACC to pay a sum of ₹215,61,22,220/- (Rupees Two Hundred and Fifteen Crores Sixty-One Lacs Twenty-

Two Thousand Two Hundred and Twenty Only) as arrears along with interest at the rate of 24% per annum.

16. Aggrieved by the said order, ACC filed a Revision Petition[1] under Section 30 of the MMDR Act read with Rule 36 of the Mineral (Other than Atomic and Hydro Carbons Energy Minerals) Concession Rules, 2016. The Revisional Authority allowed the Revision Petition by an order dated 06.05.2019 and remanded the matter to the State Government to reconsider the demand in light of the decision taken at the meeting held on 31.03.2012. Meanwhile, another demand dated 17.08.2019 was raised for the year 2018-19. This demand was admittedly not in conformity with the order dated 06.05.2019, as it was not based on actual consumption but on normative basis.

17. ACC preferred another Revision Petition to challenge the said demand. While that Revision Petition was pending, the State Government issued a letter dated 05.06.2021 directing the Director, DMG to submit a report regarding the arrears of Royalty after taking into account the Government Order dated 21.08.2020 – passed in the case of another cement company. Since the matter was under

[1] Revision Application No.13(01)/2019/RC-I

consideration, ACC withdrew its Revision Petition, which was dismissed as withdrawn by an order dated 28.06.2021 with liberty to file a fresh application, if required.

18. It is the State's contention that the decision taken at the meeting dated 31.03.2012 did not bind the DMG. It is the State's case that the Director, DMG, by the proceedings dated 10.05.2022 [Annexure-R5 to the Statement of Objections in WP No.25298/2024], held that the said decision could not be applied to ACC in view of the Government Order dated 21.08.2020. The said Government Order had been passed in the case of M/s UltraTech Cement Ltd. (Unit of Rajashree Cement Works), wherein the State Government had observed that the proceedings of the meeting dated 31.03.2012 did not constitute a decision of the Government, as the same were not expressed as a Government Order "by order and in the name of the Governor of Karnataka", and had accordingly directed that the said proceedings "shall be eschewed by the Director of Mines and Geology". The State contends that the said Government Order was applied to ACC as well, pursuant to the directions issued by the State Government by its letter dated 05.06.2021.

19. Thereafter, on 25.08.2022, the State Government passed an order extending the mining lease bearing ML No.2641 up to 31.03.2030. The State Government directed the Director, DMG to execute a Supplementary Lease Deed subject to submission of the necessary statutory clearances and payment of all arrears payable to the Government.

20. The Director, DMG issued an intimation letter dated 19.09.2022 calling upon ACC to submit the requisite documents for executing the Supplementary Lease Deed, including a No Due Certificate. Given the fact that the arrears of Royalty as demanded were disputed, ACC could not secure the No Due Certificate. The twenty-year term of the mining lease bearing ML No.2641 expired on 18.02.2023.

21. On 21.11.2023, the Deputy Director, DMG blocked the ILMS Portal, which prevented ACC from downloading the e-permits for transportation of limestone from the mining area to its cement plant and from paying the Royalty.

22. Thereafter, ACC submitted various representations (representations dated 27.11.2023, 28.12.2023, 12.01.2024, 27.03.2024 & 01.04.2024) praying that directions be issued to the

Director, DMG to unblock access to the ILMS portal.

23. By a letter dated 14.03.2024, the State Government directed DMG to execute the Supplementary Lease Deed with ACC only afer verifying and determining the loyalty amount payable and collecting the arrears.

24. On 10.04.2024, the Deputy Director, DMG, pursuant to the proceedings dated 10.05.2022, issued a demand order directing ACC to pay a sum of ₹792.41 crores towards arrears of Royalty from 1995 and other consequential charges. The said demand was based on a notional consumption ratio of 1:1.42. ACC made a representation dated 13.06.2024, *inter alia,* assailing the demand on several grounds. First, it claimed that the demand did not conform to the Government's decision dated 31.03.2012 and the order dated 06.05.2019 of the Revisional Authority directing that the issue of Royalty be considered in light of the said decision. Second, it submitted that the calculation of the amount of ₹733,82,54,978/- was *ex facie* erroneous as it was arrived at by appropriating the Royalty payments against the notional interest on the disputed demand of Royalty. A plain reading of the said representation indicates that it refers to the differential Royalty as ₹58,59,14,686/-.

ACC also claimed that even if the constant factor of 1:1.42 was to be applied for determining the total consumption of limestone and shale, the same would result in a refund of ₹4.94 crores.

25. ACC challenged the demand dated 10.04.2024 by filing a Revision Application under Section 30 of the MMDR Act, being Revision Application No.13/02/2024/RC-I. ACC also raised the grievance regarding the blocking of the ILMS Portal in the said proceedings. The Revisional Authority passed an interim order dated 31.07.2024 directing the State Government to obtain the information required to restart the ILMS portal and resolve the issue relating to restarting the issuance of the transit permits through the ILMS Portal. Following the said interim order, ACC sent a letter dated 03.08.2024, *inter alia,* referring to the interim order and stating that it had installed beltometers to weigh the complete quantity of limestone produced from the mine-leased area that fed into the Clinkering Unit through conveyor belts. ACC further stated that it had also maintained daily weighment records. In addition, ACC also offered to integrate the weighing devices with the ILMS if software utilities were made available.

26. Meanwhile, on 12.07.2024, a Departmental Technical Committee [hereafter "**DTC**"] was formed to verify the limestone production and dispatches by ACC from 1995-96 to 2022-23, and the DTC submitted a Report dated 20.08.2024. The DTC, *inter alia*, noted that arrears demand had been issued by imposing compound interest instead of simple interest.

27. In the meantime, ACC also tendered a sum of ₹33,35,20,193/- (Rupees Thirty-Three Crores Thirty-Five Lacs Twenty Thousand One Hundred & Ninety-Three only) towards Royalty, DMF & NMET payable for the period of nine months during which ILMS portal was de-activated and due to which it was unable to make the said payments. It also tendered interest on the said amount calculated at the rate of 12% per annum by way of demand drafts, under the cover of its letter dated 27.08.2024.

28. On 02.09.2024, the Deputy Director, DMG issued a revised demand notice calling upon ACC to pay a demand of ₹257,60,37,297/- (Rupees Two-Hundred Fifty-Seven Crores Sixty Lacs Thirty-Seven Thousand Two Hundred Ninety-Seven only), which included interest computed at ₹177,11,01,965/- (Rupees One Hundred Seventy-Seven Crores Eleven Lacs One Thousand Nine

Hundred Sixty-Five only).

29. Thereafter, DMG issued a show cause notice dated 26.09.2024, *inter alia,* alleging that ACC had continued to unlawfully carry out mining activities for more than eighteen months between 19.02.2023 and 14.08.2024 without obtaining a valid mining lease deed, and that the same would attract the provisions of Section 21(5) of the MMDR Act. ACC responded to the said show cause notice by its letter dated 10.10.2024. ACC relied on Section 8A(5) of the MMDR Act to contend that the mining lease had been statutorily extended. It further stated that it had all statutory clearances, including environmental clearance and an approved mining plan, for carrying out mining activities, and therefore, the allegation that it had raised minerals without authority of law was erroneous.

30. Notwithstanding the said reply, DMG issued a further show cause notice dated 15.10.2024 calling upon ACC to show cause as to why action under Sub-sections (1) and (5) of Section 21 of the MMDR Act should not be initiated against it. ACC submitted a further reply dated 15.10.2024, *inter alia*, seeking a personal hearing.

31. As noted above, ACC filed the present Petition, W.P. No.25298/2024, *inter alia,* praying for access to the ILMS portal and seeking a declaration that executing the Supplementary Lease Deed is not necessary to extend the term of the lease. After ACC filed the aforesaid petition, the State constituted a Committee by a Government Order dated 18.10.2024, referred to as a High Level Committee [hereafter "**HLC**"], to scrutinise the following aspects and submit a report:

> "1. The records and information pertaining to Limestone Production in the mining lease area.
>
> 2. Quantity of clinker produced by mining lease holder.
>
> 3. Quantity of limestone produced by the mining lease holder according to clinker and limestone ratio (1:1.42) as per the proceedings dated:10.05.2022.
>
> 4. The ratio of clinker and limestone is fixed at 1:1.42 and whether this ratio includes shale mineral.
>
> 5. Weighing machine has been installed after 2009, to undertake comparative check of limestone quantity obtained through weighing machine and quantity of limestone produced as per clinker ratio and opinion on the adoption of clinker ratio after 2009.
>
> 6. Procedure followed in respect of the demand notice issued on: 10.04.2024 and 02.09.2024.
>
> 7. In case of mining lease holder has produced limestone as per the above clinker ratio, the methodology for collecting Royalty in respect of

> difference quantity of limestone.
>
> 8. The procedure of reconciliation at this stage in respect of permits obtained each year and the amounts paid for the permits, to calculate the outstanding amount in accordance with the rules.”

32. Considering the above, this Court passed an interim order dated 29.10.2024 in WP No.25298/2024, *inter alia,* directing ACC to deposit a sum of ₹125,00,00,000/- (Rupees One Hundred Twenty-Five Crores Only) towards total demand of ₹257,60,00,000/- (Rupees Two Hundred Fifty-Seven Crores and Sixty Lacs only) and further directed that subject to ACC making the said payment, it was permitted to undertake the mining operations.

33. It is material to note that the State filed its Statement of Objections, *inter alia,* challenging the maintainability of WP No.25298/2024 on the ground that ACC had preferred a Revision Application under Section 30 of the MMDR Act. As noted at the outset, one of the principal contentions advanced by the State was that carrying on mining operations without the Supplementary Lease Deed is unlawful.

