

RESERVED ON 14TH JULY 2026

IN THE HIGH COURT OF KARNATAKA AT BENGALURU

DATED THIS THE 29TH DAY OF JULY, 2026



PRESENT

THE HON'BLE MR. VIBHU BAKHRU, CHIEF JUSTICE

AND

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

WRIT PETITION NO. 6690 OF 2023 (GM-MM-S)

BETWEEN:

1. M/S. MSPL LIMITED
CORPORATE OFFICE SITUTATED AT
BALDOTA ENLCAVE
ABHERAJ BALDOTA ROAD
HOSAPETE - 583 203
VIJAYANAGAR DISTRICT
REP. BY ITS AUTHORIZED SIGNATORY
SRI K.A.V. PRASAD
S/O SRI P.S. KASIBHATLA
AGED 57 YEARS

...PETITIONER

(BY SRI ARVIND NAYAR, SENIOR ADVOCATE A/W
SRI SWAMY M.M., ADVOCATE)

AND:

1. THE STATE OF KARNATAKA
REP. BY ITS SECRETARY (MINES)

DEPARTMENT OF COMMERCE AND INDUSTRIES
VIKAS SOUDHA, 1ST FLOOR
BENGALURU - 560 001

2. THE DIRECTOR OF MINES AND GEOLOGY
KHANIJA BHAVAN, 5TH CROSS
RACE COURSE ROAD
BENGALURU - 560 001

3. THE DEPUTY DIRECTOR
MINES AND GEOLOGY
DEPARTMENT OF MINES AND GEOLOGY
HOSAPETE - 583 201
BALLARI DISTRICT

...RESPONDENTS

(BY SRI K.S. HARISH, GOVERNMENT ADVOCATE)

THIS WRIT PETITION IS FILED UNDER ARTICLES 226 AND 227 OF THE CONSTITUTION OF INDIA PRAYING TO ISSUE A WRIT IN THE NATURE OF CERTIORARI, OR ANY OTHER APPROPRIATE WRIT, ORDER OR DIRECTION AND QUASH THE COMMUNICATION/ORDER DATED 01/03.06.2022 BEARING No.ಗಭೂಇ/ಉನಿಹೊ/ಗಗುಶಾ/2022-23/1328 (No. DMG / DDHpt / ML /2022-23/1328) ISSUED BY THE RESPONDENTS VIDE ANNEXURE - 'Q', IN SO FAR AS THE PETITIONER IS CONCERNED & ETC.

THIS WRIT PETITION 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)

1. The petitioner [**MSPL**] has filed the present petition, *inter alia*, impugning the notice dated 01/03.06.2022 [**impugned order**] issued by respondent No.3 directing MSPL not to convert the ore with the size +10MM (Lumps) to -10MM (Fines) size by crushing, and to maintain *status quo* with regard to the already processed -10MM (Fines), approximately 5957 MT, till further orders. However, MSPL is permitted to dispatch Fines that were obtained by the earlier processing method of screening the extracted mineral; that is, without subjecting it to further process of crushing. MSPL was further restrained from crushing +10MM (Lumps) without the prior permission of the concerned authorities.

2. Apparently, the impugned order is premised on the basis that the royalty and other statutory payments, payable in respect of Lumps (+10MM size) are higher than those in respect of Fines (-10MM size), since royalty is levied on an *ad valorem* basis and the average sale price published by the Indian Bureau of Mines, for

Lumps is higher than that for Fines. Since MSPL was crushing the Iron ore lumps [**Lumps**] to Iron ore fines [**Fines**] before dispatch, and royalty was collected on the ore removed from the leased area, the concerned authority reasoned that it was causing a loss to the exchequer.

3. MSPL contends that the impugned order is without authority of law as there is no provision that prevents a mining lessee from crushing and processing the excavated mineral within the leased area. It also claims that royalty and bid premium are to be collected based on the dispatches and therefore, it would be liable to pay the bid premium and royalty on the form of mineral dispatched. MSPL contends that, in terms of Rule 8 of the Mineral (Auction) Rules, 2015 [**the Auction Rules**], a lessee is required to pay the value of the minerals dispatched from a leased area, and the said provision does not empower the concerned authority to collect the value of unprocessed minerals that are not dispatched.

