

IN THE SUPREME COURT OF INDIA
CIVIL APPELLATE JURISDICTION

CIVIL APPEAL NO. 4105/2015

M/S GEM GRANITES

APPELLANT(S)

VERSUS

THE STATE OF TAMIL NADU AND ORS.

RESPONDENT(S)

ORDER

1. Heard Mr. G Umapathy, learned senior counsel for the appellant, and Ms. Haripriya Padmanabhan, learned Senior Additional Advocate General for the respondents.

2. The writ petitioner in WP No. 21191 of 2011, before the High Court of Madras, is the appellant.

3. The appellant challenges the orders dated 19.03.2012 in Writ Appeal No. 2427 of 2011, which confirm the order dated 15.09.2011 in Writ Petition No. 21191 of 2011.

4. The circumstances leading to the filing of the writ petition are as follows:

i. On 08.02.1999 and 11.05.1998, the proceedings were issued, granting a mining lease in favour of the appellant for black granite.

ii. On 08.02.1999, a deed of lease for quarrying and removal of the minor mineral

(Black Granite) was executed between the appellant and the respondents.

5. By the time the lease deed was executed between the parties, a dispute regarding the mode of payment or consideration, i.e., whether the lessee is obliged to pay a seigniorage fee or dead rent, had already been litigated in the challenge initiated by the lessees in the High Court of Madras. The Appellant is one of them. Finally, the challenge to the rule failed. Consequently, the lessee is obliged to pay a seigniorage fee for working in the mine.

6. On 26.08.2011, the respondents demanded Rs. 13,22,65,646/- as interest at 24% per annum on the delayed payment of seigniorage fee from the appellant. The appellant, aggrieved by the said demand, filed Writ Petition No. 21191/2011, and the High Court dismissed the Writ Petition on 15.09.2011. The appellant challenged the order dated 15.09.2011 in Writ Appeal No. 2427/2011, and the impugned judgment in the Writ Appeal has been dismissed.

7. Hence, the Civil Appeal.

8. Learned senior counsel appearing for the appellant contends that the impugned judgment(s) have not construed or interpreted Rule 36(B) of the Tamil Nadu Minor Mineral Concession Rules, 1959, in

the right perspective. The word "may" in Rule 36(B) is the determining factor for the levy or imposition of interest by the respondents. The non-payment of the seigniorage fee is on account of the interim order granted by the High Court in the previous round of litigation. While granting an interim order in the first round of litigation, no condition was imposed on the appellants, and the imposition of 24% interest per annum for delay or belated payment of the seigniorage fee is completely illegal. Alternatively, it is argued that, in the facts and circumstances of the case, the imposition of 24% interest per annum is completely illegal, and this Court may exercise its jurisdiction under Article 142 of the Constitution of India and scale down the interest from 24% to a reasonable rate of 18% per annum.

9. Ms. Haripriya Padmanabhan, the learned Senior Additional Advocate General appearing for the respondents, contends that the lease deed sets out the terms and conditions under which the quarry has been operated. The agreed conditions between the parties are payment of seigniorage fee, rates, duties, etc., as per the time schedule stipulated in the agreement. For delayed payment, the lease deed provides for the imposition of interest. The interest now demanded is the statutory interest

rate, and the respondents have no discretion in the matter. The impugned judgments are correct, and there is no merit in the Civil Appeal.

10. The learned counsel, relying on the very decisions cited by the appellant, explains that no discretion is available to the respondents as well as this Court in levying the rate of interest.

11. The short question for consideration in the Civil Appeal is whether the demand for interest at the rate of 24% is justifiable. The said question need not detain us for long. We have looked at the lease deed dated 08.02.1999, and clause 5 (a) of the lease deed reads as under:

"5.(a) The lessee, in addition to the one time bid/tender amount of Rupees 19,00,000/- paid by him, shall pay during the said term the land revenue, the cess and the area assessment alongwith either seigniorage on the minerals mined or the dead rent for the area leased out, whichever is higher, at the rates which may be prescribed by The Government from time to time in the Appendix II to the Tamil Nadu Minor Mineral Concession Rules, 1959, hereinafter called "The Rules" and in the manner prescribed below and with interest for late payment, as prescribed in "The Rules"