34. On 21.03.2025, the HLC submitted its Report calculating the arrears of Royalty and interest at ₹492,51,43,385/- (Rupees Four

Hundred Ninety-Two Crores Fifty-One Lacs Forty-Three Thousand Three Hundred and Eighty-Five only) for the period from 1995-96 to 2022-23. Thereafter, on 22.04.2025, the Director, DMG passed a revised Royalty assessment order calling upon ACC to pay a revised sum of ₹367,51,43,385/- (Rupees Three Hundred Sixty-Seven Crores Fifty-One Lacs Forty-Three Thousand Three Hundred and Eighty-Five only) after adjusting the initial amount of ₹125,00,00,000/- (Rupees One Hundred Twenty-Five Crores Only) which was already deposited by ACC in terms of the order dated 29.10.2024. The said notice also recorded that the earlier demand notices dated 10.04.2024 and 02.09.2024 stood withdrawn.

35. ACC filed an Application dated 19.05.2025 for amending the Revision Petition pending before the Revisional Authority. While the said Revision Petition was pending, DMG issued the impugned demand notice dated 05.06.2025 imposing penalty of ₹482,69,65,137/- (Rupees Four Hundred Eighty-Two Crores, Sixty-Nine Lacs Sixty-Five Thousand One Hundred and Thirty-Seven only) under Section 21(5) of the MMDR Act on the ground that ACC had extracted and consumed the limestone without a mining lease for the period 19.02.2023 to 14.08.2024.

36. Aggrieved by the said demand, ACC filed a writ petition, being WP No.18655/2025, impugning the said demand.

37. The Revisional Authority heard the Revision Petition on 08.08.2025. On the said date, the State sought for and was granted a further period of two weeks to file its para-wise comments. However, the State did not file the same within the said period and sent an e-mail dated 25.08.2025 requesting a further period of one week for submitting its Statement of Objections. Thereafter, the State sent its Statement of Objections on 02.09.2025, which was delivered by post on 08.09.2025.

38. The Revisional Authority passed the order dated 09.09.2025, *inter alia,* holding that it was not reasonable to reject the actual weighment data and consider notional consumption data in the absence of any basis for rejecting the record maintained by ACC. The Revisional Authority also noted that ACC's data matched with the data of DMG for most of the period in dispute. Thus, the data did not demonstrate any substantial variation from the measured quantity, and there is no satisfactory reason for rejecting the said data and placing reliance on a consumption factor. The Revisional Authority, in the absence of any evidentiary documents indicating

disputes regarding weighment data, held that application of a notional factor for assessment of the limestone quantity was not justified and remanded the matter to the State Government to take suitable measures as pointed out above. As noted above, the State has preferred the writ petition, being WP No.36850/2025, challenging the said order.

SUBMISSIONS

39. Mr. K.N. Phaneendra, learned Senior Counsel appearing for ACC, contended that the execution of the Supplementary Lease Deed is neither contemplated nor mandated under the MMDR Act or the Rules made thereunder. He further contended that there was a difference between extension of the lease and its renewal. He referred to the decisions of the Supreme Court in **Provash Chandra Dalui & Anr. v Biswanath Banerjee & Anr.**[2]; **State of UP v. Lalji Tandon**[3]; and **State of Gujarat & Ors. v Nirmalaben S. Mehta & Anr**.[4] in support of the said contentions.

40. Next, he submitted that even under the regime leading to the enactment of the MMDR Act, the execution of a Supplementary

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[2] 1989 (Supp) 1 SCC 487
[3] (2004) 1 SCC 1
[4] (2016) 9 SCC 240

Lease Deed was not contemplated. He pointed out that under the then-existing Rule 24-A(6) of the Mineral Concession Rules, 1960, if an application for renewal of a mining lease was filed within the stipulated period and no order was passed by the State Government before the expiry of the lease term, the lease would be deemed to have been extended for a further period of one year or until the receipt of the orders of the State Government, whichever was earlier. Subsequently, the said Rule was amended in 1994, and the lease was deemed to have been extended until further orders.

41. He also referred to the decisions of this Court in **National Mineral Development Corporation Ltd. v. State of Karnataka**[5] and **Suggulammagudda Mining Co. v State of Karnataka**[6] and on the strength of the said decisions contended that no orders were required from the State Government to carry on the mining activities and the term of the lease was deemed to have been extended.

42. In regard to the use of a notional conversion factor, he contended that Section 9 of the MMDR Act stipulated payment of Royalty on minerals removed or consumed at the rate specified in the Second Schedule. He submitted that Royalty was payable on a

[5] ILR 1997 KAR 2528
[6] ILR 1992 KAR 2761

tonnage basis and that the State Government could not adopt a notional conversion factor without establishing that actual weighment of the minerals consumed or dispatched was erroneous and not feasible. He referred to the decisions in the case of **Chief Information Commissioner Anr. vs State of Manipur & Anr.**[7] and **Municipal Corporation of Greater Mumbai (MCGM) v. Abhilash Lal**[8] in support of the said contention.

43. The learned AAG, advanced submissions on behalf of State and DMG, on essentially three fronts. First, he contended that the Supplementary Lease Deed was necessary for carrying on mining operations. He submitted that no right in any immovable property would arise without a registered lease and, therefore, execution of the Supplementary Lease Deed is essential. Second, he contended that the Government Order dated 25.08.2022 extending the term of the said mining lease was subject to compliance with certain conditions, which were not complied with. He submitted that it was subject to payment of arrears to the Government. He submitted that since ACC had not cleared the arrears, there was no deemed extension of the mining lease, bearing ML No.2641. He contended

[7] (2011) 15 SCC 1
[8] (2020) 13 SCC 234

that the mining plan was also approved, subject to the execution of the Supplementary Lease Deed. Third, he submitted that, pursuant to the Government Order dated 25.08.2022, ACC was called upon to submit all clearances, but the same were not submitted before the expiry of the lease term. Thus, in the absence of submission of any requisite clearances, the benefit of deemed extension was not available to ACC.

44. The learned AAG pressed the challenge to the order dated 09.09.2025 passed by the Revisional Authority on two fronts. First, he submitted that the said order is vitiated as it was passed without following the principles of natural justice. Second, he contested the decision on merits regarding the adoption of the notional factor. He submitted that as early as in 1995-96, the State had raised doubts as to the accuracy of the data regarding the consumption of limestone. He submitted that the beltometer had not been installed until 21.10.2009 and, therefore, there was no authentic data on limestone consumption. He submitted that the weighbridge was installed earlier, but there were doubts as to the accuracy of the said data.

45. He also handed over a statement showing the actual conversion factor of various cement industries in Kalaburagi district and submitted that it ranged from 1:1.38 to 1:1.43. He referred to the HLC Report and submitted that HLC had found that the notional factor of 1:1.42 was justified. He contended that the Revisional Authority had ignored the HLC Report and, therefore, the said order was not sustainable.

46. He also referred to the decision of the Madhya Pradesh High Court in **ACC Ltd. v. State of M.P. & Ors.**[9] and on the strength of the said decision contended that use of conversion formula has been upheld by the Madhya Pradesh High Court in ACC's case relating to a mine in the State of Madhya Pradesh. Therefore, ACC could not now raise any challenge to the use of the conversion factor.

REASONS & CONCLUSION

47. As noted at the outset, the central dispute in the present petitions revolves around (a) whether ACC could carry on mining activities without execution of the Supplementary Lease Deed; and, (b) whether the decision of the Revisional Authority holding that the

[9] 2018 SCC OnLine MP 1177

application of the notional formula for computing Royalty is not justified requires any interference in these proceedings.

A. Whether mining during the statutorily extended term, without a Supplementary Lease Deed, attracts Section 21(5) of the MMDR Act

48. The State has imposed the penalty under Section 21(5) of the MMDR Act on the premise that the minerals extracted by ACC after 18.02.2023 were without authority of law. This, in turn, was premised on the basis that ACC could not carry out any mining activities after the mining lease's renewed term expired on 18.02.2023, notwithstanding that it was deemed to have been extended till 31.03.2030. Thus, the key question to be addressed is whether ACC's extraction of limestone after 18.02.2023 is without authority of law.

49. Sub-section (1) and (5) of Section 21 of the MMDR Act are set out below:

> "21. **Penalties.—** (1) Whoever contravenes the provisions of sub-section (1) or sub-section (1A) of section 4 shall be punishable with imprisonment for a term which may extend to five years and with fine which may extend to five lakh rupees per hectare of the area.
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> *** *** ***
>
> (5) Whenever any person raises, without any lawful authority, any mineral from any land, the State Government may recover from such person the

> mineral so raised, or, where such mineral has already been disposed of, the price thereof, and may also recover from such person, rent, Royalty or tax, as the case may be, for the period during which the land was occupied by such person without any lawful authority."

50. As is apparent from the plain language of Section 21(5) of the MMDR Act, it is attracted only if the minerals are raised without authority of law.

51. In the present case, there is no dispute that ACC has a valid lease. The contention that ACC extracted limestone without authority of law rests on two fundamental assertions. First, that execution of the Supplementary Lease Deed is necessary for ACC to derive the authority to carry on mining operations. This assertion is based on provisions of Section 105 of the Transfer of Property Act, 1882 [hereafter "**TP Act**"]. As noted above, the learned AAG also referred to the decision of the Supreme Court in **Tarkeshwar Sio Thakur Jiu v. Bar Dass Dey & Co. and Ors.**[10] in support of the said contention. The second assertion is that the benefit of deemed extension under Section 8A(5) of the MMDR Act is available only if the lessee has complied with the conditions of the lease, which, according to the State, ACC has failed to comply with.

[10] (1979) 3 SCC 106

Deemed extension under Section 8A(5) of the MMDR Act

52. It is relevant to refer to Section 8A(5) of the MMDR Act which is reproduced below:

> "**8A. Period of grant of a mining lease for minerals other than coal, lignite and atomic minerals.—**
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> *** *** ***
>
> (5) Notwithstanding anything contained in sub-sections (2), (3) and sub-section (4), the period of lease granted before the date of commencement of the Mines and Minerals (Development and Regulation) Amendment Act, 2015 (10 of 2015), where mineral is used for captive purpose, shall be extended and be deemed to have been extended up to a period ending on the 31st March, 2030 with effect from the date of expiry of the period of renewal last made or till the completion of renewal period, if any, or a period of fifty years from the date of grant of such lease, whichever is later, subject to the condition that all the terms and conditions of the lease have been complied with."