PREFATORY FACTS

4. MSPL is a Company engaged in mining business. It has established a Pellet manufacturing plant at Halavarthy Village in Koppal Taluk and District [**Pellet Plant**]. The main raw material for

the Pellet Plant is iron ore Fines, that is, -10MM size. Accordingly, MSPL purchases iron ore as raw material for manufacturing pellets at its Pellet Plant. The same is acquired through E-auction or extracted from captive mines.

5. The Supreme Court, by an order dated 30.07.2015 passed in WP.No.562/2009, permitted entities manufacturing pellets to participate in the auction of C-category mines as end-users. The said mines would serve as captive mines for feeding the raw material requirements of units manufacturing pellets.

6. Under Section 10B of the Mines & Minerals (Development and Regulation) Act, 1957 [**the MMDR Act**], mining leases in respect of notified minerals may be granted only through the process of auction. Since iron ore is one of the notified mineral, mining leases for iron ore could be granted by the State Government only through the process of auction.

7. Pursuant to the Supreme Court's order dated 30.07.2015, and in terms of the Auction Rules, the State Government initiated the auction process by issuing a notice dated 30.11.2015 inviting tenders in respect of 11 (eleven) mining blocks of C-category mines, for captive use only.

8. MSPL participated in the bidding process in respect of mining lease of ML No.2487 Block in Kardikolla Village, Sandur Taluk, Ballari District, Karnataka, which was earlier leased to Lakshminarayana Mining Company. The said mining lease is over an area measuring 86.12 hectares of Forest Land of NEB Range. The auction was conducted on 03.10.2016 for grant of the mining lease and MSPL was declared a preferred bidder. Accordingly, the State Government issued a Letter of Intent dated 26.10.2016 in MSPL's favour.

9. Thereafter, MSPL furnished a Mining Plan for approval of the Indian Bureau of Mines, which was approved by letter dated 24.10.2017. The State Level Environment Impact Assessment Authority, Karnataka passed an order, SEIAA 01 Misc. 2019 dated 29.01.2019, transferring the Environment Clearance which was earlier granted to M/s. Lakshminarayana Mining Company in respect of ML No.2487, in favour of MSPL.

10. By a letter dated 25.10.2019, the Ministry of Environment, Forest and Climate Change, Government of India, granted approval for transfer of Forest Clearance in MSPL's name. MSPL has since been mining and extracting iron ore from the said mines for its

captive use. Thereafter, the Mine Development and Production Agreement [**the MDPA**] came to be executed between the State Government and MSPL on 27.01.2020. Pursuant thereto, the mining lease was granted in MSPL's favour by an order dated 01/03.02.2020 and the mining lease deed was duly registered.

11. The mining activity involves removal of overburden, drilling and blasting of hard rocks. MSPL states that the run of mine [**ROM**] is brought to a screening and crushing plant, where it is screened to separate naturally occurring Fines. The remaining Lumps are, thereafter, crushed and converted to Fines, which can be used for making pellets at the Pellet Plant. The Fines, which include naturally occurring Fines as well as Fines converted by processing Lumps, are dispatched for use in the Pellet Plant.

12. MSPL pays royalty on the value of the mineral [**VoM**] – which is in the form of Fines – dispatched to the Pellet Plant.

CONTROVERSY

13. MSPL claims that under Rule 39 (1) of the Minerals (Other than Atomic and Hydro Carbons Energy Minerals) Concession Rules, 2016 [**the Rules**], royalty is chargeable on the processed

mineral removed from the leased area. Thus, it is liable to pay royalty on the Fines, which are removed from the leased area for use of the captive Pellet Plant. According to MSPL, it is not required to pay the bid premium and royalty on the Lumps extracted from the mine in question.

14. Rule 39 of the Rules has since been amended by virtue of the Minerals (Other than Atomic and Hydro Carbons Energy Minerals) Concession (Third Amendment) Rules, 2026 [**the Amendment Rules**] whereby a proviso has been added which provides that in case the processing of ROM results in decrease in its economic value, then royalty shall be chargeable on the Lumps and Fines after the initial screening of unprocessed ROM. Concededly, by virtue of the said amendment, MSPL is required to pay royalty on the dispatches based on the VoM (Lumps and Fines) after the initial screening, but prior to being subjected to any process involving crushing.

