



CNR: KAHC010073602013

NC: 2026:KHC:47781-DB
WP No. 19754 of 2013

IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 2ND 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. 19754 OF 2013 (GM-MM-S)

BETWEEN:

1. M/S SATHYA GRANITES
A PROPRIETARY CONCERN
HAVING ITS OFFICE AT PKP PLOT
NANDI HALLI CROSS
SANDUR (PO) & (TK)
BELLARY DISTRICT
KARNATAKA STATE – 583 119
REPRESENTED BY ITS PROPRIETOR
SRI P.K. POUNRAJ

...PETITIONER

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

AND:

1. THE STATE OF KARNATAKA
REPRESENTED BY ITS SECRETARY
DEPARTMENT OF INDUSTRIES & COMMERCE
SSI (TEXTILES & MINES)



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VIKAS SOUDHA
BANGALORE – 560 001

2. THE DIRECTOR
DEPARTMENT OF MINES AND GEOLOGY
KHANIJA BHAVAN
RACE COURSE ROAD
BANGALORE - 560 009

3. THE DEPUTY DIRECTOR (MINES)
DEPARTMENT OF MINES AND GEOLOGY
HOSPET
BELLARY DISTRICT - 583 201

...RESPONDENTS

(BY SMT. NILOUFER AKBAR, AGA FOR R-1 TO R-3)

THIS WRIT PETITION IS FILED UNDER ARTICLES 226 AND 227 OF THE CONSTITUTION OF INDIA PRAYING TO QUASH THE IMPUGNED ORDER DT.17.11.2012 BEARING NO. DMG/MLS/S.Y/10-11/2012-13 PASSED BY THE DIRECTOR, DEPARTMENT OF MINES & GEOLOGY, KHANIJA BHAVAN, RACE COURSE ROAD, BANGALORE - 560 009 PRODUCED AS ANNEXURE-A, WITH THE WRIT PETITION & ETC.

THIS PETITION, COMING ON FOR HEARING, THIS DAY, ORDER WAS MADE THEREIN AS UNDER:



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

ORAL ORDER

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

1. The petitioner has filed the present petition, *inter alia*, impugning an order dated 17.11.2012 passed by respondent No.2- The Director, Department of Mines and Geology, Bengaluru [DMG] rejecting the petitioner's representation for refund of a sum of ₹2,23,03,562/- (Rupees Two Crores Twenty Three Lacs Three Thousand Five Hundred and Sixty Two only) which the petitioner claimed was collected as royalty for the second time.

2. The controversy in the present petition arises in the following context:

2.1 During the years 2003 to 2009, the petitioner was allotted different quantity of iron ore minerals such as iron ore waste dumps by M/s. Mysore Minerals Limited [MML]. The petitioner states that it had purchased the iron ore waste dumps from MML after paying an



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amount equal to the royalty to MML and after securing necessary permits for transporting the waste dumps. The petitioner claims that thereafter, it commenced trading in iron ore purchases from MML. It states that the respondents-authorities did not permit the petitioner to transport the iron ore from its stockyards. It claims that thereafter, it secured Mineral Dispatch Permits (MDP) by payment of royalty as demanded.

2.2 The petitioner claims that during the year 2005, it purchased lands measuring 3 acres and 75 guntas in Survey No.236/P25 and 5 acres in Survey No.236/P13 at Hulikunte Village, Sandur Taluk, Bellary District and subsequently, obtained permission to establish a stockyard.

2.3 Thereafter, on 11.12.2010, the petitioner issued a legal notice calling upon the respondents to refund the amount of royalty. As noted above, the petitioner claimed that it was collection of royalty for the second time.