53. In the present case, there is no dispute that the aforesaid provision is applicable as the minerals extracted by ACC are used for captive purpose. Thus, the lease is deemed to have been extended till 31.03.2030.

54. It is important to refer to the reasons for introducing the provisions for deemed extension. The object of inserting Section 8A in the MMDR Act can be found in the Statement of Objects and

Reasons appended to the Mines and Minerals (Development and Regulation) Amendment Bill, 2015, which, *inter alia*, refers to the hardship caused to the mining industry due to the renewals remaining pending with the Government for a protracted period. Paragraphs 5 and 6 thereof are set out below.

> “5. In view of the urgent need to address these problems, the Mines and Minerals (Development and Regulation) Amendment Ordinance, 2015 was promulgated on 12-1-2015. The present Bill is to replace this Ordinance. This Bill is designed to put in place mechanism for:
>
> (i) Eliminating discretion;
>
> (ii) Improving transparency in the allocation of mineral resources;
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> (iii) Simplifying procedures;
>
> (iv) Eliminating delay in administration, so as to enable expeditious and optimum development of the mineral resources of the country;
>
> (v) Obtaining for the Government an enhanced share of the value of the mineral resources of the country; and
>
> (vi) Attracting private investment and the latest technology;
>
> 6. The salient features of the MMDR Amendment Bill, 2015 are as follows:
>
> (i) Removal of discretion; auction to be sole method of allotment: The amendment seeks to bring in utmost transparency by introducing auction mechanism for the grant of mineral concessions. The tenure of mineral leases has

> been increased from the existing 30 years to 50 years. There is no provision for renewal of leases.
>
> (ii) Impetus to the mining sector: The mining industry has been aggrieved due to the second and subsequent renewals remaining pending. In fact, this has led to closure of a large number of mines. The Bill addresses this issue also. The Bill provides that mining leases would be deemed to be extended from the date of their last renewal to 31-3-2030 (in the case of captive mines) and till 31-3-2020 (for the merchant miners) or till the completion of the renewal already granted, if any, or a period of fifty years from the date of grant of such leave, whichever is later."

55. The aforesaid Objects and Reasons for the MMDR Amendment Bill 2015 were noted by the Supreme Court in **Common Cause v. Union of India**[11]**,** and the Court observed as under:

> **"**29. From a perusal of the extract reproduced above, it is apparent that the insertion of Section 8-A into the MMDR Act was to address the hardship faced by the leaseholders, besides other reasons, due to the second and subsequent applications for renewal remaining unattended at the hands of the State Government. The instant amendment to the MMDR Act introduced a uniform original grant period of fifty years for all mining leaseholders. It also excluded renewal(s) after the expiry of the original lease period. Accordingly, no renewal application can now be filed (after 12-1-2015). Under sub-sections (5) and (6) of Section 8-A, in our view such leaseholders who had moved applications for renewal of captive/non-captive mines would be entitled to continue up to 31-3-2030/31-3-2020. The "Objects and Reasons" for the

[11] (2016) 11 SCC 455

> amendment to the MMDR Act aim at remedying the position which emerged upon the interpretation of the provisions of the MMDR Act as they existed hitherto before. The instant amendment was also directed at remedying the grievances of the mining industry due to "second and subsequent renewals" remaining pending. And also, because the provisions of law relating to renewals had been found to be wanting. The above view is also endorsed by the fact that Section 8-A(9) deals with a situation wherein "… renewal has been rejected…". It is therefore apparent that sub-sections (5) and (6) of Section 8-A of the amended MMDR Act are aimed at situations wherein an application for renewal (validly made) has remained unattended. Therefore, for no fault of the leaseholder he would be subjected to an arbitrary prejudice. It needs to be clarified that since an application for renewal cannot be filed after 12-1-2015, an application for renewal as would be treated as having been validly made, ought to have been made before 12-1-2015. We are of the view that out of the three contingencies contemplated under Sections 8-A(5) and 8-A(6) referred to above the first of the contingencies positively pertains to a situation wherein applications validly made for renewal were pending without any final decision at the hands of the State Government. Because in the absence of a renewal application, the leaseholder can be taken to have already expressed his disinterest to continue mining operations. Therefore logically, the words "… with effect from the date of expiry of the period of renewal last made…", should relate to an expired lease prior to 12-1-2015 in relation to which a valid application for renewal had already been made."

56. It would frustrate the legislative intent of statutorily extending the term of mining leases if the same is held to be contingent on execution of the further deeds and conditions. Bearing the

aforesaid in mind, the State Government's contention that the mining must be held to be unlawful for want of a Supplementary Lease Deed covering the period of deemed extension must be rejected.

Re: Section 105 of the Transfer of Property Act, 1882

57. The question whether a Supplementary Lease Deed is mandatory by virtue of Section 105 of the TP Act is necessary to be considered in the context of the term of the lease being statutorily extended.

58. Section 105 of the TP Act is reproduced below:

> "**105. Lease defined.—**A lease of immoveable property is a transfer of a right to enjoy such property, made for a certain time, express or implied, or in perpetuity, in consideration of a price paid or promised, or of money, a share of crops, service or any other thing of value, to be rendered periodically or on specified occasions to the transferor by the transferee, who accepts the transfer on such terms.
>
> Lessor, lessee, premium and rent defined.—The transferor is called the lessor, the transferee is called the lessee, the price is called the premium, and the money, share, service or other thing to be so rendered is called the rent."

59. As held by the Supreme Court in **Tarkeshwar Sio Thakur Jiu v. Bar Dass Dey & Co. and Ors.** (supra), the right to carry on

mining operations in a land to extract specified minerals and to remove the same is a right to enjoy an immovable property and falls within the sweep of Section 105 of the TP Act. However, in the present case, there is no dispute that ACC has a mining lease which is duly registered. The only issue relates to the term of the said lease. By virtue of Section 8A(5) of the MMDR Act, the term of the mining lease in question has been extended till 31.03.2030. Thus, by virtue of the statute, ACC held the mining lease and the right to extract minerals – of course subject to possessing all other clearances – till the expiry of the term of the lease as statutorily extended. In this view, the minerals extracted by ACC cannot be construed as minerals extracted without authority of law solely on the reason that a Supplementary Lease Deed recording the extension of term (which was extended by operation of statute), was not executed.

60. In **Provash Chandra Dalui and another v. Biswanath Banerjee and another**[12], the Supreme Court explained the distinction between the words ‘extension’ and ‘renewal’. The following passage from the said decision is instructive:

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[12] 1989 Supp (1) SCC 487

> “14. It is pertinent to note that the word used is “extension” and not “renewal”. To extend means to enlarge, expand, lengthen, prolong to carry out further than its original limit. Extension, according to *Black's Law Dictionary*, means enlargement of the main body; addition of something smaller than that to which it is attached; to lengthen or prolong. Thus extension ordinarily implies the continued existence of something to be extended. The distinction between “extension” and “renewal” is chiefly that in the case of renewal, a new lease is required, while in the case of extension the same lease continues in force during additional period by the performance of the stipulated act. In other words, the word “extension” when used in its proper and usual sense in connection with a lease means a prolongation of the lease. Construction of this stipulation in the lease in the above manner will also be consistent when the lease is taken as a whole. The purposes of the lease were not expected to last for only 10 years and as Mr A.K. Sen rightly pointed out the schedule specifically mentioned the lease as “for a stipulated period of 20 years”. As these words are very clear, there is very little for the court to do about it.”

61. In the event of an extension, the same lease would continue in force. As noted above, a mining lease has been executed in favour of ACC. Its term has been extended by virtue of the MMDR Act. Although the execution of a Supplementary Lease Deed may be relevant for good order, failing to do so does not deprive ACC of the right to carry on mining during the period of the lease as statutorily extended by virtue of Section 8A(5) of the MMDR Act.

62. In **State of U.P. v. Lalji Tandon** (*Supra*), the Supreme Court observed that in case of an extension, it is not necessary to have a fresh deed or lease executed. We consider it apposite to refer to the following observations of the Supreme Court in the said decision.

> "13. In India, a lease may be in perpetuity. Neither the Transfer of Property Act nor the general law abhors a lease in perpetuity. (*Mulla on the Transfer of Property Act*, 9th Edn., 1999, p. 1011.) Where a covenant for renewal exists, its exercise is, of course, a unilateral act of the lessee, and the consent of the lessor is unnecessary. (*Baker* v. *Merckel* [(1960) 1 All ER 668 : (1960) 1 QB 657 : (1960) 2 WLR 492 (CA)] , also Mulla, *ibid*., p. 1204.) Where the principal lease executed between the parties containing a covenant for renewal, is renewed in accordance with the said covenant, whether the renewed lease shall also contain similar clause for renewal depends on the facts and circumstances of each case, regard being had to the intention of the parties as displayed in the original covenant for renewal and the surrounding circumstances. There is a difference between an *extension of lease* in accordance with the covenant in that regard contained in the principal lease and *renewal of lease*, again in accordance with the covenant for renewal contained in the original lease. In the case of extension it is not necessary to have a fresh deed of lease executed, as the extension of lease for the term agreed upon shall be a necessary consequence of the clause for extension. However, option for renewal consistently with the covenant for renewal has to be exercised consistently with the terms thereof and, if exercised, a fresh deed of lease shall have to be executed between the parties. Failing the execution of a fresh deed of lease, another lease for a fixed term shall not come into existence though the principal lease in spite of the expiry of the term thereof may continue by holding over for

> year by year or month by month, as the case may be."