15. Mr Arvind Nayar, learned Senior Counsel appearing for MSPL, contended that notwithstanding the amendment to Rule 39 of the Rules, MSPL was entitled to clear the current stockpile of

Fines on the basis of Rule 39 of the Rules as in force prior to the Amendment Rules coming into force on 10.04.2026.

16. Mr K.S. Harish, the learned Government Advocate appearing for the State, contested the said contention. He submitted that the proviso to Rule 39 (1) of the Rules was inserted with effect from 10.04.2026, and that there is no dispute that, for the period thereafter, MSPL is required to pay royalty on the VoM of Lumps and naturally occurring Fines as obtained on initial screening and not on the basis of the form of mineral as dispatched. Thus, the stockpile of processed Fines would also attract royalty on the VoM of Lumps as and when the Fines are dispatched from the leased area.

17. Next, he referred to Section 9 of the MMDR Act and contended that royalty in respect of mining leases is payable on any mineral that is removed or consumed. He submitted that since crushing of Lumps was a part of the manufacturing process, the same would amount to consumption. And, therefore the royalty would be payable on the Lumps and Fines as initially screened; that is, prior to the extracted Lumps being subjected to the process of crushing. He also referred to communications exchanged prior to

MSPL executing the MDPA and submitted that it was expressly clarified that royalty would be paid on Lumps and Fines as initially extracted. He contended that MSPL was in no manner of doubt as to its obligation to pay royalty. He also referred to a letter dated 14.02.2024 approving the review and updation of Mining Plan and submitted that one of the special conditions imposed was the processing of +10MM size of Iron Ore into -10MM size of Iron Ore (i.e., Fines) as proposed in the Mining Plan documents was subject to an agreement between MSPL and the Department of Mines & Geology regarding payment of royalty, value of mineral dispatch and other taxes. He submitted that, the approval of the Mining Plan was subject to the aforesaid condition, MSPL could not absolve itself of the obligation.

18. He also referred to the decision of the Orissa High Court in **M/s. Mideast Integrated Steel Limited and another v. State of Odisha**¹, and on the strength of the said decision submitted that the Second Schedule to the MMDR Act sets out three forms of iron ore; Lumps, Fines and Concentrates. Since separate royalty is provided for each of the three forms, royalty was payable once ore is extracted and processed to such a form; it does not contemplate

¹ 2015 SCC Online Ori 489

processing of iron ore from one form to another. Once the form, which is to bear royalty is reached, royalty is payable on the said form. Rule 39 does not accommodate further processing.

REASONS AND CONCLUSIONS

19. As is clear from the above, the controversy between the parties is not whether MSPL is permitted to subject the Lumps to further processing for conversion into Fines; the controversy essentially is whether MSPL can reduce its liability to pay royalty on account of processing part of the ROM from Lumps to Fines prior to its dispatch from the leased area. MSPL's principal challenge to the impugned order is premised on the ground that the respondent authorities cannot prohibit processing and conversion of iron ore Lumps of size +10MM to size -10MM by crushing. There is no contest to this challenge, as the learned Government Advocate readily accepted that there was no restriction on MSPL crushing Lumps into Fines, other than the condition stipulated in the approval of the revised Mining Plan.

20. It is also relevant to refer to the Circular dated 22.06.2020 [**the Circular**] issued by respondent No.2 - the Director, Department of Mines and Geology. The Circular expressly stipulated that under

Rule 8 of the Auction Rules, the ratio of Lumps and Fines should be as per actuals and "Crushing of Lumps is not permitted under any circumstances". The Circular also recorded that the grade and ratio mentioned in Schedule C was notional, to arrive at stamp duty and registration and, "it is expressly clarified that the ratio of Lumps and Fines is the ratio after screening ROM and not by way of crushing the material in the mine into Fines at any stage".