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- 2.4 Since the respondents did not accede to the petitioner's demand, the petitioner filed a writ petition being W.P.No.42215/2011 (GM-MM-S), *inter alia*, praying that directions be issued for the refund of the royalty paid by the petitioner for the second time. This court disposed of the said petition by an order dated 17.09.2012 directing the respondents to consider the legal notice dated 11.12.2010 in a time bound manner.
- 2.5 Thereafter, on 10.10.2012, DMG issued a notice directing the petitioner to appear before it on 16.10.2012. In response, the petitioner submitted a letter dated 16.10.2012 calling upon the DMG to consider the representation/legal notice dated 11.12.2010 and refund the royalty collected for the second time. According to the petitioner, no enquiries were necessary.
- 2.6 Notwithstanding the petitioner's stand, the DMG issued a notice/questionnaire on 20.10.2012 calling upon the petitioner to respond to the same. The petitioner did not respond to the said questionnaire, instead sent a letter



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dated 30.10.2012 contending that the questions raised were unwarranted and were only raised to deny the petitioner's legitimate claim. The said proceedings culminated in the impugned order dated 17.11.2012.

3. A plain reading of the impugned order indicates that the DMG had examined various aspects and concluded that no refund was payable. It also indicates that the DMG had also taken note of the complaints made by the Lokayukta, *inter alia*, including the allegation that the petitioner was maintaining illegal stockyards. The impugned order indicates that inspections had been conducted. During the inspection, certain iron ores were found lying in the stockyards in respect to which permission had been withdrawn. It is alleged that the petitioner was one of the entities that was found to have unauthorizedly stored ore/mineral to the extent of 2,34,430 metric tonnes. The Lokayukta had also recommended confiscation of the minerals. Initially, it was also alleged that in January 2011, 1,96,088.8 metric tonnes of ore was illegally stocked.



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4. The impugned order is replete with several allegations. However, the same may have little relevance to the issue raised in the present petition. As noted above, the question involving the present petition is limited to examine whether the petitioner has paid royalty twice as claimed by it.

5. Under Section 9 of the Mines and Minerals (Development and Regulation) Act, 1957 [**MMDR Act**], royalty is payable in respect of 'any mineral removed or consumed'. It is also the respondents' case that once a royalty has been paid on the minerals, at the stage of dispatch, further royalty is payable at any other later stage.

6. In the present case, the petitioner claims that it had removed iron ore waste dumps from the mines of MML and had paid the amount equivalent to the royalty. At that stage, MML had in turn paid the royalty to the State on dispatch of the said minerals/mines. Clearly, thereafter, the royalty would be payable on the minerals so dispatched. In the event, the petitioner has dealt with the minerals in a manner which is not authorized by law, the authorities are not precluded from taking any necessary action in that regard.



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However, insofar as the payment of royalty is concerned, the same cannot be imposed for the second time.

7. Bearing the aforesaid in mind, it is necessary to examine the reasons in regard to the petitioner's claim as set out in the impugned order.

8. The relevant extract of the same is set out below:

"After the establishment of the Stockyard by the Petitioner in December 2009, he was procuring iron ore waste dumps from the mining lease holder namely M/s Mysore Minerals Limited. At the time of issue of Mineral Despatch Permits for transportation of the said waste dump by M/s Mysore Minerals Limited from the Mine Head to the Stockyard of the Petitioner, the royalty was collected from M/s Mysore Minerals Limited at the prevailing rates. When the petitioner approached the Office of the 3rd respondent at a later stage for despatch of the mineral procured by him from the Stockyard, taking into consideration the change in value of the royalty rate published by the IBM for different grades of iron ore, the 3rd Respondent has taken steps to arrive at the exact value of royalty on the date of issuance of Mineral Despatch Permits to the Petitioner. As per Sec 9(2) of the MM (D & R) Act, 1957, as the iron ore was not consumed at the Stockyard the same must be once again rated as to its grade for the purpose of calculation of difference in royalty.