63. The aforesaid principle was reiterated by the Supreme Court in the **State of Gujarat & Ors v. Nirmalaben S. Mehta & Anr,**[13] in the context of the question whether the right to carry on mining activities is rendered unlawful for want of a Supplementary Lease Deed. It is also apposite to refer to the decision of the Supreme Court in **Gujarat Pottery Works Pvt. Ltd. v. B.P. Sood, Controller of Mining Leases for India**[14]**.** In that case, the lessors had entered into an agreement for executing a perpetual lease on 02.12.1939, but the lease was not executed. In the said context, the court observed as under:

> **"**7. The granting of a lease is different from the formal execution of the lease deed. The Mineral Concession Rules, 1949, made under Section 5 of the 1948 Act and hereinafter referred to as "the 1949 Rules", deal with the procedure for the grant of mining leases in respect of land in which the minerals belong to the Government, under Chapter IV. Rule 27 deals with applications for mining leases. Rule 28-A provides that when a mining lease is granted the formal lease shall be executed within six months of the order sanctioning the lease and if no such lease is executed within the aforesaid period, the order sanctioning the lease shall be deemed to have been revoked. It is really the sanctioning of the lease which amounts to the granting of the lease. Execution of the formal lease

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[13] (2016) 9 SCC 240
[14] 1966 SCC OnLine SC 126

> is only compliance with the legal requirements to make the grant legally enforceable.”

Re: Rule 24A of the Mineral Concession Rules, 1960

64. Although the decision in **Gujarat Pottery Works Pvt. Ltd.** (*supra*) was rendered in a different context, it does set out the principle that certain rights in respect of mining vest in the grantee of a lease even if no formal deed has been executed. There is yet another instance where the statute recognises that the mining would be lawful although a formal deed has not been executed. Sub-rule (6) of Rule 24A of the Mineral Concession Rules, 1960, as in force (prior to the substitution on 08.10.2014), expressly provided that if an application for renewal of mining lease was made within the period as stipulated and it was not disposed of by the State Government before the expiry of the lease, the period of the lease would be deemed to have been extended for a further period of 2 years or till the State Government passes an order, whichever is earlier. Rule 24A was subsequently substituted with effect from 08.10.2014 and Sub-rule (2) of Rule 24A was inserted with effect from 29.05.2020. Rule 24A of the said Rules, as it stood prior to its repeal, reads as under:

24A. Renewal of mining lease

(1) An application for the renewal of a mining lease shall be made to the State Government in Form J, at least twenty four months before the date on which the lease is due to expire, through such officer or authority as the State Government may specify in this behalf:

PROVIDED that in cases where the mining lease is due to expire on or before the 7th January, 2017, the application for renewal shall be made at least twelve months before the date on which the lease is due to expire.

(2) If an application for renewal of a mining lease made within the time referred to in sub-rule (1) is not disposed of by the State Government before the date of expiry of the lease, the period of that lease shall be deemed to have been extended by a period of two years or till the State Government passes order thereon, whichever is earlier.

65. Rule 24A of the Mineral Concession Rules, 1960, thus, extended the term of mining lease by operation of the statute pending disposal of renewal application. The mining activities carried on by a lessee during the period after expiry of the term of the lease and prior to the State Government passing an order cannot be considered unlawful. During this period, no formal lease deed to cover the extended term exists.

Penalty under Section 21(5) for want of a Supplementary Lease Deed is unsustainable

66. The demand dated 05.06.2025 (the impugned demand notice), which is impugned in W.P. No.18655/2025 is premised solely on the basis that the mining lease had expired and the mining activities had been carried out without a valid Supplementary Lease Deed. A show cause notice dated 26.09.2024 was issued, which was followed by another notice dated 15.10.2024. The said notices expressly stated that the mining lease had expired on 18.02.2023 and that the State had not executed the Supplementary Lease Deed as ACC had not cleared the arrears. It alleged that ACC had continued its mining activities beyond 18.02.2023 unlawfully. It is on this basis that the penalty under Section 21(5) of the MMDR Act was proposed to be levied. ACC responded to the said notice, maintaining that it had a valid mining lease and that proceedings under Section 21 of the MMDR Act were unwarranted. The State rejected the contentions advanced by ACC and raised the impugned demand. A plain reading of the impugned demand notice also indicates that it is based on the assertion that continuing mining activities beyond the term of the renewed mining lease is unlawful because a Supplementary Lease Deed had not been executed. It also proceeds on the basis that the extension of the mining lease

was subject to the execution of a Supplementary Lease Deed. As noted above, in the given facts, the mining activity would not be rendered unlawful for want of execution of the Supplementary Lease Deed.

Re: Statutory clearances

67. It was also contended at a later stage in the proceedings that ACC had not furnished the requisite clearances. However, it is not disputed that all the requisite clearances existed for carrying on mining activities. Thus, on this ground as well, the mining activities carried on by ACC cannot be considered as unlawful.

Conditions of the Government Order dated 25.08.2022

68. We may also note that the State had extended the mining lease under the Government Order dated 25.08.2022. The learned AAG referred to the conditions set out in the said order to canvass that the same has not been complied with and, therefore, the lease would not be deemed to be extended. In our view, the extension of the lease is by virtue of Section 8A(5) of the MMDR Act and is not contingent on any conditions that the State Government may impose. The statutory right cannot be frustrated by imposing

conditions that may otherwise be unsustainable. The Supreme Court in **Common Cause v. Union of India**[15] observed as under:

> "31. … the benefit of extension of the lease period postulated under Section 8-A of the MMDR Act is available, subject to a further overriding condition, namely, "… that all the terms and conditions of the lease have been complied with"…"

69. Having stated above, we may now examine the conditions as set out in the Government Order dated 25.08.2022. The said Government Order (Annexure C to WP.No.18655/2025) is set out below:

> **"Government Order NO. CI 06 CMC 2021,Bengaluru, dated:--25-08-2022**
>
> In the light of the facts and circumstances mentioned in preamble and as per the provision of Section 8A (5) of MMDR Act, 2015 and 8A (2) of KMMC (Amendment) Rules, 2021, ML. No. 2641 for Limestone, Shale and Clay over an extent of 471.03 Ha. in Ingalagi & Ravoor village of Chittapur Taluk. Kalaburagi District granted in favour of M/s Associated Cement Corporation Ltd extended upto 31-03-2030 for the period of 50 years from the date of original grant with the following conditions:-
>
> 1. The Director, Department of Mines and Geology is directed to execute a supplementary lease deed subject to submission of necessary statutory clearances & N.A., all arrears payable to Government and all the terms and conditions of the lease.
>
> 2. The deemed extension shall not absolve the lessee or any other person claiming through the

[15] (2016) 11 SCC 455

> original concessionaire from payment of any dues, Royalty, dead rent, surface rent, fine, compounding charges, Environment Protection Fee, Energy dues etc., which are due to the State Government from such lessee or any person claiming through him or the erstwhile concessionaire/lessee for their acts or omissions prior to this letter.
>
> 3. The deemed extension shall not absolve the lessee from any action under MMDR Act and Rules framed there under for the acts done prior to this letter.
>
> 4. No mining operations shall be undertaken in the lease hold area unless all statutory clearances such as Forest Clearance under Forest (Conservation) Act, 1980, Environmental Clearance under Environmental (Protection) Act, 1986, KSPCB Consents, Permissions etc.. Under various Legislations, Acts, Rules, Regulations, Notifications as amended from time to time to the satisfaction of concerned authorities under such Acts, Rules etc., are in place.
>
> 5. The lessee shall abide by the conditions laid in the Act and Rules and in this letter and the conditions stipulated in the original lease deed also.
>
> 6. The lessee shall comply with the provisions of the Stamp Duty and Registration Fee as applicable under the Karnataka Stamp Act, 1957, and as amended from time to time to the satisfaction of the concerned authority under the Act.
>
> 7. This deemed extension is subject to any independent proceedings under MMDR Act, including proceedings for violation of any provisions of the Rules made there under.

70. There is no dispute that the first condition – that is submission of the necessary statutory clearances – is complied with. ACC, on

its part has submitted the statutory clearances and has stated that the arrears payable to the Government are the subject matter of dispute, which, as it stands, is covered by the decision of the Revisional Authority. The second condition clarifies that the extension would not absolve ACC from payment of any dues, Royalty, dead rent, surface rent, fine, compounding charges, environmental protection fee, energy dues etc. There is no cavil with this condition as well. Undisputedly, notwithstanding that the lease is deemed to be extended, ACC would be liable to pay all dues in accordance with law.

71. There is no dispute as to the other conditions as well. ACC does not dispute that it would be liable to comply with all laws and the extension does not absolve it of any liability in the event it has violated any statutory provision.

72. It is important to note condition No.4. This restrained ACC from undertaking any mining operations in the leasehold area unless statutory clearances such as Forest Clearance under the Forest (Conservation) Act, 1980, Environmental Clearances, consents of the Karnataka State Pollution Control Board under the various legislations are obtained. There is no dispute as to this

condition as well. As the Supreme Court explained in **Common Cause** (*supra*), compliance with all laws is a fundamental condition for carrying on mining activities. Condition No.4 assumes significance as the Government order expressly provides that no mining activities would be carried on if requisite clearances were not obtained. None of the other clauses prohibit mining activities unless the same are complied with. Thus, it stands to reason that wherever the Government intended that no mining activity be carried on unless a condition was complied with, it expressly so provided.

Re: IBM's approval of the mining plan

73. The contention that the mining activities were unlawful because the mining plan approved by IBM was also subject to execution of the Supplementary Lease Deed is equally unmerited. Mr. Arvind Kamath, learned Additional Solicitor General of India appearing for the Union of India, submitted that the dispute regarding Royalty is a matter between ACC and the State Government, and that IBM's approval of the mining plan could not be construed as contingent upon resolution of that dispute.

74. He referred to a letter dated 21.10.2024 sent by IBM inter alia stating as under:

> "03. The issue of the statutory payments like Royalty, DMF & NMET etc., for the Limestone consumed / being consumed / proposed to be consumed and execution of the Supplementary Mining Lease Deed are the subject matter of the State Government of Karnataka over which IBM has no jurisdiction & is subjudice. Further, this matter has already been brought to the notice of The Director, Department of Mines & Geology, Government of Karnataka."