21. MSPL assailed the validity of the Circular in a writ petition, W.P.No.14/2021 (GM-MM-S), filed before this Court. This Court disposed of the petition by an order dated 18.06.2021. The Court referred to Rule 8 of the Auction Rules and clarified that Sub-rule (1) of Rule 8 requires the State Government to specify in the tender document the minimum percentage of the value of mineral dispatched, known as the "reserve price". Under Sub-rule (3) of Rule 8, the bidder is required to quote a percentage of the value of the mineral dispatched equal to or above the reserve price. A successful bidder is obligated to pay an amount equal to the product of the mineral dispatched in a month. The said Rule does not lay down any parameters for computing the value of minerals dispatched for the purpose of making monthly payments. This Court held that the payment of the bid amount would be governed

by clauses 7.1.1 and 7.1.2 of the MDPA. The circular could not vary the mode prescribed under the MDPA. The Court disposed of the petition by holding that MSPL's liability to pay the bid amount would be in accordance with clauses 7.1.1 and 7.1.2 of MDPA.

22. The said decision has attained finality. Clauses 7.1.1 and 7.1.2 of the MDPA are reproduced below:

"7.1 Payment of bid amount

7.1.1 The Successful Bidder shall make monthly payments on the basis of the Final Price Offer (the **"Monthly Payment"**). The Monthly Payment shall be computed on the basis of the Value of Mineral Despatched.

7.1.2 The Successful Bidder shall make annual payments on the basis of the Final Price Offer for the value of the shortfall quantity (the **"Annual Payment"**). In the event that the actual amount despatch is lower than the Minimum Annual Despatch Requirement in a financial year (financial year means from 1st April to 31st March), the value of the resultant shortfall quantity shall be calculated considering the following:

(a) Treatment of shortfall quantity: the shortfall quantity shall be considered in the same ratio of lumps and fines, as the ratio arrived at based on the quantities of lumps and fines actually despatched in the financial year. This ratio shall be applied to the shortfall quantity to estimate the shortfall quantity of lumps and shortfall quantity of fines;

(b) Grade of ore for shortfall quantity: the grade to be considered for the shortfall quantity of lumps and shortfall quantity of fines will be the respective weighted average grade of ore for lumps and fines, which further will be based on the quantities

and corresponding grades of lumps and fines actually dispatched in the financial year; and

(c) Price to be applied for shortfall quantity: the average of the monthly Average Sales Price (Karnataka State) published by IBM for the grade arrived at (b) above by lumps and fines for the financial year shall be considered for the purpose of calculation of payment related to Minimum Annual Despatch Requirement.

Provided in case of no production during a financial year, lumps: fines ratio, as per despatches in the preceding year will be considered for treatment of shortfall quantity by lumps and fines, in such financial year. The weighted average grade of ore taken separately for lumps and fines in the preceding year's despatches will be respectively considered for the shortfall quantity of lumps and shortfall quantity of fines for the financial year with no production. However, price to be applied for the shortfall quantity shall be based on average of the monthly Average Sales Price (Karnataka State) published by IBM for the concerned grade for the financial year with no production for the purpose of calculation of payment related to Minimum Annual Despatch Requirement.

Provided further in case of no production after the grant of mining lease, average grade in the geological report shall be considered with lumps to fines ratio at 50:50. Further, the price to be applied for the shortfall quantity shall be based on average of the monthly Average Sales Price (Karnataka State) published by IBM for the concerned grade for the financial year with no production for the purpose of calculation of payment related to Minimum Annual Despatch Requirement."

23. It is also relevant to refer to paragraph 10 of the order dated 18.06.2021 in WP.No.14/2021, which clearly sets out the manner in which monthly and annual payments are to be made.

"10. As per Clause No.7.1.1 of the said Mine Development and Production Agreement, the monthly payment must be made by the petitioner computed on the basis of the value of minerals dispatched. Clause No.7.1.2 provides that the annual payments have to be made on the basis of the Final Price Offer for the value of shortfall quantity. Thus, in the event of the actual annual dispatch made during the course of the year being lower than the specified minimum annual dispatch requirements in a financial year, the value of the resultant shortfall quantity is required to be calculated as provided in Clause No.7.1.2 and is required to be paid by the petitioner as annual payment. On a conjoint reading of Clause Nos.7.1.1 and 7.1.2 of the said Mine Development and Production Agreement, it is very clear that these two clauses take care of payment of the bid amount by the petitioner. The monthly payments have to be made only on the basis of computation of value of minerals actually dispatched. While making yearly payment, adjustments are required to be made for ensuring that the petitioner meets the minimum annual dispatch requirements as specified. Thus, at the time of making annual payment, adjustment is required to be made to ensure that the petitioner maintains a ratio of lumps and fines as provided in the contract and also meets the requirement of specified minimum annual dispatch."