Whenever the rates of royalty for iron ore is revised and published by the Indian Bureau of Mines, the necessity of recalculation of royalty for the mineral arises till it is finally consumed. In the instant case also, as the question of recalculation of difference in royalty arose, only the said difference in royalty was collected from the



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Petitioner after taking into account the royalty paid for the iron ore brought to his Stockyard and to that effect, entries were made in every Mineral Despatch Permits issued to the Petitioner. This may be confirmed by the set of permits produced by the petitioner at Annexure-D to the WP No.42215/2011. Office of the Deputy Director, Hospet has not collected royalty twice for the same iron ore whereas only the difference of royalty which the iron ore must suffer before it is consumed was collected.

It is important to take note of the mode and manner in which the mineral is removed and consumed by the mining lease holder or by his agent, manager, employee or contractor or sub-lessee. In the instant case, the fact is that the mining lease holder viz. M/s Mysore Minerals Limited did not consume the iron ore waste dump. On the other hand, the Petitioner procured the iron ore waste dump from M/s Mysore Minerals Limited for the purpose of despatching it to the iron ore based industries/export only. After receiving the iron ore waste dump, the same was processed and segregated by the petitioner as lumps, fines, ROM, slime, etc. This again attracted Sec.9 (2) and schedule-II of the MM (D & R) Act 1957. Moreover, Run of Mine (ROM) is always processed for the purpose of increasing the grade of the mineral and since the royalty collected before such processing is invariably less when compared to the processed ore, the difference suffered thereby due to increase in the grade is collected as difference of royalty on the basis of the rates fixed by the Indian Bureau of Mines as per Section 9(2) referred to above."

9. It is apparent from the above that it is the respondents' stand that it has not collected the royalty twice but, only the differential royalty based on the processing carried out at the stockyard. According to the DMG, the petitioner had procured the iron ore waste dumps from MML and after receiving the same, it processed



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and segregated the same as lumps, fines, ROM, slime etc. and therefore, Section 9(2) of the MMDR Act would be applicable. Section 9(2) of the MMDR Act is reproduced below:

“9. Royalties in respect of mining leases.—

(1) *** *** *** ***

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

10. It is at once clear from the plain language of Section 9(2) of the MMDR Act that royalty is applicable after the mineral has been removed by the lessee. In the present case, MML had removed the mineral from its mines on the payment of royalty and therefore, the royalty will not be payable for the second time. There is also no basis to support the contention that royalty is payable on any further value added process that is, carried out outside the mining area by a person who has purchased the iron ore from the lessee on which royalty is being paid at the time of dispatch.

11. Having stated above, we know that there is an additional aspect, discernible from the impugned order, that is, whether the



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fact that the ore which had been purchased by the petitioner was the ore that was in respect to which it claims that it had paid the royalty for the second time.

12. The learned Senior Counsel appearing for the petitioner had referred to certain dispatch of minerals from the MML's mines. The same indicates that royalty was paid on iron ore fines. However, it appears that thereafter, the petitioner had dispatched certain ores from its stockyards which were not in the same form. This is evident from the fact that the impugned order records that the petitioner is segregating the dumps as lumps, fines, ROM, slime etc. Undisputedly, if any lumps had been dispatched by the petitioner, it could not be the iron ore fines that were dispatched by the petitioner. Therefore, the principal question to be considered by the DMG was whether it was established with certainty that the ore dispatched by the petitioner on which it claims it had paid royalty twice is the same material that was lifted by the petitioner from MML's Mine Head.

13. In respect to this question some of the allegations made in impugned order may be of some significance. As noted above, it



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includes the allegation of illegally stocking ore and transporting the same. If it is found that the petitioner has been unable to establish that the ore collected from the Mine Head of MML is the same material that is, being dispatched, then the other consequences including prosecution and penalty must obviously follow under the MMDR Act.

14. In view of the above, we consider it apposite to set aside the impugned order and remand the matter to respondent No.2-The Deputy Director, Department of Mines and Geology, Bengaluru to be considered afresh in the light of the observations made by this court.

**Sd/-
(VIBHU BAKHRU)
CHIEF JUSTICE**

**Sd/-
(K.S. HEMALEKHA)
JUDGE**

KPS
List No.: 2 Sl No.: 16