The Central Government's view of Section 8A(5)

75. Mr. Kamath, the learned ASG supported ACC's contention that the right to carry on mining during the extended period of the lease was not contingent upon execution of a Supplementary Lease Deed. He referred to a letter dated 05.02.2015 addressed by the Ministry of Mines, Government of India to the Principal Secretaries of the Mines Departments of all State Governments/UTs, *inter alia*, stating as under:

> "While all this is underway, it is requested that necessary action may kindly be taken to implement the provisions of the Ordinance that can be implemented right away. More importantly, immediate action may be taken to implement the transition provisions of the Ordinance - sub-sections (5) & (6) of Section 8A which relate to extension of the lease period upto 31st March, 2030 for captive mines and upto 31st March, 2020 for non-captive mines and to issue the necessary orders amending the respective mining leases at the earliest, and, at any rate, latest by 28th February, 2015. A draft of a model letter that could be used by State Governments in this connection is enclosed. You may consider adopting the same, if suitable to your requirements."

76. He also referred to the model letter annexed with the aforementioned letter, which is set out below:

> "<u>Draft letter from State Government to the lessee</u>
>
> To:_____________(Lessee)
>
> Subject: Extension of lease period in terms of Section 8A introduced by the MMDR (Amendment) Ordinance, 2015.
>
> Reference: Lease No.______________
>
> This is to inform you that Section 8A that has been recently introduced by the MMDR (Amendment) Ordinance, 2015, incorporating special provisions relating to the tenure of existing leases.
>
> As per the lease granted to you vide the above mentioned lease deed, the same was valid until ____________(date).
>
> In terms of the provision of Section 8A(5)/8A(6) (strike out what is not applicable) the period of your above mentioned lease now stands extended upto ______________(date).
>
> The relevant lease deed will stand modified accordingly."

77. It is clear from the above that the Central Government has also understood that executing a Supplementary Lease Deed would not be an essential condition for carrying on lawful mining activity during the extended lease period.

ACC' s willingness to execute the Supplementary Lease Deed

78. We may also clarify at this stage that there is, in fact, no dispute between the parties regarding execution of the Supplementary Lease Deed, as noted hereinbefore. ACC has no reservation in executing the Supplementary Lease Deed or in paying the requisite stamp duty.

79. The Director, DMG, or the concerned authority, is required to execute the Supplementary Lease Deed. However, the raising of minerals pending its execution cannot be held to be unlawful so as to attract penalty under Section 21 of the MMDR Act.

80. In view of the above, the decision of the Deputy Director, DMG to block ACC's access to the ILMS is unsustainable.

Denial of benefit of Section 8A(5) of the MMDR Act – whether justified

81. The learned AAG referred to Section 8A of the MMDR Act and submitted that the extension of the lease would be subject to the condition that all terms and conditions of the lease are complied with. He submitted that since ACC had not paid Royalty and had not submitted the statutory clearances, the terms of the mining lease in question (ML No.2641) had not been complied with;

therefore, the benefit of deemed extension of the lease under Section 8A(5) is inapplicable.

82. We find little merit in this contention given the facts in the present case. As noted above, the principal dispute between the parties relates to the payment of Royalty. The lease deed did not provide that the Royalty would be paid under a notional formula. However, ACC was bound to comply with the lease condition requiring payment of Royalty.

83. There is no dispute that the Royalty is the compensation to be paid for rights and privileges enjoyed by the grantee. In **Mineral Area Development Authority v. Steel Authority of India**[16], the Supreme Court examined the nature of Royalty, and it is apposite to refer to the following extract of the said decision:

> "99. At the outset we clarify that in this reference, we are dealing with "Royalty" in the context of the MMDR Act. Royalty is generally understood as compensation paid for rights and privileges enjoyed by the grantee. It has its genesis in the agreement entered into between the grantor and grantee. In Inderjeet Singh Sial v. Karam Chand Thapar [(1995)6 SCC 166], this Court observed that Royalty is equivalent to the expression "jura regalia" or "jura regia". Jura regalia is defined as royal prerogatives or rights. For centuries, gold and silver mines (also called as royal metals) in the United Kingdom were treated as belonging to the

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Crown. Royal metals could be mined only after payments in the form of royalties were made to the Crown. The use of the word "Royalty" underwent change in the United Kingdom with the decentralisation of the sovereignty which was absorbed by the landowners. Land ownership was concentrated in the hands of landowners, who conceded the right to work mines to lessees in return for consideration which took the form of dead rent and royalties.

** *** ***

101. Minerals are exhaustible and finite resources. Each quantity of mineral removed leads to the depletion of the mineral stock of the mine. Under a mining lease, a lessee acquires a right or interest in minerals. This right or interest allows the lessee to extract minerals and consume them. Royalty is a payment made by the lessee to the lessor or proprietor of the minerals for the removal of minerals. Royalty also serves to compensate the lessor for the degradation of the value of the mine because of the extraction of minerals.

*** *** ***

103. The essential characteristics of Royalty are that:

(i) it is a consideration or payment made to the proprietor of minerals, either the government or a private person;

(ii) it flows from a statutory agreement (a mining lease) between the lessor and the lessee;

(iii) it represents a return for the grant of a privilege (to the lessee) of removing or consuming the minerals; and

(iv) it is generally determined on the basis of the quantity of the minerals removed."

84. In this context, the pivotal question is whether ACC breached the terms of the lease by not paying the Royalty on a notional basis as demanded.

85. Under Section 9 of the MMDR Act, Royalty is payable in respect of any mineral that is removed or consumed.

86. In the present case, there is no cavil that ACC has paid Royalty as per its records of consumption. The dispute essentially relates to the assessment of consumption for the purposes of determining the Royalty. ACC prevailed in its Revision Application filed under Section 30 of the MMDR Act, and the order dated 06.05.2019 passed by the Revisional Authority directed the State Government to consider the demand in light of the decision taken at the meeting held on 31.03.2012. The said decision required that Royalty be assessed on the basis of actual weighment. The disputed demands raised to date do not conform to the order dated 06.05.2019.

87. Further, by an order dated 09.09.2025 passed in RA No.13/02/2024/RC-I, the Revisional Authority held that the demand on a notional basis was unjustified. Thus, the demand for Royalty on

the basis of which the State claims that lease terms are not complied with is as of date unenforceable.

88. The question regarding payment of Royalty on a notional basis has been the subject matter of contention between the parties. The Royalty as claimed by the State has also swung in the range of ₹792.41 crores to ₹257.60 crores and thereafter to ₹492.51 crores. The Revisional Authority has found that the fundamental basis of demand of Royalty is not justified. Thus, in any view of the matter, it cannot be disputed that there is a *bona fide* dispute between the parties regarding the demand of Royalty. As far as ACC is concerned, it has paid the Royalty on the basis of actual measurement. In the given facts, the contention that ACC has not complied with the terms of the lease has little merit.

89. We also cannot accept that, merely because there is a dispute regarding the quantum of Royalty assessment, it automatically leads to the conclusion that the terms of the lease have not been complied with. It is also material to note that the State did not cancel the lease.

B. The State's challenge to the impugned order - Royalty on a notional basis

90. As noted above, the State Government challenged the impugned order passed by the Revisional Authority on two grounds. First, that it was passed in violation of the principles of natural justice. Second, that it was erroneous on merits.

Re: Alleged violation of the principles of natural justice

91. There is no dispute that the Revisional Authority afforded the State a full opportunity to be heard. The contention that the impugned order violates the principles of natural justice is premised on the basis that the Revisional Authority had not considered the written response furnished by the State Government and had proceeded to render a decision on merits.

92. The Revisional Authority heard the revision application filed by ACC with due notice to the State Government. It is not disputed that the hearings were held on 31.07.2024, 03.12.2024, 26.05.2025 and 08.08.2025.

93. The State Government was also represented before the Revisional Authority.

94. At the hearing held on 31.07.2024, the State was directed to file its para-wise comments in response to the revision application. The next hearing was held on 03.12.2024. However, the State Government did not file its comments or submissions as directed.

95. On 03.12.2024, the State Government was again directed to file its objections or submissions. But it did not do so. Subsequently, at the hearing held on 26.05.2025, the State Government was directed to file the written submissions within a period of fifteen (15) days. The State Government did not comply with the said directions and failed and neglected to furnish its written submissions despite sufficient opportunity.

96. At the hearing held on 08.08.2025, the State Government was again granted an opportunity to submit para-wise comments within a period of two weeks, along with any material it sought to rely on.

97. Once again, the State Government failed to file its submissions within the said period. It sought a further week's extension on 25.08.2025 but did not file its submissions within that period either. The State Government apparently dispatched its submissions by post. The postal tracking indicates delivery at the office of the Revisional Authority on 08.09.2025 at 16:58:49 hours.

The impugned order was pronounced on 09.09.2025. It is obvious that the impugned order would have been prepared much earlier, and it is doubtful whether the submissions delivered at the *dak* counter at the end of business hours could have reached the Revisional Authority prior to the pronouncement of the impugned order.

98. However, even assuming the written submissions were filed on 08.09.2025, they were filed beyond the extended time, as they were not filed within the time provided by the Revisional Authority. Further, they were filed beyond the extended period as sought for by the State Government.

99. The principles of natural justice require the concerned authority to afford the parties sufficient opportunity. In this case, the parties were afforded sufficient opportunity. The State Government was heard and granted multiple opportunities to file its written submissions, which it did not avail of. The State's failure to avail the opportunity cannot furnish it a ground to contend that the impugned order was rendered in violation of the principles of natural justice. Accordingly, the said contention is rejected.

Whether adoption of a notional conversion factor was justified

100. As observed earlier, the dispute regarding assessment of Royalty on a notional basis has been a long-standing dispute between the parties. The State seeks to assess Royalty payable based on records of clinker production and by applying a ratio of 1:1.42 for consumption of limestone.

101. ACC contends that it is liable to pay Royalty on the ore actually raised and consumed and not on a notional basis. It is not disputed that the Royalty is to be paid on the basis of the mineral consumed.