24. This Court also passed an interim order in conformity with the order dated 18.06.2021 of this Court in WP.No.14/2021.

25. It is clear from the above that royalty is required to be paid on the basis of actual dispatch. According to the State, it is based on the ROM after initial screening into naturally occurring Fines and Lumps. MSPL claims that it must be based entirely on Fines, as it processes Lumps into Fines within the leased area before physically dispatching them from the leased area.

26. We may note that the question regarding deriving the VoM dispatched in respect of iron ore blocks was raised prior to MSPL executing the MDPA. Respondent No.2 - The Director, Departments of Mines and Geology had sent a letter dated 05.09.2019 expressly stating is under:

“It is expressly clarified that the ratio of Lumps and Fines is the ratio after screening the ROM and not by way of crushing the material in the mine into Fines at any stage”.

27. MSPL responded to the said letter by its letter dated 09.12.2019, *inter alia*, stating that its Pellet Plant requires only Fines and not Lumps. It claimed that the MMDR Act and the rules framed thereunder provide for processing and payment of royalty

only on the saleable product removed from the mines. MSPL called upon the Director, Department of Mines and Geology, to confirm that it was liable for payments, statutory or otherwise, only on iron ore Fines dispatched to its Pellet Plant. However, the said contention was not accepted, and this was communicated to MSPL by a letter dated 06.01.2020. Notwithstanding the same, MSPL, by its letter dated 16.01.2020, expressed its willingness to execute the MDPA and the lease deed.

28. We may now proceed to examine the statutory framework relevant to the controversy in this petition. Section 9 of the MMDR Act provides for payment of royalty in respect of mining leases. Section 9 of the MMDR Act is relevant and is set out below:

"9. Royalties in respect of mining leases

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

(2) The holder of a mining lease granted on or after the commencement of this Act shall pay royalty in respect of any 86[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."

29. As is apparent from the above, the holder of a mining lease is obligated to pay royalty in respect of any mineral which is removed or consumed, at the rate specified in Second Schedule to the MMDR Act. The Second Schedule to the MMDR Act refers to iron ore (CLO, lumps, fines and concentrates all grades).

30. Rule 39 provides for payment of royalty. The said Rule, as in force prior to 10.04.2026 is set out below:

"39. Payment of royalty

(1) In case processing of run-of-mine is carried out within the leased area, then royalty shall be chargeable on the processed mineral removed from the leased area.

(2) In case run-of-mine is removed from the leased area to a processing plant which is located outside the leased area, then royalty shall be chargeable on the unprocessed run-of-mine and not on the processed product.

(3) Wherever the Act specifies that the royalty in respect of any mineral is to be paid on an Ad valorem basis, the royalty shall be calculated at the specified percentage of the average sale price of such mineral grade concentrate, for the month of removal/consumption, as published by the Indian Bureau of Mines.

(4) Where the Act specifies that the royalty in respect of any mineral is to be paid based on London Metal Exchange or London Bullion Market

Association price, the royalty shall be calculated at the specified percentage of the average sale price of the metal for the month as published by the Indian Bureau of Mines, for the metal contained in the ore removed or the total by-product metal actually produced, as the case may be, of such mineral for the month.

(5) Wherever the Act specifies that the royalty of any mineral is to be paid on tonnage basis, the royalty shall be calculated as product of mineral removed or consumed from the lease area and the specified rate of royalty."

31. By virtue of the Amendment Rules, the following proviso was inserted in Rule 39(1) of the Rules:

"39. Payment of royalty.—(1) In case processing of run-of-mine is carried out within the leased area, then royalty shall be chargeable on the processed mineral removed from the leased area:

Provided that in case the processing of run-of-mine results in decrease in its economic value, then royalty shall be chargeable on the lumps and fines after initial screening of unprocessed run-of-mine."