12. Rules 36(B) reads as follows:

"36-B. Levy of interest and recovery of arrears.-

(1) The district collector or the District Forest Officer or any Officer authorised by them in this behalf, may, without

prejudice to the provisions contained in the Act or any other rule in these rules, charge simple interest at the rate of twenty-four percent per annum on any rent, royalty, fee or other sum due to the State Government under the Act or these rules or under the terms and conditions of any quarrying permit or quarrying lease from the sixtieth day of the expiry of the date fixed by the authority concerned for payment of such rent, royalty, fee or other sum and until payment of such rent, royalty, fee or other sum is made.
 [Provided that in respect of minor minerals, namely, building and road construction stones including gravel, ordinary sand, earth and turf and ordinary clay including silt, brick and tile clay, the powers and duties exercisable and dischargeable by the District Collectors under this sub-rule shall be exercisable and dischargeable by the presidents of the Village Panchayats, Executive Officers of Town panchayat and Townships and Commissioner of Municipalities and Corporations, as the case may be, with in their respective jurisdiction.]

(emphasis supplied)

(2) The arrears of any amount payable under the Act or these rules may be recovered under the provisions of the Tamil Nadu Revenue Recovery Act, 1864."

13. The impugned demand has set out the period of delayed payment of the seigniorage fee by the appellant. There is no dispute between the parties regarding the period or manner of the appellant's payments. Therefore, this Court accepts the period stated in the demand dated 26.08.2011 as the period during which the delay in payment of the

seigniorage fee occurred.

14. Looking at the demand dated 26.08.2011 read with Rule 36(B), we are of the view that the delayed payment of seigniorage fee was on account of the challenge initiated by the appellant to the terms of consideration under the lease deed. The appellant is unsuccessful in the challenge *with regard to* payment of seigniorage fee or dead rent.

15. Having been unsuccessful, the appellant has not paid the seigniorage fee as expected while operating the lease deed as per the schedule. Consequently, one of the clauses in the lease deed clearly stipulated the rate of interest payable by the defaulter.

16. From the admitted circumstances of this appeal, we see no reason to interfere with the impugned order(s). Apart from the above, the three-judge Bench Judgment of this Court in *State of Rajasthan & Anr vs J.K. Synthetics Ltd. & Anr.* : (2011) 12 SCC 518, is a complete answer to the two ancillary submissions made by the appellant and applies in all forms to the case on hand.

17. For the above reasons, without burdening our judgment with the precedents, we see no reason to interfere with the impugned judgment. Accordingly, the appeal fails and is dismissed.

18. No order as to costs.

19. Pending application(s), if any, shall stand disposed of.

.....J.
[S.V.N. BHATTI]

.....J.
[N.V. ANJARIA]

NEW DELHI;
SEPTEMBER 01, 2026.

ITEM NO.106

COURT NO.15

SECTION XII-B

S U P R E M E C O U R T O F I N D I A
R E C O R D O F P R O C E E D I N G S

Civil Appeal No. 4105/2015

M/S GEM GRANITES

Appellant(s)

VERSUS

THE STATE OF TAMIL NADU AND ORS.

Respondent(s)

Date : 01-09-2026 This appeal was called on for hearing today.

CORAM :

HON'BLE MR. JUSTICE S.V.N. BHATTI
HON'BLE MR. JUSTICE N.V. ANJARIA

For Appellant(s) : Mr. G Umapathy, Sr. Adv.
Mr. Aditya Singh-1, AOR
Mr. T Vignesh, Adv.

For Respondent(s) : Ms. Haripriya Padmanabhan, Sr. A.A.G.
Ms. Vrinda Bhandari, AOR
Ms. Indumugi C., Adv.
Ms. Pragya Barsaiyan, Adv.

UPON hearing the counsel the Court made the following
O R D E R

1. The Civil Appeal stands dismissed in terms of the signed order which is placed on the file.
2. Pending application(s), if any, shall stand disposed of.

(LOKESH ARORA)
SENIOR PERSONAL ASSISTANT

(NIDHI MATHUR)
COURT MASTER (NSH)