102. In the present case, the mine is a captive mine and the mineral raised is for captive use in the cement plant; therefore, Royalty is payable on the mineral actually consumed. The issue only concerns the assessment of the quantity consumed.

103. The Revisional Authority found that there was no material on record that indicated any irregularity in measurement. It also noted that, during the year 2009, a beltometer was installed to weigh the entire quantity of limestone transported from the mining lease to the cement manufacturing plant and that its readings were regularly furnished. The Revisional Authority reasoned that, in the absence of

any dispute relating to the beltometer readings either by DMG or by the Legal Metrology Department, the DMG could not resort to assessing the consumption on a notional basis.

104. At this stage, it would be relevant to understand the methodology adopted by the State before addressing the question of whether the same would be warranted. The manufacturing of cement entails different stages, which were noted by the HLC as under:

> "(a) Firstly, in the 'raw mix' stage different raw materials like limestone, shale and other additives like Iron ore slag, aluminous laterite/ bauxite, clay etc., are mixed according to specific weight percentage/ 'proportion' depending on their target quality of clinker to be achieved. Here, each individual component and the 'raw mix' as a whole are subjected to chemical analysis to ascertain the grade of CaO, SIO2, Loss on Ignition (LOI) etc.,
>
> (b) This raw mix is homogenised through crushing, grinding and blending and later fed into kiln for heating using different variety of coal/ coke. The kiln feed quantity will be measured and samples drawn are analysed to know the values of CaO, SIO2, LOI etc.,
>
> (c) During the burning process, raw materials react and fuse together to form clinker. Upon cooling, the clinker quantity will be measured and samples drawn are analysed to ascertain the values of CaO, SIO2, LOI etc.,
>
> (d) Finally, clinker is grounded with gypsum etc., to get cement."

105. As is apparent from the above, the quantity of limestone required to produce a given quantity of clinker would vary, *inter alia*, on the basis of the chemical composition of the raw materials in a given lot. Thus, the ratio of mineral consumed to clinker produced is not constant; it varies considerably from mine to mine and batch to batch. It must, therefore, be understood that the limestone consumption factor fixed by the State is based on broad assumptions. It represents average consumption, which is an aggregate of averages. It is necessary to bear in mind that the consumption ratio, by its very nature, is merely a device to estimate consumption and it is not an absolute measure of the quantity of limestone consumed.

106. It is also necessary to observe that, although there is no cavil that, in real terms, the ratio of consumption would vary considerably, the State Government has not fixed any tolerance limits within which the consumption figures furnished by ACC ought to be accepted.

107. Bearing the aforesaid in mind, we may now examine whether the decision of the Revisional Authority would warrant any interference in these proceedings.

108. As noted above, the controversy regarding the consumption has a chequered history. The documents placed on record are sketchy and not exhaustive. However, the learned Additional Advocate General referred to a notice dated 20.08.1998 issued by the Senior Geologist, DMG, Gulbarga, alleging that the use of shale in the manufacturing of cement was not justifiable and that the monthly returns were misleading and an attempt to evade the Royalty. On 31.12.1998, another notice was issued to ACC, referring to the earlier letters dated 18.08.1998 and 20.08.1998, *inter alia*, stating that no shale mining activity had been observed and, therefore, the quantity of shale shown as dispatched would be treated as limestone for the purposes of Royalty.

109. Thereafter, an inspection of the mine was also conducted on 30.09.1999. The inspection report suggested that the material be weighed regularly.

110. The learned Additional Advocate General also referred to a notice dated 05.10.1999 which indicates that a revised ratio of 1:1.40 had been adopted to raise a demand of Royalty of ₹2,78,80,302/- for the period 1995-96 to 1998-99. On the strength of

the said documents, he contends that the issue of limestone consumption was raised as early as 1998-99.

111. Undoubtedly, the issue of assessing consumption on a notional basis was raised as early as 1998-1999. However, there is no dispute that ACC thereafter installed a beltometer to weigh the limestone fed to the manufacturing unit, and there is no material on record to establish that the weighing equipment was found faulty or not in conformity with the prescribed standards.

112. The Revisional Authority had rightly held that there is no material to indicate that any complaint had been raised to the Legal Metrology Department regarding the functioning of the equipment. There is also no dispute that daily weighment records have been maintained. Whether consumption could be assessed on the basis of norms must be examined in light of these facts.

113. The State Government considered the issue at a meeting held on 31.03.2012, under the chairmanship of the Secretary to the Government of Karnataka, Commerce and Industries Department. The meeting was also attended by the Director, DMG, and the Additional Director, DMG – the highest-ranking officials of DMG – as well as representatives of the industries. It is important to note that

during the course of the meeting the normative ratios as assessed by DMG and NCCB, were discussed. A tabular statement setting out the ratios as assessed by DMG in the year 2000, by NCCB in 2001, and by DMG in 2010, in respect to various cement manufacturing units, as set out in the minutes to the meeting held on 31.03.2012, is reproduced below:

> "Details of the study report done by NCCB on Clinkar Ratio during 2001, Department of Mines and Geology during 2000, and report during 2010 from the Department of Mines and Geology are as follows:

		DMG 2000	NCCB Ratio	DMG 2010
1)	M/s Vasavadatta Cement	1:1.4	1:1.37	1:1.424
2)	M/s Rajashree Cement	1:1.4	1:1.35	1:1.396
3)	M/s ACC	1:1.4	1:1.18	1:1.42
4)	M/s Kanoria	1:1.46	1:1.41	-

114. During the said meeting, the company representatives expressed that the ratio fixed by DMG was not tenable and requested that the norms fixed by NCCB be considered. It is material to note that the representative of ACC was absent from the said meeting. After deliberations, it was decided that the Royalty

should be calculated as per actual production and weighment of limestone. The relevant extract is set out below:

> “After considering all the issues as detailed above and keeping in view of this issue pending since 1995 on limestone consumption factor in Cement manufacturing in the State, following decision was taken so as not to cause any loss to Government exchequer and also to mitigate the grievances of the Cement Producing Companies in the State.
>
> **i)** **Henceforth the Royalty should be calculated as per actual production and weighment of limestone.**
> **ii)** **The Royalty for the previous years should also be calculated as per actual weight as stated above at(i).**
> iii) **If found to be refundable by the government should not be insisted by the companies whereas if excess amount is to be credited to the Government by the company should be done so forthwith by the companies**.
>
> The representatives of the above Cement Companies and officers present, appreciated the above decision and as such, further action in accordance with the above decision should be initiated by the Director of Mines and Geology Department.
>
> Meeting was concluded with thanks from the Chairman to officers present.”
>
> [emphasis added]

115. Plainly, once the decision was taken at the meeting chaired by the Secretary and attended by DMG officials, the controversy ought to have been put to rest. However, notwithstanding the said decision, the State continued to raise demands on a notional basis

by applying the ratio 1:1.42. The State issued a demand notice dated 24.11.2018 demanding an amount of ₹215,61,22,220/-.

The Revisional Order dated 06.05.2019

116. Aggrieved by the said demand notice, ACC filed a revision application (Revision Application No.13(01)/2019/RC-I) before the Revisional Authority under Section 30 of the MMDR Act in 2019. The said revision petition was disposed of by an order dated 06.05.2019, whereby the matter was remanded to the State Government to reconsider the demand in the light of the minutes of the meeting dated 31.03.2012.

117. It is material to note that the revisional order records ACC's contention that it had been decided at the meeting held on 31.03.2012 that the Royalty should be calculated as per actual production and weighment of limestone; that Royalty for the previous years should also be calculated as per actual weight; and that if any amount was found refundable, the companies would not insist on the same but if any excess amount payable to the Government would be paid forthwith. On the basis of said decision, ACC prayed that the demand of ₹215,61,22,220/- as raised in terms of an order dated 24.11.2018 be set aside.

118. It is also material to note that it was the State Government's stand before the Revisional Authority that it had no objections if the matter was remanded to it for considering afresh "as per the proceedings on 31.03.2012." In view of the said stand, the Revision Application was disposed of directing the State Government to reconsider the demand in light of the minutes dated 31.03.2012. The said order dated 06.05.2019 is set out below:

"Order

[Under Section 30 of the Mines and Mineral (Development and Regulation) Act, 1957 (MMDR Act) and Rule 36 of the Minerals (other than Atomic & Hydro Carbons Energy Minerals) Concession Rules, 2016]

This Revision Application has been filed by M/s ACC Ltd. (herein after called Revisionist) against Order No. DMG/UNQ/ML-1853/2641/2018-19/2255 dated 24.11.2018 passed by the State Government of Karnataka (herein after referred to as impugned order).

2. Through the impugned order, the State Government directed the Revisionist to pay an amount of Rs.215,61,22,220/- arrears with 24% interest.

3. Final hearing of the Revision Application was held on 25.03.2019. The Revisionist was represented by Shri Alok Kumar, Ms Somya Yadav, Ms Singdha Singh Advocates and Shri Ajay Saha, Sr. G.M. Legal, Shri A. Gupta, Sr. G.M. Legal and Shri K. S. Bhada, G.M. The State Government was represented by Shri Shashi Kanth Reddy, Joint Director and Shri D. Hanuamantharaya, FDA, DMG, Bangalore.

4.1 The Revisionist was granted a mining lease for a period of 20 years w.e.f. 19.02.2003 over an area of 471.03 hectare in Wadi Mines, for extracting limestone for manufacturing cement. On 21st October, 2009 and 1st November 2010 approved weighing machine known as belt weigher was installed for passing the raw material on the conveyor belt the reading of the belt weigher was displayed on the digital screen setup for this purpose. At the beginning and end of the shift reading for production for a particular shift was recorded. Thereafter amount to be paid was computed in terms of Section 9 of the MMDR Act, 1957.

4.2 The amount of Royalty payable was thus directly correlated with the actual exact quantity of lease mineral. But the State Government through the impugned order demanded differential Royalty i.e. difference between the actual Royalty paid as per the actual weighment and Royalty demanded by assumed formula by the State Government.