32. We may also refer to the meaning of the expression Run of Mine, which is defined in Rule 2(1)(f) of the Rules as under:

" Rule 2(1)(f) "run-of-mine" means the raw unprocessed or uncrushed material in its natural state obtained after blasting or digging, from the mineralised zone of a lease area;"

33. Under Sub-rule (1) of Rule 39 of the Rules, the lessee is required to pay royalty on ROM as processed in the leased area. However, if the ROM is removed from the leased area and

processed at a processing plant located outside the leased area, then in terms of Rule 39(2) of the Rules, royalty is chargeable on the unprocessed ROM and not the processed product.

34. It is apparent that the principal objective of Rule 39(1) is to ensure that any value addition to the unprocessed ROM, within the leased area, is also included in the VoM. Therefore Rule 39(2) of the Rules provides that if processing is carried out outside the leased area, royalty will be charged on the unprocessed ROM. Plainly, the legislative intent is not to include any processing which has the effect of reducing the value of the ore. The literal interpretation of Rule 39(1) of the Rules as was in force prior to 10.04.2026 clearly militates against the legislative intent. The expression “processing of run-of-mine” as used in Rule 39(1) of the Rules must be interpreted as processing that adds value to ROM and not a process that is destructive of its economic value.

35. At this stage, it is also relevant to bear in mind that Section 9 of the MMDR Act contemplates payment of royalty on removal or consumption. In the present case, crushing Lumps and converting them to Fines is an integral part of MSPL's process of manufacturing pellets. It amounts to treating the raw material for the

purpose of manufacture. MSPL draws its raw material from mining activities, which involve removal of overburden by digging and blasting, and mechanical extraction of ore. The processing of ROM by crushing Lumps into Fines is part of MSPL's commercial activity of manufacturing pellets. ROM is the raw material required for its Pellet Plant and is consumed in the manufacture of pellets. Fines are an intermediate product. Thus, the processing of ROM into Fines, in one sense, is part of consuming it for the purpose of manufacturing pellets.

36. The term 'processing' as used in Rule 39 (1) does not envisage any process that is destructive of the value of the ore. Processing raw material in its normal procedure would be akin to an activity that would entail value addition and not a process that is destructive of its value. The process which effectively lowers the value of the ore, and which forms an integral part of the manufacturing process, is akin to consumption; royalty would thus be payable prior to such consumption.

37. In our view, Rule 39(1) as it existed prior to 10.04.2026 must be read purposively bearing in mind the object of the Rule.

38. In **M/s. Mideast Integrated Steel Limited and another** (*Supra*), the Orissa High Court interpreted Rule 64B and Rule 64D of the Mineral Concession Rules, 1960 [**the MCR**]. It is material to note that Rule 64B of the MCR as was in force at the material time is similarly worded. Section 64B of the MCR as was in force at the material time is reproduced below:

"Rule 64B. Charging of royalty in case of minerals subjected to processing

(1) In case processing of run-of-mine is carried out within the leased area, then, royalty shall be chargeable on the processed mineral removed from the leased area.

(2) In case run-of-mine mineral is removed from the leased area to a processing plant which is located outside the leased area, then, royalty shall be chargeable on the unprocessed run-of-mine mineral and not on the processed product."

39. In the said case, the petitioner was engaged in the manufacture of steel, pig iron and sponge iron at its plant in Odisha. It carried on the process of crushing iron ore Lumps partly into Fines, the value of which was lower than that of the iron ore Lumps. Since royalty was paid on an *ad valorem* basis, this would result in a loss to the exchequer if it was calculated on the basis of the value of Fines, as in the present case. Therefore, the State of Odisha decided to charge royalty on Lumps, which the petitioner would

40. The Court held that it was further processing and not the processing envisaged by Rule 64B of the Mineral Concession Rules. The relevant extract of the said decision is set out below:

25.2. He submitted that even if the method and processes adopted by the petitioner in crushing iron ore lumps did not amount to beneficiation, it certainly was further processing and not the processing envisaged by Rule 64-B of the MC Rules.