4.3 On the request of the cement manufacturer in Karnataka, a meeting was held between the State Government authorities and cement manufacturers and the error in computing Royalty on the assumed formula of the State Government was discussed on 31.03.2012. It was agreed that:-

(a) Royalty should be calculated as per actual production & weighment of limestone.

(b) Royalty for the previous years should be also be calculated as per actual weight.

(c) If found to be refundable the companies should not insist for the same whereas if excess amount is to be credited to the Government by the company should be done so forthwith by companies.

4.4 The State Govt. without adhering to the agreed outcome of the meeting held on 31.03.2012 demanded differential amount of Royalty. The State Government's calculation was malafide, illegal. The

Revisionist requested that the impugned order should be set-aside.

5. No counter reply was submitted by the State Government. During final hearing, the counsels of the Revisionist stated that in a similar nature of case i.e. M/s Utra Tech Cement Ltd. vrs State Government of Karnataka, the Revisionary Authority in his final order No.371/2017 dated 14.12.2017 remanded the case for fresh calculation. The Counsel also requested that following the above the instant Revision Application may also be remanded to the State Government for fresh calculation in the light of the minutes signed by the State Government on 31.03.2012. The State Government representative submitted that the demand notice was sent to the Revisionist based on Audit report. However, they have no objection if the matter would be remanded to the state Government for re-considering the matter a-fresh as per the proceeding on 31.03.2012.

6. **In view of the above, the case is remanded to the State Government to re-consider the demand in the impugned order in light of minutes dated 31.03.2012. The case is disposed of accordingly.**

7. The parties concerned be informed accordingly."

[emphasis added]

119. The aforesaid revisional order dated 06.05.2019 is unambiguous. In terms of the said order the State Government was required to determine the Royalty in light of the minutes dated 31.03.2012, that is, on the basis of actual weighment records. The said order was passed with the State's consent and it is material to

note that the State Government did not challenge the revisional order dated 06.05.2019. The said order has attained finality.

The State could not disregard the Revisional Order dated 06.05.2019

120. However, it appears that the State sought to sidestep the said order on the ground that the minutes dated 31.03.2012 were not enforceable as they were not in the form of a Government Order.

121. The Director, DMG passed an order dated 10.05.2022 referring to a Government Order dated 21.08.2020 (GO No.CI 156 CMC 2018) passed in context of another entity, whereby it was observed that the proceedings dated 31.03.2012 did not constitute a decision of the government as it was not expressed as a government order and therefore, the conclusion reached in the proceedings dated 31.03.2012 need not be taken into account in the proceedings of the Director of Mines and Geology “which were held pursuant to the directions of the High Court in Writ Petition No.38153/2009”**.** Referring to the aforesaid reasoning, the Director DMG concluded that the minutes of the meeting dated 31.03.2012 need not be considered.

122. We are unable to accept that the State Government could disregard the order dated 06.05.2019 passed by the Revisional Authority under Section 30 of the MMDR Act on the aforesaid reasoning. The Revisional Order dated 06.05.2019 was passed with the consent of the parties, and under the said order, the State Government was required to decide whether to reconsider the quantum of Royalty in light of the minutes dated 31.03.2012[17].

123. The question whether the minutes of the meeting dated 31.03.2012 constitute a Government Order is not relevant. The question is whether the State Government was bound by the Revisional Authority's decision directing that the matter be considered in light of the said minutes. Once the Revisional Authority had so directed, it was no longer open for the State Government to disregard the decision taken on 31.03.2012, as it now formed part of the directions issued under Section 30 of the MMDR Act.

124. The State Government, in complete disregard of the said order, issued another demand notice dated 17.08.2019, which was the subject of another revision petition filed by ACC. However, ACC

[17] Final order No.27/2019

withdrew the said petition as the State was reconsidering the matter. However, pursuant to proceedings dated 10.05.2022, the Director, DMG once again directed that the demand be computed by applying the clinker-to-limestone ratio of 1:1.42 as determined by the DMG committee in its report of 2010. Thus, the issue once again reverted to the same stage as it was prior to 31.03.2012.

The demand notices dated 10.04.2024 and 02.09.2024

125. On 10.04.2024, the Deputy Director, DMG, issued a revised demand of ₹792.41 crores, which ACC again challenged by filing a revision petition under Section 30 of the MMDR Act. As noted earlier, the said demand was subsequently reduced to ₹257.60 crores vide the demand notice dated 02.09.2024. ACC assailed the demand dated 02.09.2024 by seeking an amendment of its Revision Application and, in W.P. No. 25298 of 2024, sought a direction restraining the State from taking any precipitative action pursuant to it pending the revision.

126. During the proceedings, another committee, HLC, was constituted. The HLC held that adopting the clinker-to-limestone ratio instead of actual weighment was justified. This is the core of the dispute between the parties.

Absent a credible challenge to actual weighment, notional assessment is not justified

127. As noted earlier, there is no fixed or constant ratio between the limestone consumed and the clinker produced. It depends on the chemical composition of the raw material used, which admittedly varies widely. The tabular statement furnished by the State setting out the ratios for the various cement manufacturers in Kalaburagi District from 2013-14 up to October 2024 shows that the ratio of consumption differs not only from cement manufacturer to cement manufacturer, but also from year to year for the same manufacturer. For example, for Chettinad Cement (ML No.2648), the State Government reported that the limestone consumption ratio fluctuated from 1.31 in 2020-2021 to 1.71 in 2021-2022.

128. Although there exists wide fluctuation in the ratios of consumption, the State Government has not provided any tolerance limits for testing the veracity of the actual consumption as reported. The method of using the average consumption ratio has an inherent shortcoming. Even if the said ratio is assumed to be accurately computed, in the years in which actual consumption is lower than the average, the industry would pay a higher Royalty than actually payable, and in the years in which consumption is higher, it would

pay less. Considering that interest is also payable on delayed payment of Royalty, whether the industry or the State would benefit depends on whether actual consumption was higher or lower in the initial years.

129. Viewed in the aforesaid context, in the absence of any serious challenge to the accuracy of the weighing equipment installed for weighing the limestone fed to the plant, the adoption of a ratio to determine consumption would be plainly unjustified. The Revisional Authority examined this aspect and concluded that there was no serious challenge to the accuracy of the weighment data; it noted that ACC had installed a beltometer in 2009 and that neither the DMG nor the Legal Metrology Department had raised any dispute in relation to it after its installation.

130. The Revisional Authority had also taken note of the HLC's report and had observed that “the revisionist's data is matching with DMG data in most of the period under dispute”.

131. In this regard, we may also refer to Table-4 of the HLC’s Report, which is reproduced below:

"TABLE-4

Details of Limestone production as per Clinker ratio and weighing machine

Sl. No.	YEAR	Clinker	Limestone Production as reported by ACC	Limestone Production as per clinker ratio 1.42	Limestone Production as per beltometer
1	2011-12	46,02,210	58,58,544	65,35,138	56,97,625
2	2012-13	40,61,589	52,11,041	57,67,456	52,11,041
3	2013-14	41,04,305	50,53,025	58,28,113	50,51,991
4	2014-15	44,58,320	54,74,760	63,30,814	54,74,760
5	2015-16	47,05,907	58,32,078	66,82,388	58,32,078
6	2016-17	40,49,385	51,00,099	57,50,127	51,00,099
7	2017-18	46,08,596	56,80,730	65,44,206	56,80,730
8	2018-19	44,37,916	61,28,618	63,01,841	61,28,618
9	2019-20	44,39,947	59,32,933	63,04,725	59,32,933
10	2020-21	39,04,422	55,26,321	55,44,279	55,26,321
11	2021-22	42,81,772	63,44,642	60,80,116	63,44,642
12	2022-23	41,37,970	62,04,013	58,75,917	62,04,013
	Total	5,17,92,339	6,83,46,804	7,35,45,120	6,81,84,851

132. The said table indicates that ACC had produced an aggregate 5,17,92,339 metric tonnes of clinker during the period 2011-12 to 2022-23. It reported production of 6,83,46,804 metric tonnes of limestone and a beltometer reading of 6,81,84,851 metric tonnes

during this period. On this empirical data, the ratio of clinker to limestone works out to 1:1.32[18], as against 1:1.42 adopted by the HLC.

133. It is once again clear that the reported consumption is not outside the realm of probability. This is also supported by the data furnished by the State Government in the note submitted during these proceedings. The note indicates that the consumption ratio of another cement industry in the same district was also found to be 1:1.31.

134. During the proceedings, the learned Additional Advocate General also handed over a note containing a tabular statement for the period of 28 years, which recorded the Royalty amount paid by ACC on production of limestone during the years 1995-1996 to 2022-2023. The tabular statement also records the consumption ratio based on actual consumption as furnished by ACC. The tabular statement indicates that in 3 of 28 years, ACC reported a consumption ratio higher than 1:1.42: in the year 2010-11, the consumption ratio was 1:1.58; in 2021-22, the consumption ratio was 1:1.49; and in the year 2022-23, the same was 1:1.50. In two of

[18] 6,83,46,804 /5,17,92,339 rounded off to two decimal points

the years, that is in 1995-96 and 2020-21 the ratio was 1:1.40. In the other years, the ratio was lower than the ratio as determined by the DMG. In the remaining 21 years, the ratio based on actual production was more than 1:1.18, as determined by NCCB, but lower than 1:1.42. However, in two years, that is, during 2008-09 and 2013-14, the ratio was lower than that determined by NCCB.

135. In the broader perspective, it would be difficult to accept that the consumption as reported was such that it could never be regarded as feasible and, therefore, ought to have been rejected.

136. It is also material to note that NCCB, which is an expert body, had determined the consumption ratio as 1:1.18 in the report which has been furnished in June, 2003. The Executive Summary as set out at the outset of the said report is reproduced below:

> "EXECUTIVE SUMMARY
>
> Limestone Consumption Factor can be described as a ratio of mass of limestone consumed for the manufacture of unit mass of clinker for a specific grade of cement.
>
> Limestone Consumption Factor has been arrived by using the following methods based on
>
> 1/ Chemical analysis of raw materials, kiln feed, clinker, coal etc.
>
> 2/ The raw material consumption and dust losses
>
> 3/ Mass balance studies

For M/s ACC Wadi, (Kiln 4-New unit), which is at present producing the necessary quality of clinker (6700 TPD) for the manufacture of PPC.

Based on the data provided by the plant, measurements carried out by NCB team at the plant and the chemical analysis of the samples carried out at NCB, the limestone consumption factor was calculated using various methods as follows"

a) On the basis of chemical analysis data provided by the plant for the previous three months period, the limestone consumption factor is 1.18. On the basis of data on actual klin feed and coal consumption provided by plant for the previous three months period, the limestone consumption factor is 1:1.18

b) Based on the samples and data collected by NCB team during the period of visit to plant, the limestone consumption factor has been determined to be 1.19 and 1.18 respectively on the basis of chemical analysis and on the basis of actual kiln feed consumed.

The above values are on the basis of limestone as mined from the sponsor's own captive mines and on an average 80.29% limestone is used in the preparation of raw mix.

Taking into account all the factors contributing to limestone consumption factor and on the basis of the plant data and measurements / analysis carried out by NCB, the average limestone consumption per tonne of clinker works out to 1.18 for the plant. This factor can vary (increase or decrease) from time to time depending on the variation in quality of coal, limestone and other raw materials and her variation, in proportion of shale used."

137. Thus, the ratio of consumption was determined based on measurements carried out by the NCCB team at the plant and the chemical analysis of the samples. However, the HLC differed from that report. According to the HLC, the shale mined by ACC is in fact shaly limestone, and it disregarded the NCCB report on the ground that the limestone production as reported did not tally with a ratio of 1: 1.18.

138. Although we have broadly examined whether the actual production of limestone as reported could possibly be discarded as not feasible, it was not necessary for this Court to examine the same in any great detail, given the limited scope of examination in these proceedings under Article 226 of the Constitution of India. However, we have done so as it was contended on behalf of the State that in the given facts determination of consumption on the basis of a notional consumption factor rather than the actual reported consumption is necessary.

139. The State has not established a compelling case that the reported consumption pattern was impossible or that the assessment of limestone consumption on a notional basis presents a more accurate method of assessment of actual consumption.

Thus, absent any finding that the weighment equipment was inaccurate, assessment of Royalty on a notional basis would be unjustified.

140. The learned Additional Advocate General had referred to the decision of the Madhya Pradesh High Court in **ACC v. State of MP and Others**[19] and on the strength of the said decision contended that a notional conversion factor for assessing consumption had been accepted and therefore, the same could not be faulted. In our view, the said decision could be of little assistance on the given facts. In the said case, the petitioner was paying Royalty on the basis of a conversion formula which was approved by the Court in an earlier decision in MP No.1225/1993 (**Associated Cement Companies Ltd. v. Union of India and others** decided on 28.06.1993) and was accepted by the manufacturers. The Division Bench had noted that studies had earlier been conducted by the NCCB in respect of the petitioner's plant, which had disclosed a consumption factor of 1:1.43 and that the said factor had been accepted by the industry and all persons. The said decision turned on its own facts.

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[19] 2018(4) M.P.L.J. 529

141. In an earlier round before the Madhya Pradesh High Court a challenge was raised to a circular dated 11.08.1993 issued by the Government of Madhya Pradesh, issued by the Mineral Resources Department, Government of Madhya Pradesh. It would be relevant to refer to the said circular, which is set out in **ACC v. State of MP and Others** (*supra*). The said circular is set out below:

> "Government of Madhya Pradesh
> Mineral Resource Department
>
> N. K. Desai
> Additional Secretary
>
> Bhopal, dated 11-8-1993
>
> Sub: Tax assessment on consumption of limestone by cement plant.
>
> Kindly peruse the directions issued on 19-12-1992 on the aforesaid subject whereby it was ordered that the tax assessment of those cement plants which have not installed weighing machine in the approved leased area, shall be done on the basis of 1.6 tonne limestone for per tonne cement.
>
> It has come to knowledge that action is not being taken accordingly and some of cement plants which have kept the accounts by weighing through weighing machine, <u>the quantity of consumption of limestone is being shown so much less that it is not possible to prepare cement on that basis</u>. Therefore, while assessment of tax of limestone consumed by the cement plant, it is necessary to take into consideration that how much of cement has been produced by them and if consumption of limestone for preparing per tonne cement has been shown below 1.6 tonne then it is clear that

the lease-holder has not properly kept the account of consumption of limestone. Thus, it is extremely necessary in all such cases to assess tax by comparative study of consumption of limestone and production of cement at the time assessment of tax. The standard for the basis of tax assessment that should be adopted must be actual weight or 1.6 tonne per tonne cement whichever is more. This should be strictly complied with and apprise me with the action taken in this regard.

Sd/-
(N. K. Desai)
Additional Secretary
State of M. P.
Mineral Resources Department"

142. It is apparent that the said circular provided for a norm for assessing consumption on the premise that the consumption shown by some cement plants was so low that it was not possible to manufacture the reported quantity of cement from it. The said circular was unsuccessfully challenged in a writ petition (W.P.No.516/1996 - **Associated Cement Companies Ltd. v. State of MP and others**) decided by the learned Single Judge of the Madhya Pradesh High Court on 15.05.2002. Subsequently, a Division Bench of the Madhya Pradesh High Court in **Grasim Industries Limited, Neemuch v. State of M.P. and others**[20], quashed the words 'whichever is higher' in the said circular, holding that in the event of any incorrect or untrue information being

[20] 2014 SCC OnLine MP 8587

furnished in the returns, the assessing officer would be obliged to apply some tangible, just and reasonable yardstick. In this regard, the relevant extract of the order passed in **Grasim Industries Ltd.,** (*supra*) is set out below:

> "45. Be that as it may, the impugned Circular dated 11th August, 1993, will have to be held as excessive to the extent it directs the Assessing Officer to compute the liability on the basis of weighment record or conversion factor of 1.6, "whichever is higher". **<u>In cases, where the Licensee/Assessee is able to satisfy the Assessing Authority that the removal or consumption of Limestone is much below the notional conversion factor of 1.6, the question of invoking the notional conversion factor of 1.6 will not arise nor can be countenanced.</u>** Inasmuch as, the Royalty is payable on the removed or consumed minerals. To that extent, the instructions contained in the aforesaid Circular cannot be sustained." [emphasis added]

143. It is apparent from the above that a notional conversion factor could be applied only in cases where the lessee is unable to satisfy that the removal or consumption of limestone is below the notional factor.

144. It is also relevant to note that in **Grasim Industries Ltd.** (*supra*), the power to apply the notional conversion factor on a case-to-case basis was accepted. However, the Court also observed as under:

> “32. But, a word of caution may have to be expressed that invocation of uniform notional conversion factor must meet the test of necessity to do so on account of rejection of the Assessee's claim and the Return as filed in that behalf. Royalty is payable on the quantum of minerals extracted, as it is relatable thereto. At the same time, applying a just and reasonable conversion factor does not necessarily entail in demand of Royalty from the Assessee in respect of non-extracted minerals as such. On the other hand, on finding that the notional conversion factor is just and reasonable and in conformity with the past experience of the concerned Cement Company or Industry as a whole, it can be safely assumed that the Assessee Unit has had extracted and consumed the quantity equivalent to the notional conversion factor of Limestone for manufacture of cement. **However, that would be a rebuttable fact. The concerned cement company/assessee will then have to substantiate that it has extracted or removed lesser quantity of Limestone than determined as per the conversion factor and that the records maintained by it are truthful. Suffice it to observe that application of such notional conversion factor in a given case would be a matter of mode of assessment and nothing more.** Resultantly, the administrative instruction issued in that regard cannot be considered as ultra vires or impinging upon the occupied legislative field or for that matter arbitrary and discriminatory." (emphasis supplied)

145. There is no cavil that the State can assess the consumption of limestone on the basis of a norm. However, the same would be permissible only if there is a credible challenge to the quantum of

actual consumption as reported or the lessee cannot substantiate the quantum of mineral as consumed.

146. Plainly, if the State comes to the conclusion that the quantum of clinker produced could not possibly have been produced from the limestone consumption as reported, it would not be precluded from assessing the consumption by applying a norm which is determined on a scientific basis. However, in the present case, there is no credible challenge to the accuracy of the weighment data. There is also no material to establish that the quantity of cement as produced could not possibly have been produced by the consumption as reported. On the contrary, NCCB's team had physically verified the consumption at ACC's plant and had submitted a report on an empirical basis. The State could not simply reject it.

147. Having stated the above, we may at this stage reiterate that it was not permissible for the State Government to have disregarded the Revisional Order dated 06.05.2019, whereby the State Government was required to consider the matter of quantum of Royalty on the basis of the minutes of the meeting dated 31.03.2012.

148. In the view of the above, we find no infirmity in the decision of the Revisional Authority in allowing ACC's revision petition and finding that the adoption of the norm for determination of Royalty was not justified.

CONCLUSION

149. In view of the above, we direct as under:

(i) the impugned demand notice is set aside;

(ii) the State and the DMG are directed to grant full access to the ILMS Portal and not block the ILMS Portal as prayed for in W.P.No.25298/2024;

(iii) the State's challenge to the impugned order is rejected;

(iv) the concerned authorities are directed to execute a Supplementary Lease Deed in favour of ACC without insisting on the no dues certificate; and

(v) the State is directed to refund the amount deposited by ACC pursuant to the interim order dated 29.10.2024 passed in WP No. 25298/2024.

150. W.P.No.25298/2024 and W.P.No.18655/2025 are allowed in the aforesaid terms and W.P.No.36850/2025 is dismissed.

Sd/-
(VIBHU BAKHRU)
CHIEF JUSTICE

Sd/-
(K.S. HEMALEKHA)
JUDGE

KMV