25.3 That argument has to be accepted in view of the composite scheme of levying royalty on iron ore. While Section 9 of the MMDR Act obliges the holder of a mining lease to pay royalty in respect of any mineral removed or consumed, the rate at which royalty has to be paid is specified in the Second Schedule. The Second Schedule classifies iron ore into three forms, viz. lumps, fines and concentrates. Rule 64-B of the MC Rules provides for charging of royalty on the processed mineral removed from the leased area. The processing envisaged in Rule 64-B could be the processing of iron ore by which it is brought into any of the three forms for which royalty is payable under Section 9 of the MMDR Act; and the manner of computation and payment of royalty as provided in Rule 64-D requires as the basis the mineral produced. A conjoint reading of these relevant provisions for

levy of royalty cannot accommodate further processing of the iron ore in any of three forms.

25.4 Rule 64-B and Rule 64-D of MC Rules have to be harmoniously read with Section 9 of the MMDR Act so as not to allow any particular form of iron ore to escape royalty at the prescribed rate by its conversion into another form i.e. from lumps to fines. Charging and computation of royalty on these lines will not be inconsistent with the basic premise that royalty is payable on mineral removed or consumed from the leased area, because ultimately the iron ore in the form of lumps and fines would be removed from the leased area after royalty being computed on the basis of the mineral produced in the leased area. In other words, when the mineral is already produced in the form in which it is classified in Entry-22 and the royalty could be computed as prescribed, it's actual levy may have to await till the mineral leaves the boundary of the leased area. But, any change in the form of that mineral by any further process has to be ignored for computation of the amount of royalty."

41. Clearly, Rule 39(1) does not contemplate a process which reduces the value of the mineral after it has been extracted in a form on which royalty is payable.

42. In the present case, as noticed above, Rule 39(1) of the Rules has since been amended to introduce a proviso that explicitly provides that, in the event any process reduces the value of the processed mineral, royalty would be payable on the basis of Lumps

and Fines after the initial screening. In our view, the proviso to Rule 39(1) is clarificatory as Rule 39(1) did not contemplate a process that reduces the economic value of the mineral.

43. The learned Senior Counsel appearing for MSPL did not dispute that under amended Rule 39(1) of the Rules as in force from 10.04.2026, MSPL would be liable to pay royalty on the basis of Lumps and Fines as separated by initial screening and prior to the Lumps being subjected to any crushing process. He submitted that the dispute is only confined to the stockpile of Fines that are remaining at the leased area. He contended that MSPL was entitled to remove the stockpile of Fines on the basis of Rule 39(1) of the Rules as was in force prior to 10.04.2026.

44. In view of the above, we reject MSPL's contention that its liability to pay royalty would be confined to royalty payable on Fines and not on Lumps, notwithstanding that the process of crushing carried out in the leased area resulted in reducing the economic value of the mineral.

45. Having stated the above, we must also add that the aforesaid issue is academic in the given facts. Concededly, royalty is payable on dispatch or consumption. The royalty payable under Rule 39(1)

of the Rules is to be determined at the time of dispatch. Since Rule 39(1) of the Rules stands amended with effect from 10.04.2026, MSPL would be liable to pay royalty on the stockpile of processed ROM on the basis of the amended Rule 39(1) as the said mineral has not been dispatched from the said leased area as yet.

46. It was, thus, contended on behalf of MSPL that this Court should pass an order permitting MSPL it to remove the iron ore Fines on the basis of the pre-amended Rules, on the ground that it had been prevented from doing so. This contention is also unpersuasive as MSPL had secured an interim order in its favour dated 04.05.2023, wherein the operation and execution of the impugned order was stayed. Thus, there was no impediment to MSPL in removing the Fines.

47. Mr. Harish, the learned Government Advocate, had also pointed out that there was no communication issued after the impugned order which prevented MSPL from carrying on its activities or from dispatching the iron ore Fines.

48. In any view of the matter, we are not persuaded to accept that in the given facts any order is required to be issued contrary to the applicable Rules.

49. As there is no dispute that the impugned order is not sustainable, we are setting aside the same. The present petition is thus allowed, albeit with the aforesaid observations.

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

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

SD